INTERVIEW

# PROVISIONING METHODS... WORLDWIDE

BY **MARK HEIJSTER**

A valuable benchmarking tool, the global overview of provisioning methods of non-life insurance has just been published by ASTIN. Three top ranking ASTIN members reveal the most important lessons taken from this vast mapping.

FRANK CUYPERS

### WHAT WAS THE INITIAL MOTIVATION FOR ASTIN?

**Pierre Miehe:** 'We wanted to identify international actuarial practices to enable insurers to benchmark. It was also our ambition to foster links between researchers and practitioners. This demonstrates that ASTIN is not just a research orientated theoretical association, but that it also makes an effort to meet the practical needs of insurers. The project, entitled WPNLReserving, was created by a working party set up by Cuypers a few years ago.'

**Eric Dal Moro:** 'The working parties and this project on benchmarking reserving practices generally fall into the idea of promoting the ASTIN section to its members by increasing the value proposition. It is also trying to attract new members who wish to engage in the profession internationally.'

### WHAT IS A WORKING PARTY?

**Frank Cuypers:** 'A working party is a work group that is focused on a technical topic or practice. Its objective is to prepare a report that is shared with all members of ASTIN. We started these working parties in 2013. The idea is to enable them to work internationally by making use of the comprehensive global network of ASTIN.'

### HOW DOES ONE START A WORKING PARTY?

**Frank Cuypers:** 'Any ASTIN member may propose one. A short paper, outlining its purpose, its content and procedure is enough. Then it must be submitted to the ASTIN Committee. If the committee decides to set up the new working party, it can help the initiator by recruiting additional participants from members via a call for candidates. Once launched, ASTIN provides logistical and financial support to the working party.'

### HAVE YOU BEEN SURPRISED BY THE ENTHUSIASM FOR WPNLRESERVING?

**Frank Cuypers:** 'Yes, I certainly was! This proves that the project meets a real need. We have received many applications from more than forty

countries. The selection was quite difficult.

**Pierre Miehe:** 'Coordinating people in more than 40 countries, in all time zones and with such different cultures, requires special attention to project management and monitoring deadlines. But I have been particularly surprised by the very high response rate and enthusiasm of the participants. To give you one example: an Australian manager suggested adding a special section to the report on the future of funding and established a working subgroup which issued, in less than a month, a report of that I find to be of excellent quality.'

**Eric Dal Moro:** 'This project is very useful to the profession and explains the enthusiasm observed. The results of this project thus allow each insurance company to make comparisons with their competitors in other countries. These comparisons highlight where there is work to the done for the actuarial profession, like on the methods used concerning individual claims for instance. These methods are similar to questions on big data which currently is one of the hottest topics for the profession.'

## REGARDING THE RESULTS OF THE STUDY, DID IT CONTAIN ANY SURPRISES?

**Frank Cuypers:** The homogeneity of the methods used! We expected a victory of the Chain Ladder, but certainly not that the method is acclaimed to such an extent.

**Pierre Miehe:** 'The level of use of the Bornhuetter Ferguson method is also very high. When it comes to the more "exotic" methods: it is interesting to note their geographical spread. Thus, the method of Munich Chain Ladder, established in Germany, is mainly used by the neighboring countries and, more surprisingly in Asia (ie Hong Kong, Taiwan), Lebanon and Peru.'

**Frank Cuypers:** 'However, we were disappointed by the little use of breakthrough methods on individual claims. The section on future provisioning clearly mentions the risk that actuaries may well miss the turn on big data issues. Only Switzerland and Sweden are using these methods to more than 20%.

## AND FOR NOW?

**Frank Cuypers:** 'I hope the study will allow insurers to benchmark and better understand the specifics of each country. And it encourages actuaries to try new methods and strengthen their reserving process.'

**Pierre Miehe:** 'Even though we do not plan an annual update, taking into account the principle of stability methods applied in the companies, based on the interest shown and development of big data related issues, we are thinking about relaunching the study between 2018 and 2020.'

**Eric Dal Moro:** 'I think it would be good to add a point on using the ASTIN network.

This project has shown its strength. One lesson I take from this project is that ASTIN has a network of motivated non-life actuaries, covering all insurance markets in the world, professionals who are ready to engage on international issues. At the moment the network is in a more or less sleeping state, it is not used a lot and it is the ASTIN Committee's mission to wake it up every now and then.'

PIERRE MIEHE

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