Comment #3 – 10/21/14- 3:33 p.m.

I have reviewed the exposure draft on Property/Casualty Ratemaking and have the following comments.

1. I don’t believe that Composite Rating needs to be defined in the standard and don’t see that it is used any place. I would delete it.
2. There are many places where defined words are not bolded.
3. In the definition of Schedule Rating, I would add “or classification” before the last word of the definition.
4. In 3.1, I find “profit and contingency provisions” redundant with “cost of capital.” The cost of capital determines the underwriting profit provision (after consideration of investment income).
5. I don’t see anything about the time value of money/investment income in the draft. I think it is a critical component of ratemaking.
6. I can think of very few situations in which calendar year loss data is appropriate for ratemaking. I would exclude that as an option in 3.2, allowing actuaries to explain why they departed from the Standard in those situations in which it is appropriate.
7. In 3.7.2, a comma is missing after “judgment” in the sixth line.
8. In 3.14, the wording should be clarified that the present value of the expected net cost (ceded premium minus ceded losses minus ceding commissions) should be estimated. Many people consider the ceded premium to be the “cost” of reinsurance.
9. In 3.17, retrospective rating should be added.

Let me know if you have any questions about these comments.

Susan

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