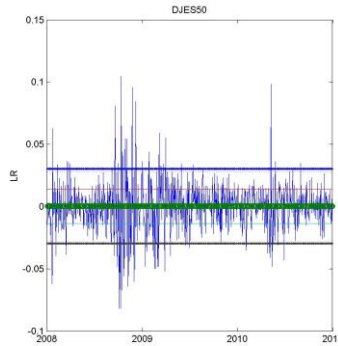


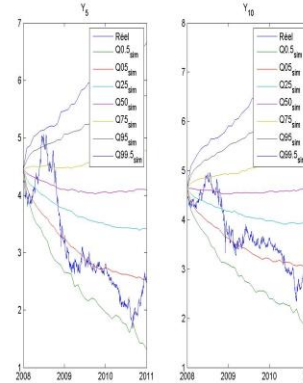
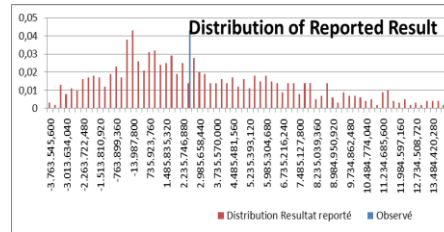
Backtesting process set up & implementation

Client Situation

- Client: Belgian or international insurance group
- Client asked Reacfin to assess the consistency of its model in predicting possible future values of several risk factors/indicators and their distribution through a comparison between past forecast and actual observations



	quantile
AAA	79,97%
AA	29,98%
A	56,77%
BBB	77,09%

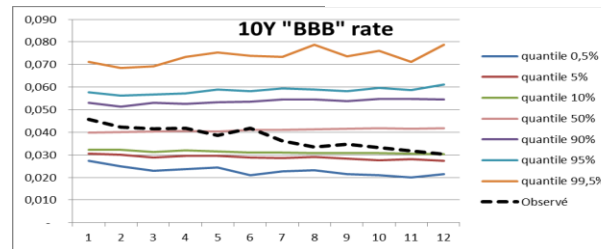


Reacfin Contribution

- Implementation of a complementary “backtesting” module in the company model in order to keep tracks of the past prediction to be used for future backtesting
- Determination of external and internal risk variables to backtest and definition of the backtesting methodology
- Partially automated backtesting system tool for yearly report and documentation

Issues

- Determine key variables to backtest and consistent tests
- Imperfect access to past predictions
- Regulatory requirement by the BNB requiring yearly reporting
- Insufficient check of the consistency of the figures produced by the model



Results & benefits

- Achievement of the first multiyear backtesting
- Backtesting leads to revision of surrender rates' estimation, transition matrix's calibration, profit sharing distribution rule,...
- Credibilization of the model's outputs