

R-3: “What Makes a Good Rate Filing?”

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Overview

- Other presentations discussed characteristics of a “good” filing
- How do we know what constitutes “not good”?
- Justice Potter Stewart said that objectionable material was hard to define, but “I know it when I see it”
- Here are some things I have seen

Example 1

Filer addresses cover letter to 2nd-prior Commissioner who has been out of office for almost 2 years

Discussion points

- Seems like minor, non-substantive administrative error
- BUT – may indicate at least two things

Example 1 (cont'd)

- Filing may not have been double-checked for accuracy and/or peer-reviewed
- Filer may not have visited our website recently to review NJ requirements
- <http://www.state.nj.us/dobi/index.html>
- When in doubt – please contact us!

Example 2

- **Prior Indication +24%; Implemented +8%; 15% residual indication**
- **Current indication +52% (1 year later)**
- **After review, filer finds calculation errors; revised indication now +19%**

Example 2 (cont'd)

Discussion points

- All filings should be compared to previous filings, and significant differences should be reconciled
- Reasonability checks should also be performed by those who know the market

Example 3

- **Prior filing process included multiple DOBI requests for additional supporting data and calculations**
- **Current filing replicates prior filing exactly**
- **DOBI sent requests for additional data again**

Example 3 (cont'd)

Discussion points

- Filers should review prior correspondence and address any deficiencies or outstanding issues
- Each filing must be separately documented, as they are considered public records (mostly)

Example 4

- **DOBI question to filer: How were factor selections determined? Provide indicated relativities or competitor information as appropriate**
- **Filer Response: We hired an outside Actuarial Firm to do the analysis**

Example 4 (cont'd)

Discussion points

- Filers often do not know or state they cannot share information used to develop the rating system
- Similar responses often received regarding various modeling vendors (whether insurance score, catastrophe, or other)
- Filers are ultimately responsible for supporting the filing, not vendors

Example 5

- **DOBI Question: Please discuss the reasons for the increase in profit provision from previous filings**
- **Filer Response: This current filing utilizes a profit load that more closely aligns with corporate profit targets**

Example 5 (cont'd)

Discussion points

- Why was company not previously aligned?
- What does "more closely" mean - is current provision still different? If so, why?
- Need to explain why new method is better than old method – applies to all filing steps

Example 6

- **Filer has no rate activity for 5+ years**
- **Filed indication of +100%**
- **Filer requesting +25% increase**

Example 6 (cont'd)

Discussion points

- Where has filer been for 5 years?
- DOBI prefers regular, moderate changes – prevent rate shock to policyholders
- NJ has Public Advocate - Rate Counsel for all personal lines filings in excess of 7%

Example 6 (cont'd)

Discussion points

- Filers need to find resources to make filings more regularly, if necessary
- Good filings do not have to have 1000's of pages
- Contact us to discuss strategy when significant changes needed

Summary

PLEASE DO:

- Visit our website for information regarding filing requirements
- Compare all filings to previous filings, and reconcile significant differences
- Ensure filing addresses previous filing questions/concerns

Summary (cont'd)

PLEASE DO:

- Understand and document how you decided on what is proposed
- Consider whether discussions/responses are truly informative

Summary (cont'd)

PLEASE DO:

- Contact us – Phone, email, in person
- Keep regular lines of communication open