

P&C Rate Filings

Lawrence J. Steinert, FCAS, MAAA

Senior Actuary

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LOUISIANA INSURERS' CONFERENCE
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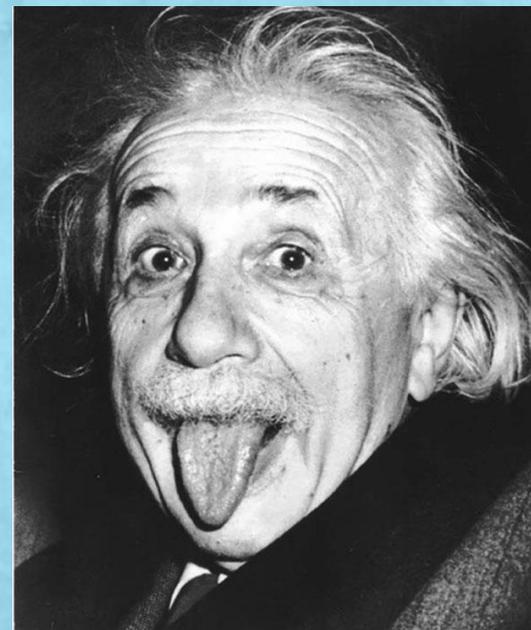
August 3-5, 2016 | Hotel Monteleone New Orleans

LIC is Charting the Course



Actuarial Science - Foundation

Commonly
Recognized
Actuarial
Procedures





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		
Ratemaking Indication (\$000's)			
(A)	(B)	(C)	(D)
Accident Year	Earned Premium	On-Level Factor	On-Level Earned Premium
2013	\$2,450	1.091	\$2,673
2014	\$2,512	1.072	\$2,693
2015	\$2,628	1.035	\$2,720
TOTAL	\$7,590		\$8,086
NOTES:			
	(B) - See Exhibit 2		
	(C) - See Exhibit 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





Cat Modeling

- Latest accepted models
 - RMS – 15.0
 - AIR – 15.0.1
 - EQECAT – 3.16
- Non-hurricane modeling
 - Experience history needed as support (e.g., 30 years)





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
 - $RTC = \frac{(P\&C - 6.0\%) + NCR + RL}{\text{Hurricane AAL}}$
 - Usual range 0.30 to 1.50

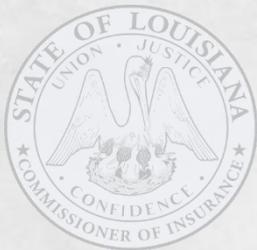




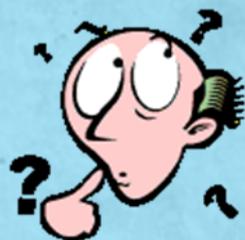
Other Commercial Lines Issues

- 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





Questions?





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lsteinert@ldi.la.gov

225-342-4699

