

2018 Ratemaking, Product and Modeling (RPM) Seminar

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What Makes a Good Rate Filing?

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Overall Objectives

- Statutory compliance
- Regulatory compliance
 - Regulations, rules, bulletins, directives
- Filing transmittal forms
- Good explanation
- Good documentation
- Actuarial support



Background Description

- Important elements:
 - Company name
 - Program name
 - Brief history
 - Distribution channel
 - Business quality (preferred, standard, etc.)
 - Open/closed to new business
 - Premium volume
 - Salient features (credit scoring, GLM's, UBI, etc.)
- Rundown of all active programs (when appropriate)



Need for Actuarial Support

- Overall rate indication
- “Structural changes” (especially new rating variables)
- Standard methods vs. less common methods
 - Standard methods helpful as “alternative view”
 - Examples: Loss development vs. B.F.;
Multiplicative vs. additive development



Actuarial Exhibits – Audit Trail

- Essential elements
 - Exhibit numbers
 - Clear labeling / identification of items
 - Column / row identification (lettering or numbering)
 - Item footnotes (e.g., $C=A \times B$, D – See Exhibit 6)
 - Column / row totals (especially for \$ amounts)
 - Print size
- “Key” rate indication exhibit (most important)



Actuarial Exhibit Detail

- Disclosure of underlying data/methodology
 - Example: premium on-leveling (rate history, on-leveling technique)
- Disclosure of assumptions
 - Example: hurricane modeling (modeler, model version, view, demand surge, storm surge)
- Appropriate use of tempering (e.g., cat load analysis)



Trend

- Importance of net trend (a.k.a. loss ratio trend)
- Premium trends and loss trends often “mismatched”
 - Example: Negative company premium trends, positive industry loss trends
- Need rationale or basis for selections
- Intuitive reasonability of selections
- For Automobile insurance, model year and symbol trend represent “automatic rate increase”



Recognition of State-Specific Phenomena

- Example 1: Hurricane modeling view (long-term)
- Example 2: Capping requirements
- Example 3: Workers' compensation – loss based assessments (LBA's)



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Other Issues

- GLM's
 - Need for description, goodness-of-fit, lift curves
- Credit scoring
 - Especially treatment of No Hits / Thin Files
- "Fees"
 - Expense constant
 - Billing / installment
 - MGA / agency
 - MVR / inspection
- Capping
 - View as "afterthought"
- Coverage changes
 - Part of rate impact



Questions?



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