

# Negative Frequency Trends ?

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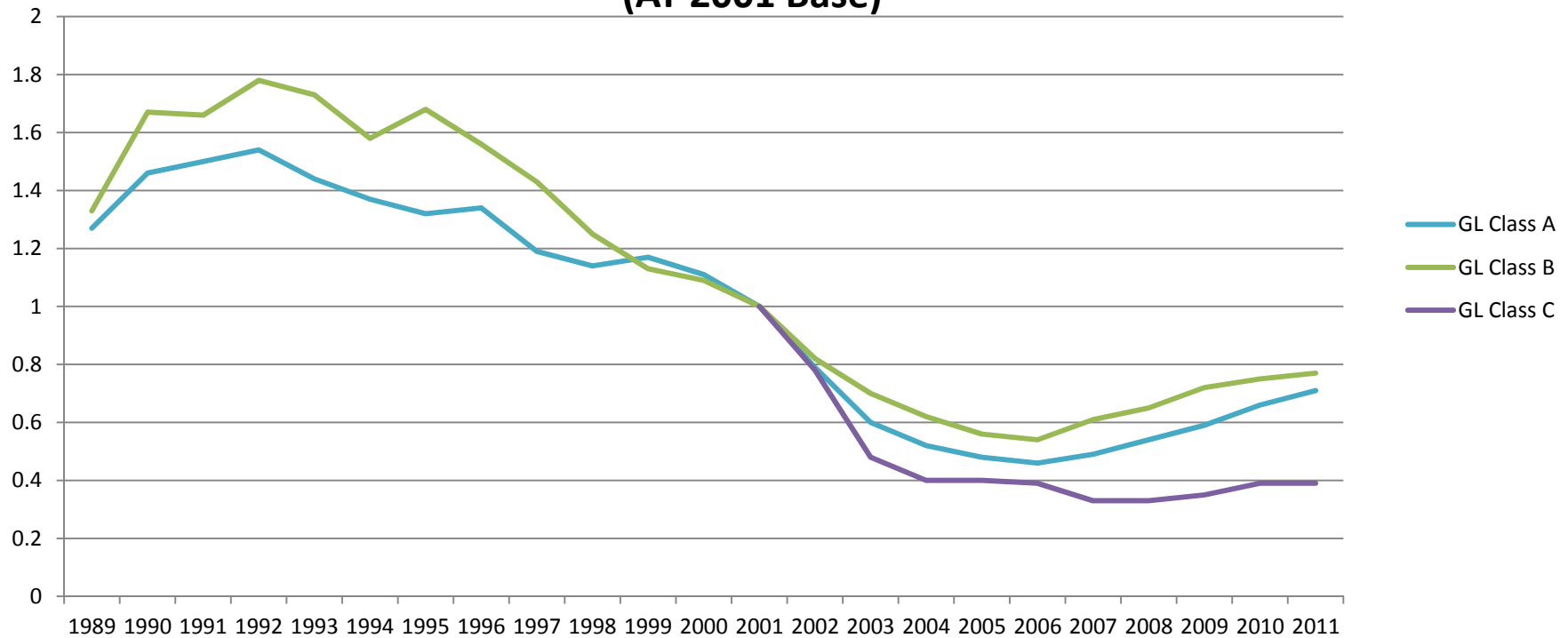
## Negative Frequency Trends ?

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|   |           |
|---|-----------|
| 1 | Liability |
| 2 | Auto      |
| 3 | Property  |

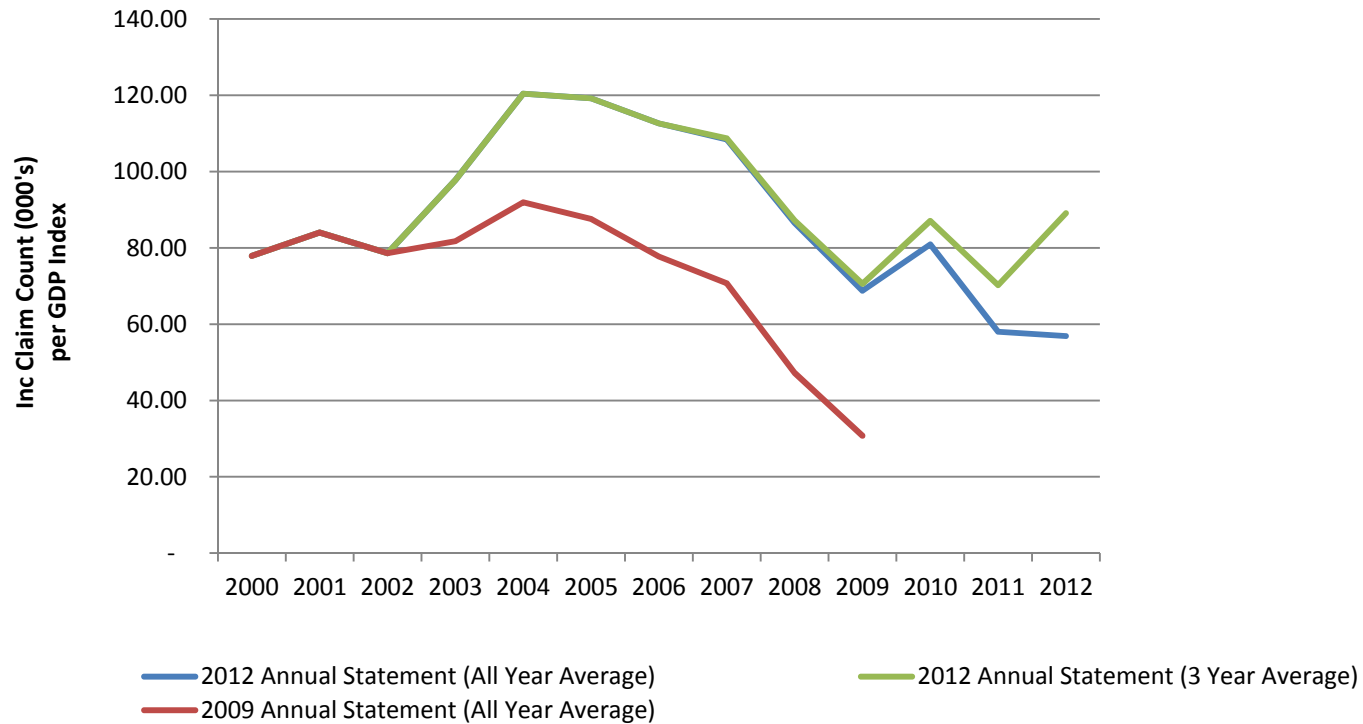
# Liability

## Relative GL Frequencies by AY per \$1m of Actual Subject Premium (AY 2001 Base)



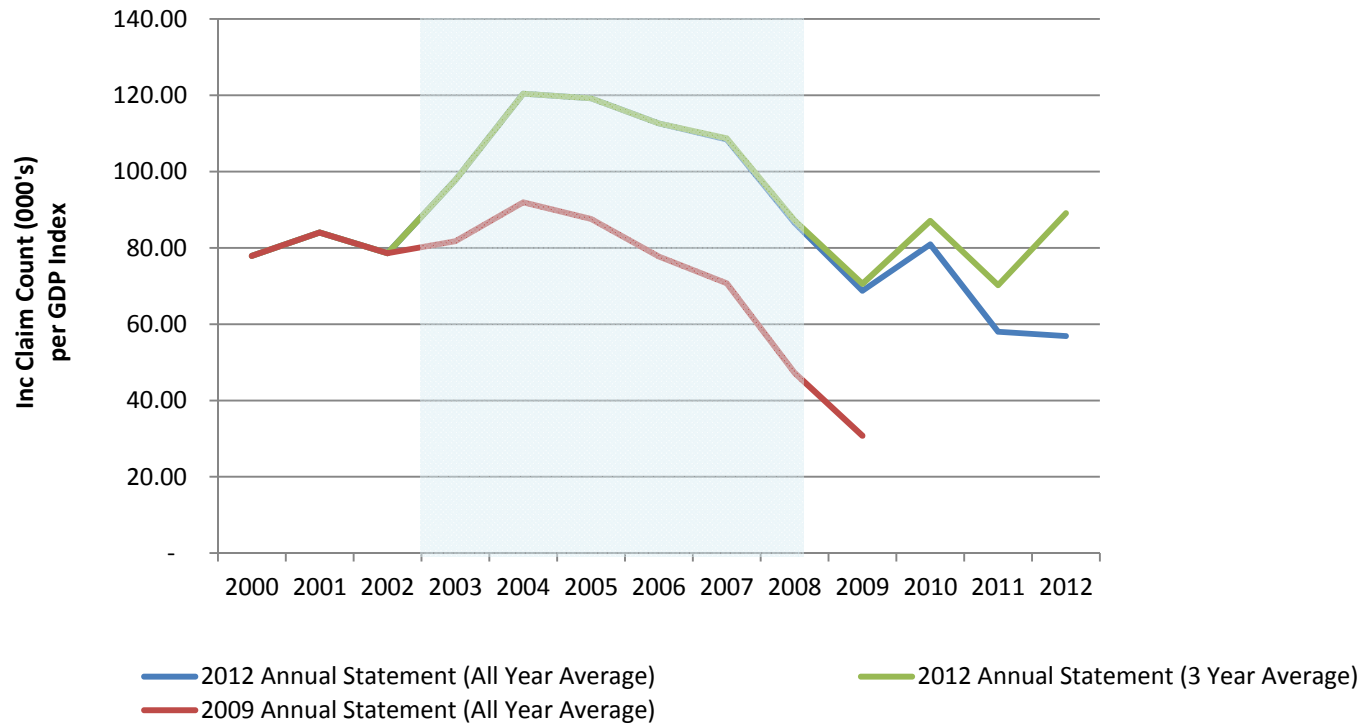
Source: AY's 2001+: ISO Size of Loss Matrix @12/31/11 (developed to ultimate using all year volume weighted average)  
-Actual underlying ground up occurrence counts (all years) range 147k to 976k  
-Actual subject premiums are prior to on-leveling  
AY's 2000 and prior: relativities from ISO Circulars

## Schedule P Other Liability Occurrence Per GDP Index



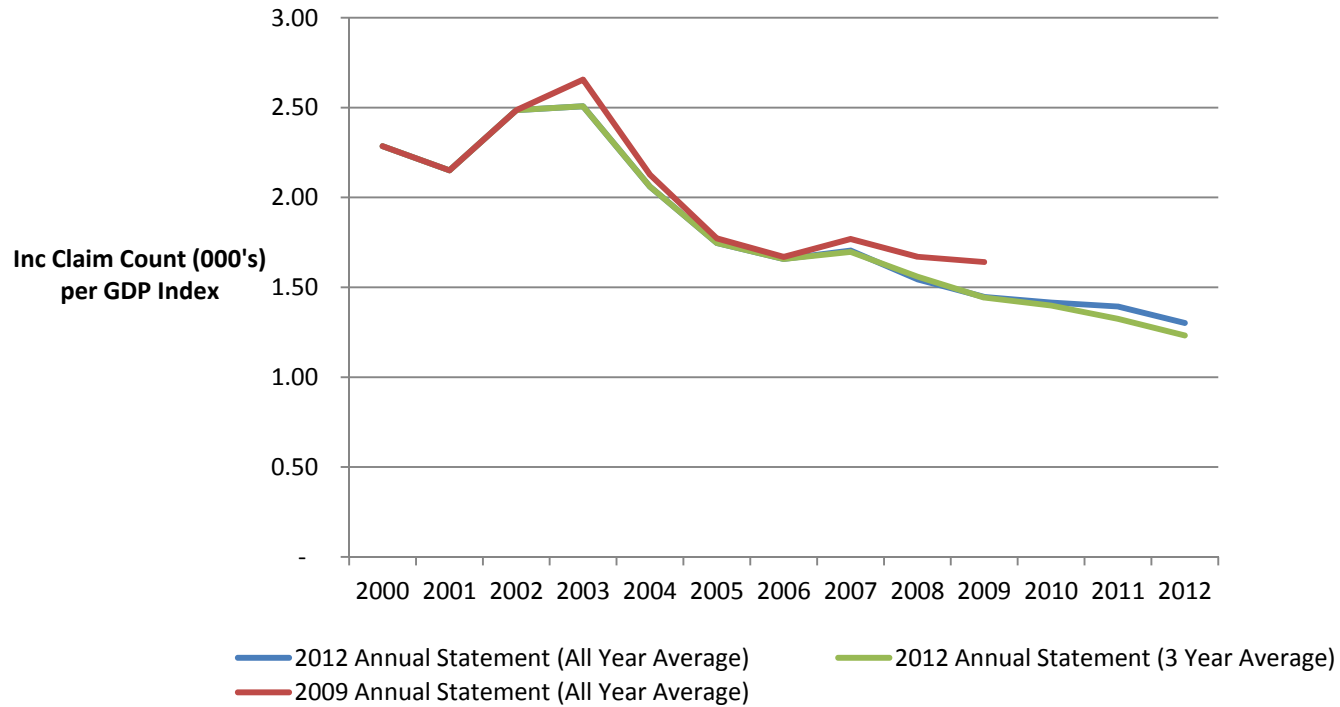
Source: Bureau of Economic Analysis – Real Gross Domestic Product, Quantity Indexes  
Schedule P Incurred Claim Counts Developed to Ultimate – Straight Average

## Schedule P Other Liability Occurrence Per GDP Index



Source: Bureau of Economic Analysis – Real Gross Domestic Product, Quantity Indexes  
Schedule P Incurred Claim Counts Developed to Ultimate – Straight Average

## Schedule P Product Occurrence Per GDP Index



Source: Bureau of Economic Analysis – Real Gross Domestic Product, Quantity Indexes  
Schedule P Incurred Claim Counts Developed to Ultimate LDF's - Straight Average

## Liability – Reasons for Decline

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- ❑ Improved Risk Management
  - Safer Premises
  - Training
  
- ❑ Reevaluating Insurance Bought
  - Larger SIR
  - Coverage Restrictions
  
- ❑ Tort Reform



## Liability – Future Observations

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- ❑ Tort Activity
  - Increase in Case Load At the State Level
  
- ❑ Increased Potential Risks
  - Aging Population
  - Technology
  
- ❑ Economy
  - Growth
  - Increased Financial Risk
    - Small Business Optimism Mixed – NFIB
    - Concerns with Tax and Regulation

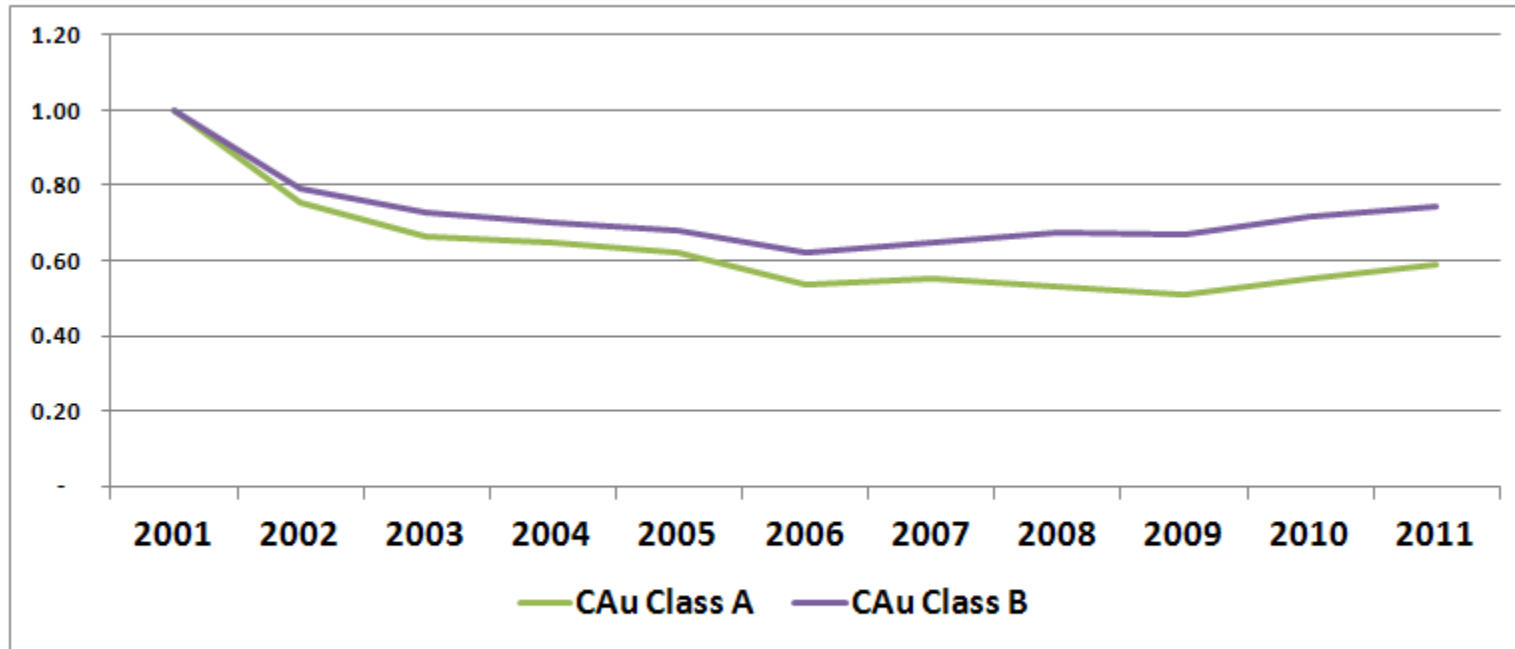
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# Commercial Auto

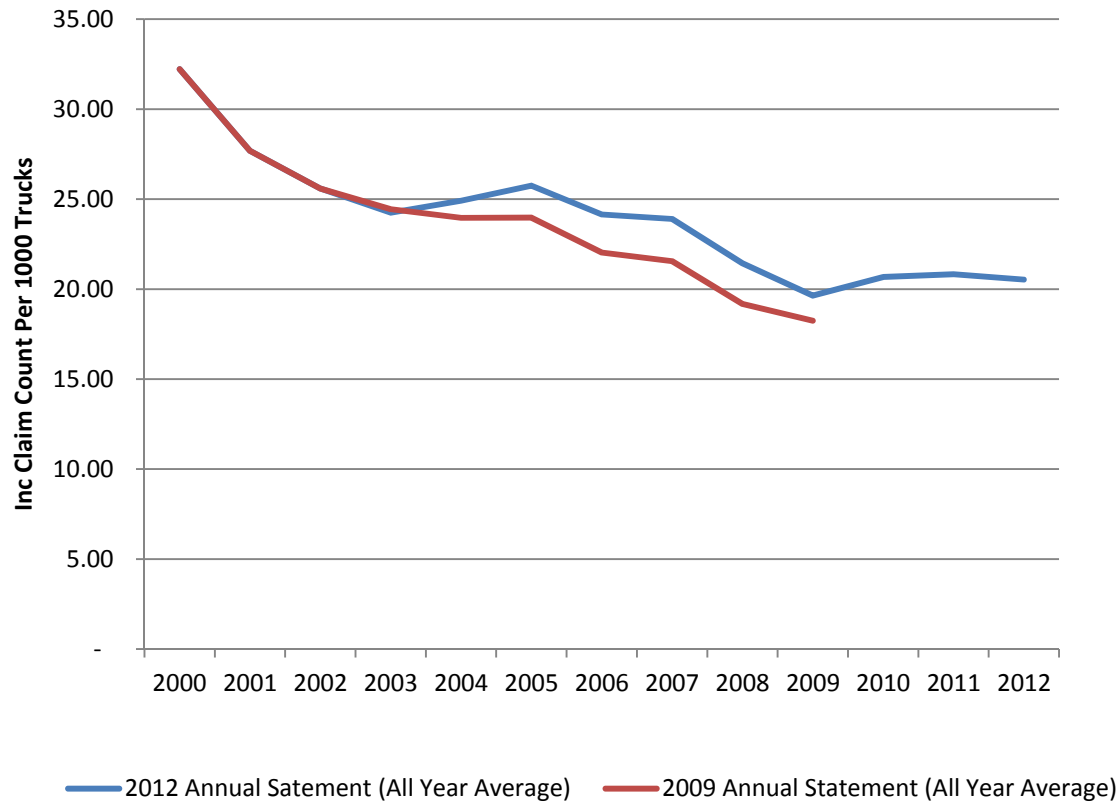
Relative CAu Frequencies by AY per \$1M of Actual Subject Premium (AY 2001 base)



Source: ISO Size-of-Loss Matrix - as of 12/31/2011 - occurrence counts by AY developed to ultimate using All year VWA  
Actual underlying ground-up occurrence counts (all years) range from 729K to 3268K  
Actual subject premiums are prior to on-leveling

# Commercial Auto

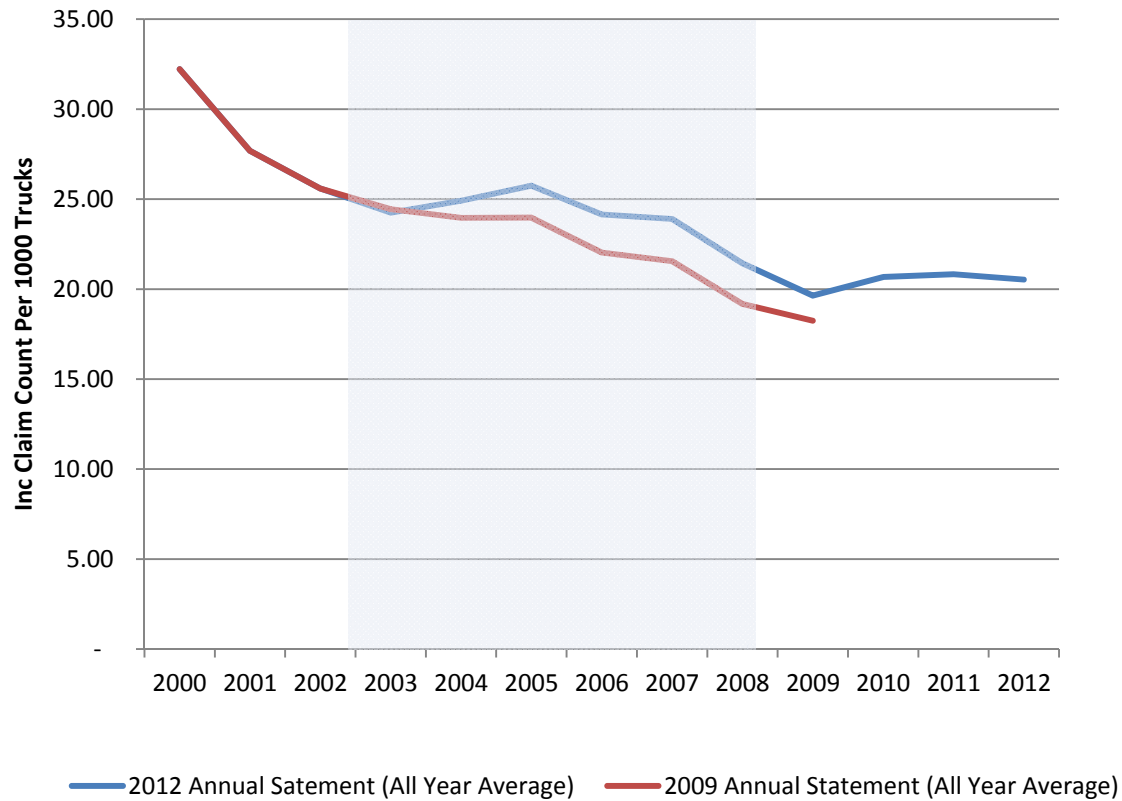
## Schedule P Commercial Auto Per Truck Units



Source: Office of Highway Policy Information, FHWA  
Schedule P Incurred Claim Counts Developed to Ultimate LDF's - Straight Average

# Commercial Auto

## Schedule P Commercial Auto Per Truck Units



Source: Office of Highway Policy Information, FHWA  
Schedule P Incurred Claim Counts Developed to Ultimate LDF's - Straight Average

## Commercial Auto Liability

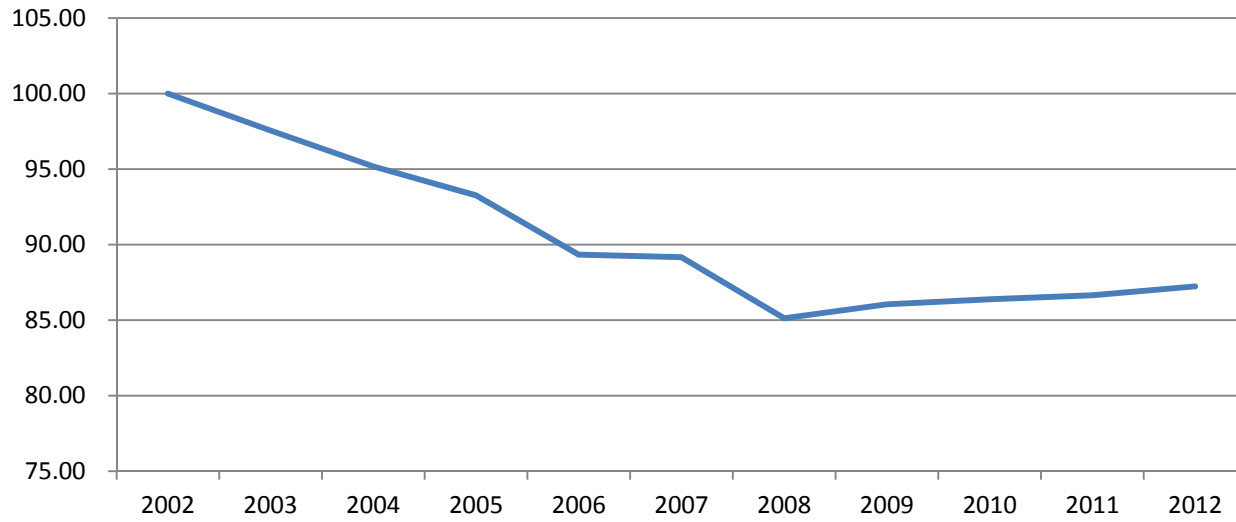
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- ❑ Improved Risk Management
  - Safety
  - Training
  - Telematics
  
- ❑ Economy

# Personal Auto

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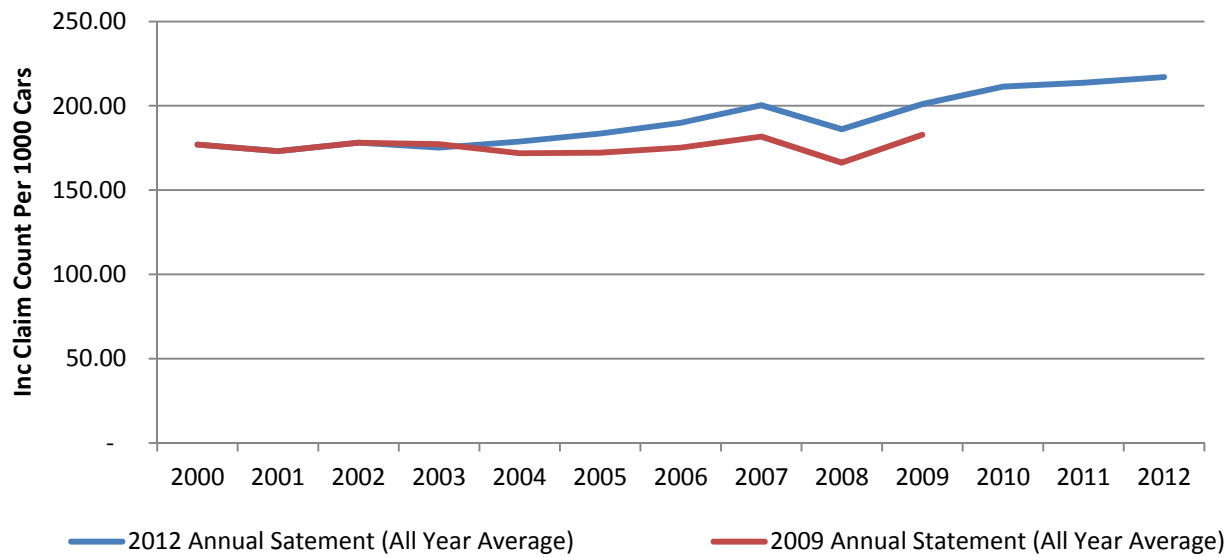
**Relative PPA BI Frequencies by Calendar Year  
(AY 2002 Base)**



Source: ISO Circulars

# Personal Auto

## Schedule P Personal Auto Liability Per Car Units



Source: Office of Highway Policy Information, FHWA  
Schedule P Incurred Claim Counts Developed to Ultimate LDF's - Straight Average



## Personal Auto Liability

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- ❑ Most of the Frequency Decreases for Auto Occurred in the '90s
  - Vehicle Safety - Airbags, Anti-Lock Brakes
  - Stricter Driving Laws – Teen Driving Restrictions
  
- ❑ Over Reliance on Newer Improved Safety Features?
  - Rearview Cameras
  - Warning Sensors
  - Lane Assistance
  
- ❑ Newer Cars Have More “Techno” Gadgets
  - Full Internet Access
  - Text Voice to Replace Cell Phone Texting
  
- ❑ Increase in Highway Deaths - NHTSA
  - Highway Deaths Increased 5.3% in 2012
  - Ending 6 Year Trend of Decreases

## Negative Frequency Trends ?

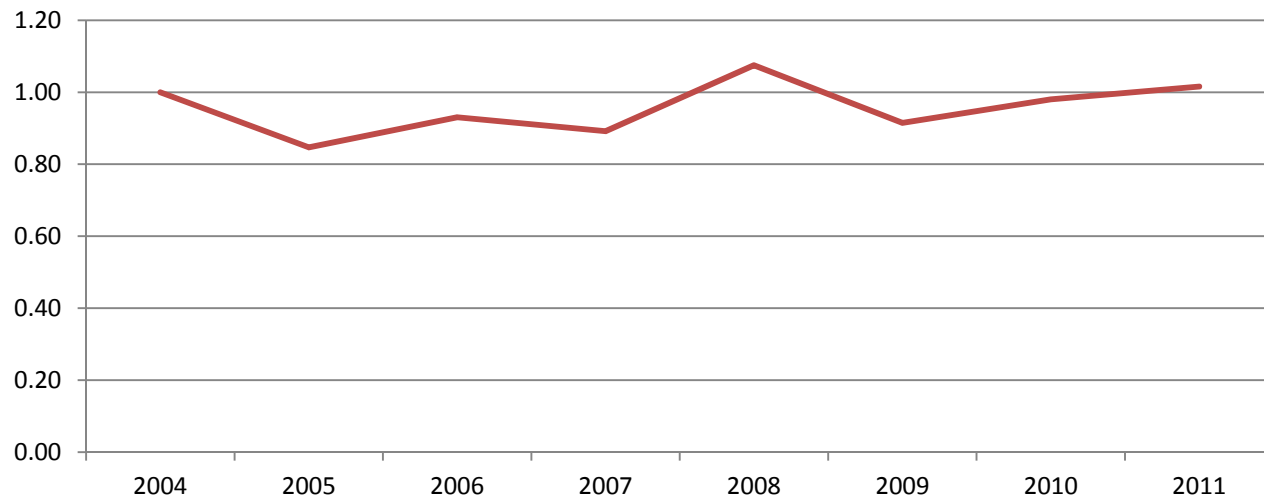
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|   |           |
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# Commercial Property

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**Relative Commercial Property Frequencies  
by AY (2004 Base)**



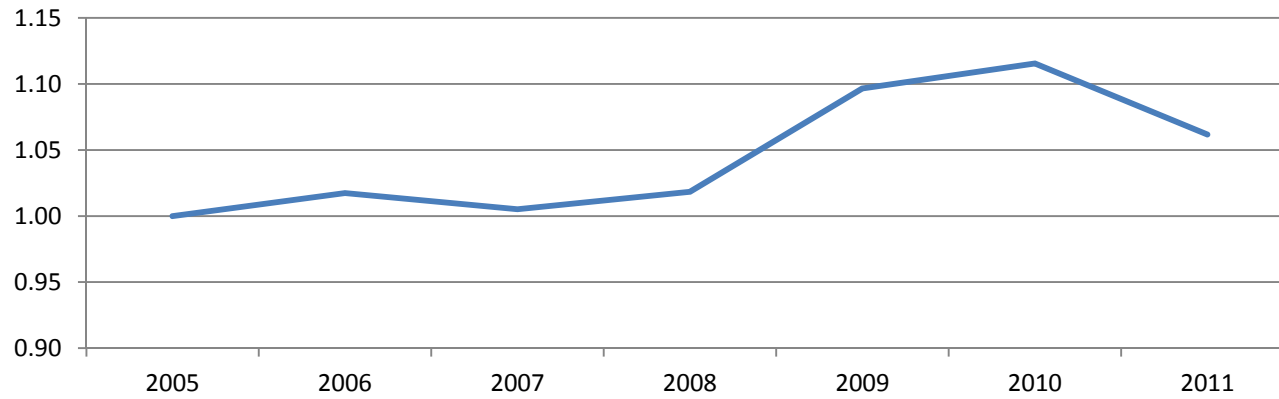
Excluding Cats

Source: ISO Circulars

# Personal Property

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**Relative Personal Property Frequencies  
by CY (2005 Base)**

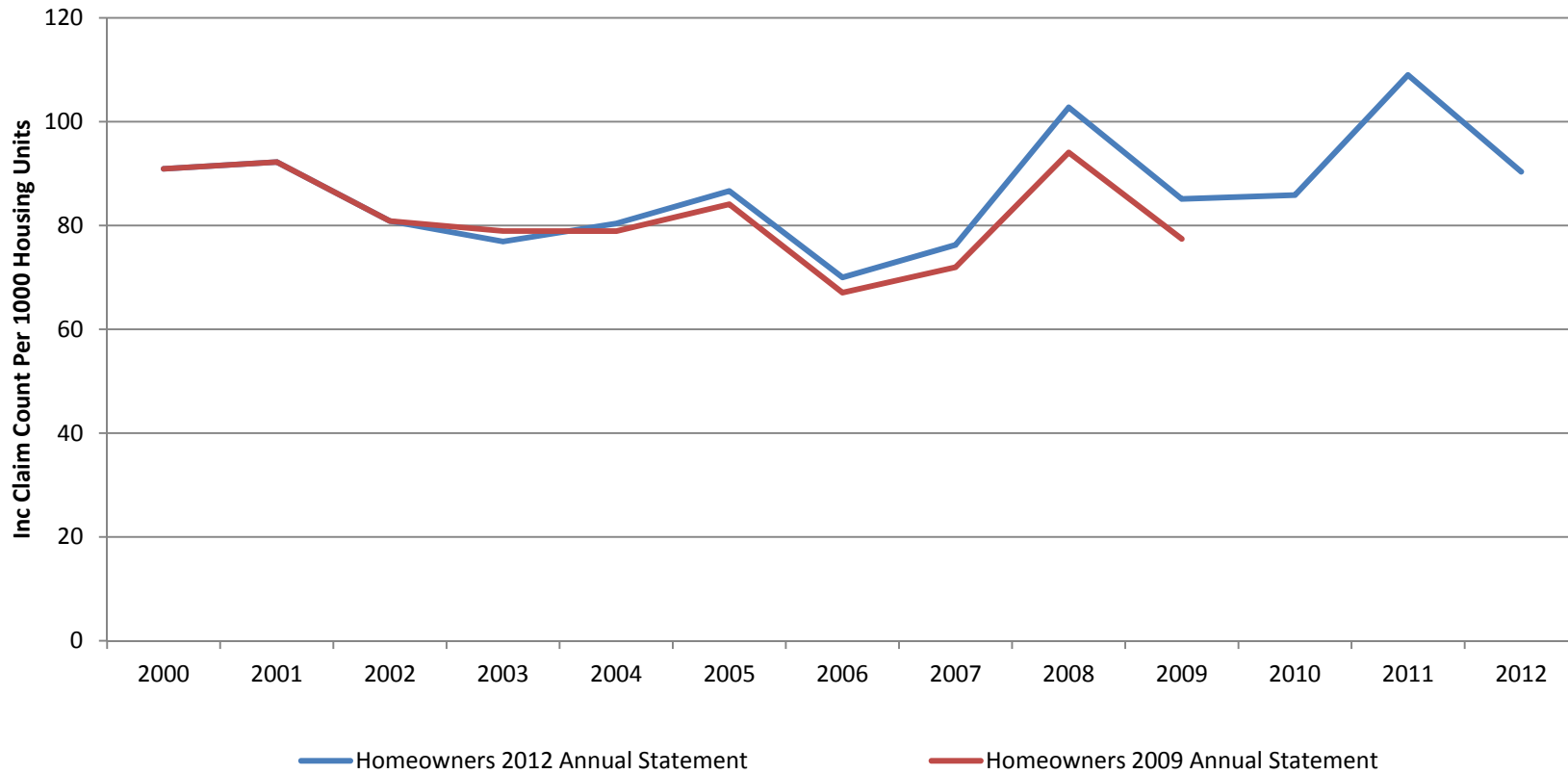


Excluding Cats

Source: ISO Circulars

# Personal Property

## Schedule P Homeowners and Farmowners Per Housing Units



Source: U.S. Department of Housing and Urban Development  
Schedule P Incurred Claim Counts Developed to Ultimate LDF's - Straight Average

## Property

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- With the Recession More Large Fire Losses from HO, BOP, and CMP Business
  - Budget Constraints
    - Not Maintaining Buildings (ex: electrical fire by neglecting to fix electrical problems)
    - Less Staff (ex: kitchen staff doesn't clean as well – leading to kitchen fire)
  - Possible Arson
  
- Increased Catastrophe Exposure
  - “Minor” Cats
  - Commercial – Flood Losses