

# CMF as a flexible and validated tool for monitoring and controlling costs

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In the last few years, we have been actively involved with Posthuma Partners to develop a stochastic model for analysing reported costs, and creating useful and statistically sound tools for determining prediction, evaluation of claims and many other characteristics, based on this underlying statistical model. All these results have been integrated into the software tool CMF.

Checking the validity of claims has always been an important part of the insurance business. Most companies use a set of rules that the claim has to satisfy, but it is clear that (statistical) information about the claim should be relevant in judging that claim. This is exactly the reason why we have developed the model underlying CMF.

This stochastic model uses a large amount of information about each claim (big data), so it is essential to determine which aspects of the claim are informative about the validity of the claim. We have developed state-of-the-art selection methods and modelling tools to ensure the best possible true positive - false positive ratio and delivering a relevant ordering of the claims, based on continuous data supplied by the insurance company.

As scientists working in statistics, and having a lot of experience with statistical models and real data, we feel that CMF is a valuable and flexible tool for insurance companies to analyse their claims, which is based on sound and state-of-the-art statistical methodology.

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