

Price Optimization

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James Lynch, FCAS MAAA, Chief Actuary
Insurance Information Institute ◆ 110 William Street ◆ New York, NY 10038

Tel: 212.346.5533 ♦ Cell: 917.359.3908 ♦ jamesl@iii.org ♦ www.iii.org

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Three Facts About Price Optimization

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



Disposition Date: 03/11/2015 Effective Date (New): 05/01/2015 Effective Date (Renewal): 05/01/2015 Status: Approved						Temp Increa Based 'Marl
Comment:	Overall %	Overall %	Written Premium	Number of Policy	Written	Judgm
Company	Indicated	Rate	Change for	Holders Affected	Premium for	
lame:	Change:	Impact:	this Program:	for this Program:	this Program:	
	5.700%	2.600%	\$169,000	632	\$6,483,000	
REDACTED	17.400%	2.600%	\$898,000	3,649	\$34,492,000	
TO ALL	-3.800%	3.400%	\$1,859,000	15,942	\$54,331,000	
RE	-6.300%	3.200%	\$170,000	1,071	\$5,284,000	
	7.500%	2.700%	\$955,000	5,793	\$35,290.	

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

Effect of Rate Filing-Written Premium Change For This Program

Effect of Rate Filing - Number of Policyholders Affected

Regulators
Are
Generally
OK With
That.

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

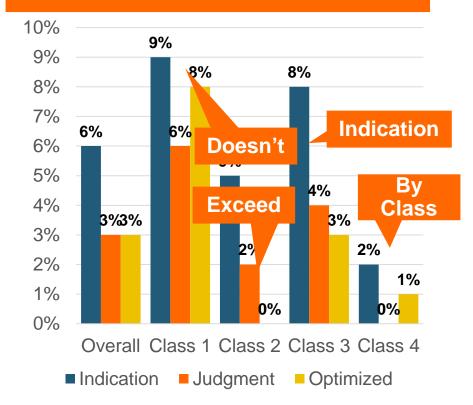


3. Optimization Doesn't Raise Rates; It Distributes the Rate Change



- 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?

Debate Is Here

- 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 Should Be Here



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Thank you for your time and your attention!

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