

Table 1 – Claim Fact Summary

Policy Period	December 1, 2007 to November 30, 2008		
Date of Accident	November 15, 2008		
Date of Claim Report	February 20, 2009		
Claim Transactions			
Date	Transaction	Reported Value of Claim to Date	Cumulative Paid to Date
February 20, 2009	Case O/S of \$15,000 established for claim only	\$15,000	\$0
April 1, 2009	Claim payment of \$1,500 – case O/S reduced to \$13,500 (case O/S change of -\$1,500)	\$15,000	\$1,500
May 1, 2009	Expense payment to IA of \$500 – no change in case O/S	\$15,500	\$2,000
September 1, 2009	Case O/S for claim increased to \$30,000 (case O/S change of +\$16,500)	\$32,000	\$2,000
March 1, 2010	Claim thought to be settled with additional payment of \$24,000 – case O/S reduced to \$0 and claim closed (case O/S change of -\$30,000)	\$26,000	\$26,000
January 25, 2011	Claim reopened with case O/S of \$10,000 for claim and \$10,000 for defense costs	\$46,000	\$26,000
April 15, 2011	Partial payment of \$5,000 for defense litigation and case O/S for defense costs reduced to \$5,000 – no change in case O/S for claim	\$46,000	\$31,000
September 1, 2011	Final claim payment for an additional \$12,000 – case O/S for claim reduced to \$0 (case O/S change of -\$10,000)	\$48,000	\$43,000
March 1, 2012	Final defense cost payment for an additional \$6,000 – case O/S for defense costs reduced to \$0 and claim closed (case O/S change of -\$5,000)	\$49,000	\$49,000

As explained in Chapter 1, case outstanding represent the sum of the values assigned to specific known claims whether determined by claims adjusters or set by formula. In our example, case outstanding refers to the estimates, for claim and claim-related expenses (e.g., IA and defense costs), for the one claim that occurred on November 15, 2008. The initial case outstanding is the adjuster's estimate of the total amount the insurer will pay on this individual claim at the time of first notice to the insurer (i.e., February 20, 2009).

The example in Table 1 illustrates a number of important characteristics of insured claims. First, claim activity typically extends over a period of time – more than three years for this particular claim. Second, the estimated value of a claim can change over the life of the claim and is not ultimately established until the claim is finally closed. In our example, the insurer initially closes