

COMMENT

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Even if the model is particularly interesting for theoretical purposes we deem that its best use is connected with the practical need of a Company. In fact the target to be reached by an insurance manager is not a “prediction” about the future inflation rate, but the forecasting of the impact of inflationary process on his Company as well as the consequences of every decision taken under inflationary conditions.

For this purpose the model is particularly useful since it allows the manager to evaluate the different influences of a given rate of inflation on the various items (claims, premiums, expenses etc.) according to the relevant time lags involved.

In this way, when the inflationary trend varies, he will be able to adopt an adequate strategy in order to counterbalance the phenomenon and to test the results of the new policy.

However, it is to be underlined that the more the model fits the features of the Company the sounder the results of the simulation will be.

This does not mean that the model should be extremely sophisticated but simply it must reflect the main characteristics of the Company's

structure and activity, such as subdivision of portfolio, schedule of settlements, distribution of investments etc.

In other words the Company which intends to use the model for practical purposes has to identify itself in it. On the other hand the stimulation exercises should take into account the actual measures adopted in real situations.

The simulations performed in this first study based on perhaps dramatic assumptions were intended to make the users acquainted with the working of the model. With reference to the action 4, for instance, the increase of 3 % of the number of policies would seem unrealistic since — under similar conditions — a wise manager would have tried to increase each category of risks according to different percentages or even to reduce the portfolio. However, without the help of a mathematical tool also the wisest manager would be in trouble in choosing a proper strategy as well as in knowing all its effect in the future.

Finally it must not be forgotten that the model — besides resolving practical problems — allows the manager to improve his knowledge about the complex aspects and the various connections in an Insurance Company.