

Comment #16 – 4/30/16 – 11:46 a.m.

Dear Board,

Thank you for the opportunity to provide comments on the second exposure draft of proposed ASOP, Property/Casualty Ratemaking. As a member of the Actuarial Procedures group in ISO solutions, I have gathered comments of the group members who have reviewed the exposure draft and offered their comments. Please see below for their comments:

Raul Retian, ACAS, MAAA, CPCU

- As done in Section 3.11, the need for possible revision depending on the final modeling ASOP should also be noted in the definition of a model (2.5). This is important because the definition of model in the modeling ASOP was questioned by some as being too broad. Whatever definition is finally used should be consistent in both ASOPs.

David Sidney, ACAS, MAAA

- Section 3.2 seems to take for granted that data will be used in estimating the rate. Per Section 3.9, this may not always be the case (e.g., new product). I recommend that Section 3.2 be introduced with the words "If the actuary plans to use historical insurance data in the ratemaking analysis."
- In Section 3.5, I think "such that" should be changed to "such as that," and "bears" should be changed to "bear." That way, examples of the "practical requirements" are listed in the second half of the sentence ("the exposure base bears a strong relationship to the risk-transfer cost, as well as being objectively measurable and easily verifiable"). As the sentence stands, "the exposure base bears a strong relationship to the risk-transfer cost, as well as being objectively measurable and easily verifiable" are not the practical requirements, but their consequences.
- Section 3.5: Some programs, such as our Financial Institutions program, have an exposure base for a single coverage that is defined based on multiple factors (AOI, number of employees, number of additional premises). This approach does not appear to be acknowledged in this section.

Please note that David might have already sent in his comments. He has been out of the office since I have gathered the comments and I am not sure whether he already sent them in.

Please let me know if you have any questions/comments.

Thank you for your consideration,

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