



SIGMA Circle Solutions

Actuarial Checklist

As insurance programs increase in complexity, the responsibilities of risk managers, risk management consultants, accountants and brokers also increase. The best solution for managing these new responsibilities is the experience of a casualty actuary. The purpose of this memorandum is to present answers to several questions that arise when you consider acquiring the services of a casualty actuary.

When do you need the services of a casualty actuary?

There are two reasons to use an actuary - (1) some **insurance programs require** that an actuary review loss experience, and (2) an actuary is needed for technical/insurance management expertise due to **business needs or state requirements**. The following is a list of the frequently performed actuarial analyses.

- Actuarial reserve certifications
- FASB 112 requirements
- GASB 10 requirements
- Satisfaction of self-insurance requirements
- Negotiation of security requirements and letters of credit
- Acquisition due diligence analyses
- Evaluation of expected liabilities for financial statements
- Insurance budgeting
- Determination of funding requirements within deductible or self-insured retention
- Negotiation of price for aggregate coverage
- Selection of retention levels
- Cost allocations
- Payout analysis indicating the probable amount of payments by fiscal year

- Present value analysis which indicates the current value of expected future payments at one or more designated discount rates

What questions will give the actuary a better understanding of the project's scope?

Often insurance professionals consider the actuary to be strictly a technician. However, actuaries should be viewed as management consultants who happen to have technical expertise. In order to utilize all the skills an actuary has to offer, be prepared to discuss all issues that impact your company. Before you consult with an actuary be prepared to discuss the following questions.

- What is the scope of the analysis?
- What are you trying to accomplish with an actuarial analysis?
- What are the coverages to be analyzed?
- What operational details of your company affect loss experience?
- Have there been any acquisitions or divestitures?
- Has there been a change in claims handlers?
- Who has handled the claims?
- Has there been a change in reserving philosophy?
- When and what types of loss control programs have been implemented?
- Is your casualty program occurrence or claims-made?

SIGMA Actuarial Consulting Group, Inc.

116 Bellevue Drive South
Suite 103
Nashville, TN 37205

Phone: 615-352-3944
Fax: 615-352-7555
Email: alrhodes@aol.com
www.sigmaactuary.com

Actuarial Checklist

What kind of data will a casualty actuary require?

While actuaries add value in many ways, the reason most people involve actuaries in a project is to take advantage of their technical expertise. The best way to do this is to make available as much data as possible. The following is a sample of the data needed to complete most actuarial analyses.

- Historical first dollar loss experience in a loss triangle format for incurred losses, paid losses and claim counts. Further divisions may include pure loss/ALAE, indemnity/medical, bodily injury/property damage and total counts/counts with cost only.
- For workers compensation, a breakdown of losses by state is needed due to varying benefit levels by state.
- A current loss run on tape, diskette or hard copy.
- Your exposure to loss such as payroll, sales and number of vehicles for all completed policy periods and projected policy periods.
- Policy periods for which data is available.
- Per occurrence and aggregate limitations for all policy periods.
- Information on whether allocated loss adjustment expenses are included within or are in addition to the loss limitation.
- Indicate whether salvage and subrogation have an impact on losses.

Are there ways to save time and money?

Planning ahead is the most effective way to minimize the cost of any actuarial project. The following items should be considered as early in the process as possible.

- If a presentation is required, decide early in the project to minimize travel expenses. You may accomplish a significant portion of the project over the phone (which is a money saver), but do not discount the value of a face-to-face meeting when the

results need to be distributed to several people.

- Coordinate with the data provider to streamline the process.
- Provide as much data at the start of the project as possible. Even if the project is months away, initiate the data gathering process as early as is feasible.
- Offer multi-year contracts to your actuarial provider. This will allow you to negotiate a budgeted expense that prevents unexpected increases in billable rates.

Actuarial consulting services can be a valuable resource to your organization. Communication and preparedness will ensure the effectiveness of actuarial products as management tools. We hope that this actuarial checklist will assist you in obtaining the services your organization requires.



Your source
for answers
to today's
analytical
risk
management
problems

