REAL INSIGHTS by INDATECH

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GET REAL WITH DATA

RELIABLE • EXPECTED • ACCURATE • LEGITIMATE

A long time ago in a galaxy far, far away…

Many years ago, I learned of the Drake Equation (developed by Frank Drake in 1961), which is a formula to estimate the number of detectable, communicative alien civilizations in our galaxy by multiplying various factors: ($N = R_* \cdot f_\mathrm{p} \cdot n_\mathrm{e} \cdot f_\mathrm{l} \cdot f_\mathrm{i} \cdot f_\mathrm{c} \cdot L$).

	N – Number of detectable alien civilizations
	R_* – Average rate of star formation in our galaxy
	f_p – Fraction of those stars that have planets
	n_e – Those planets that can potentially support life
	f_l – Fraction of these planets that actually develop life
	f_i – Fraction of those that develop intelligence
	f_c – Fraction of civilizations that develop technology
	L – Length of time such civilizations remain detectable

I also remember learning that "L" (the length of time a civilization could remain technologically advanced, thus communicative) was potentially the most volatile factor. The theory being that if a civilization has developed enough to overcome all threats to its survival, it will then last for an indefinite period of time, or in other words, the ability of technologically advanced civilizations to avoid self-destruction.

To calculate the ***expected*** number of civilizations, sophisticated equipment is needed to look back in time and get the necessary data. Yes, back in time, because light is not instantaneous. When you look at a star that is 1,000 light-years away, you're in fact looking at it a thousand years ago.

Meanwhile, back on Earth… What's the "L"?

When we calculate a Rate for an insurance risk, we need to estimate the future ***expected*** losses. And to make these projections, we mostly base our analyses on historical data - the past.

If we take commercial risks, for example, we start with a COMPLETE assessment of the risk to calculate an appropriate Rate. One that is commensurate with the risk, but also competitive and profitable.

	RATE
	Construction
	Occupancy
	Market
	Protection
	Liability
	Exposure
	Title
	Endorsements

While data from space can be difficult to gather, here, back on Earth, REAL historical data should be available without overly sophisticated equipment. If you've managed your data properly, you should have the confidence to make reasonable projections for these variables.

But when you go through your rating algorithms, ask yourself if there's an "L" in your formula. That one variable that tends to be significantly more volatile and unpredictable than the others.

In the case of a commercial risk, it could be in the Title information, or maybe in Endorsements, due to the unpredictability of climate change. Spend some time to identify and reduce the volatility of your "L". It could make all the difference.

Don't say "What the hell!" but rather, ask What's the "L"?"

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