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February 28, 2020

TO: Actuarial Standards Board (ASB)

FROM: Insurance Services Office

SUBJECT: ASB COMMENTS: Property/Casualty Rate Filing Request for Input

I am responding on behalf of Insurance Services Office (ISO), Inc., a company which employs 77 members of the Casualty Actuarial Society.

ISO respectfully submits that the proposed ASOP is not necessary. As mentioned in the Request for Input (RFI), there already exist several ASOPs that govern the various actuarial aspects of the calculation of rates. From the perspective of the filing actuary, we believe the existing ASOPs sufficiently address all actuarial aspects of the rates underlying a rate filing. Any standards or governance unique to the regulatory actuary or the reviewing actuary should, in our opinion, be the exclusive domain of the individual state regulator.

The RFI states that “[t]here is currently no ASOP providing guidance to actuaries on the actuarial aspects of the selection of final rates and property/casualty rate filings.” While no ASOP provides guidance exclusively on the specific exercise of selecting final rates, final rates are indeed subject to the CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking, the various ASOPs mentioned in the RFI, as well as the requirements set by the state regulator. We do not believe the ASOP would add meaningful guidance regarding the selection of the final rate unless the intent is to take a position on the controversial topic of price optimization practices in the rate selection process. If that is the intent, it should be explicitly stated so that members of the actuarial community understand the true impact of the proposed ASOP and can comment accordingly.

Similarly, we see no need for a new ASOP to address preparation of the rate filing itself. A rate filing is a communication between the party filing the rate(s) and the state regulator, and its purpose is to provide information, support and justification to the satisfaction of the state regulator. Only the regulator has the responsibility and the authority to approve or reject a rate filing, and so it is the regulator who should set forth any guidance or standards related to the filing itself. In fact, a model version of such guidance is already being drafted by the NAIC’s Casualty Actuarial and Statistical Task Force (CASTF) for filings that make use of predictive models. Importantly, unlike an ASOP, state regulators’ guidance and standards can encompass any rate filing, including filings without actuarial aspects and/or filings compiled by non-actuaries.

Sincerely,

A handwritten signature in blue ink that reads "Joseph M. Izzo".

Joseph M. Izzo