P & C Rate Filings

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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.

### Exhibit 1

<table>
<thead>
<tr>
<th>XYZ Ins. Co</th>
<th>Ratemaking Indication ($000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>(B)</td>
</tr>
<tr>
<td>Accident Year</td>
<td>Earned Premium</td>
</tr>
<tr>
<td>2014</td>
<td>$2,450</td>
</tr>
<tr>
<td>2015</td>
<td>$2,512</td>
</tr>
<tr>
<td>2016</td>
<td>$2,628</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7,590</td>
</tr>
</tbody>
</table>

**NOTES:**

(B) – See Exh. 2
(C) – See Exh. 3
(D) = (B) x (C)
• 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 – 15.0.1
  AIR – 15.0.2
  CORELOGIC – 16.1
- 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 = (P&C – 6.0%) + NCR + RL
  - 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?
P & C Rate Filings

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