

**Comment #7 – 4/22/16 – 1:52 p.m.**

Dear Board,

Thank you for the opportunity to provide comments on the second exposure draft of proposed ASOP, Property/Casualty Ratemaking. I believe many of the changes made compared to the first exposure draft are helpful. I believe the new draft appropriately addresses the themes that were desired according to the 6 questions that were asked under the 'Request for Comment' section. I have two specific comments for your consideration.

- Under section 3.7.1, the language for adjusting the premium data is stronger than what is provided in section 3.7.2 for losses. For example, 3.7.1 provides, "The actuary should adjust the historical exposure and premium to reflect a consistent rate and exposure level." Contrast that with 3.7.2, the relevant sections suggest that the actuary "should consider adjusting". I believe the actuary should consider the materiality and cost of adjustment when deciding on the need to adjust premium. I recommend that the first sentence of section 3.7.1 be rephrased to be consistent with 3.7.2, where the guidance provides that the actuary "should consider adjusting".
- I have not seen the CAS Ratemaking Principles addressed in any proposed ASOP, and it is my understanding that the CAS is considering eliminating them. While a portion of the four Principles is covered in this ASOP (e.g., a rate is an estimate of the expected value of future costs), other relevant sections are not covered. In particular, Principle 4 is not addressed. I can understand the desire to no longer have Ratemaking Principles published by the CAS, as they may not feel that is their role. However, I personally have relied on the Principles in my work. I recommend that the ASB more comprehensively replace the CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking either in this ASOP, or in another ASOP.

Thank you for all the work that has gone into the development of this draft, and thank you for considering my comments.

Sincerely,

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