



# Reserve Variability Analysis Services

Supporting reserve risk transfers  
in the Lloyd's market

September 2020



# We are seeing an increasing appetite for reserve risk transfer solutions in the Lloyd's market

Insurance Capital Markets Research (ICMR) has undertaken analytical work for a number of Lloyd's clients on their reserve variability.

We model their portfolio output loss values across a range of return periods, producing exceedance probability (EP) curves, to:

- Facilitate transaction structuring on behalf of one party; or
- Produce an independent structuring model to satisfy transaction pricing validation requirements

# Our approach

ICMR receives syndicate reserve data, usually in the form of multiple spreadsheets and written reports. The data contained in these spreadsheets and reports is then assimilated into ICMR's own model.

Ultimate loss and claims development data is extracted on a year of account basis and used to define statistical parameters for modelling. Calculations are made using ultimate claims data to extinction with no discounting. Gross and/or net losses are then modelled stochastically.

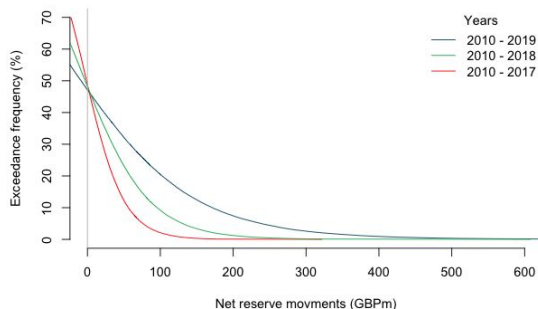
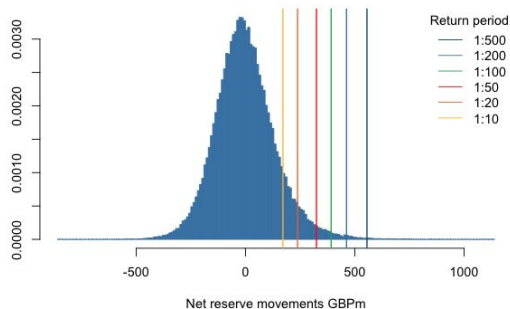
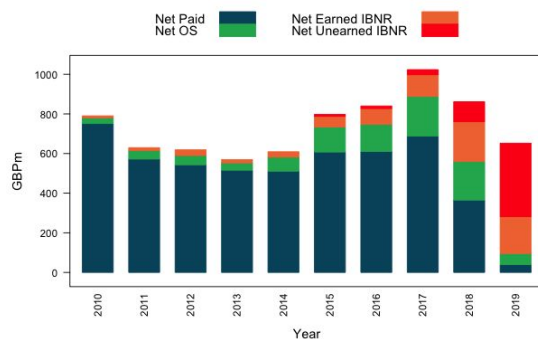
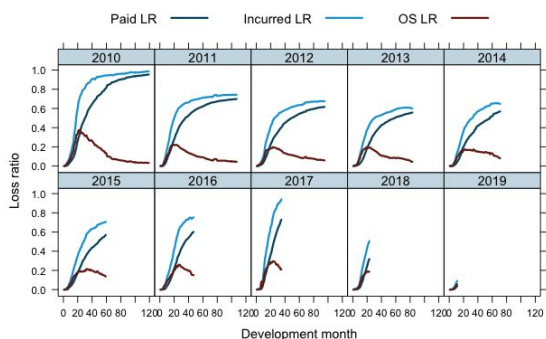
ICMR has been able to shorten timescales for production of analyses through our unique knowledge of Lloyd's systems, data and approaches. Turnaround for output from receipt of client data can be as little as a few working days



# Work undertaken

**Project 1:** Model a syndicate's current reserves for certain of classes of business only and then scenario test different reinsurance arrangements to ascertain the most capital efficient risk transfer

**Project 2:** Model a syndicate's current reserves in respect of different groupings of prior years of account to ascertain the most capital efficient risk transfer



# Team

ICMR provides analytical and research services focused on non-life property & casualty (re)insurance and capital markets.



Markus Gesmann

A co-founder of ICMR, Markus has spent over 15 years in both Lloyd's and capital markets. He is the former head of analysis at Lloyd's and was head of modelling at Libero Ventures (joint venture with Lehman Brothers) and Vario Partners. He developed industry leading price monitoring and portfolio modelling frameworks to assess insurance businesses and created Lloyd's first whole account parametric product. He is a frequent contributor to research papers and conferences, was co-author on a recent [Casualty Actuarial Society paper](#) on hierarchical reserving and is the maintainer of the [ChainLadder](#) 'R' reserving package.



Quentin Moore

A co-founder of ICMR, Quentin has over 30 years Lloyd's and capital markets experience, including directorships of managing agencies and his appointment as Lloyd's first Head of Research where he co-authored Lloyd's Performance Management template in the aftermath of Lloyd's WTC losses of 2001 and helped implement Lloyd's capital modelling. He co-founded Libero Ventures, (an ILS joint venture with Lehman Brothers) and more recently co-founded Bermuda-based ILS firm, Vario Partners. He has worked in insurance private equity, in investment banking and in actuarial consulting.

# Contact

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# About ICMR

ICMR was established to bridge analytical gaps between insurance and capital markets. Our core activities are providing insurance data, analysis and insights. Our products range from subscription to our regular output feeds through to consulting assignments for individual clients:

- **Subscription Services**
  - Curated Lloyd's data
  - Proprietary "outside-in" Lloyd's syndicate capital modelling
  - Pro-forma annual accounting forecasts by syndicate
- **Consulting Services**
  - Transaction advisory services, focusing on structuring and valuation
  - Proprietary "outside-in" Lloyd's syndicate full 'EP' curve modelling
  - Benchmark white-labelling within client MI and Board reporting