NYCIRB
New York Compensation
Insurance Rating Board
733 Third Avenue
New York, NY 10017
Tel: (212) 697-3535

Meeting of the Actuarial Committee (WebEx and Teleconference)
Actuarial Research
Tuesday, April 28, 2020
Meeting Minutes

Mr. Jeremy Attie presided

Members	**Represented by**
Arch Insurance Company	Scott Burke
Continental Casualty Company	Julia Stenberg
Greater New York Mutual Insurance Company	Timothy Wang
Liberty Mutual Fire Insurance Company	Sandra Kipust
New York State Insurance Fund	Timothy Koester
Public Member	Mark Priven
QBE Insurance Corporation	John Celidonio
Technology Insurance Company	Bryan Ware
Travelers Indemnity Company	Brian Clancy
XL Catlin	Christopher Graham*
Zurich North American Insurance Company	Mauro Garcia

Non-Voting Attendees

American Home Assurance Company	Jose Couret / Marc Fournier
Federal Insurance Company	Ju-Young Suh*
Hartford Accident and Indemnity Company	Nicholas Papacoda
North American Specialty Insurance Corporation	Dmitri Papush
Pennsylvania Manufacturers' Assoc. Ins. Co.	Scott Curlee

Others Present

Bickmore Actuarial	Daniel Shaw
New York Compensation Insurance Rating Board	Jeremy Attie / Ziv Kimmel
	Brett King / Guo Harrison
	Ben Witkowski / Robert Fogelson
	CJ Mohin / Peter Zhou
	Yan Lin / Taylor Boudwin-Jones
	Ivy Zhu / Amy Chen
	Thomas Nowak / Rose Barrett

* Not present for the meeting

Prior to the consideration of the agenda, Mr. Jeremy Attie read the anti-trust compliance policy statement, which is annexed to these meeting minutes for reference.

Loss Development Research

Mr. Brett King, the Rating Board's Director of Actuarial Research, presented the Committee with an update on loss development groupings. Specifically, he described the allocation of the tail factor among the new development groups and the allocation of incurred but not yet reported ("IBNYR") claims' dollars to be used in the proposed loss development groupings for classification pure premium calculations. The presentation was attached as Exhibit A to the agenda.

A Committee member asked which tail allocation method is expected to have greater variability. Mr. King responded that most variability would be evident in the development up to 10th report, while the tail is expected to remain relatively stable. He added that the financial data tail factor beyond 20th report is based on a 10-year average, contributing to stability.

Another Committee member asked whether averaging the different allocation methods each year would be too cumbersome. Mr. King responded that the tail allocation proportions are stable and would not be revised annually.

The Committee agreed with the proposed tail and IBNYR allocation methodologies. Mr. King told the Committee that the next steps would include incorporating a limited tail including the recommended allocation procedures and examining the impact of the final loss development groupings on classification pure premiums.

Experience Rating Research

Mr. King presented the Committee with an update on experience rating plan research. He informed the Committee that the Actuarial Research Subcommittee met on March 12, 2020 and on April 14, 2020 and reviewed various experience rating methodologies, which were optimized after applying a new capping procedure and including all risks in the analyses. The Subcommittee recommended that several methodologies be presented to the full Committee for its review. The minutes of the two subcommittee meetings were attached as Exhibits B and C to the agenda.

Mr. King presented the alternative methodologies to the Actuarial Committee, which reflected a loss limit and capping procedures which were applied consistently to all methods, along with various measures and statistics for evaluation purposes. The presentation was included as Exhibit D to the agenda.

A Committee member inquired about the derivation of the claim count caps. Mr. King described the derivation, explaining that the claim count caps were determined based on the average and maximum mods observed across several methods for different risk sizes, and analyzed separately for risks that experienced the specified number of claims.

A Committee member asked whether there should be different claim count caps for medical only claims vs. lost time claims. Mr. King responded that this possibility was considered but was ruled out due to poor results.

A Committee member observed that the quintile results for small risk sizes did not appear to have flat standard loss ratios. Mr. King responded that this is primarily because a large majority of these risks did not experience a claim, and only risks in the fifth quintile experienced claims, resulting in volatility in the standard loss ratios.

A Committee member asked how merit rated risks were treated in the testing of the different methods. Mr. King responded that risks that are currently merit rated were not segregated, but included with all risks, as the proposed plan would be a single plan that would apply to all risks.

Another Committee member questioned whether stability can be improved by capping changes in the mod. Mr. King responded that this creates regulatory concerns such as unfair discrimination.

The Actuarial Committee discussed the implications of leaving the interstate system. Committee members asked whether the New York State Department of Financial Services ("DFS") has expressed concern with leaving the interstate system. Mr. Kimmel responded that DFS has not expressed any concern but will confirm out of an excess of caution. A Committee member indicated that leaving the interstate system may present some challenges, and that carriers, in addition to other stakeholders, should be involved in the discussion. Mr. Kimmel responded that the Rating Board will communicate any decision associated with changes to the experience rating plan with its member carriers and stakeholders. Mr. King reminded the Committee that there are other jurisdictions that do not participate in the interstate system.

Further, Mr. King indicated that it is still unclear which methodology NCCI will pursue, and that NCCI has indicated that New York data will not be included in the optimization of their methodology. He added that there are concerns combining credibility parameters across states.

A Committee member asked how different the tested California plan is from the actual plan in use in California. Mr. King responded that the plan in place in California has a feature that caps the mod swing of risks with only one claim, and that this feature was not included in the plan tested by the Rating Board. In addition, the actual California plan excludes small claims, which was not reflected in the plan tested and presented by the Rating Board.

A Committee member commented that claim caps are very innovative and work very well and added that any of the alternative methods presented would be a great improvement over the current method. Other committee members agreed and expressed preference to the California Cubic method.

A motion was made to have the Rating Board complete its research with the California Cubic plan only, present this preferred methodology it to the system stakeholders, discuss it with regulators, communicate it with member insurers, and take any other necessary steps to advance implementation of the new methodology. The Committee approved the motion unanimously.

It was suggested that a plan for a transition from the current plan to the revised plan be discussed with the Research Subcommittee. Mr. Kimmel indicated that it would be done, and a complete implementation plan and timeline would be presented to the full Committee at the October 2020 meeting.

A motion was made to adjourn the meeting and the motion was approved.

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New York Compensation Insurance Rating Board
<u>Antitrust Compliance Policy Statement</u>

It is the policy of the New York Compensation Insurance Rating Board ("Rating Board") to comply with all laws applicable to its conduct and, specifically, with state and federal antitrust laws which govern its operations.

The basic objective of the antitrust laws is to preserve and promote competition and the free enterprise system. Broadly stated, the antitrust laws require that business people make independent business decisions without agreement with their competitors.

It is the policy of the Rating Board to comply with the New York State Insurance Law. Specifically, neither the Rating Board nor its members should interfere with the right of any insurer, to the extent permitted by the Insurance Law, to seek to make its rates or forms of policy independently, or to charge rates or to offer forms of policies different from those included in filings made by the Rating Board with the New York State Department of Financial Services.

The activities of the Rating Board are limited to those authorized by law and exchanges of information through the Rating Board should be for no other purpose. Meeting among members of the Rating Board who are competitors, even for a lawful purpose, could expose participants to the risk of an inference of unlawful agreement. It is therefore expected that you will confine your joint activities to those which are within the lawful purposes of the Rating Board.