



Predictive Modeling & Regulation

March 6, 2017
CAS Underwriting Collaboration Seminar
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Agenda

- Something Old Something New
- Opportunities & Recommendations
- What will Regulators be Looking for
- Frequently Asked Questions

Something Old Something New - ISO and Actuarial Ratemaking -

Overall Ratemaking – Base Rates and Profit Provisions

On Level
Analysis

Trending

Develop to
Ultimate

Projection

...



Profit Indication

Something Old Something New

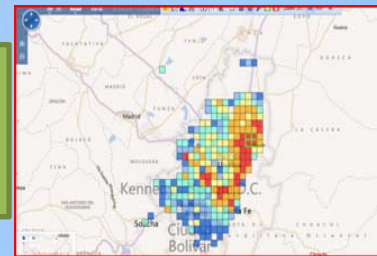
- Predictive Modeling -

4

Competitive Market Advantages

3

Risk Factors and CAT Modeling



2

Predictive Modeling and Price Optimization



1

Overall Ratemaking –
Base Rates and Profit Provisions

On Level
Analysis

Trending

Develop to
Ultimate

Projection

...

Profit Indication

Opportunities & Recommendations

- Good Pricing Process Look Like -

Process

Price
Delivery

Sales
Execution

Implementation / Marketing

Pricing
Proposal

Portfolio
Management

Business
Insight

Pricing & Product Management

Ratemaking

Predictive
Modeling

Marketing
Analytics

Underwriting
Strategy

Analysis

Systems &
Technology

Tools

Internal &
External Data

Capability

Governance

Underwriting

Data Management

Process

Cross –
Functional
Engagement

Cross –
Functional
Engagement

What will Regulators be Looking

- 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.**



Frequently Asked Questions

Predictive Modeling and Regulatory Concerns Team Works and Success

