



**NYCIRB**

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

**Meeting of the Actuarial Committee  
Actuarial Research  
Tuesday, October 29 and Wednesday, October 30, 2019  
Meeting Minutes**

Mr. Jeremy Attie presided

**Members**

American Home Assurance Company  
Continental Indemnity Company  
Federal Insurance Company  
Hartford Accident and Indemnity Company  
Liberty Mutual Fire Insurance Company  
New York State Insurance Fund  
Public Member  
Pennsylvania Manufacturers' Assoc. Ins. Co.  
QBE Insurance Corporation  
Technology Insurance Company  
Travelers Indemnity Company

**Represented by**

Jose Couret / Amanda Bello  
Rose Barrett  
Ju-Young Suh  
Nicholas Papacoda  
Sandra Kipust  
Timothy Koester  
Mark Priven / Daniel Shaw  
Scott Curlee  
John Celidonio  
Bryan Ware  
Brian Clancy

**Non-Voting Attendees**

Arch Insurance Company  
Continental Casualty Company  
Greater New York Mutual Insurance Company  
North American Specialty Insurance Corporation  
Zurich North American Insurance Company

Scott Burke  
Julia Stenberg†  
Timothy Wang  
Dionne Chisolm\* / Craig Nelson†  
Mauro Garcia

**Others Present**

National Council on Compensation Insurance

Yuchen Su†

New York Compensation Insurance Rating Board

Jeremy Attie / Ziv Kimmel  
Brett King / Ben Witkowski  
Guo Harrison / CJ Mohin  
Suzanne Finnegan / Ivy Zhu  
Christopher DiPaola / Yan Lin  
Peter Zhou / Ariel Hannanian  
Taylor Boudwin-Jones

\* Attended on Tuesday, October 29, 2019 only

† Attended on Wednesday, October 30, 2019 only

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### Experience Rating Research

Mr. Kimmel reminded the Committee that in October of 2017, the Committee requested that the Rating Board conduct a holistic review of the experience rating plan and provided a brief recap of the research activities to date. Mr. Kimmel also noted that industry stakeholders have expressed to the Rating Board that the pursuit of stability in experience mods should be a high priority as the Rating Board explores modifications to its experience rating system.

Following a discussion of related to stakeholder feedback, one Committee member stated that rating worksheets are complex and suggested that the Rating Board develop a simpler explanation of each employer's experience rating.

Mr. Brett King, the Rating Board's Director of Actuarial Research, presented the Committee with an update on experience rating plan research. The presentation was attached as Exhibit B to the agenda. Specifically, Mr. King presented quintile test results for a variety of methods, including an optimized variable split point plan similar to the methodology currently used in California, and an NCCI plan reflecting optimized split point and loss limit. Mr. King suggested, however, that additional methodologies are still under consideration and will be explored further.

Mr. King asked Committee members whether the Rating Board should explore imposing caps on mods and if so, whether those caps should vary by size of risk. The Committee engaged in a lengthy discussion on the value of capping mods. In the course of that discussion, one Committee member note that the Rating Board should perform testing with and without mod caps, so that the impact of the cap could be appropriately evaluated.

Mr. King also shared test results for risks that had no claims, risks that had a single claim, and risks that had more than one claim. Committee members suggested that the Rating Board measure stability by determining the impact of a single claim or the absence of the claim for each of these groups.

The Committee discussed the intersection of the merit rating and experience rating plans. During that discussion, one Committee member suggested that the Rating Board consider raising the experience rating premium eligibility requirement and expanding the merit rating plan. Another Committee member suggested that the threshold for merit rating should be indexed.

During the course of this conversation a Committee member suggested that the Rating Board utilize New York data to investigate the California plan as it is currently being applied, including features such as the elimination of small claims, and examine outlier resulting mods.

One Committee member suggested that the Rating Board investigate (a) imposing swing limits in the experience rating mod from year to year; and (b) limiting the variability insureds incur from year to year. Another Committee member suggested that the Rating Board explore the implementation of a loss constant applied to every insured.

Mr. King noted that if the Rating Board maintains the NCCI methodology, it would remain part of the interstate rating system. However, if the Rating Board designs a plan that works optimally for New York and that plan differs from the NCCI plan, then New York ratings may become intrastate only, *i.e.* no longer part of the interstate rating system. A Committee member indicated that leaving the interstate system may present some challenges and that this option should only be considered if there is evidence that the NCCI framework is not appropriate. Other Committee members expressed their view that a number of other jurisdictions are not part of the interstate system, and that their independence in this regard does not pose problems. In addition, they noted that Mr. King previously demonstrated that New York claims have a unique severity distribution. Committee members generally agreed that having a different severity distribution would be a sufficient justification for leaving the interstate experience modification system.

Mr. King provided a summary of next steps. In sum, the Rating Board will focus on investigating an increase in the merit rating threshold, testing the system utilizing the different methods after removing the risks below the eligibility threshold, synching the merit rating credit with the smallest risks in the experience rating plan, and then determining appropriate mod caps for each premium category.

#### Loss Development Research

Mr. Kimmel reminded the Committee that preliminary research by the Rating Board, which was shared with the Committee at the spring 2019 meeting, suggested that further refining loss development categories from the current categories – “Likely” to develop and “Not Likely” to develop – may increase accuracy in class ratemaking, experience rating, and excess loss analysis. Mr. King presented the latest update on loss development categories research, including the potential impact on class pure premiums. This update was attached as Exhibit A to the agenda.

A Committee member suggested that the Rating Board’s methodology should be tested by applying the new loss development factors to additional policy years, especially during a time of reforms, and compare the new estimates to actual loss amounts that materialized for those years. Another Committee member noted that the Rating Board should examine the IBNR claim counts and tail factor analysis. Mr. King concurred and indicated that he had identified these

items for exploration as well. A Committee member suggested that the Rating Board consider the closure of the Reopened Case Fund when evaluating the tail factors.

A Committee member suggested that the Rating Board consider combining triangles that look similar to gain credibility. Mr. King responded that in a state the size of New York, the triangles have sufficient volume, and keeping them separated enables actuaries to better identify and track changes. In addition, if the volume of data in a particular triangle is small, the resulting factors would apply to a small amount of data, resulting in a very small impact on the final results.

Additionally, it was suggested the publication of these factors should clearly indicate that such factors are only appropriate for the respective loss category and report level used in their derivation.

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