

## Reserving (IBNR) – how to correctly reserve an Engineering portfolio - IMIA WGP 73 (11)

This paper was presented by Jürg Buff, Partner Re. This paper is intended to give underwriters insight into the actuarial world of how to reserve an engineering portfolio with its specific characteristics. Through the contribution made in this IMIA paper, it is not seen as the objective of the group to give recommendations to insurers how to reserve claims of engineering portfolios.



The paper describes some of the standard reserving concepts which are common to all lines of business, and emphasizes about accurately measuring earned premium for medium to long tail business considering the increasing exposure over time, and the consequences for loss reserving. Claims reserves for claims that have not yet been paid can significantly impact the balance sheet and profit & loss account of insurance and reinsurance companies. Particularly in medium/long term business where identification and settlement of claims can take a long time claims reserves are of utmost importance. Insurers are using several methods to determine reserves. No matter which method is chosen it must never be forgotten that reserving is as much an art as a science. There is no method that will deliver the “correct” estimate of ultimate losses in an automatic fashion. For all reserve analyses, multiple techniques are used to come to a sound opinion on the amount, and adequacy, of reserves needed. A thorough understanding of the characteristics of the portfolio underlying the reported claims is critical. Reliability of claims development projections and estimates depends on the volume and accuracy of data which can be made available to actuaries. The difficulty here is to have a suitable IT system which captures this information for extraction.

Link to the IMIA paper:

[http://www.imia.com/downloads/imia\\_papers/WGP73\\_2011.pdf](http://www.imia.com/downloads/imia_papers/WGP73_2011.pdf)