**From:** DeFrain, Kris <[kdefrain@naic.org](mailto:kdefrain@naic.org)>   
**Sent:** Wednesday, May 5, 2021 6:27 PM  
**To:** DeFrain, Kris <[kdefrain@naic.org](mailto:kdefrain@naic.org)>  
**Cc:** Thomas, Lia C <[LCThomas@naic.org](mailto:LCThomas@naic.org)>  
**Subject:** CASTF May 11 call Agenda and Documents

**To Casualty Actuarial and Statistical (C) Task Force, interested regulators, and interested parties:**

The only item on the agenda for the May 11 conference call is discussion of the rescission of the CAS ratemaking principles (<https://www.casact.org/sites/default/files/2021-04/statement_of_principles_Insurance_Ratemaking_2021.pdf>), discussion of options for a potential end product (e.g., white paper, NAIC Principles paper, state bulletin, model regulation/law), identification of next CASTF steps, and consideration of a potential proposed CASTF charge. The CFA issued a comment letter for this call (attached “Letter to CASTF.51121meeting.pdf”).

Potential CASTF Charge to Propose to C Committee: “Assess the regulatory implications caused by the rescindment of the “CAS Statement of Principles Regarding Property and Casualty Insurance Ratemaking” and recommend an appropriate remedy.”

Background/History of this project: See below.

Casualty Actuarial and Statistical (C) Task Force

Kris DeFrain, Conductor

**Tuesday, May 11, 2021**

2:00 p.m. ET / 1:00 p.m. CT / 12:00 p.m. MT / 11:00 a.m. PT

**Duration: 1 hour**

**Purpose:**

The purpose of these calls is to discuss ratemaking principles.

**Participation Instructions:**

Meeting details are attached; please open and save to your calendar. When it’s time, join the webinars by clicking the links below:

May 11: [Join meeting](https://naic.webex.com/naic/j.php?MTID=ma9cb5ef4e0fe5f830c10d18de4df9cb1)

**Instructions for Audio Access:**

We will open up the meetings about 10 minutes prior to the hour.

The preferred method to connect to audio is to click the “Join meeting” link above, and choose “Call me” as the audio connection.

---------Background/History---------

The following is some history of CAS, Academy, and CASTF actions taken on this project:

* Jan. 7, 2021:  The Casualty Actuarial Society (CAS) sent a letter to the NAIC’s Casualty Actuarial and Statistical (C) Task Force (Task Force), notifying the state insurance regulators about the CAS’ recission of all of its Statements of Principles.
* Feb. 9, 2021 and March 9, 2021: The Task Force discussed the recission of principles on its Feb. 9 conference call and issued a comment letter to the CAS on its March 9 conference call about the ratemaking principles (only). In its March 9 letter, the Task Force asked the CAS to reverse its recission of the Ratemaking Statement of Principles (Ratemaking SOP) because:
  + The document is credible, concise, accessible, understandable by laypersons, and clearly and completely ties rates to risk.
  + Many regulators rely on the document in discussions with 1) industry, whether or not the company representative is a credentialed actuary; 2) legislatures, and 3) consumers.
  + The rescindment provides the impression that the ratemaking principles are no longer viewed as valid by the actuarial profession.
  + The Ratemaking SOP complemented state laws that require rates to be related to risk and which provide regulators their authority to challenge rates that are not. The rescindment might open the door to attacks on these rate regulatory laws.
  + The CAS noted that one reason for recission was there was duplication with various Actuarial Standards of Practice (“ASOPs”). Regulators noted that parties not closely affiliated with the CAS are challenged to search, read through and comprehend multiple ASOPs, which are often issue-specific. Much of the utility of the Ratemaking SOP was in its simplicity and focus. In addition the 4 main principles (notably, the most important part) are NOT included in any of the ASOPs.
  + Regulators noted the Ratemaking SOP needed modernization to discuss issues such as price optimization, artificial intelligence and predictive models and suggested the document be updated to reflect these recent developments.
* March 9, 2021: CAS staff, Ken Williams, provided a comparison of the Ratemaking SOP to standards (See attached “CAS Comparison…”).
* March 27, 2021:  The CAS Board considered the Task Force’s and other comment letters and did not reverse its decision to rescind the principles documents. The CAS Board did agree to repost the principles’ documents for historical purposes (<https://www.casact.org/publications-research/publications/cas-statements-principles>) and to ask the American Academy of Actuaries (Academy) to develop a practice note to attempt to provide some concise and useful communication about ratemaking that is not included in Standards of Practice.
* April 1, 2021:  CAS issued additional explanation about the CAS Board’s decision to rescind the Statement of Principles on Ratemaking.  <https://www.casact.org/article/cas-board-responds-memberregulator-feedback-rescinded-ratemaking-principles>
* April 5-9, 2021: In response to the CAS request, the Academy issued a statement, but stopped short of agreeing to create a practice note or new document at the Academy. See 2nd article: <https://www.actuary.org/publications/this-week-April5-9-2021>
* May 11, 2021: CASTF will address next steps, a potential proposed charge, and what type of product the NAIC might want to issue (e.g., state bulletin, white paper, model regulation/law).

In recent news:  “AIR04-19-21 Reprint.pdf” (with permission).

Please let me know if you want a copy of any specific document mentioned above or any of the additional CFA letters issued throughout this project.

Kris

Kris DeFrain, FCAS, MAAA, CPCU

Director, Research and Actuarial Services

NAIC

816.783.8229