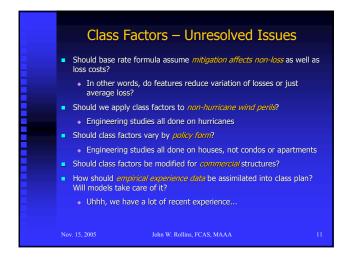




Territory Rating Factors - Modeled Overall average cost — allocate on modeled average costs by territory (additive) Remainder (non-loss portion) of capital costs — allocate on a *risk metric* derived from model Standard deviation of annual losses Average of worst-case scenarios (TVaR) A single worst-case scenario (PML) Balance allocated costs back to overall load Choice of empirical vs. hypothetical model input dataset makes a difference in weights used







Miscellaneous Charges/Credits Most credits to indivisible base premium may be targeted to specific peril groups and the percentages adjusted to be revenue-neutral or sensible Wind exclusion credit (100% to wind base) Seasonal occupancy (non-wind perils) Alarms (non-wind/liability) Age of home (non-wind/liability) Replacement cost coverage (non-liability) May be afterthought to actuary, but a major part of the implementation in IT and policy administration

Implementation Issues Measuring overall premium level impacts Must be done by policy as no resemblance in current and proposed rate structures Competitive analysis Must also be done at policy level Consider direct and indirect (retention, competitor reaction) effects Beware unweighted "county averages" with new territories and class plans Transition plans for current portfolio Algorithm to cap renewal premium swings mandatory given sales force and regulatory concerns Major effort for IT implementation – maybe more than rates!



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