ST7 acronyms

### Claims characteristics - CRAFT CRAMPS VEND DRILL

**C**atastrophes  
**R**eporting delays  
**A**ccumulations  
**F**requency  
**T**rends

**C**urrency  
**R**einsurance  
**A**mount (severity)  
**M**oral hazard  
**P**artial payments  
**S**ettlement delays

**V**olatility  
**E**vent delays  
**N**il claims  
**D**efinition

**D**istribution  
**R**eopened claims  
**I**nflation  
**L**arge claims  
**L**atent claims

### Conditions for insurability - Ch 2 - FIVE PUMPS

**\*F**inancially and reasonable quantifiable risk  
**I**ndividual risk events should be independent of each other  
**V**ariance reduced by pooling large numbers of similar risks, and hence acheive more certainty  
**E**xisting statistical data / information sufficient to quantify risk

**\*P**olicyholder has an interest in the risk, to distinguish between insurance and gambling  
**U**ltimate liability should be limited  
**M**oral hazard should be eliminated as far as possible  
**P**robability of event should be relatively small  
*S*\*ize of financial loss commensurance with the amount payable in the event of a claim

### Advantages / disadvantages of quota share - Ch 5

+ spreads risk, increasing capacity and encouraging reciprocal business  
+ directly improves the solvency ratio (without losing market share)  
+ is administratively simple  
+ may provide commission that helps with cashflow  
- cedes the same proportion of low and high variance risks  
- cedes the same proportion of risks, irrespective of size  
- passed a share of any profit to the reinsurer  
- is unsuitable for unlimited covers

### Advantages / disadvantages of surplus - Ch 5

+ enables the insurer to fine-tune its experience  
+ enables the insurer to write larger risks  
+ is useful for classes where wide variation can occur in the size of risks  
+ helps to spread risks  
+ may provide commission that helps with cashflow  
- requires more complex administration  
- is unsuitable for unlimited covers and personal lines cover

### Advantages / disadvantages of excess of loss - Ch 5

+ allows the insurer to accept risks that could lead to large claims  
+ reduces risk of insolvency from a large claim, an aggregation of claims, or a catastrophe  
+ reduces claim fluctuations (and so smooths results)  
+ helps to make more efficient use of capital  
- the insurer pays a premium to the insurer that, in the long run, if priced accurately, will be greater than the expected recoveries under the treaty

### Types of finite risk (or financial) reinsurance - Ch 5 - FISTS

**F**inancial quota share  
**I**ndustry loss warranties  
**S**pread loss covers  
**T**ime and distance policies  
**S**tructured finance

### Capital modelling uncertainty - Ch 9 - MIS PI PIP

**M**odel error / uncertainty  
**I**ncorrect dependencies  
**S**imulation error / too few simulations

**P**rogramming error  
**I**ncomplete data

**P**oor quality data  
**I**nconsistent data  
**P**arameter error

### Uses of data - Ch 10 - SIR MAPEMAP

**S**tatutory returns  
**I**nvestment strategy and performance analysis  
**R**isk management

**M**anagement information and financial control  
**A**dministration  
**P**ricing - premium rating and product costing  
**E**xperience statistics and analyses  
**M**arketing  
**A**ccounting  
**P**rovisioning (reserving) and Capital modelling

### Problems with industry data - Ch 10 - DR DONEQ

**D**etail insufficient, or less flexible, than those available internally  
**R**isk factors differ from organisation to organisation

**D**ifference in organisations / heterogeneity

\* different geographical or socio-economic sections of the market  
\* non-identical policies  
\* sales methods not identical  
\* different practices, e.g. underwriting, claim settlement, and outstanding claims reserving policies  
\* nature of data stored may be different

**O**ut of data data compare to internal data  
**N**ot all organisations contribute  
**E**rrors  
**Q**uality only as good as that of contributors' data systems

### Key factors affecting quality and quantity of data - Ch 10 - SLIM N DC

**S**ize and age of company  
**L**egacy systems  
**I**ntegrity of data systems  
**M**anagement and staff  
**N**ature of organisation

**D**istribution method / method of sale  
**C**lass of business

### Sources of data - CA1 - TRAINERS

**T**ables  
**R**einsurers  
**A**broad  
**I**ndustry data  
**N**ational statistics  
**E**xisting products  
**R**egulatory returns and accounts  
**S**imilar products

### Key features of premium information - Ch 10 - ACT POC

**A**mount of premium written / signed  
**C**ommissions  
**T**imes of payment(s)

**P**remium adjustments  
**O**ther deductions  
**C**ross-selling

### Claim information key features - Ch 10 - DORM ERA

**D**efinition of claims  
**O**utstanding amounts (estimated)  
**R**eopened claims  
**M**ultiple claim payments

**E**xpenses - claims handling  
**R**einsurance recoveries  
**A**djustments at class level

### Information to be recorded - policy / claims record - Ch 10 - SAD CAD

**S**tatus of present record  
**A**mounts relevant and currencies  
**D**efinition of risk and details of cover

**C**laim details (if claims record)  
**A**dministrative details  
**D**ates (control)

### Data requirements for reserving - Ch 10 - DEPP NEE

**D**ates of reporting and occurrence  
**E**stimates (case) - which may or may not be straightforward to make  
**P**aid claims (gross and net of recoveries)  
**P**remiums - type must be consistent with claims data

**N**umber of claims  
**E**xposure measures (other) e.g. turnover, payroll, vehicle-years  
**E**xpenses