

Abstract

Claims reserving for general insurance business has developed significantly over the recent past. This has been occasioned by the growth of the insurance market, with the risk underwriting process becoming more and more complex. New insurance products have been developed that cater for the more specific needs of the policyholder. Latent claims have also arisen in recent years, putting major strains on company resources. The case of asbestosis related claims testifies to this, having received widespread attention. Furthermore, recent disasters, such as the floods in Europe and the September 11 terrorist attacks on the U.S. have contributed to the need for more complex ways of analyzing claims experience. The suitability of the models used in claims reserving, have had to be reviewed to ensure that they do not give false impressions. The object of this paper, therefore, is to come up with a comparison of different methods of claims' reserving for a general insurer with a given claims' experience. The suitability of each of the estimates is noted to depend on the purpose of the reserving exercise. The paper discusses some of the methods (for instance, the basic chain ladder method, inflation adjusted chain ladder method, separation technique and Bornhuetter-Fergusson technique) used in claims' reserving, and for a particular claims experience, it gives an analysis of how well each of the methods models claims experience.