

## RMS forecast methods

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Hemant Shah, president and CEO of RMS, is correct that the RMS five-year outlook does not offer deterministic predictions. However, the measured language in his Nov. 24 guest column stands in stark contrast to how RMS characterized its outlook at the time it was issued. For instance, a peer-reviewed paper describing its 2006- 2010 forecast methodology said nothing about the uncertainty in the prediction and referred to it explicitly as a "prediction."

Shah further comments on the "remarkable" fact that the prediction did not change over several years. After I participated as an RMS elicitor in 2008, I looked into their methods and found that the results have little to do with choice of experts, but rather, have everything to do with the methodology employed by RMS, which essentially predetermined the results. That is why I said that we elicitors added as much value as a bunch of chimps. When RMS did change its methodology a bit, the expected losses dropped a bit, and RMS suspended its elicitation process.

Along with its peers, RMS is an important company. They do work that potentially helps make the global reinsurance and insurance industry do its work with a closer connection to empirical science. It is precisely because RMS is so important that it merits close attention.

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