

ABSTRACT

Accuracy in estimating unpaid claims is critical to insurers. The unpaid claims estimate includes five components: case outstanding on known claims, provision for future development on known claims, estimate for reopened claims, provision for claims incurred but not reported, and provision for claims in transit.

Actuaries use development triangles for the purpose of analysis and estimation. A development triangle is a table that shows the changes in the values of various cohorts over time. The development for any cohort is the change in value for the cohort over time. The most common values analyzed through the use of development triangles include reported claims, paid claims, and claim-related expenses.

Unpaid claim estimates can be found using different techniques. Each method has its advantages and disadvantages, and actuarial judgement is used to choose the method applicable to a particular scenario.