

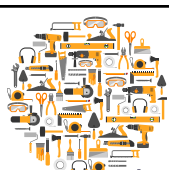


P & C Rate Filings

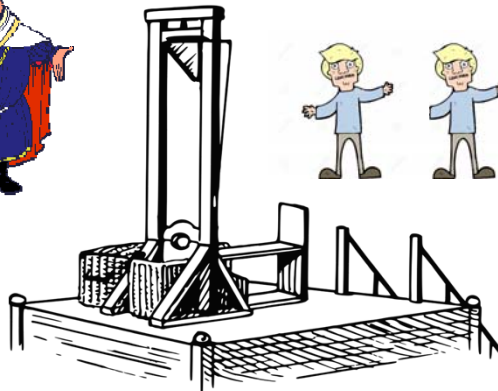
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Senior Actuary

June 22, 2017









Can Actuaries Provide TMI?









Automobile Trends

- LDI trend benchmarks
- Increased driving
 - Low gasoline prices
 - Improved economy
- More complicated repairs



Homeowners Trends

- LDI trend benchmarks
- Favorable non-cat trends
 - Improved economy
- Soft reinsurance market





Filing Support

- Provide actuarial support, especially for new rating variables.
- Provide documentation, i.e., audit trail.
- Provide rationale for selections, especially trend.

| XYZ Ins. Co | Exhibit 1 | | |
|----------------------------------|----------------|-----------------|-------------------------|
| Rate-making Indication (\$000's) | | | |
| (A) | (B) | (C) | (D) |
| Accident Year | Earned Premium | On-Level Factor | On-Level Earned Premium |
| 2014 | \$2,450 | 1.091 | \$2,673 |
| 2015 | \$2,512 | 1.072 | \$2,693 |
| 2016 | \$2,628 | 1.035 | \$2,720 |
| TOTAL | \$7,590 | | \$8,086 |
| NOTES: | | | |
| (B) – See Exh. 2 | | | |
| (C) – See Exh. 3 | | | |
| (D) = (B) x (C) | | | |
| | | | |
| | | | |



Premium Trends / Loss Trends

- Often “mismatched”
- Example – negative company premium trends, positive industry loss trends
- Focus should be on “net trend”





Catastrophe Modeling

- Catastrophe Model Interrogatories – see Bulletin 2013-04
- Confidentiality can be requested



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Cat Modeling

- Latest accepted models
 - RMS – 15.0.1
 - AIR – 15.0.2
 - CORELOGIC – 16.1
- Non-hurricane modeling
 - Experience history needed as support (e.g., 30 years)



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Other Personal Lines Issues

- 12-month separation rule for effective dates
 - For overall average rate increases
- Generalized linear modeling (GLM's)
 - Detailed support needed
- Risk Transfer Cost (RTC) – for property insurance
 - $RTC = \frac{P\&C - 6.0\%}{\text{Hurricane AAL}} + NCR + RL$
- Usual range 0.30 to 1.50

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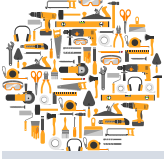
Other Commercial Lines Issues

- Bulletin 2016-03 – schedule rating
- Measuring rate impacts
 - Use bureau loss cost impact only when premium volume is \$0
- Ranges of rates and other rating subjectivity are not acceptable except by virtue of schedule rating











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Questions?



P & C Rate Filings

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