



February 27, 2020

Actuarial Standards Board  
1850 M Street, NW, Suite 300  
Washington, DC 20036-4601

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

Members of ASB:

Perr&Knight (“we”, “us” or “our”) is pleased to present this response to the Actuarial Standards Board’s (“ASB”) request for input regarding a property/casualty rate filing actuarial standard of practice (“ASOP”).

### **About Perr&Knight**

Perr&Knight has been a leading provider of insurance support services, including Actuarial Consulting, Competitive Intelligence, Data Services, Regulatory Compliance and Operations and Technology Consulting for over 25 years. Perr&Knight is an independent consulting firm founded in 1994 and we employ over 100 professionals. Perr&Knight’s headquarters is located at 401 Wilshire Boulevard, Suite 300, Santa Monica, CA 90401. Perr&Knight also maintains offices in Boca Raton, FL, Jersey City, NJ, Fort Worth, TX and Cincinnati, OH.

With approximately 40 actuaries including 24 Fellows and Associates of the Casualty Actuarial Society (“CAS”), we are among the top 10 largest property & casualty actuarial consulting firms in the United States. Our actuaries have over 500 years of combined experience in the industry and come from diverse backgrounds including rating bureaus, primary insurance companies, reinsurance companies, insurance departments and other consulting firms. Our consultants’ experience spans all lines of personal and commercial insurance, as well as all supplemental health lines, in all U.S. jurisdictions.

Among our consulting actuaries are industry speakers and CAS/AAA committee participants. Perr&Knight is committed to the professional education and development of our actuaries, and as a result, boasts a team of knowledgeable, well-rounded actuaries familiar with cutting edge methods and technologies, who are guided by core actuarial standards and principles.

Perr&Knight consultants have significant experience assisting clients with preparing and submitting rate filings for all lines of property casualty insurance. Below we have provided responses to each of the questions posed in the Request for Input document.

**1. What are the existing or current actuarial responsibilities in determining the final proposed rates?**

As consultants, we do not have responsibility for determining the final proposed rates as that is a company responsibility.

**2. What are the existing or current actuarial responsibilities in the development of a rate filing?**

Our existing responsibilities in developing a rate filing depend on the nature of the rate filing – new program or rate revision – and the scope of our engagement. Perhaps more importantly, the responsibilities also depend on the jurisdiction. Some jurisdictions have specific actuarial requirements, including certification and/or required methodologies. Conversely, some jurisdictions have no actuarial requirements. In either case, we are guided by existing ASOPs in preparing the rate filing support.

**3. Are there aspects of rate filings that you consider actuarial in nature? What aspects do you consider not actuarial in nature?**

We consider the following aspects of a rate filing that could be actuarial in nature, if prepared by or under the supervision of an actuary: rate indication, rating variable analyses, competitor comparison exhibits, return on equity exhibits (or other justification of selected profit provision), actuarial memorandum.

We consider the following aspects not actuarial in nature: filing memo, financial data, filing transmittals.

**4. What aspects of a rate filing frequently cause issues during regulatory review?**

The following aspects of a rate filing frequently cause issues during regulatory review:

- Failing to provide any rate support, either for a new program or a rate revision
- Failing to provide sufficient rate support
- Magnitude of a rate revision

**a. Do these issues cover actuarial content that should adhere to ASOP guidance?**

Often these issues cover actuarial content that should adhere to ASOP guidance. However, in some situations, the regulator is neither an actuary nor familiar with ASOPs.



**b. If so, what makes these issues actuarial content in your opinion?**

Issues are actuarial content when actuarial calculations are involved (i.e. projecting future costs or estimating historical costs).

**c. If not considered as actuarial content, why not?**

Issues are not actuarial content when no actuarial calculations are involved.

**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?**

We believe the ASOP on modeling sufficiently addresses our concerns with regard to rate filings. When a jurisdiction requires or requests documentation of models, we provide the appropriate documentation, following current ASOPs and Department of Insurance checklists, where applicable.

**6. What actuarial aspects need further guidance to actuaries in the rate determination process beyond the guidance already contained in existing ASOPs?**

We believe no additional guidance is needed beyond the existing ASOPs and the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Insurance Ratemaking.

**7. What actuarial aspects need further guidance to actuaries in the rate filing process beyond the guidance already contained in existing ASOPs?**

We believe no additional guidance is needed beyond the existing ASOPs. A rate filing could be considered another form of actuarial communication.

**8. Is guidance to actuaries needed for all rate filings?**

We do not believe additional guidance is needed.

**a. All lines of insurance?**

If an ASOP is proposed, we believe it should apply to all lines of property/casualty insurance.

**b. All types of rate regulation laws (prior approval, file and use, use and file, etc.)?**

We do not think guidance is should be based on rate regulation laws.



- 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?**

If an actuarial certification of the proposed rates is required by the state, it could be reasonable to have an ASOP apply. Otherwise, the guidance would only apply to rate filings developed by actuaries rather than all rate filings submitted to the state.

9. **Should the scope of this standard be confined to filings that require an actuarial certification?**

Yes. We are concerned about the scope of the standard being applied to all filings. If the standard were to apply to all filings, companies would be incentivized to shift rate filing responsibilities from actuaries to non-actuaries. We believe this is a non-desirable result.

We appreciate the opportunity to respond to this request for input.

Regards,



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