

8.3.0 Overview

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Recall that **unallocated loss adjustment expenses (ULAE)** are general expenses that are not associated with a particular claim, e.g., salary of the claims department manager, office space costs, etc. In this section, we will explore a variety of methods used to estimate unpaid ULAE.

Specifically, we explore three types of techniques:

- Dollar-based techniques
- Count-based techniques
- Triangle-based techniques

All methods make different assumptions, vary on what data is needed, and require different calculations. Ideally, there is enough data to use both dollar-based and count-based techniques, upon which the actuary can determine the best estimate of unpaid ULAE. Note that while we will discuss triangle-based techniques, these are hardly used in practice.

Coach's Remarks

ULAE liabilities also possess an intrinsic "market worth" represented by the fees that a third-party claims administrator (TPA) would demand for assuming responsibility for handling the portfolio of claims.

Many self-insurers use these market valuations to determine unpaid ULAE when preparing their financial reports.