

TO: ASB Comments
American Academy of Actuaries
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From: David A. Christhif, Actuary
DISB

Date: 4/20/2016

Subject: Comments on the ASB's Second Exposure Draft of ASOP Property/Casualty Ratemaking

Thank you for the opportunity to comment on the Actuarial Standards Board's (ASB's) second exposure draft of the Actuarial Standard of Practice (ASOP) regarding Property/Casualty Ratemaking. The comments are my own and do not reflect the opinion of the DISB.

Under Section 1.2, I think the sentence "While the actuary may play a key role in the company's decisions in determining the price charged after taking into account other considerations, such as marketing goals, competition, and legal restrictions, this standard does not address the other considerations" should be eliminated. This sentence is unnecessary since the scope clearly says that "This standard is limited to the estimation of future costs." While an actuary may wear other hats (marketing, legal, etc.) than his actuarial one, I think the ASB should limit these ASOP's to his actuarial duties.

In Section 2.6 you define Premium.

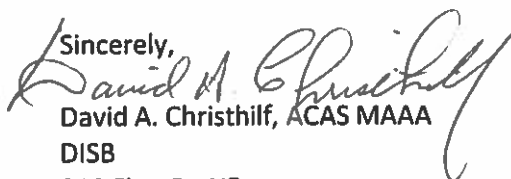
I don't think this adds anything to the common definition we all use. If you didn't define premium in ASOP 30, where you make more use of the term, then why would you define it here? In ASOP 30 you state that Underwriting Profit is premium less losses, etc. If one didn't know what premium was, then this definition would be useless. I think you should leave this definition out.

In Section 2.6 you define Rate.

This definition is different than the one you used in ASOP 29 and ASOP 30. I think you should leave "expected value" in the definition. As a regulator, I think "estimate of future costs" is too vague and open for misuse. I do like the addition of the idea of rate as a "cost per unit of exposure" since that is how it is commonly defined. Unlike premium I think it is useful to have a definition of rate, since we are not only defining it, but we are giving guidance as to how it is to be calculated. This goes beyond the CPCU definition.

As a general rule, I think the definitions you use in the ASOP's should be the same and you should not include a definition unless we are breaking new ground, or the term you use is not common.

Sincerely,



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