

BLACK BOX BLUES

All computer models operate on the GIGO (garbage in - garbage out) principle. In the catastrophe modelling business, however, the degree of gi-go is impossible to assess as most, if not all, commercial models are 'black boxes' within which the precise workings are well and truly hidden. Because of this, the Financial Services Authority recently expressed concerns about London market insurers relying on 'black box' catastrophe modelling and underwriting solutions that mean little to anyone but the trained mathematicians, actuaries and geoscientists that produced them. One way to help solve this problem would be to 'open up' the black boxes - at least to some extent - to reveal more about the input and data juggling. This, on its own, however, would be of little use if the user has only limited knowledge of the hazard or risk portrayed in the model. What is also needed is the all-round raising of the knowledge base, with insurance professionals involved in catastrophe modelling encouraged to learn more about natural hazards and their impacts. A good place to start would be the BHRC's unique postgraduate certificate course in Natural Hazards for Insurers. For further information contact Bill McGuire at w.mcguire@ucl.ac.uk or go to www.nhfi.net.