

## P&C Insurance

### Naming Conventions by Loss Type



Formula	Loss Type	Loss Only	ALAE Only	Loss & ALAE Combined	ULAE	Loss, ALAE, and ULAE Combined
<b>A</b>	<b>Paid</b>	Paid Loss	Paid ALAE	Paid Loss & ALAE	Paid ULAE	Paid Loss & LAE
<b>B</b>	<b>Case Reserves</b>	Case Reserves	ALAE Case Reserves	Loss & ALAE Case Reserves		
		Case Loss	Case ALAE	Case Loss & ALAE		
		Case Outstanding	ALAE Case Outstanding	Loss & ALAE Case Outstanding		
<b>C = A + B</b>	<b>Reported</b>	Reported Loss	Reported ALAE	Reported Loss & ALAE		Reported Loss & LAE
		*Incurred Loss	*Incurred ALAE	*Incurred Loss & ALAE		*Incurred Loss & LAE
		Case Incurred Loss	Case Incurred ALAE	Case Incurred Loss & ALAE		Case Incurred Loss & LAE
<b>D</b>	<b>IBNR</b>	Loss IBNR (or IBNR)	ALAE IBNR	Loss & ALAE IBNR	ULAE IBNR	Loss & LAE IBNR
		Unreported Loss	Unreported ALAE	Unreported Loss & ALAE		
<b>E = C + D</b>	<b>Reported + IBNR</b>	Ultimate Loss	Ultimate ALAE	Ultimate Loss & ALAE		Ultimate Loss & LAE
		*Incurred Loss	*Incurred ALAE	*Incurred Loss & ALAE		*Incurred Loss & LAE
		Bulk Incurred Loss	Bulk Incurred ALAE	Bulk Incurred Loss & ALAE		Bulk Incurred Loss & LAE
<b>F = B + D</b>	<b>Case + IBNR</b>	Loss Reserves	ALAE Reserves	Loss & ALAE Reserves		Loss & LAE Reserves
		Unpaid Loss	Unpaid ALAE	Unpaid Loss & ALAE		Unpaid Loss & LAE

IBNR = Incurred But Not Reported

ALAE = Allocated Loss Adjustment Expense

ULAE = Unallocated Loss Adjustment Expense

LAE = Loss Adjustment Expense

#### Notes:

\* Note that **Incurred Loss** has two distinct definitions - it can refer to reported loss or ultimate loss, depending on the context. This ambiguity is the cause of much needless confusion.

I recommend using the terms reported loss and ultimate loss instead of incurred loss.

Loss adjustment expenses may be categorized as **ALAE/ULAE** or **DCC/A&O**. Only the former is presented in this exhibit; see page 2 for more details.

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Types of IBNR and Types of Loss Expenses



Primary Types of IBNR		
Category	IBNR Sub-Type	Provides for:
IBNR Incurred but Not Reported	Pure IBNR or IBNYR*	Late reported claims
	IBNER Incurred but Not Enough Reported	Case reserve development Reopened claims Pipeline claims

Primary Types of Loss Expenses			
Category	Expense Sub-Type	Full Name	Description
LAE Loss Adjustment Expense	ALAE	Allocated Loss Adjustment Expense	Loss related expenses allocable to specific claims
	ULAE	Unallocated Loss Adjustment Expense	Loss related expenses not allocable to specific claims
LAE Loss Adjustment Expense	DCC	Defense Containment Cost Expense	Defense, litigation, and medical cost containment expenses
	A&O	Adjusting & All Other Expense	All other claims expenses including salaries and employee overhead

Formula:

IBNR = IBNYR + IBNER

ALAE/ULAE and DCC/A&O are two different methods for categorizing claims-related expenses.

The following relationships are generally true:

- All DCC is categorized as ALAE
- Some A&O is categorized as ALAE; some A&O is categorized as ULAE
- Not all ALAE is categorized as DCC
- All ULAE is categorized as A&O

\*IBNYR = Incurred but Not Yet Reported