



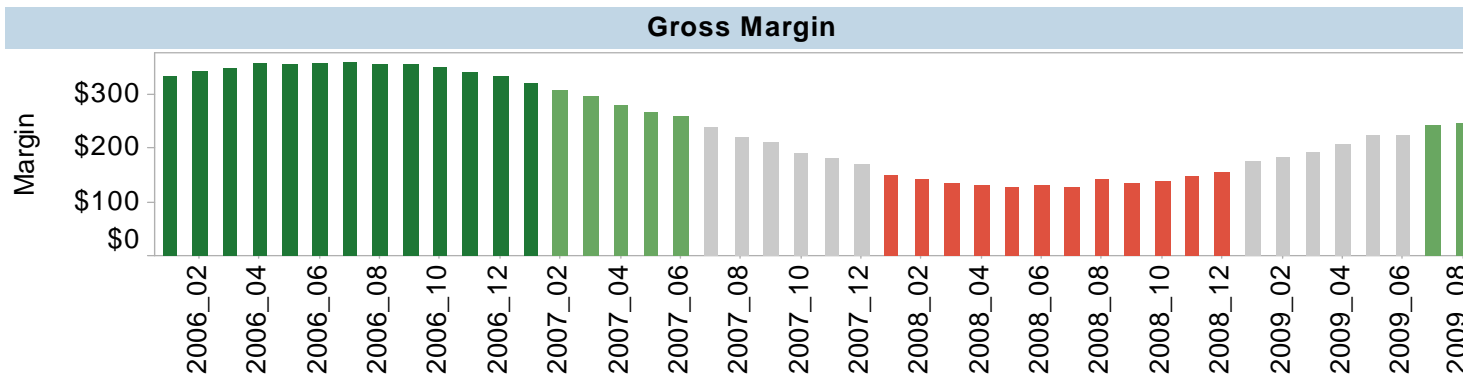
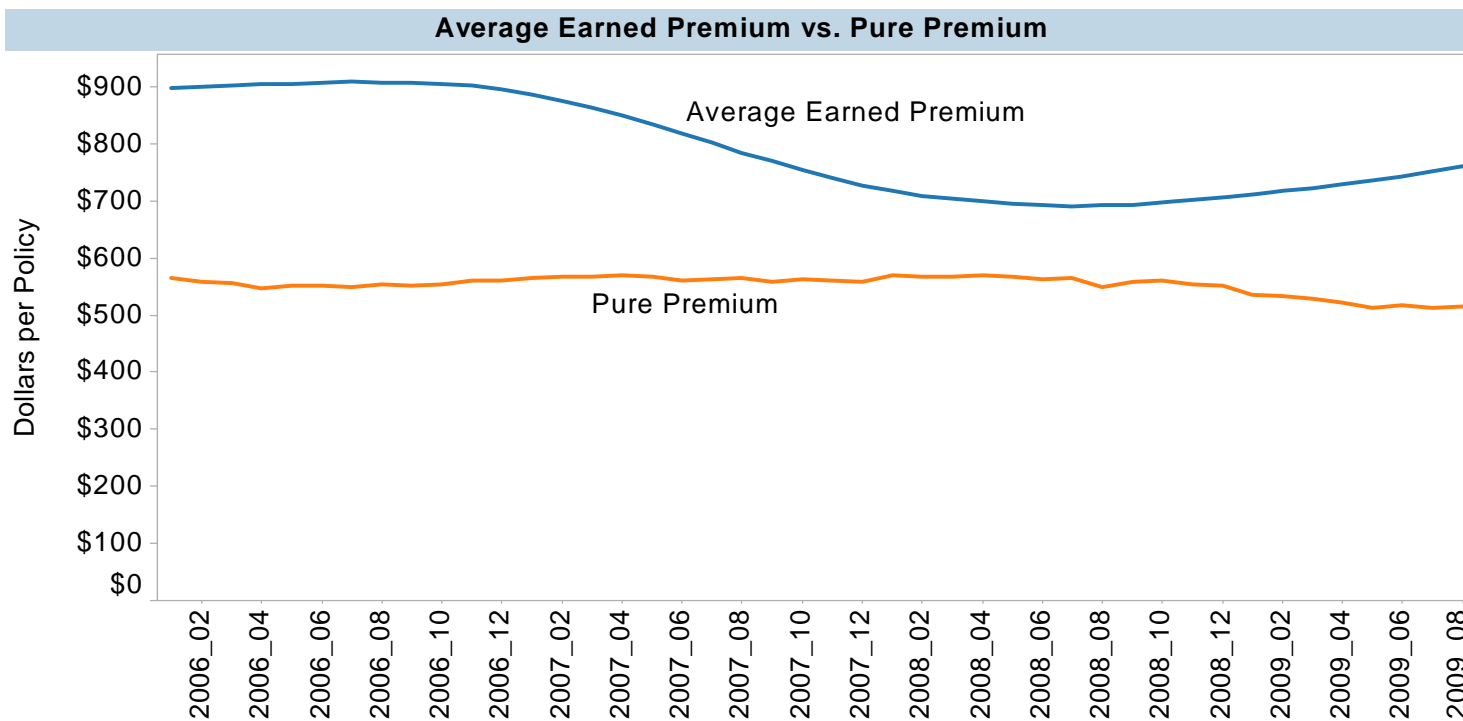
# Do Actuaries Have Street Cred?

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# The Underwriting Cycle in Action





## What's the word on the street?

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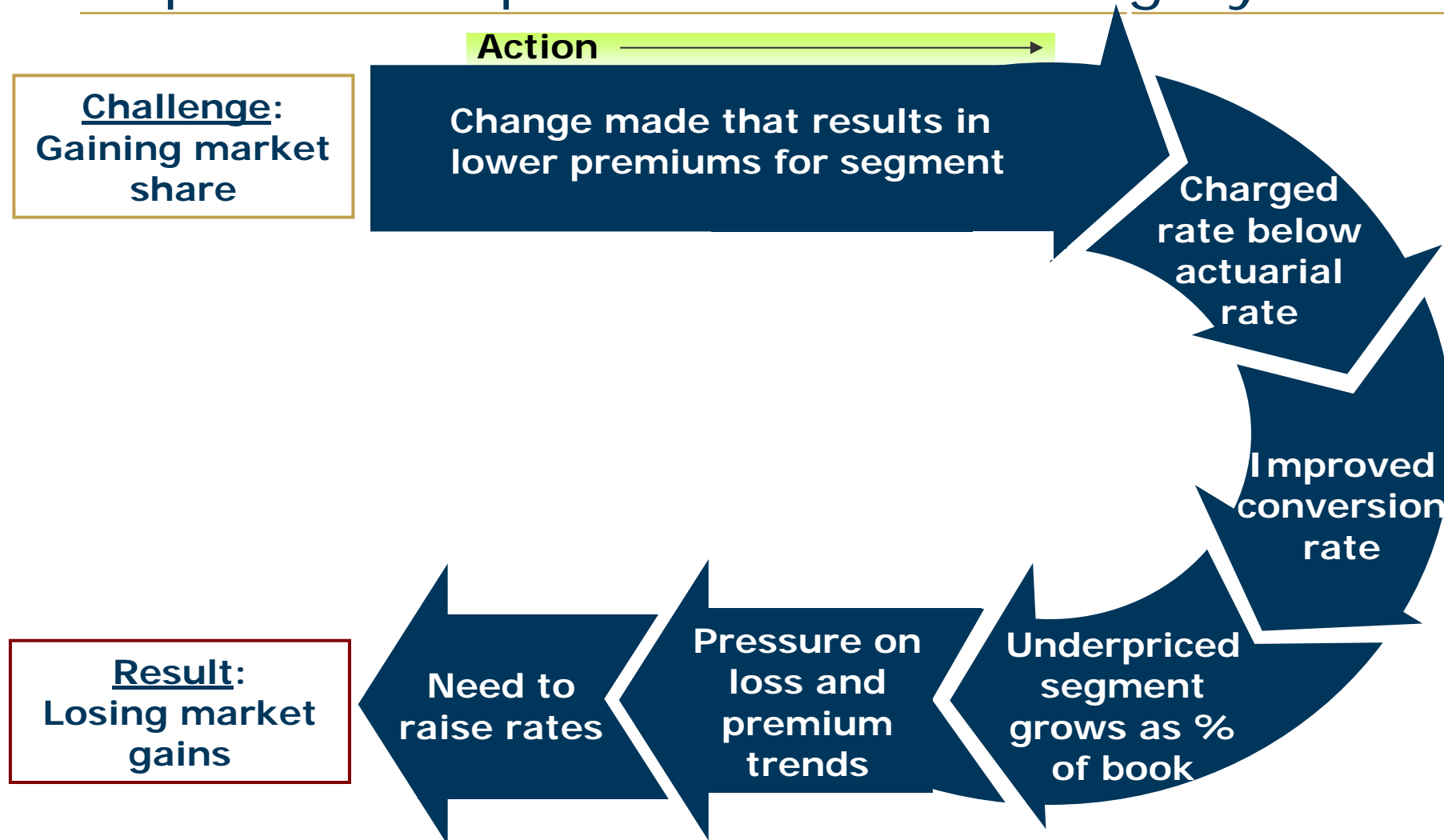
- The underwriting cycle affects how your rating plan is applied
- Impacts may or may not be contemplated in your indications
- Size and scope depends on many factors

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Goal: Ensure rate equity while minimizing “enforcement” costs

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# Impact of Response to Underwriting Cycle



Uncoordinated actions can lead to “boomerang effect”

# Sources of Rate Dissonance

## Agents

- Application process
- Qualification for discounts
- Incentives
- Experience level

## Claims

- Change in claims handling
- “Coaching” claimants
- Accident coding
- Application of surcharges
- Referrals to Underwriting

## Underwriting

- Tier placement
- Acceptability criteria
- Change in guidelines
- Insurance-to-value
- Rate integrity programs

## Customers

- Undisclosed operators
- Failure to update information
- Unverifiable rating factors
- Online applications

# Implications of Rate Dissonance

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## Ratemaking

- Premium Trend
- Loss Trend
- Equity

## Loss Reserving

- Continual need to strengthen reserves
- Slow reaction to shifts in mix of business

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Can impact single customer or entire segments of business

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## Ensuring “Street Rates” = Intended Rates

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1. Meet regularly with agents, claims, and underwriting personnel.
2. Identify common areas where gaps can occur.
3. Be familiar with ongoing rate integrity programs.
4. Stay aware of new business initiatives such as sales campaigns, streamlining efforts, etc.
5. Ensure ratemaking and loss reserving actuaries hear the same messages.

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Networking is the key to finding unexplained sources of trend

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