

Comment #1 – 2/25/16 – 10:41 p.m.

Comments on the second exposure draft for the proposed Actuarial Standard of Practice, Property / Casualty Ratemaking

Title of ASOP

The title of the actuarial standard of practice references "Ratemaking." The term "rate" is generally understood to refer to a measure per unit exposure and "ratemaking" to refer to development of consideration for coverage between counterparties in an insurance contract. However the scope includes funding for mechanisms such as loss portfolio transfers and self-insurance which do not necessarily comport with the use of that term.

I recommend consideration of changes to the title to indicate that the ASOP applies to "Ratemaking and Other Prospective Risk Transfer / Risk Financing Estimates."

Exposure Base

The definition in section 2.3 seems awkward to me. I would suggest "A unit measure that is proportional to the propensity for loss."

Similarly in Section 3.5 there is reference to "a strong relationship to the risk transfer cost."

The terminology "strong relationship" implies that the results of a correlations analysis exceed a certain threshold. I suggest replacing this with "such that the exposure base may reasonably be assumed to be proportional to the propensity for loss"

Thank you for your consideration.

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