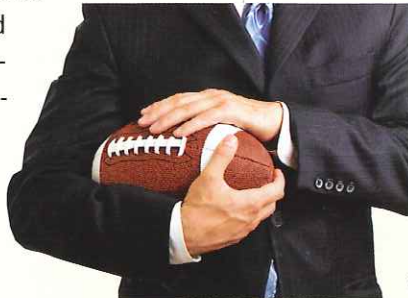




Each year, as summer winds down and autumn approaches, the familiar phrase, "It's time to report," is repeated by many sports columnists across this country, as they look to fill the space in their sports sections and gain the attention of their readers by previewing the upcoming National Football League (NFL) season. With training camps opening and each team attempting to integrate its newest additions to their rosters, there seems to be an unlimited number of forecasts and predictions for the upcoming season.

In an effort to lend support and credibility to such prognostications, the author will oftentimes take the reader on a journey through the local team's roster,



position by sometimes painful position (yes, indeed, having a strong third string right guard in August is a critical component for any Super Bowl contender) over the course of a couple of weeks until the kick-off of the team's first pre-season game. From then on, it's at least 20 weeks worth of data to work with and analyze to refine or explain away the original projections.

While the particulars may be different, this annual process that the local sports columnists go through is not all that different from what I find myself doing this time of year. When the request, "It's time to report," comes my way, instead of heading off to a college dormitory for a couple of weeks of "two-a-days," I typically travel to a

boardroom somewhere, to preview with clients how their upcoming statutory Annual Statement season might look. With a new year of claim frequency and severity data to integrate into our analyses, we too, are in the process of making a number of forecasts and predictions for the upcoming season.

Although there is a bit less fanfare, at least outside the confines of our office, surrounding our prognostications amongst the general public (inside our office our players are teeming with anticipation and excitement), the inter-

est level among the PIAA member companies is very keen. The sometimes painful position-by-position analysis has given way to an always delightful comparison of actuarial projection method by actuarial pro-

jection method (yes, indeed, the average hindsight outstanding method is once again a critical component of any lineup this year), along with a review of certain diagnostics to assess the reasonability of those projections.

Each NFL team or PIAA member company has its own specific issues to address, in order to have a successful football or Annual Statement season. Having reviewed a fair number of projections of late, there appears to be some common themes developing for this season, at least among the PIAA members. The first item of note is not new, but may require some additional emphasis this season, given the most recent additions to the roster of data. While not universally true, more than a

few datasets are indicating modest increases in claims frequency. As a significant portion of the industry's favorable financial record over the past five years can be reasonably attributed to this player, it follows that its performance needs to be carefully tracked and monitored. It's possible that the recent performance in claim frequency is nothing more than an aberration or is simply isolated to a limited number of datasets. It's also possible that it's not.

While some datasets appear to be experiencing an increase in claims frequency, nearly all of them are showing an increase in the average cost to defend claims. The increase in the average defense cost per claim is outpacing increases in the average indemnity payment per claim, by a noticeable margin. Given the reduction in claims frequency that occurred several years back, there are fewer open claims per claims handler, and thus it seems plausible that companies are working the claims more thoroughly now that the individual claims handlers have the time and capacity to do so. This approach may well be leading to better claim settlements and—in the end—we might be able to observe lower total costs for the industry. While this may be true—in the meantime—what we can, and have, observed is higher defense costs per claim.

Most NFL teams enter the upcoming season with a few things to work on in order to ensure a successful season. The PIAA member companies do, too. **PIAA**

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