



## ONE PRICING APPROACH TO THE CHANGING TEXAS HOMEOWNER'S MARKET

Jeffrey L. Kucera, FCAS, MAAA  
Senior Consultant  
Pinnacle Actuarial Resources, Inc.  
847/566-9261  
JKucera@pinnacleactuarials.com

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## WHAT IS THE GOOD NEWS IN TEXAS?

- No longer a Bureau state.
- No more questions on how the legislation will react to Lloyd Companies and County Mutuals.
- More freedom with policy forms.

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June 22, 2004

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## WHAT IS THE BAD NEWS IN TEXAS?

- No longer a Bureau state.
- Lloyd Companies and County Mutuals are now subject to rate regulation.
- "File and Use" has yet to be seen.
- The Texas FAIR plan is large, and growing.

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“When the going gets tough, the tough get going.” -- Joseph Kennedy

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**ONE APPROACH FOR HOMEOWNERS**

- Refine the current class plan.
- Introduce as many new variables as are actuarially supported.
- Redefine territories and relativities.
- Get innovative.

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**REFINE CLASS PLAN**

- Review the current class plan and relativities to see where changes are necessary.
- Make sure it is up to your countrywide standards.
- Use multi-variate analysis.

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## NEW RATING VARIABLES

- Number of occupants.
- Age of named insured.
- Original owner.
- Marital status.
- Pets
- Credit

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## TERRITORIES

- Additional refinement to traditional Bureau territories is warranted.
- The need for more territories is evident.
- An opportunity for segmentation.

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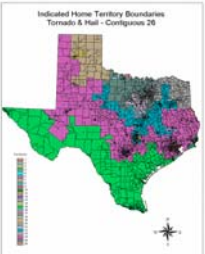
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## ONE PERIL TERRITORY - CONTIGUOUS



Indicated Home Territory Boundaries  
Tornado & Flood - Contiguous 26

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## ONE PERIL TERRITORY – CONTIGUOUS

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Tornado & Hail - Contiguous 99

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## ONE PERIL TERRITORY – NON-CONTIGUOUS

Indicated Home Territory Boundaries  
Tornado & Hail - Non-Contiguous 15

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## ONE PERIL TERRITORY – NON-CONTIGUOUS

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Tornado & Hail - Non-Contiguous 28

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## GET INNOVATIVE

- By-Peril Pricing.
- Individual Catastrophe Deductibles.
- Underwrite on loss ratios, not frequency.

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## GET INNOVATIVE

- Vary merit rating for new business vs. renewal business.
- Loss free discounts that vary by length of time loss free.
- Multi-line discounts that vary by auto tier/experience.

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