

Comment #3 – 2/12/2020 – 3:38 p.m.

The following comments and opinions are those of the submitters and do not necessarily reflect the views of their individual organizations. This response is meant to contain general comments, however if the explanation addresses a specific question, the question will be identified at the end of the paragraph.

- Additional guidance for rate filings may be advantageous to actuaries in different sectors. However, there is a concern regarding the broad nature of the definition of “rate filings” provided in the request for input. Several filings using the broad definition may be politically driven or based on regulatory constraints and may broach issues outside of the confines of an ASOP. Additionally, not all rate filings are actuarial reports.
- The scope of actuarial responsibilities is too broad to be addressed in a single ASOP. It is better to ensure that the ASOPs include guidance on the components of the filing rather than trying to address such a broad category with a comprehensive single ASOP. It is preferable to address the specific category of actuarial work product being addressed (i.e. credibility procedures or trending procedures). The considerations around these topics should be the same regardless of the context in which they are applied.
- If an ASOP is to be created, the ASOP should either separately address or directly exclude business filings for competitive reasons and underwriting purposes such as schedule rating plans submitted by actuaries.
- The ASOP should not only address filings that specifically require an actuarial certification, but should also address filings that include any identified actuarial work product. (NOTE: Additional guidance as to when a certification should be included even if not required by the governing body for which the filing is submitted may be worth addressing. Some actuaries and organizations have erred on the side of caution and include a certification even if one is not requested or mandated.) It should also be clear that filings in which an actuary is involved but there is no actuarial work product are outside of the scope. Any new ASOP should not expand the range of rate filings which include actuarial work product beyond what is required by legislation and regulation or where companies choose to include actuarial work product. (Q#9)
- The ASOP should also not be limited to certain types of rate regulation laws. Rate regulation laws (prior approval, file and use, use and file, etc) address the timing of when filings need to be completed, not necessarily the content of the filings. (Q#8b)
- Many ASOPs already address different aspects of rate filings. In addition to the ASOPs included in the background of the request for input, we felt that ASOP 1, 41, and 56 were important to include. The ASOP currently in draft regarding “Setting Assumptions” should also be cross-referenced. It is worth noting that ASOP 41 is currently one of the most relied upon ASOPs for the submission of filings and also the work product that is kept to support filings, even when not part of the formal submission.
- The Statement of Principles for Property and Casualty Insurance Ratemaking, adopted by the CAS Board, are also heavily relied upon for the submission of filings. Although many considerations in the

Statement of Principles are addressed in other ASOPs, some considerations are not. In addition, the basic principles of ratemaking are not identified currently in any ASOP. (Q#6&7)

- Actuaries have other considerations that are not currently identified anywhere, including in the Statement of Principles. Specific areas that may need further guidance are volatility, accuracy, elasticity of demand (such as filing separate rates for new and renewal policies), and other than actuarial considerations such as political or regulatory concerns. (Q#6)
- The main aspects of rate filings that frequently cause issues during regulatory review all relate to methodology such as a difference in opinion with a current methodology, concern over a change in methodology, or specific selected assumptions. The specific areas that can be difficult are trend calculations, profit load, and development (loss, premium, and claim count). (Q#4)

We are actuaries who work for Workers Compensation rating bureaus/rate advisory organizations that prepare rate filings.

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