

Predictive Modeling Common Concerns

CAS RPM - Chicago
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Agenda

- Ratemaking and Product Management
- Predictive Models in P/C Rate Filing
- What will Regulators be Looking

Frequently Asked Questions

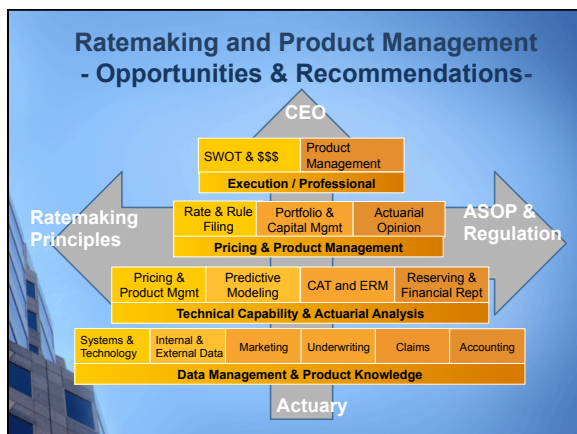
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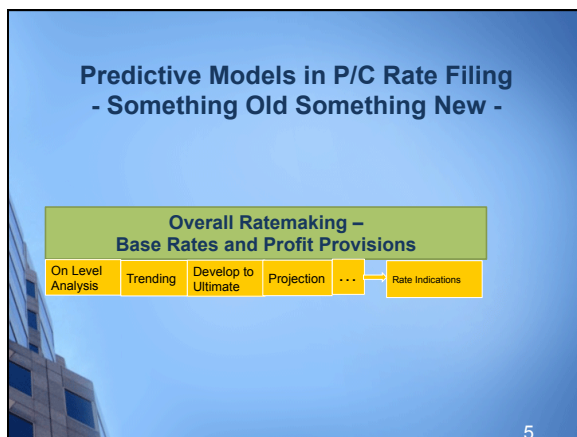
Ratemaking and Product Management

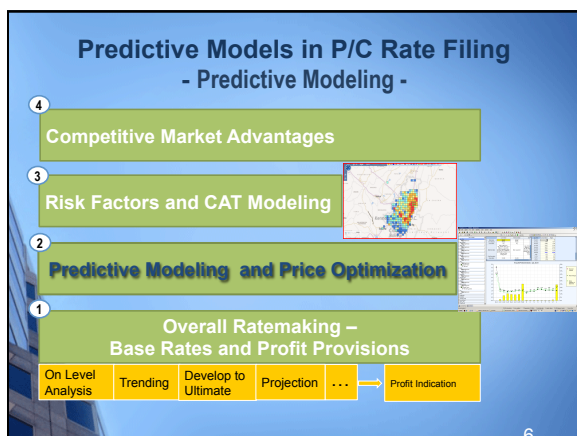
SWOT & Products Mgmt. Ratemaking Principles

Actuary

Predictive Modeling ASOP & Regulation







What will Regulators be Looking - Ratemaking Principles -

- Principle 1: A rate is an estimate of the expected value of future costs.
- Principle 2: A rate provides for all costs so that the insurance system is financially sound.
- Principle 3: A rate provides for the costs associated with an individual risk transfer.
- **Principle 4: A rate is reasonable and not excessive, inadequate, or unfairly discriminatory.**


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What will Regulators be Looking Predictive Modeling

Best Practices

Analytics Talents	Data Analysis	Model Validation	Reporting
<ul style="list-style-type: none">• Actuary• PhD Statistician• UW & Products• IT	<ul style="list-style-type: none">• Relevant• Accuracy• Experience	<ul style="list-style-type: none">• Models• Variables• Validation• Transparency	<ul style="list-style-type: none">• Communication• Implementations• Monitoring

Frequently Asked Questions



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Discussion Topics

- Big Data
 - NAIC
 - State Limitations
- Predictive Modeling
 - Blackbox
 - FOIA
- Legislative Issues
- Correlation & Causation
- Modeling Risks
