

## Loss Reserving within Allianz Group

Casualty Loss Reserve Seminar  
International Reserving Issues  
Chicago, 8-9 September 2003

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## Overview of Presentation

Factors Influencing Loss Reserving

Overview of Allianz Group

Our Approach to Reserving

Direction of Future Reserving Work

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## External factors demand greater reserve transparency

- Auditors
  - conduct individual audits of local companies
  - demand signoff on Group reserves
- Sarbanes-Oxley
  - reserve controls must be in place, and
  - they must be documented.
- SEC
  - demands greater disclosures on reserves (e.g., runoff result, ranges, latent exposures)
- Analysts
  - limited international information available to them
  - tend to extrapolate from U.S. trends
- IASB
  - market value of liabilities

## Overview of Presentation

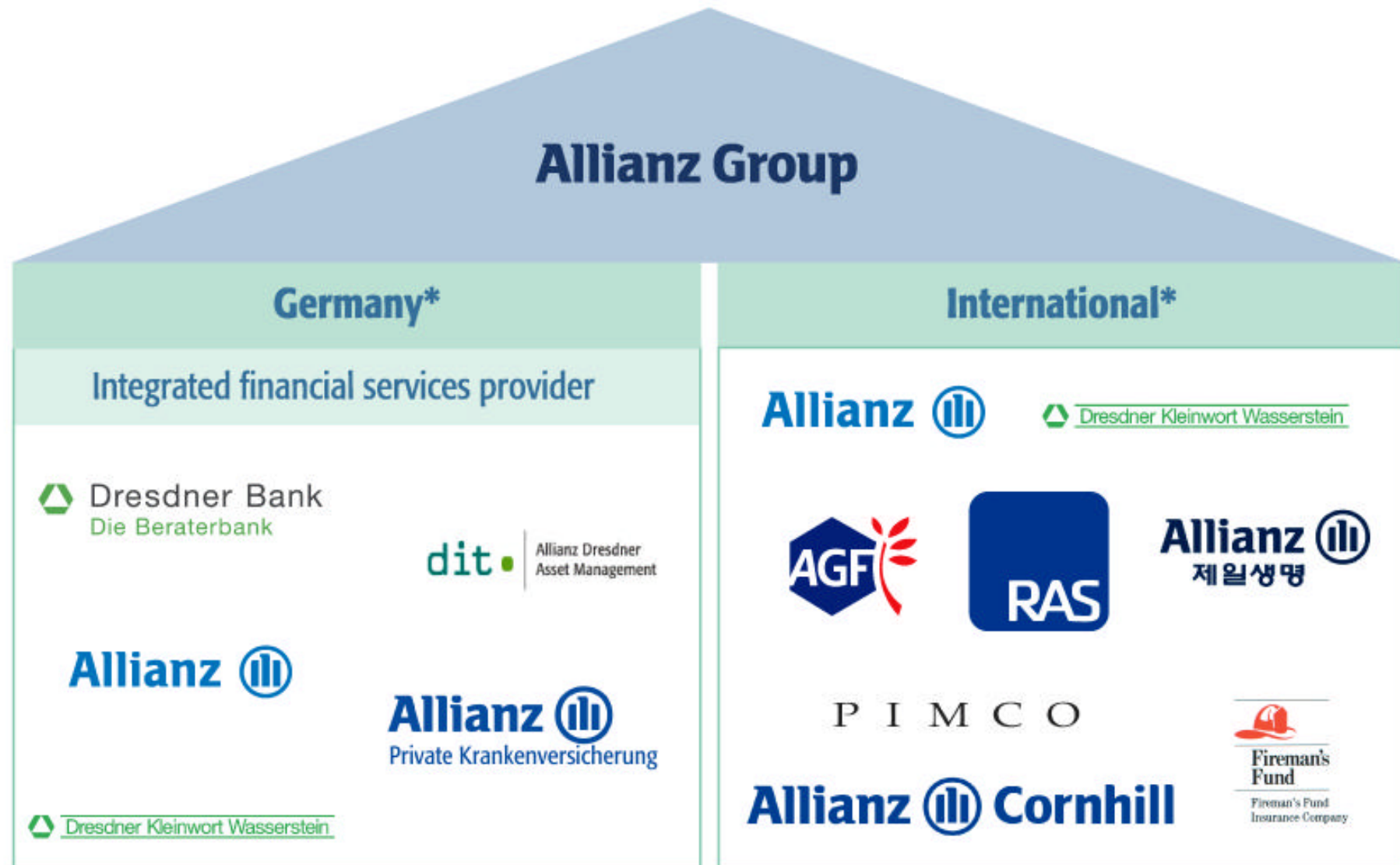
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# The Allianz Group - One Company, Multiple Brands.

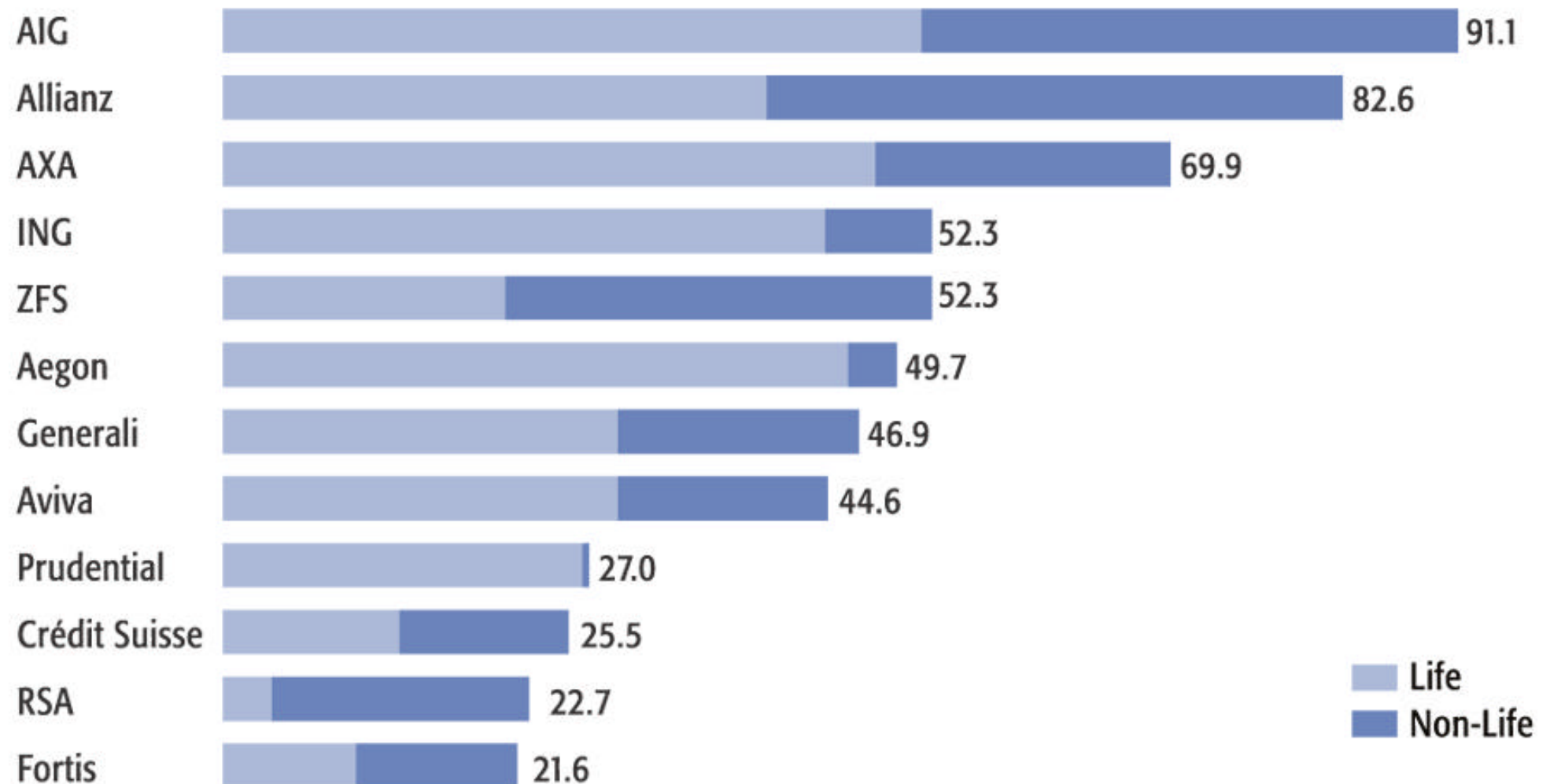


\* Selection, as of April 2003

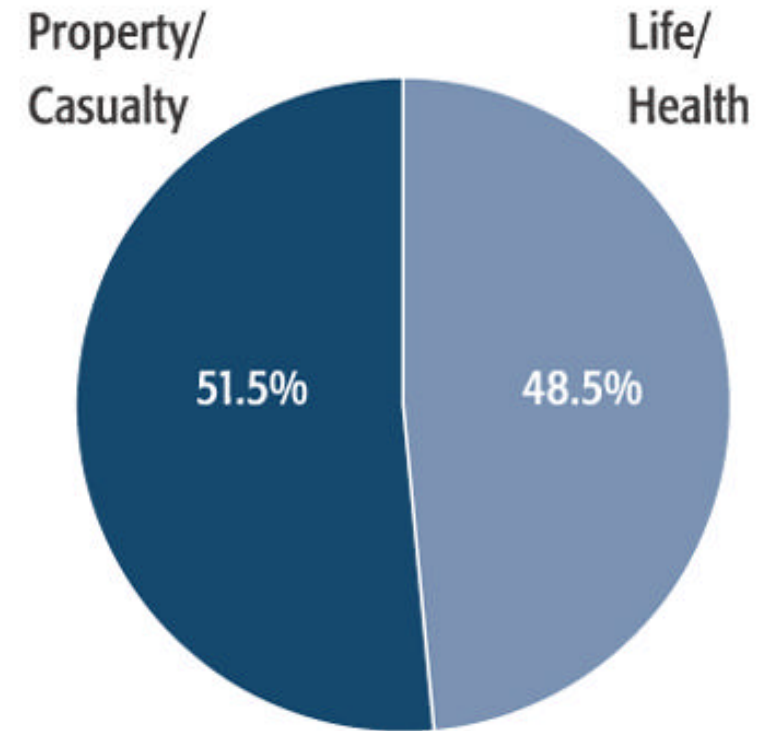
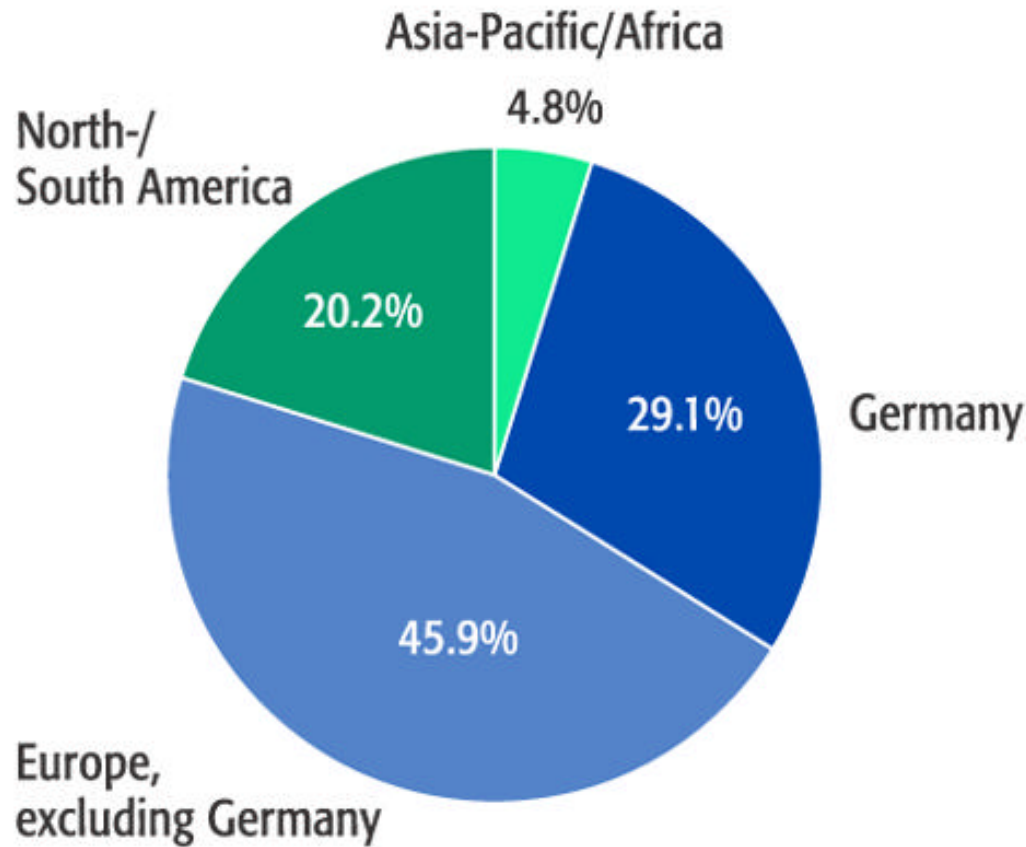
Today Allianz is represented in more than 70 countries

## The Allianz Group - An International Comparison.

Gross premium income 2002  
in € bn



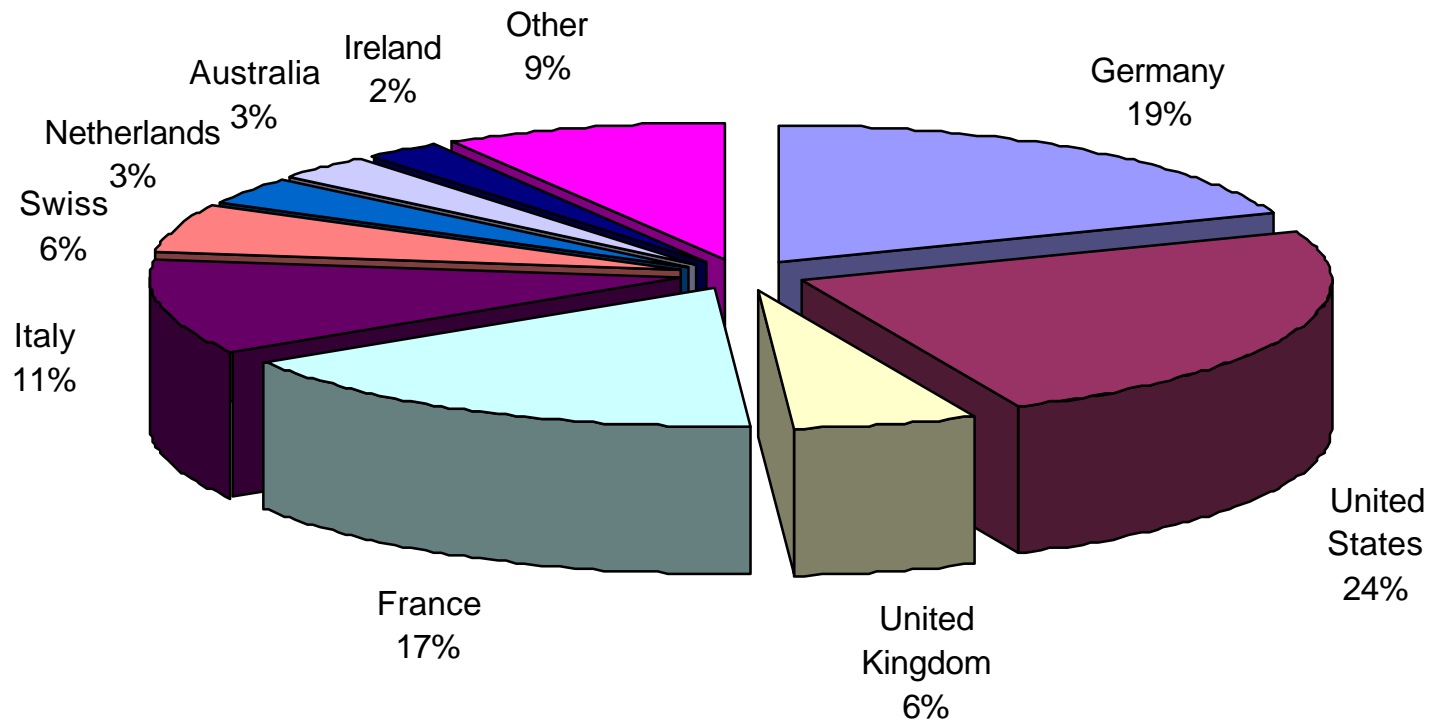
## Origin of Insurance Premiums. \*



\* as of December 31, 2002

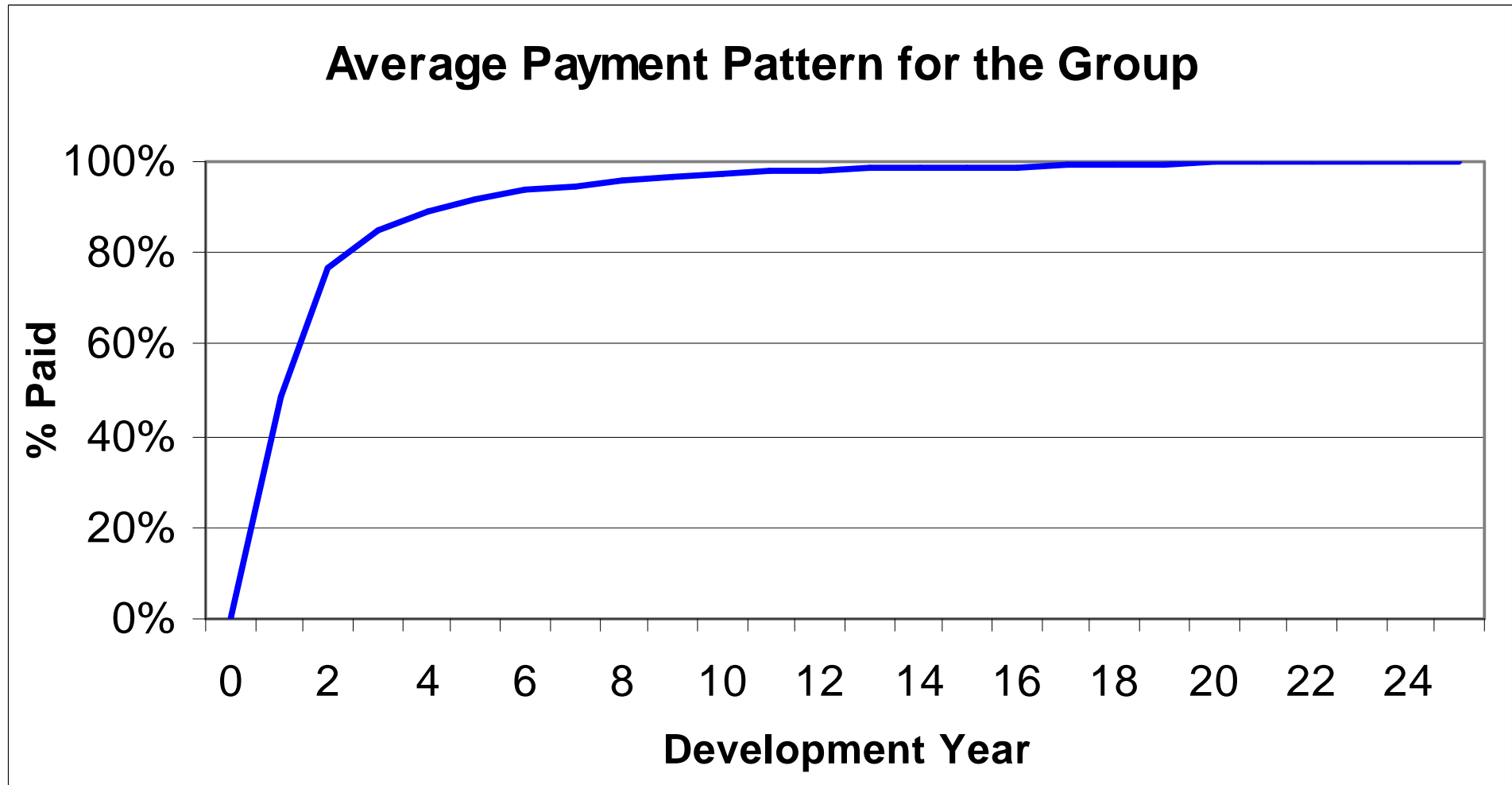


## Origin of loss reserves\* (€61 B gross, €45 B net)



\* As of December 31, 2002

On average, our business is relatively short-tailed



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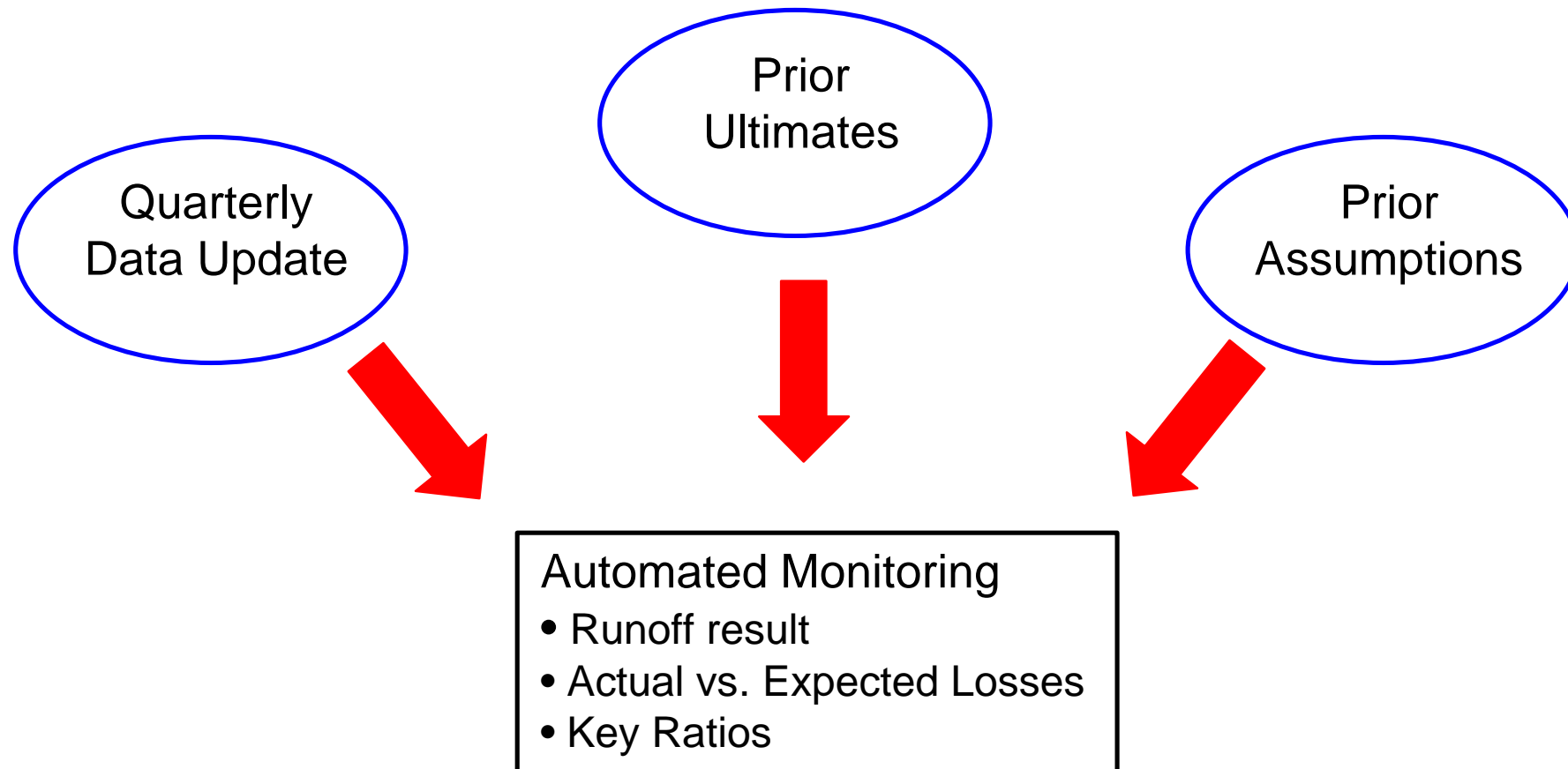
## Principles of loss reserving in Allianz Group

- Local autonomy over:
  - Booked reserves
  - Actuarial methods, assumptions, degree of data segmentation (e.g., by line of business, region, customer segment), etc.
- Local actuary provides annual reserve signoff to the parent.
  - forms basis for Group level external reports and reserve opinion
- Local company also provides standardized data, assumptions and results
- Group Actuarial carries out reserve oversight

## Group Actuarial's reserve oversight process

- Perform independent reviews of reserves for the largest companies
  - 3-4 companies per year at first
  - more as data becomes standardized
- Carry out timely, automated monitoring of reserves for all companies using:
  - historical data (i.e., triangles), updated quarterly
  - annual disclosures of company assumptions and estimates
  - accounting data
- Conduct regular audits of local actuarial reserving processes

## We are setting up an automated reserve monitoring system



## We are focusing on improving data quality and uniformity

- Data problems consume a large part of reserving projects
- Greatest uncertainties are often due to unreliable data
- At the Group level, reserve oversight is impossible without standardized data
- Data standards will, over time, lead to improved reserving

## Actuarial database allows the reporting of timely, uniform historical data to Group Actuarial

- Content is standard historical development triangles
  - Accident year by development quarters
  - Quarterly reporting via the Group Intranet
- Format is uniform for all of Allianz Group
  - requires re-formatting by each company
- Local company decides LOB/Sub-LOB splits
- Contains only “raw” data
  - premiums and paid/incurred loss data
  - no input required from local actuarial department



## Overview of database fields (I)

Field	Type	Description
1	Identifiers	Country Code
2		Company Code
3		Line of Business (LOB) Code
4		Sub-Line of Business (Sub-LOB) Code
5		Reinsurance Code
6		Claim Type Code
7	Dates	Accident Year
8		Valuation Date
9	Premiums	Written Premium
10		Earned Premium
11		Earned Exposures
12	Losses and ALAE	Total paid losses and ALAE
13		Paid losses and ALAE on closed claims
14		Loss and ALAE case reserve

## Overview of database fields (II)

Field	Type	Description
15	S&S	S&S on paid losses (i.e., received)
16		S&S on loss reserves (i.e., anticipated)
17	ALAE	Paid ALAE
18		ALAE Case Reserve
19	Annuities	Paid Annuity Claims
20		Annuity Claim Reserve
21	Number of Claims	Number of reported claims
22		Number of closed claims
23		Number closed with no payment
24		Number of reopened claims

### Notes:

S&S: Salvage and Subrogation

ALAE: Allocated Loss Adjustment Expense

## In addition, each company provides annual reserve disclosures

- Single, consistent source of key reserve information throughout the Group
- Consist of five parts:
  - 1 Cumulative Loss and Loss Expense Tables (similar to Schedule P, Part 1)
  - 2 Reconciliation of Reserves to Accounting Data
  - 3 Data on Latent Claims
  - 4 Statement of Actuarial Opinion
  - 5 Reserve Report (containing actuarial assumptions and estimates)
- Provided once a year, within 60 days of closing the books

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## Direction of future reserving work

- Streamlining data needs and sources
- Combine expertise to explore advanced reserving methods
- Standardize tools and approach to deriving reserve ranges
  - Including correlation across lines and countries
- Better measurement of reserve risk in internal RBC model
- Fair Value Accounting

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