

October 2019

TO: Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in the Application of the Actuarial Standards of Practice to Property/Casualty Rate Filings

FROM: Actuarial Standards Board (ASB)

SUBJ: Request for Input – Property/Casualty Rate Filing ASOP

This document contains a request for input concerning the development of an actuarial standard of practice (ASOP) that would apply to actuaries when preparing property/casualty rate filings. The term “rate filing” discussed in this document is broadly defined as including property/casualty rate filings, loss costs filings, filings for factors for rating individual policies, and other rate-related filings. Please review this request for input and provide the ASB the benefit of your comments and suggestions. Each letter and email received by the deadline will receive appropriate consideration by the drafting committee and the ASB.

The ASB accepts responses by either electronic or conventional mail. The preferred form is e-mail. However, please feel free to use either form. If you wish to use e-mail, please send a message to comments@actuary.org. You may include your response either in the body of the message or as an attachment prepared in any commonly used word-processing format. **Please do not password protect any attachments. If the attachment is in the form of a PDF, please do not “copy protect” the PDF.** Please include the phrase “ASB COMMENTS: Property/Casualty Rate Filing Request for Input” in the subject line of your message. Please note: Any message not containing this exact phrase in the subject line will be deleted by our system’s spam filter. Also, please indicate in the body of the e-mail if your response is being submitted on your own behalf or on behalf of a company or organization.

If you wish to use conventional mail, please send your response to the following address:

Property/Casualty Rate Filing ASOP
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036-4601

The ASB posts all signed responses received to its website to encourage transparency and dialogue. Responses received after the deadline may not be considered. Anonymous responses will not be considered by the ASB nor posted to the website. Responses will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the responses, which are solely the responsibility of those who submit them.

For more information on the process for soliciting input, please see the ASB Procedures Manual.

Deadline for receipt of responses in the ASB office: **February 28, 2020**

Background

The determination of rates and the involvement in preparation of rate filings for submission to state insurance departments is one of the key functions that property/casualty actuaries perform. At the current time, a number of standards provide guidance to actuaries on various ratemaking issues and the determination of estimated future costs for property/casualty insurance, including the following:

1. ASOP No. 12, [*Risk Classification \(for All Practice Areas\)*](#)
2. ASOP No. 13, [*Trending Procedures in Property/Casualty Insurance*](#)
3. ASOP No. 23, [*Data Quality*](#)
4. ASOP No. 25, [*Credibility Procedures*](#)
5. ASOP No. 29, [*Expense Provisions in Property/Casualty Insurance Ratemaking*](#)
6. ASOP No. 30, [*Treatment of Profit and Contingency Provisions and the Cost of Capital in Property/Casualty Insurance Ratemaking*](#)
7. ASOP No. 38, [*Using Models Outside the Actuary's Area of Expertise \(Property and Casualty\)*](#)
8. ASOP No. 39, [*Treatment of Catastrophe Losses in Property/Casualty Insurance Ratemaking*](#)
9. ASOP No. 53, [*Estimating Future Costs for Prospective Property/Casualty Risk Transfer and Risk Retention*](#)

The ASOPs above, and in particular ASOP No. 53, provide guidance to actuaries on all aspects of the actuarial estimation of future costs, which are often used in supporting the analysis contained in rate filings. There is currently no ASOP providing guidance to actuaries on the actuarial aspects of the selection of final rates and property/casualty rate filings. Before developing such an ASOP, the Rate Filings Task Force has several preliminary questions, the answers to which will sharpen the scope of the proposed ASOP and provide direction for the drafting effort. The intent of the proposed ASOP would be to build upon the already existing ASOPs, supplementing the guidance provided by the current set of ASOPs.

Scope and Possible Content of Proposed ASOP

The proposed ASOP would address the actuarial aspects of property/casualty rate filings submitted to state insurance departments. The proposed standard would provide guidance to actuaries regarding the actuarial aspects of a rate filing for the filing actuary, the regulatory actuary, and the reviewing actuary. The ASB requests your assistance and guidance in determining which components are actuarial in nature.

Request for Input

The ASB is interested in the views of actuaries, other parties involved in the determination of rates and the preparation and/or review of rate filings submitted to state insurance departments, and any others that have opinions on the matter of the actuarial aspects of the insurance rate filing process.

While the ASB is interested in receiving input from all interested parties, we are particularly interested in your views if you are working in a regulatory capacity or as a consultant to regulators.

In particular, we would like to hear views related to the following:

1. What are the existing or current actuarial responsibilities in determining the final proposed rates?
2. What are the existing or current actuarial responsibilities in the development of a rate filing?
3. Are there aspects of rate filings that you consider actuarial in nature? What aspects do you consider not actuarial in nature?
4. What aspects of a rate filing frequently cause issues during regulatory review?
 - a. Do these issues cover actuarial content that should adhere to ASOP guidance?
 - b. If so, what makes these issues actuarial content in your opinion?
 - c. If not considered as actuarial content, why not?
5. Given that many rate filings contain the results of large computer modeling, does the proposed ASOP on Modeling sufficiently address your concerns with regard to rate filings?
6. What actuarial aspects need further guidance to actuaries in the rate determination process beyond the guidance already contained in existing ASOPs?
7. What actuarial aspects need further guidance to actuaries in the rate filing process beyond the guidance already contained in existing ASOPs?
8. Is guidance to actuaries needed for all rate filings?
 - a. All lines of insurance?
 - b. All types of rate regulation laws (prior approval, file and use, use and file, etc.)?

- c. If not needed for all filings, which specific filings either limited to specific lines of insurance, rate regulatory laws, or other conditions would trigger activation of the ASOP?
9. Should the scope of this standard be confined to filings that require an actuarial certification?

To help us better understand your responses, please include information about your position and role in the rate filing process. For example, it would be helpful to include the following information in your response:

A. I am (include all that apply)

- An actuary for an insurance company
- An actuary for a rating bureau / rate advisory organization
- A regulator or a consultant to a regulator
- Consumer advocate
- Underwriter
- Agent/broker
- Data scientist
- Computer model designer/developer
- Other (please explain)

B. My role in the rate filing process is that I (include all that apply):

- Prepare rate filings as an insurance company employee
- Prepare rate filings as an actuarial consultant
- Prepare rate filings as a non-actuarial consultant
- Review rate filings on behalf of insurance department(s)
- Prepare rate filings on behalf of insurance companies
- Design, develop, modify, implement, etc. computer models that support rate filings
- Challenge rate filings as an advocate for consumers
- Other (please explain)

The ASB reviewed this Request for Input in October 2019 and approved its issuance.