A Bivariate Approach to Setting Reserves

THURSDAY, November 20, 2008 at 3:00 PM
110 Eckhart Hall, 5734 S. University Avenue

ABSTRACT

Problems arise when actuaries try to set loss reserves using both triangles of paid losses and incurred losses. A new bivariate model is proposed to solve this problem and, most importantly, an analytic solution for the prediction error is derived. It turns out that this model is a generalization of the method actuaries have been utilizing to model one triangle, that is Mack (1993) formula.