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Modelling Claims Run-off with Reversible Jump Markov Chain Monte Carlo Methods

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Abstract

In this paper we describe a new approach to modelling the development of claims run-off triangles. This method replaces the usual ad hoc practical process of extrapolating a development pattern to obtain tail factors with an objective procedure. Two possible model classes are suggested, and the results from the example suggest that Model class 2 might be more suitable for practical purposes.