

Est of Loss Reserves Based on

Method	Ultimate Loss Formula	Development Assumption	Actual Loss Data	Note
Paid Loss Development	$\text{Paid Loss}_t \times \text{ATU}_{\text{Pd}@t}$	Yes	Yes (Proportional)	Estimates may be distorted by unusual loss activity in a specific accident period
Incurred Loss Development	$\text{Inc Loss}_t \times \text{ATU}_{\text{Inc}@t}$	Yes	Yes (Proportional)	
Paid Bornhuetter-Ferguson	$\text{Paid Loss}_t + \left[1 - \frac{1}{\text{ATU}_{\text{Pd}@t}} \right] \times \text{Init UltLoss}$	Yes	No	The Initial Expected Ultimate Loss assumption is critical to loss reserve estimates
Incurred Bornhuetter-Ferguson	$\text{Inc Loss}_t + \left[1 - \frac{1}{\text{ATU}_{\text{Inc}@t}} \right] \times \text{Init UltLoss}$	Yes	No (Except for Case/IBNR mix)	

Note: this exhibit accompanies the video, **Loss Development and Bornhuetter-Ferguson Methods - A Visual Approach**, available on Youtube.