

**OLIVER WYMAN**

Consulting Actuaries

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**What Makes a Good Rate Filing?**

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**WHAT MAKES A GOOD RATE FILING?**

- 1. Communication**
- 2. Documentation**
- 3. Actuarially Sound**
  - a) Conceptually
  - b) Reasonability
  - c) Accuracy
- 4. Common Sense**

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**I. COMMUNICATION**

- 1. A rate application is a written business communication from the insurer to the regulator.**
- 2. Elements of any good written communication apply to a rate application.**

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**I. COMMUNICATION**

Some key elements of good communication

- 1. Purpose**  
Clearly describe what is the Company filing for and why.
- 2. Organization**  
Discussion and support should be logically structured and complete.
- 3. Style**  
Concepts and issues should be clearly explained. Complex issues should be partitioned logically into smaller components.
- 4. Presentation**  
Grammar, sentence structure, paragraphing and other technical aspects of writing should be correct and constructed in a manner that facilitates understanding and review of the application. Yes, even spelling should be correct.

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**I. COMMUNICATION**

An Important Consideration

The process of preparing a written communication, regardless as to purpose, is an integral part of the process of analysis.

- Careful preparation of a written communication will force the writer to review the underlying analysis, and will often expose weaknesses in the analysis itself or in underlying judgments and assumptions.

Interesting Example

*The "Minor Filing"*

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**II. DOCUMENTATION**

In the context of good communication, the documentation of the application should address/include the following:

- Describe what is the Company filing for.
- Describe what is changing, or, for a new program, provide a clear and complete description of the program.
- Document actuarial support with explanation, underlying data, judgments, and assumptions.
- Identify and explain changes to methodology from prior applications.

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**II. DOCUMENTATION**

If any of these items are absent, I will ask for them, and it will only delay the review.

Interesting Example

*Bornhuetter Ferguson and Selective Averages*

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**III. ACTUARIAL SOUND**

**CONCEPTUALLY**

Underlying actuarial methods and arguments must be technically correct and theoretically sound.

Interesting Examples

*The Bad Doctor*

*The First Workers Compensation Large Deductible*

*The Second Workers Compensation Large Deductible PART 1*

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**III. ACTUARIAL SOUND**

**REASONABILITY**

Judgments and assumptions should be reasonable in the context of the application.

Interesting Examples

*Workers Compensation Trend*

*Coal Mine Occupational Disease*

*The Medical Professional Liability Rate Application*

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**III. ACTUARIAL SOUND**

**ACCURACY**

The arithmetic should be correct.

Interesting Examples

*The Second Workers Compensation Large Deductible Part 2*

*A Countrywide Rate Application*

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**IV. COMMON SENSE**

There is a level of common sense that should be reflected in any rate application. Common sense certainly refers to everything that has been discussed so far, in combination, but also includes issues such as, but not necessarily limited to:

- Reasonability of overall results;
- Understanding the basic hazards for which a proposed program is supposed to insure; and
- Simply accepting advice on how to accomplish a goal within the regulatory environment of a specific jurisdiction.

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**IV. COMMON SENSE**

Interesting Examples

*Forms?*

*The Loblolly Pine*

*The Workers Compensation Loss Cost Multiplier*

*Another Workers Compensation Large Deductible*

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