

A Loss Reserving Method for Incomplete Claim Data

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Abstract

A stochastic model of an additive loss reserving method based on the assumption that the claim reserves are good measures for the remaining exposure is presented. This model combines a projection of payments and a projection of corresponding reported amounts such that both leads to the same ultimate. In addition, the presented method even works for some kind of incomplete triangles.

We will state estimators for the total necessary reserves and estimators for the corresponding standard error. Moreover, we will discuss an example based on motor liability data, where we distinguish between property damage and bodily injury claims and only have proper data to do so for the last six accounting years.

KEYWORDS: STOCHASTIC RESERVING, LOSS DEVELOPMENT, MEAN SQUARED ERROR OF PREDICTION.