

May 15, 2009

Mr. Michael McRaith, Chair
Property & Casualty Insurance (C) Committee

Ms. Kim Holland, Chair
Market Regulation & Consumer Affairs (D) Committee

practice, there are actually several different measures of correlation that could be used, typically related to different statistical tests that would be applied.

Publication of Actuarial Standards of Practice

Actuarial Standards of Practice (ASOPs) are promulgated by the Actuarial Standards Board (ASB). When the ASB approves a draft standard for exposure, it is published and distributed to all the members of the actuarial organizations governed by the standards of practice. It is distributed to all members of the actuarial organizations governed by the standards of practice.

Summary

On behalf of the Casualty Practice Council, thank you again for this opportunity. I would also like to reiterate that if we can further assist the NAIC in its endeavors on this topic, we volunteer our services. We look forward to working with you.

Sincerely,

Jeff Kucera
Chair, Property & All Other Lines Subcommittee
American Academy of Actuaries

Appendix A – Dividing Insurance Premium into Percentage Components

This Appendix examines the question of whether a company can or should assign a percentage to particular rate classifications used to make an individual's final premium, i.e., what percent of a premium is due to gender, what percent to credit, etc. Because of the complex nature of most rating plans, this is an incredibly difficult task that is rife with the potential for error and misinterpretation. Consider the rates for hypothetical Company X, which has a base rate and three rating factors as follows:

Base Rate = \$200			
	Classification A	Classification B	Classification C
Level	Rating Factors		
1	2.00	1.00	4.00
2	4.00	1.25	2.00