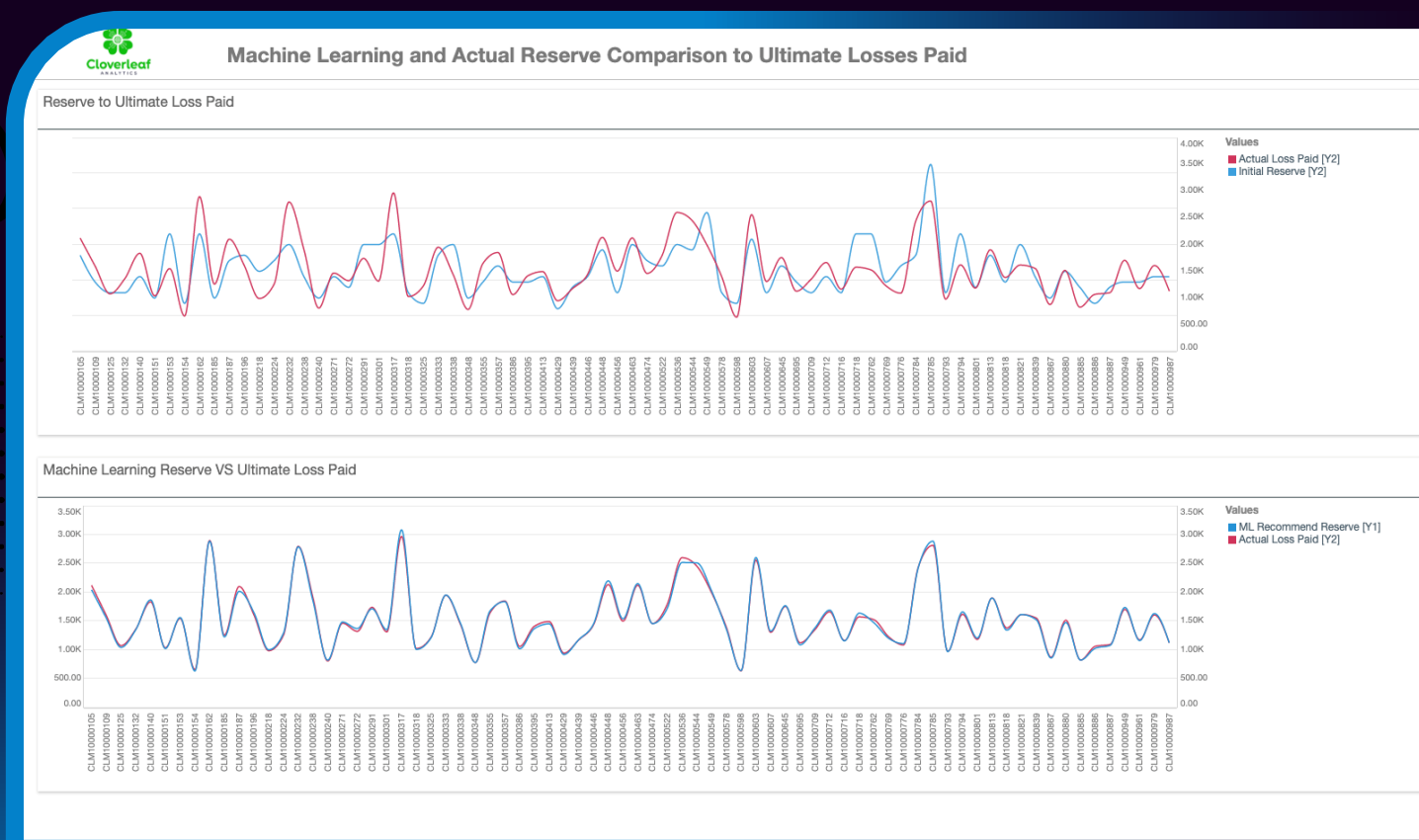


# CLOVERLEAF INSURANCE INTELLIGENCE INSIGHTS (CI<sup>3</sup>) RESERVING ADEQUACY

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**CLOVERLEAF ML  
ACCURATELY PREDICTED  
THE LOSS AND  
COULD'VE HELPED THE  
CARRIER BETTER  
PREPARE**



THESE GRAPHS DEPICT THE ACTUAL LOSS PAID ON CLAIMS.

THE TOP GRAPH EXPOSES THE ADJUSTER'S RESERVE INACCURACIES, WHILE THE BOTTOM GRAPH DEMONSTRATES THE ML'S HIGHLY ACCURATE RECOMMENDED RESERVE CLOSELY MATCHING THE ULTIMATE LOSSES PAID ON CLAIMS.

REGULATORY BODIES REQUIRE INSURERS TO HAVE ADEQUATE RESERVES TO COVER CLAIMS. NOT HAVING ADEQUATE RESERVES (UNDER-RESERVING) COULD LEAD TO PENALTIES AND FINES.

**BAM!**

**BOOM!**

NOT HAVING ADEQUATE RESERVES CAN ALSO AFFECT THEIR RATINGS WITH AM BEST AND OTHER RATINGS COMPANIES. WITH A DOWNGRADED RATING, INSURERS MAY LOSE CUSTOMERS OR NOT ATTRACT CUSTOMERS BECAUSE OF A LACK OF CONFIDENCE.

IF AN INSURER IS OVER-RESERVING, THEY ARE TYING UP MONEY THAT COULD BE USED FOR OTHER PURPOSES.

**KER-CHING**

**POW!**

**TA-DA!**

INSURERS USE RESERVING TO JUSTIFY THEIR PRICING. IF THEY ARE OVER-RESERVING, THEY MAY BE PRICING TOO HIGH AND GIVING THE COMPETITION AN EDGE. IF THEY ARE UNDER-RESERVING, THEY MAY BE UNDERPRICING THEIR POLICIES AND NOT MAINTAINING ADEQUATE CASH ON HAND, RISKING GETTING DOWNGRADED BY RATING COMPANIES AND LOSING BUSINESS.

HAVING ACCURATE RESERVING INDICATES FINANCIAL STABILITY. THE INSURER WILL HAVE ENOUGH MONEY ON HAND TO PAY CLAIMS, BUT NOT SO MUCH THAT THEY ARE MISSING OUT ON OPPORTUNITIES BY HAVING CASH UNNECESSARILY TIED UP IN RESERVES.