


Ratemaking, Product and Modeling Seminar

March 20-21, 2018

Recent Developments and Common Pitfalls in Property and Casualty Rate Filings



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Outline

- Insurance Regulation
- Rating Subjects Regulators May Be Sensitive Toward
- Changing Insurance Landscape
- InsureTech
- State and Federal News

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Types of Regulation Across the United States

Typical filing statutes (often have exceptions):

- Prior Approval (15; Louisiana)
- File and Use (20)
- Use and File (9)
- Flex (4)
- No File (2)

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**InsureTech
Regulatory Sandboxes**

- Mechanisms to lower barriers to bringing innovative products and services to market.
- "Safe place", within a regulatory environment, to test, facilitate response pilots and ensure regulatory obligations are reasonably adhered to.
- Designed to:
 - Improve access to innovative products
 - Assist companies in navigating the regulatory landscape
 - Create collaboration between insurtech firms and regulatory authorities
- Ensure safety and soundness of the regulatory system.

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**InsureTech
Big Data**

- No generally accepted definition:
 - Structured data: data in tables, well defined fields
 - Unstructured data: social media postings, free form documents, pictures, video, recorded audio and more – represents majority of data
 - Unstructured and/or structured data being used to influence underwriting, rating, pricing, forms, marketing and claims handling.

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**InsureTech
Big Data - Insurance Implications**

- Insurance Benefits of Big Data
 - Better underwriting, lower prices, faster claim settlement, ability to do online business and instant communication, enrich customer experience and detect potential fraud
- Regulatory Concerns related to Big Data
 - Privacy and sensitive, confidential data protection
 - General Data Protection Regulation (GDPR-EU)
 - Transparency related to data use
 - Is ability to segment risk good? Will it lead to improved behaviors, lowering cost and/or affordability issues?
 - Ability to analyze complex filings for regulatory compliance

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InsureTech
Big Data (EX) Working Group Charges

- Review current regulatory frameworks and determine if changes are necessary.
- Provide resources to facilitate states' collaborative review of complex models used by insurers
 - State regulators maintain rate regulatory authority
 - Collecting comments on exposure draft
- Assess data needs and required tools for regulators to monitor marketplace
 - Gain better understanding of currently available data and tools and recommend additional data and tools as appropriate
 - Draft background document distributed

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InsureTech
Autonomous Vehicles – Insurance Implications

- Applicability of the current tort system
- Assumes a person will be driving and assignment of blame to a driver
- Who is at fault if a person is not driving?
 - Technology provider?
 - Auto manufacturer?
 - Infrastructure?
- Default to product liability?

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InsureTech
Autonomous Vehicles – Insurance “Company” Implications

- If 94% of accidents are “driver error” claims will be drastically reduced
- Will not happen overnight; will be gradual
- Will it start with commercial fleets and TNCs?

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Cyber/Data Security

- WP projected to grow from \$4.3B in 2017 to \$7.5B in 2020
- NAIC Adopted Insurance Data Security Model Law 10/24/17
- NAIC Developed Principles for Effective Cybersecurity and Roadmap for Cybersecurity Consumer Protections
- NAIC Developed Cybersecurity updates to the Financial Condition Examiners Handbook
- NAIC Developed the Cybersecurity and Identity Theft Coverage Supplement
- State or Federal regulation
 - Treasury recommends prompt state adoption of uniform data security model law or Congress pass law setting requirements for insurer data security

Flood Insurance

- NFIP extended reauthorization expires 9/30/2017, 12/8/2017, 12/22/2017, 1/19/2018, 2/8/2018, 3/23/2018, ???
- House: H.R. 2874, 5-year reauthorization
 - 11/14/17 passed (237-189) 5-year reauthorization package of seven reform bills (Duffy); long-term reauthorization, mitigation, private flood, repetitive loss properties, improved flood mapping, cap annual premium increases, continue grandfathering.
- Senate:
 - S. 1571 (Crapo/Brown)
 - S. 1368 (Menendez/Kennedy)
 - S. 1313 (Cassidy/Gillibrand)
- NAIC supports facilitating greater growth in the private flood insurance market as a complement to the NFIP

Questions?



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