



Price Optimization

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Three Facts About Price Optimization

1. Insurers Have Always 'Optimized' – With Regulator Knowledge & Approval

Disposition

Disposition Date: 03/11/2015
 Effective Date (New): 05/01/2015
 Effective Date (Renewal): 05/01/2015
 Status: Approved

Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:
REDACTED	5.700%	2.600%	\$169,000	632	\$6,483,000
REDACTED	17.400%	2.600%	\$898,000	3,649	\$34,492,000
REDACTED	-3.800%	3.400%	\$1,859,000	15,942	\$54,331,000
REDACTED	-6.300%	3.200%	\$170,000	1,071	\$5,284,000
REDACTED	7.500%	2.700%	\$955,000	5,793	\$35,290,000

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	4.500%
Overall Percentage Rate Impact For This Filing	3.000%
Effect of Rate Filing-Written Premium Change For This Program	\$4,051,000
Effect of Rate Filing - Number of Policyholders Affected	27,087

Companies Temper Increases Based on 'Market Judgment'

Regulators Are Generally OK With That.

Sources: System for Electronic Rate and Form Filing (SERFF) via SNL Financial; Insurance Information Institute.

Other Examples: Rate Capping, Teen Drivers

2. Optimization Is Not Price Gouging

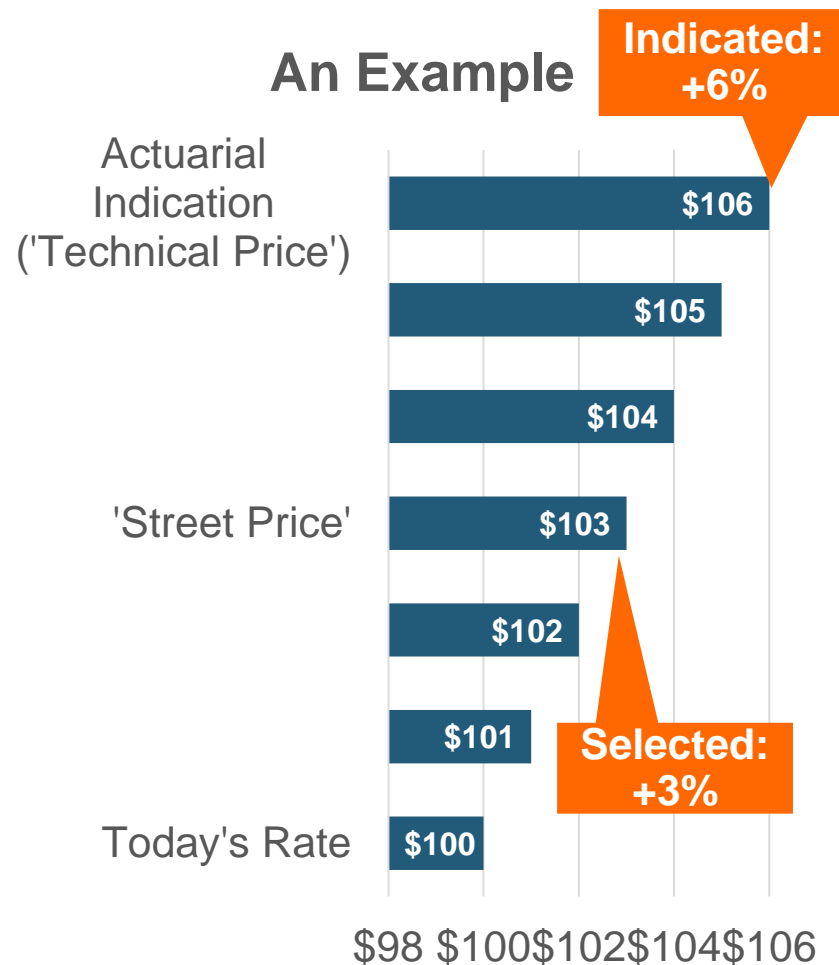
■ Traditional Practice

- ◆ Used 'Seat-of-the-Pants' Judgment to Discount Off Indication

■ What's New

- ◆ Software Informs the Judgment

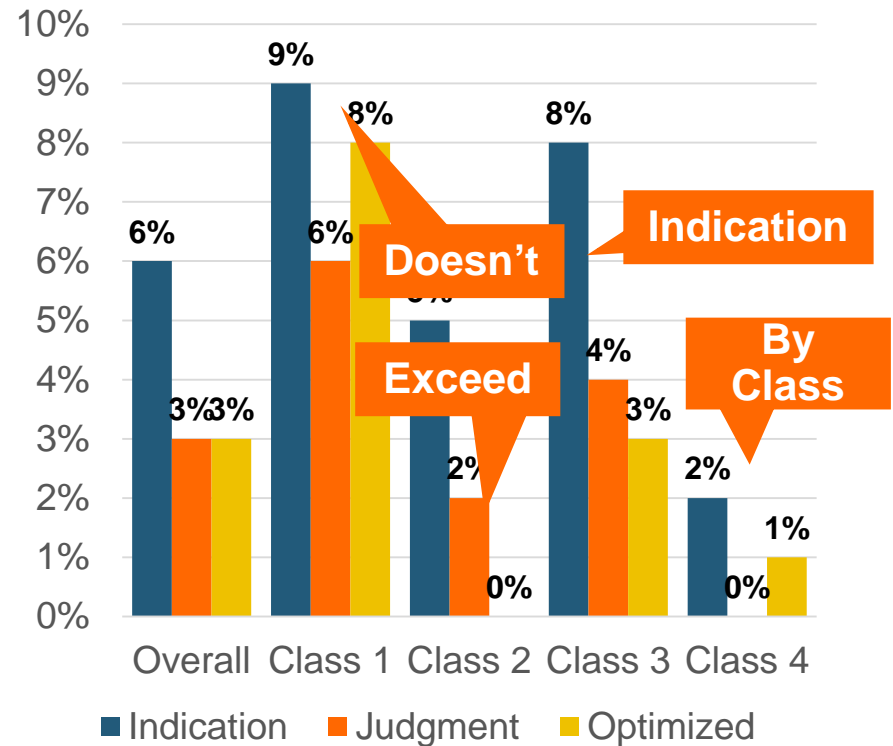
■ Always Within Actuarial Indications



3. Optimization Doesn't Raise Rates; It Distributes the Rate Change

- As Practiced in U.S.
 - ◆ Remains True to Cost-Based Price
 - ◆ Applied to Classes, Not Individuals
- Innovations Are Usually Encouraged, With Appropriate Restraint

Example (cont'd): There Are Many Reasonable Ways to Achieve Reasonable Rates.



What Is the Issue?

- The Practice of Charging Something Other Than the Technical Price?
- The Software That Insurers Can Use to Move From Technical Price to Street Price?
- The Variables That Insurers Use to Move From Technical Price to Street Price?

**Debate
Is Here**



**Debate
Should
Be Here**



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*Thank you for your time
and your attention!*

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