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FOR IMMEDIATE RELEASE

Press Release

## **Milliman field tests financial implications of emerging international accounting standard for Allstate**

**Milliman's Reserve Variability Model helps insurer understand the impact of accounting changes proposed in the International Accounting Standards Board exposure draft**

Seattle – March 22, 2011 – Milliman, Inc., a premier global consulting and actuarial firm, today announced completion of a project with the Allstate Corporation (Allstate). Allstate participated in the International Accounting Standards Board's ("IASB") field testing project related to the exposure draft entitled "Insurance Contracts." The field testing exercise required a number of complex and statistical calculations. Allstate engaged Milliman to perform calculations outlined in the accounting standard exposure draft using Milliman's Reserve Variability Model. Milliman helped Allstate prepare data for input into the system, analyze output from the various field test model runs, and understand how the potential changes might affect Allstate's financials.

The exposure draft provides a preview of an accounting standard that may emerge for insurance companies within the next several years. This emerging standard may mandate certain reserve levels that reflect various risk loads and interest rate scenarios.

"The proposed change would require insurers to record their reserves differently, using stochastic models that estimate a distribution of possible outcomes," said Lori Julga, principal and consulting actuary with Milliman. "Allstate commissioned Milliman to look at the proposed changes and to analyze how this new standard might affect the company's reserves according to a variety of different techniques."

The project used a subset of Allstate's property and casualty data at year-ends 2007, 2008, and 2009 in order to estimate income statement impacts. The analysis was performed using Milliman's Reserve Variability Model and included risk margin calculations using confidence levels (VaR), conditional tail expectation (CTE or TVaR), and the cost of capital methods. The analysis assisted Allstate's planning for items such as discount rates, risk loads, correlation between different coverages, and implementation of accounting changes.

"Even though the new accounting standard may not be finalized for several years, insurers need to begin to understand the implications so that they can effectively plan for the long term," said Jim Haidu, the actuary with responsibilities for Property Liability loss reserves at Allstate. "This field test allows us to understand how the changes—both individually and in aggregate—are likely to affect our business and, in particular, our reserves. Having a sophisticated stochastic model to perform this analysis proved vital to the success of the project." According to Mr. Haidu, "Milliman's capabilities and expertise were instrumental in Allstate being able to complete the field test in a timely and comprehensive manner."



### **About Milliman**

Milliman is among the world's largest independent actuarial and consulting firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently has 54 offices in key locations worldwide. Milliman employs over 2,500 people. The firm has consulting practices in healthcare, employee benefits, property & casualty insurance, life insurance and financial services. Milliman serves the full spectrum of business, financial, government, union, education and nonprofit organizations. For further information, visit [www.milliman.com](http://www.milliman.com)

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