

2010 Ratemaking Survey

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Washington, D.C.
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Objective

- Companion to 2008 CAS Reserving Survey
- Ratemaking Survey initially proposed in GRIP paper
- Desire to coordinate U.S. with UK, Australia efforts
- Desire to cover all aspects of pricing (Personal, Commercial, London market & Reinsurance)
- Focus on what people are actually using
- Global coverage with a comparison of results by region
- Report back to the professions (GIRO, CAS Annual, RPM)
- Important part of the CAS Research Centennial Goals

2

Process

- UK, US and Australian working parties
- Started with Reserve Survey questions
- Three separate sets of questions, three interpretations of scope, three time zones.....
- Each group came up with recommendations and reviewed other teams questions
- Final survey was product of US/UK working parties
- Survey included:
 - 34 Common Questions
 - 11 US questions
 - 14 UK questions
- Rolled out early July until mid-August to:
 - CAS mailing list
 - GIRO mailing list
 - LMAG
 - CAE

3

Overall Response rate

1,295 responses to the first question

- 913 from the US
- 89 from Canada
- 135 from the UK
- 46 from Europe (17-Switzerland, 6-Germany, 5-Ireland)
- 92 from Rest of the World (Bermuda-19, China-10, Uruguay-8, Australia-6)
- 20 from out of this world!

602 (46%) finished the survey

- 46% from US
- 34% from Canada
- 49% from UK
- 63% from Europe
- 42% from Rest of World

4

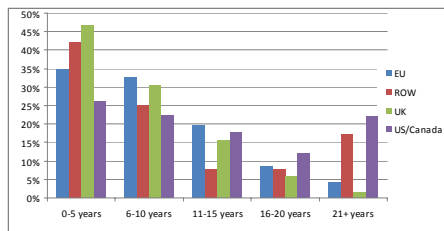
Response by Employer Type

	Europe	ROW	UK	US	Total
Broker/intermediary	2%	3%	8%	3%	3%
Small consulting	7%	4%	1%	5%	4%
Large consulting	11%	5%	8%	5%	6%
Insurance Information Entity (ISO, NCCI, etc.)	0%	2%	0%	4%	3%
Lloyds Syndicate	2%	2%	19%	0%	2%
Primary Insurer (Multi-National Multiline)	33%	19%	34%	15%	18%
Primary Insurer (National Multiline)	11%	28%	17%	41%	36%
Primary Insurer (Regional or Monoline)	0%	13%	4%	19%	16%
Regulatory Body	2%	2%	1%	2%	2%
Reinsurer	33%	22%	10%	6%	9%
	100%	100%	100%	100%	100%

- 70% of respondents from Primary Carriers
- Only 9% from Reinsurers – largest for Europe/ROW
- Brokers fairly small representation, largest concentration from UK

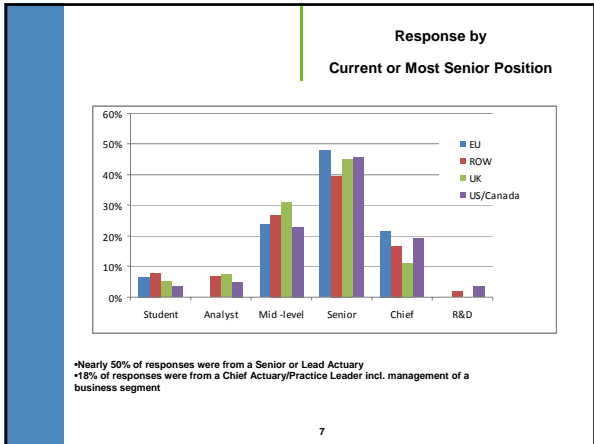
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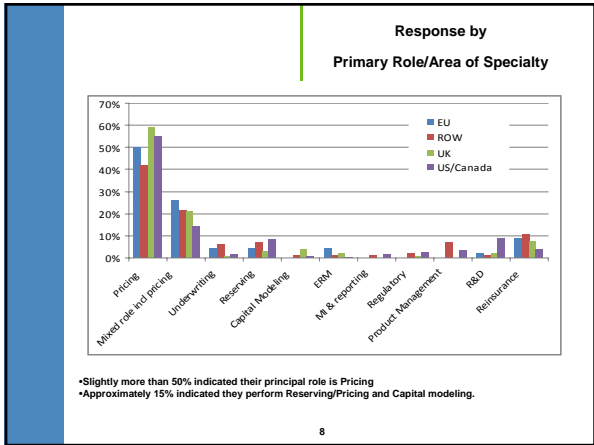
Response by Length of Experience

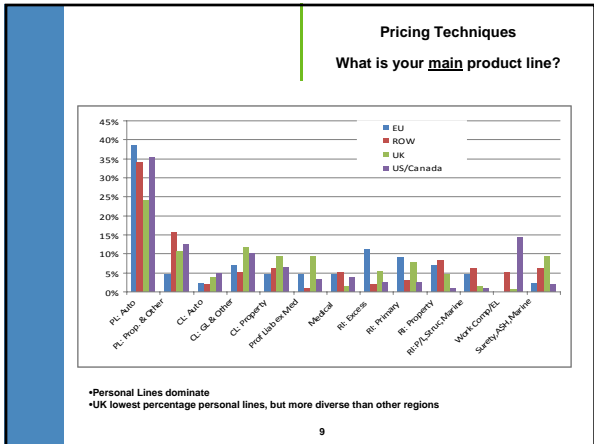


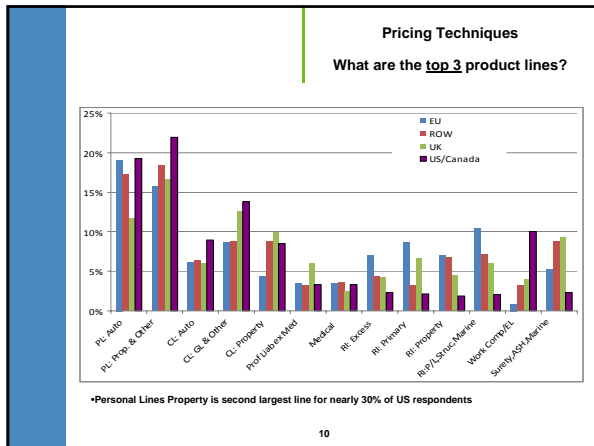
- 50% of the responses were from individuals with < 10 years. This increased to 70% for non-US responses.
- 75% of the respondents from the UK have < 10 years of experience compared to 46% for US.
- Only 7.5% of responses from the UK have more than 15 years experience compared to 36% for US.
- Nearly 80% are credentialed actuaries, another 15% under the course of study to become actuaries.

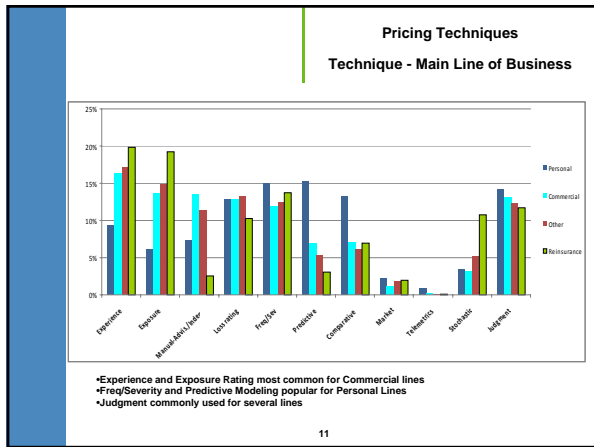
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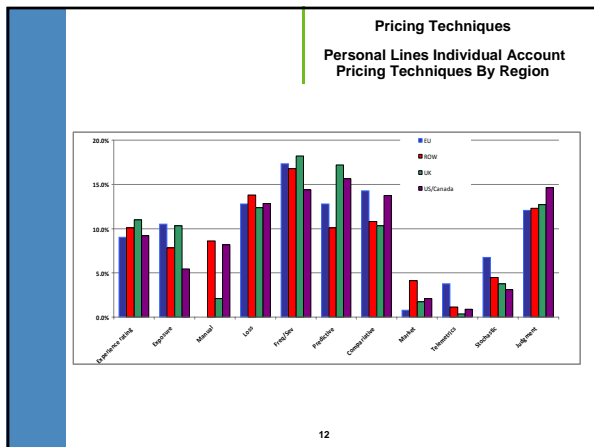


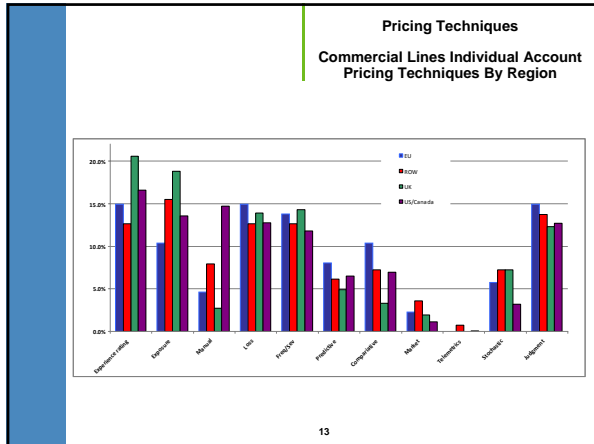


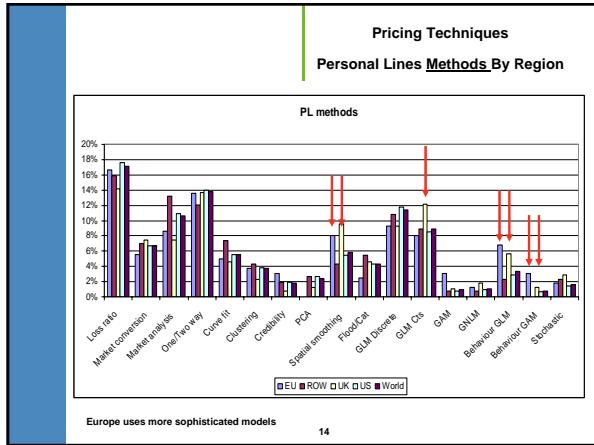


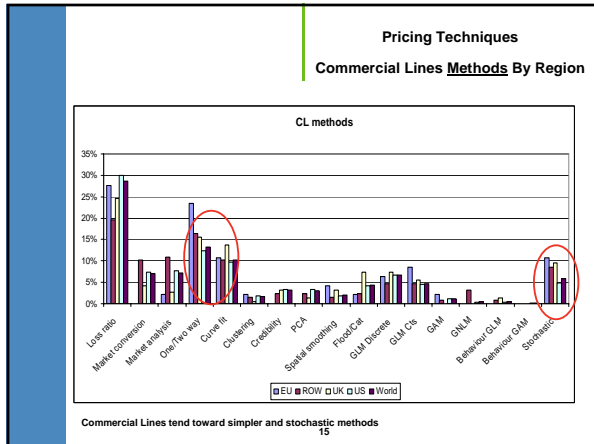


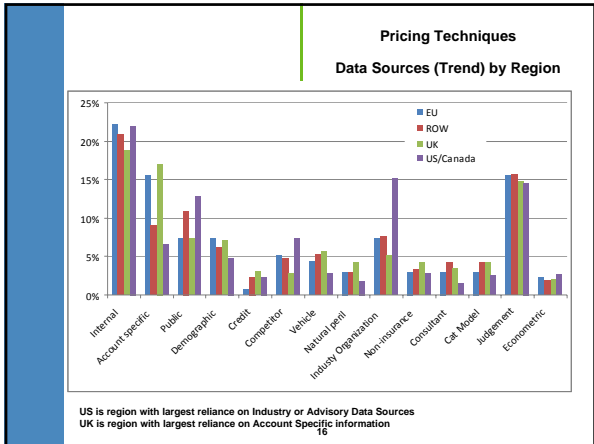


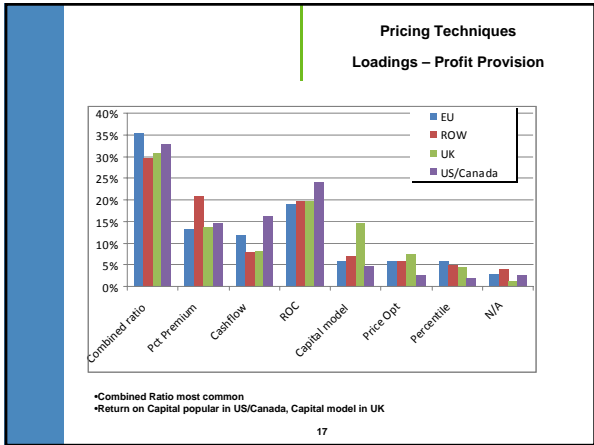


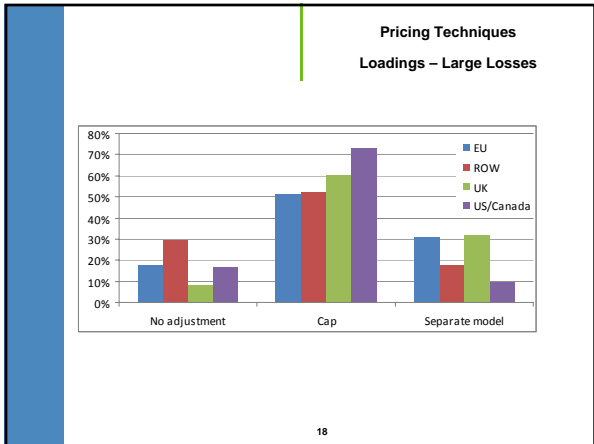


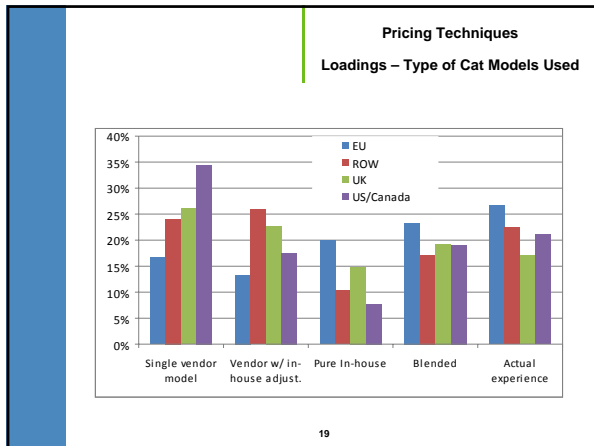


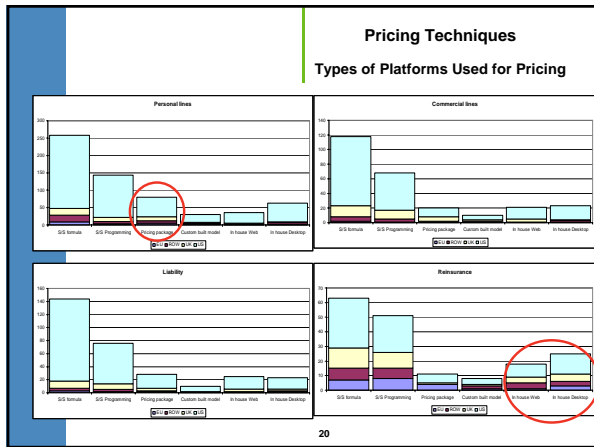


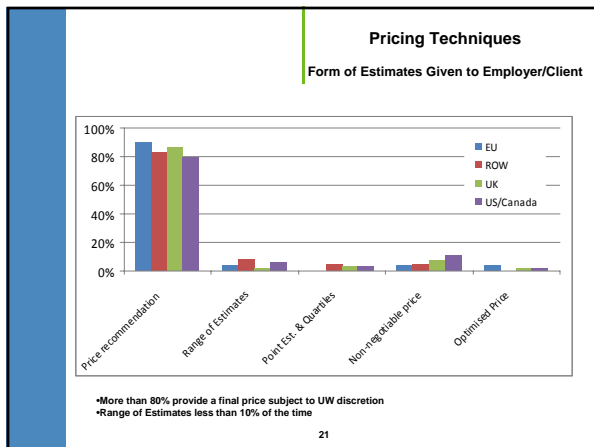




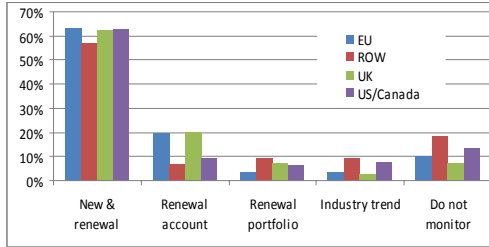








Pricing Techniques
Internal Price Monitoring

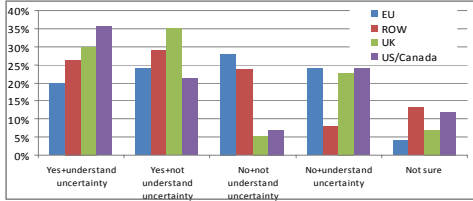


•80% monitor at least renewal price levels, highest in UK/EU
 •20% do not monitor internal price levels at all or only follow industry trends

22

Views

Do you believe that the price monitoring process at your company/client is sufficiently robust and reasonable enough for the intended purpose and the clients/senior management have sufficient understanding of the uncertainty inherent in the results?



•57% believe the process is sufficiently robust
 •More than 20% believe it is not robust, but uncertainty in understood

23

Operations

Who is involved in producing the pricing deliverable?

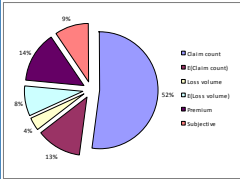
- Underwriters - Leads Process (UK-26%, US-10%)
- Statisticians - Core Member or Leads Process (approximately 20% globally)
- Senior Mgmt - Core Members or Leads Process (UK-29%, US-45%)
- Brokers - No Involvement (UK-45%, US-58%)
- Actuarial Consultants - No Involvement (UK-79%, US-59%)

24

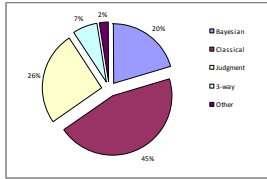
**Regional Questions
For Actuaries Operating in North America**

Credibility Techniques

Credibility Weighting Exposure & Experience Rating



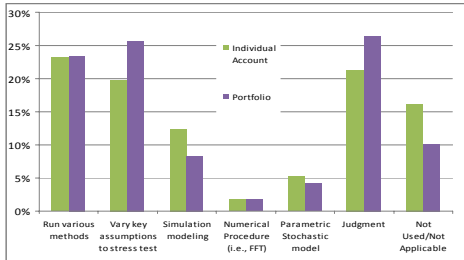
Approaches Used to Assign Credibility



25

**Regional Questions
For Actuaries Operating in North America**

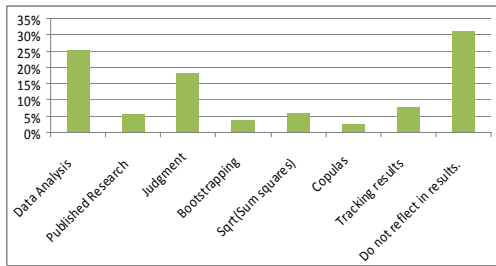
Determining Rate Need Uncertainty



26

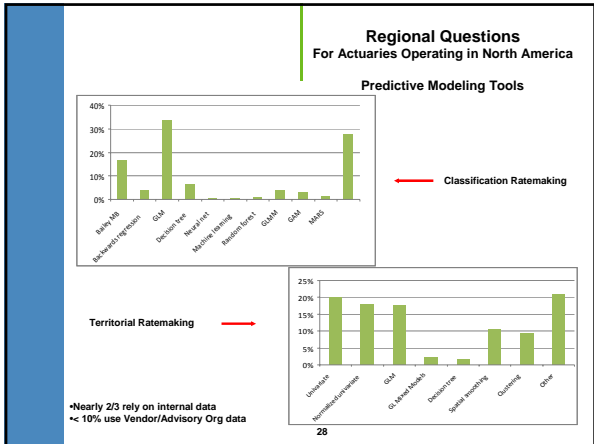
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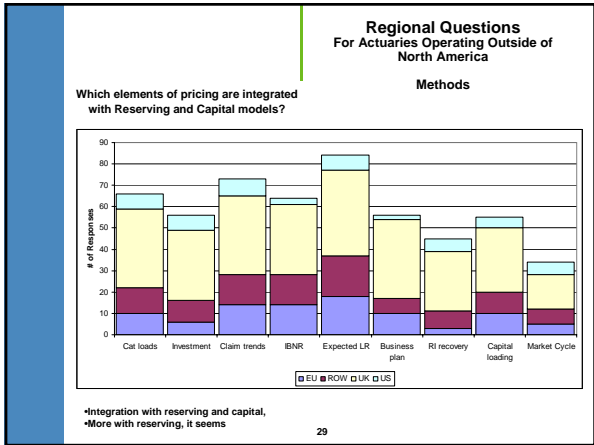
Determining Correlation/Diversification

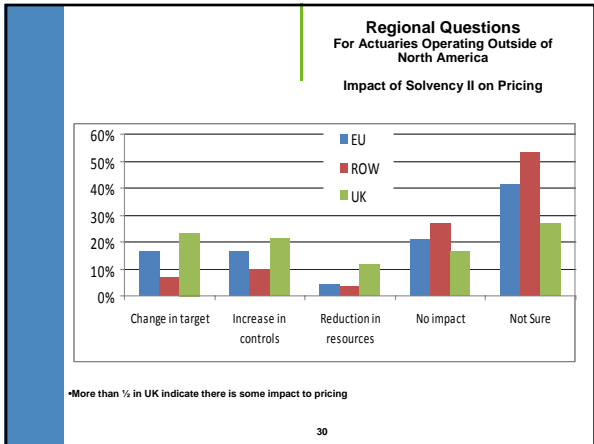


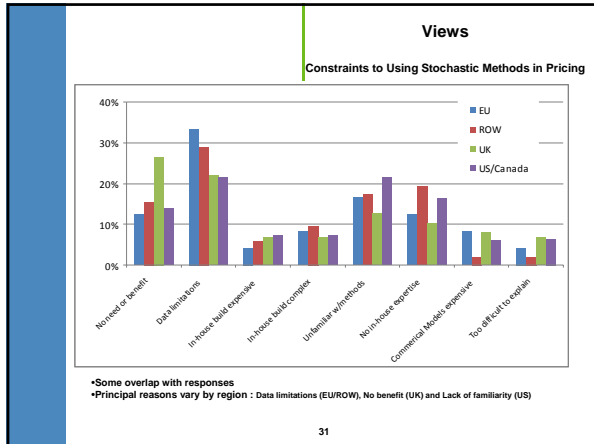
•Nearly 1/3 do not reflect correlation/diversification in their results
•When reflected, most common are judgment and analysis of own data

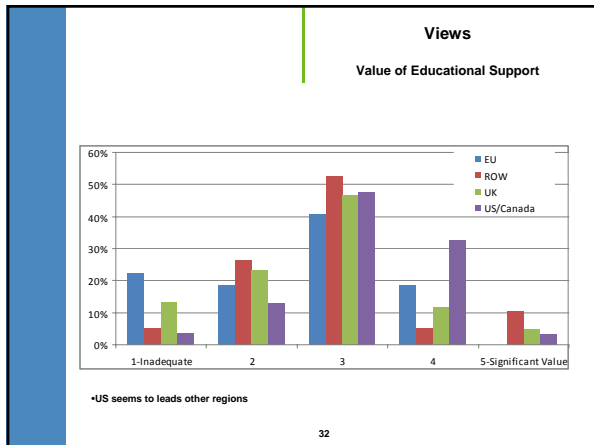
27











Write-In Comments

How can the professional organizations improve educational opportunities for pricing actuaries?

- Seminars (preferably webinars) that cover a detailed technical example
- More hands on training (e.g., computer lab sessions)
- Downloadable spreadsheets that work through a particular method/ approach
- Publication of a pricing handbook
- More information on methods that are being used overseas
- Sessions at (CAS) meetings tend not to be balanced (too focused or too general) and are too short.

33

Next steps

- Survey will be jointly analysed by US/UK working parties
- Full report written up and published
- Summarized results presented in Actuarial Review
- Further presentations booked
 - CAS RPM Seminar (March 2011)
- Further presentations considered:
 - UK Pricing Seminar (June 2011)
- Future Ratemaking Survey

34
