



CARIBBEAN ACTUARIAL ASSOCIATION



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Practical Issues for General Insurance Reserving in the Caribbean

KR Services Limited

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December 2, 2011



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Outline

- General Insurance reserving in the Caribbean
- Challenges facing the region
- Some examples
- Possible solutions

Caribbean Environment

- International trend towards actuarial certification of technical reserves, particularly Outstanding Claims (OCL).
- Regional legislation following this trend.
- Regional companies have often resisted actuarial assessment of technical reserves.
- Auditors have insisted on actuarial review of IFRS 4 LAT, even when not required by law.



Challenges Facing The Region

- Scarcity of non-life actuarial resources in the Caribbean
- High cost of foreign non-life resources
- Small data sets, creating volatile trends
- Some companies cannot produce data in required detail:
 - Claims paid & o/s by accident year and payment year
- Absence of national / regional statistics
- Varying regulatory regimes
- Tailoring foreign standards to a regional setting

Caribbean Case Studies

- **1) Realities of the market**
 - Complex pricing model for East Caribbean health
 - Had to adjust to market
- **2) Management info from IFRS 4 valuations:**
 - Reserves in aggregate adequate
 - One line heavily under reserved, another over reserved – pricing & performance issues?
 - Volatile and significant under-reserving for large claims / smaller claims stable and over reserved.
 - Apparently profitable branch actually losing money.
 - Deteriorating trends in some older claims.

Possible Solutions

- Improve data – claims paid & outstanding & other info by accident & development year
- Data analysis would facilitate:
 - Identification of trends at company level
 - Accumulation of a national / regional data set
 - Improved consistency between company returns
 - More informed and proactive management decisions
 - Possibly, better reinsurance pricing, lower audit fees?
- Develop detailed reporting guidelines

Questions & Answers



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