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# Ogden: New approach to practical challenges / genuine uncertainty / data issues

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# Before we begin...

Something fun

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# Before we begin...

Which individual gave their name to the Ogden tables?

Michael Ogden

Hilda Ogden



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# Before we begin...

Before the rate was changed to -0.75% in 2017, in what year was the Ogden discount rate last changed?

1996



2001



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# Before we begin...

How many other countries use a negative Ogden equivalent discount rate?

1 or more countries



No countries



# Before we begin...

What would the Ogden discount rate be if you used yield information from the point of the Brexit vote onwards?

Lower



Higher



# Before we begin...

According to the latest confused.com car insurance price index, by how much have premiums fallen over the past year

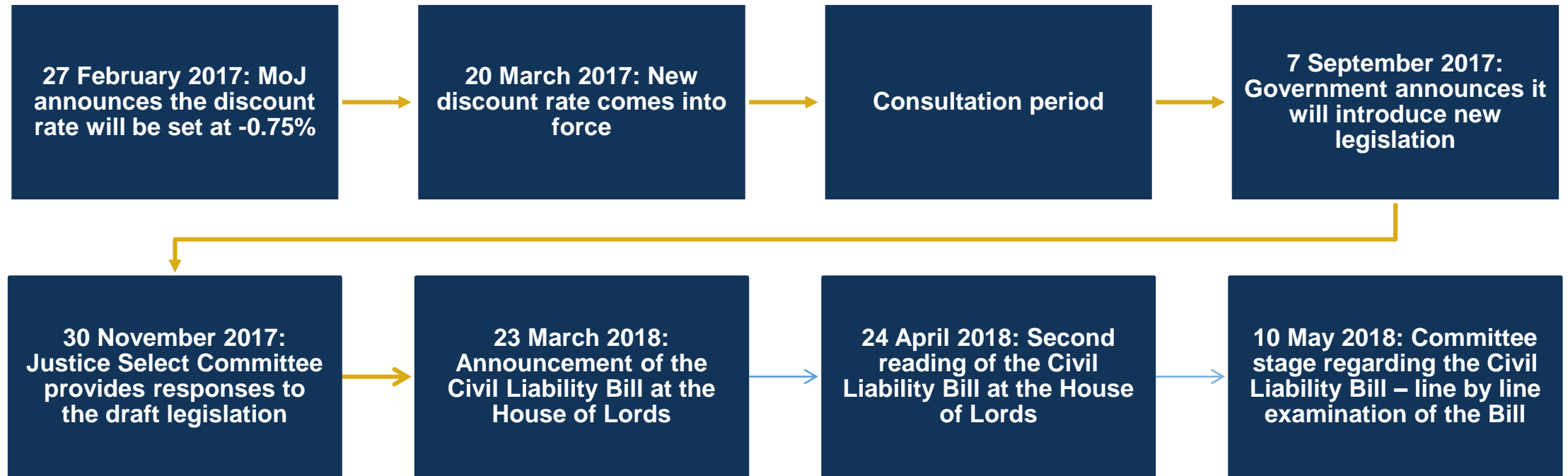
10%



2%

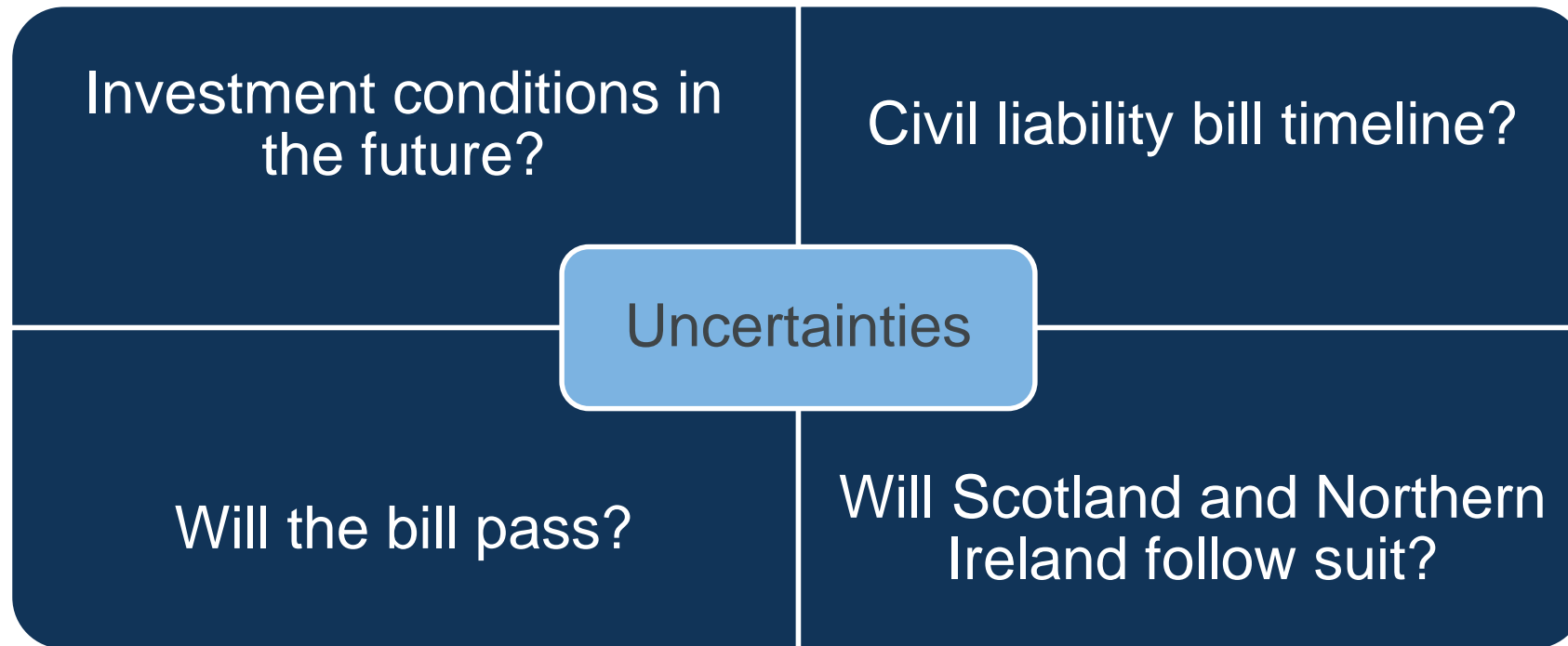


# Ogden... the story so far

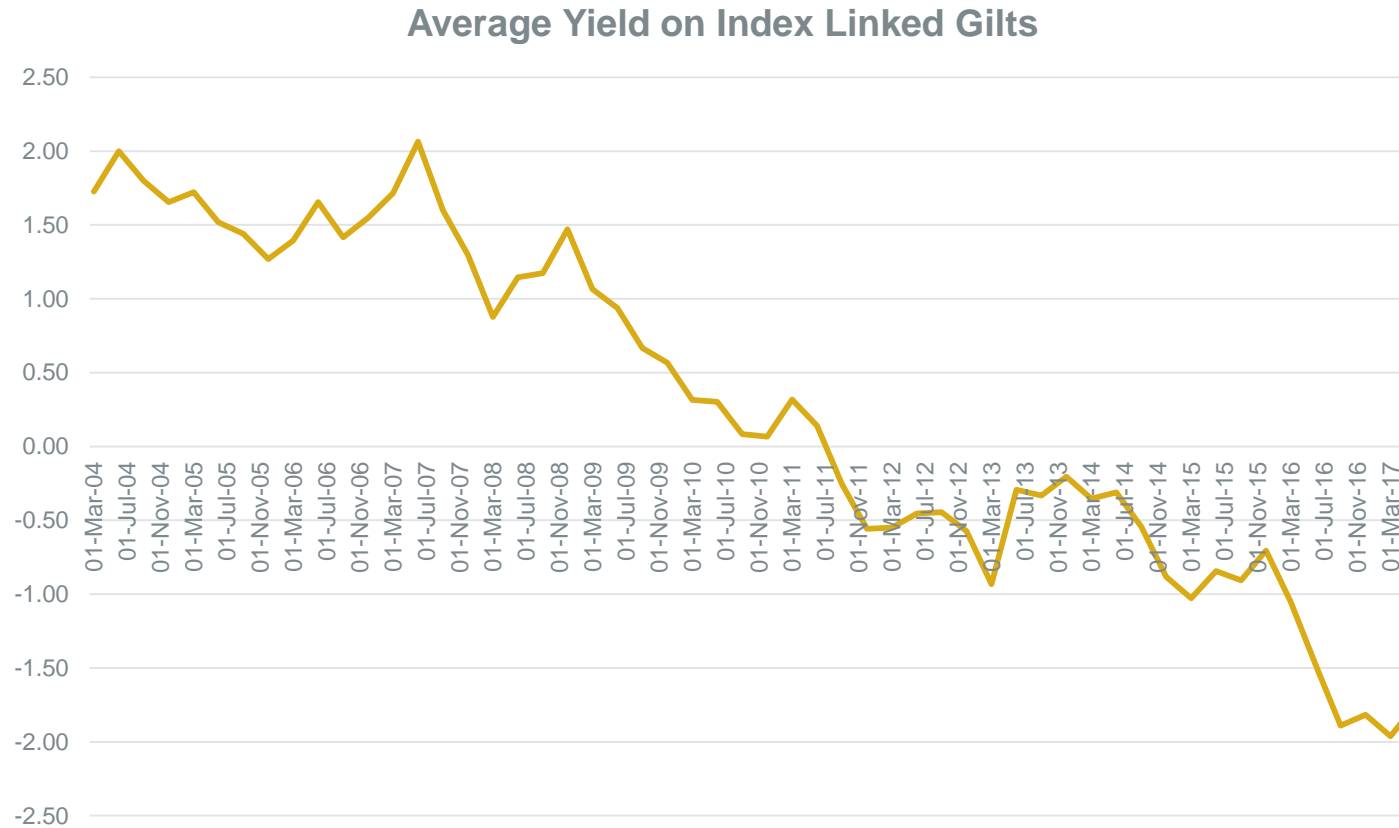




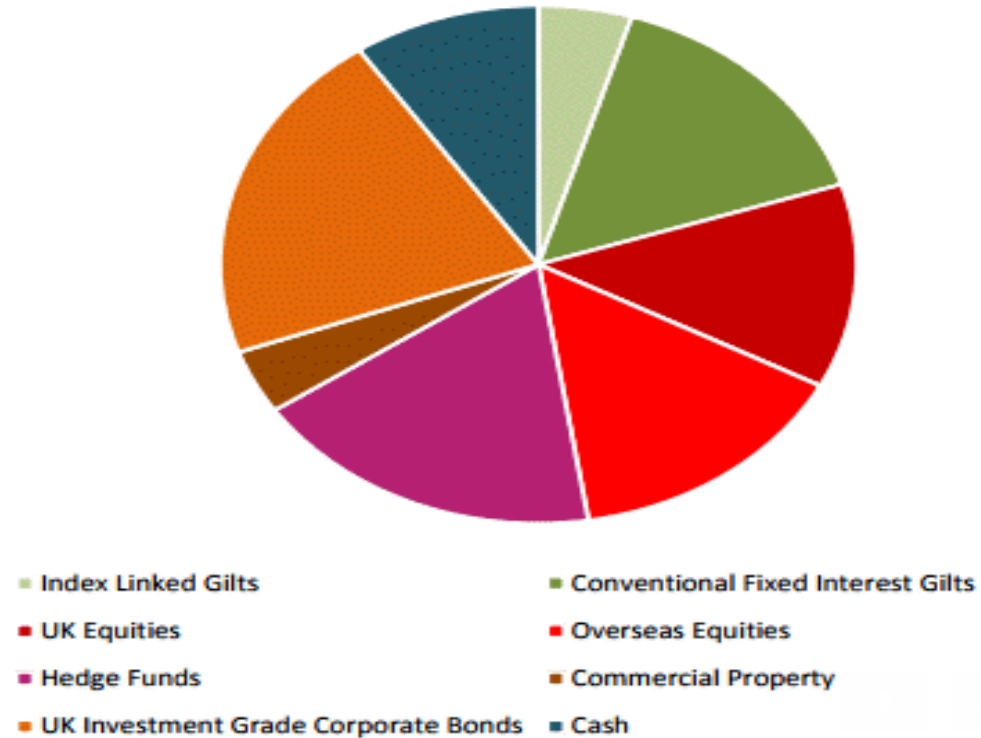
# Key uncertainties



# Current basis for Ogden rate calculation



# Proposed basis for future Ogden rate calculation



# Looking forwards

There are a number of different areas that firms need to consider both from a short-term and long-term perspective, in key areas, as displayed below.

**Reserving**

**Reinsurance**

**Capital**

**Other areas**



# Reserving

- Many insurers have adjusted their case estimates to be based on a discount rate of -0.75%.
- This resulted in an increase to the incurred leading diagonal during Q1/Q2 2017.
- Traditional actuarial techniques can be distorted because they do not properly allow for an increase in incurred claims.
- If the outstanding claims have all been restated at -0.75% continuing to use the same development factors in the chain ladder method can potentially distort the level of IBNR actually required.



# Possible approaches

- A variety of approaches to this issue have been used across the market.
- The more sophisticated approaches involve performing separate projections for known claims and IBNR.
- Intermediate approaches involve restating or adjusting the triangles in order to remove the distortion caused by the Ogden discount rate change and using similar methods as previously used, possibly with a further top-down adjustment to include an Ogden loading.
- In the least sophisticated approaches, cruder or no adjustments are made to the development patterns, and it is assumed that the development pre and post the Ogden rate change is the same. Further top-down adjustments are then made.

# Questions

# Comments

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