

**Comment #19 – 1/30/15 – 11:30 a.m.**

Hi there,

I read through the proposed ASOP and it seems fairly complete and clear. I'm not an expert on ASOPs, so forgive me if my comments are off base. I tried to respond to your specific questions.

Thanks for all your work!

1. Are there any conflicts between the proposed ASOP and existing practice?

No.

2. Is it sufficiently clear in section 1.2, Scope, that this proposed ASOP will apply to all activities regarding the estimation of future costs for property/casualty insurance, applications of self-insurance, risk-funding or retention mechanisms, or other risk transfer mechanisms for policies not yet written?

I noticed that there is no reference to retrospective rating, is there a reason that is not mentioned? In fact, a retro is sort of excluded as the scope only refers to "policies not yet written." Is a retro seen more as an adjustment to an existing rate? Additionally, section 3.17 seems a little more restrictive than the Individual Risk Rating consideration in the CAS SOP. Perhaps, the 3.17 could call out retro rating or at least that adjustments to the rate can be made.

3. Are there any considerations from the current Statement of Principles Regarding Property/Casualty Ratemaking that are not sufficiently covered in this proposed ASOP? Are there any other issues not mentioned that need to be addressed in this proposed ASOP?

The section on actuarial judgment seems to have been removed. I see some references to judgment in the ASOP, however, I like having a global statement (as in the CAS SOP) about using judgment throughout the process.

Ratemaking involves a lot of models that may or may not be effective in any given situation without some judgmental adjustments.

4. This proposed ASOP references other ASOPs. This does not mean that other ASOPs not specifically mentioned do not apply; it means that the specific ASOPs cited were incorporated to provide a complete set of issues and recommended practice for ratemaking without repeating extensive guidance that already exists in other ASOPs. Is this appropriate and sufficiently clear? EXPOSURE DRAFT—September 2014 vi Yes.

5. Do you think that this proposed ASOP provides adequate guidance for actuaries performing property/casualty ratemaking services? If not, what changes would you suggest?

Yes.

6. In section 3.2, Organization of Data, the proposed ASOP refers to several methods for the aggregation of data (Accident Period, Calendar Period, Report Period, and Policy Period). These methods are presumed to be well understood and are not defined. Are these methods sufficiently understood or do you think these methods need to be defined? No. If they aren't understood by the reader, they can refer to the literature on the subject. I think there is consensus in the industry on these definitions.

7. Section 4, Communications and Disclosures, of this proposed standard does not require disclosures beyond those required by ASOP No. 41. Do you think any additional disclosures are needed? No.

Matt Antol, FCAS, MAAA  
Assistant Actuary, Commercial Auto