

Some Principles of Prediction

Klaus D. Schmidt

Lehrstuhl für Versicherungsmathematik
Technische Universität Dresden

Abstract

Rate making and loss reserving both require the prediction of future payments for claims. Whenever this is possible, the prediction of future payments should be based on claims experience in the past and on assumptions describing the way in which future payments depend on those in the past. In the present paper, we develop some basic principles of prediction with special emphasis on affine-linear or linear prediction and on prediction in the linear model.