**CONNECTICUT**

**From:** Gozzo Andrews, Susan <Susan.Gozzo.Andrews@ct.gov>   
**Sent:** Wednesday, May 4, 2022 1:44 PM  
**To:** Steinert, Larry <lsteinert@idoi.in.gov>; DeFrain, Kris <kdefrain@naic.org>  
**Cc:** Thomas, Lia C <LCThomas@naic.org>  
**Subject:** RE: CASTF - LCM Form Exposed for Comment

Thanks for the response Larry:

I didn’t have you email. Now I do.

To clarify where I was going with that is I want to see three things always:

% in expense component of LCM

% change in loss modification

% total LCM change

This is what I ask for in our actuarial checklist in CT.

Text, letter

Description automatically generated

Seems to me that a lot of companies, maybe do to changing staffs,  are changing LCM in total to get to their rate change, but are not connecting the total LCM change to the two components.

I also think sending out updated instructions with the new form is going to help us re-educate industry on this.

Thanks for all your good work on this.

Regards,

Sue

Susan Gozzo Andrews, FCAS, MAAA, PIR, RPLU+

Property Casualty Actuary

State of Connecticut Insurance Department

**From:** Steinert, Lawrence <[LSteinert@idoi.IN.gov](mailto:LSteinert@idoi.IN.gov)>   
**Sent:** Wednesday, May 4, 2022 8:12 AM  
**To:** DeFrain, Kris <[kdefrain@naic.org](mailto:kdefrain@naic.org)>; Gozzo Andrews, Susan <[Susan.Gozzo.Andrews@ct.gov](mailto:Susan.Gozzo.Andrews@ct.gov)>  
**Cc:** Thomas, Lia C <[LCThomas@naic.org](mailto:LCThomas@naic.org)>  
**Subject:** RE: CASTF - LCM Form Exposed for Comment

Thanks Susan.  I would assume sections 4 and 5 would show additive differences, while sections 6 and 7 would show multiplicative differences (% change)?

The drafting group did consider this, but we may have felt that if the total expenses were changing significantly, it would be easy to “eyeball” the current and proposed columns and see what is changing most significantly.  But we can certainly ask the larger group what they think.

Thanks again !

Lawrence Steinert, FCAS

Actuary

Indiana Dept. of Insurance

317-234-6622

On May 2, 2022, at 3:20 PM, Gozzo Andrews, Susan <[Susan.Gozzo.Andrews@ct.gov](mailto:Susan.Gozzo.Andrews@ct.gov)> wrote:

I would like to comment that it would be helpful if we could add a column of “% change” to all the elements in Page 2.

With the loss modification percentage change on bottom of Page 1, and all the expense components on Page 2, adding % change to those elements on Page 2 would be helpful to regulators to see major changes in expenses.

And it would also help us understand what is driving the “LCM change” in 8A; that is the Loss Modification Factor or Expense change (and which expense change even).

Thank you for considering this.

Sue

Susan Gozzo Andrews, FCAS, MAAA, PIR, RPLU+

Property Casualty Actuary

State of Connecticut Insurance Department

**HAWAII**

June 7, 2022

To: Erich Slavich, CASTF Chair

CC: Kris DeFrain, Lia Thomas, and Larry Steinert

From: Randy Jacobson, FCAS, MAAA

Member of the CASTF (representing Hawaii)

Subject: NAIC LCM Form – Exposed on 4/28/2022 for Comments

Dear Mr. Slavich:

Thank you for providing me this opportunity to review and comment on the proposed LCM form. After a thorough review of it, I believe it does reflect some good improvements compared to the currently published forms. With that said, I have just one comment (which I title as “*Investment Income Offset Line Item*”):

**Investment Income Offset Line Item,**

It is suggested that Line 4.F. “*Investment Income Offset* ...”, should be removed. It is confusing and awkward to put this item on the form. It appears to imply that an investment income offset is a result of the profit & contingency load. That is materially untrue. (Investment income comes from the investment return that is expected to be earned on the “float” -- i.e. unearned premium reserve & loss and LAE reserves – as well as earmarked surplus).

With this removal, Line 4.E. would appropriately be modified. If it is wished, Line 4.E. could be asterisked to still say, *“Show corresponding support, including how investment income is accounted for.”*

Once again, thank you for the opportunity to provide comments in this matter.

Very truly yours,



Randy Jacobson, FCAS, MAAA

Property & Casualty Actuary

State of HawaiiInsurance Division

Department of Commerce & Consumer Affairs

335 Merchant Street, Room 213

Honolulu, HI 96813

Phone: 808-587-6744

Email: rjacobso@dcca.hawaii.gov

**MICHIGAN**

**From:** Nacy, Tina (DIFS) <[NacyT@michigan.gov](mailto:NacyT@michigan.gov)>  
Sent: Friday, May 27, 2022 2:46 PM  
To: Robben, Sara <[srobben@naic.org](mailto:srobben@naic.org)>  
Subject: RE: Comment Period for CASTF Proposed NAIC Loss Cost Multiplier Form

Sara,

One suggestion I had on this would be to make the file an Excel file that has certain fields locked down. That way, you could include some formulas that calculate certain fields and the company would just input the initial data. We did that on the version we have. Please see the LCM and Expense Constant tab of the attached. This was created by one of our actuarial resources.

Regards,

Tina M. Nacy, AINS - State Administrative Manager

**Office of Insurance Rate and Forms - Property & Casualty Section**

Michigan Department of Insurance and Financial Services

530 W. Allegan St, 7th fl, Lansing, MI 48933

Phone: 517-284-8709

Email: [nacyt@michigan.gov](mailto:nacyt@michigan.gov)

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**MISSOURI**

**From:** Lederer, Julie <Julie.Lederer@insurance.mo.gov>  
**Sent:** Monday, June 6, 2022 4:50 PM  
**To:** DeFrain, Kris <kdefrain@naic.org>  
**Cc:** LeDuc, Jo <Jo.LeDuc@insurance.mo.gov>; Lennon, Patrick <Patrick.lennon@insurance.mo.gov>  
**Subject:** RE: CASTF - LCM Form Exposed for Comment

Dear Kris,

Thank you to Larry Steinert and the other volunteer drafters for their work on the LCM form. Missouri appreciates their efforts to modernize the form and combine the two forms into one. We would like to offer a few minor comments.

**Minor comments for consideration as we finalize the form:**

1. Regarding the line “Does this form apply to all class codes?  (Yes/No )”: We might consider adding an “N/A” to the options for non-WC filings.

1. Regarding the question on whether the SERFF tracking number should be requested: If the company submits this form with the filing, the company may not know the SERFF number.

**Other comments from Missouri –***these likely would****not****lead to any changes in the proposed form, but we were hoping to discuss them on a CASTF call and get insights from others***:**

1. Regarding line 4.G (“Average Premium Discount”): It appears that premium discount may be treated differently in the proposed form versus the current WC form. The different treatment appears to lead to a change in the calculated LCM.
   * In the current WC form, the average discount is expressed as a factor in line 7, and this factor is in the denominator of the LCM calculation in line 8. In the proposed form, the average discount is treated as a component of the expenses and therefore factors into the PLR calculation in line 5.
   * Suppose that the expenses (excluding average discount) are 30%, the average discount is 10%, and the loss cost modification as a factor is 1.00.

o Then, using the current form, the LCM would be 1.00/(0.70\*0.90) = 1.587.

o Using the proposed form, the LCM would be 1.00/(0.60) = 1.667.

1. Regarding line 6.B (“Overall Impact of Expense Constant and Minimum Premiums”): This line item is unchanged from the current WC form but we are wondering how companies generally calculate this item.

Missouri appreciates the opportunity to comment.

Sincerely,

Julie

Julie Lederer, FCAS, MAAA

Property and Casualty Actuary

Missouri Department of Commerce and Insurance

816-889-2219

[Julie.Lederer@insurance.mo.gov](mailto:julie.lederer@insurance.mo.gov)

**WEST VIRGINIA**

**From:** Wimmer, Juanita D <juanita.d.wimmer@wv.gov>   
**Sent:** Thursday, May 19, 2022 3:17 PM  
**To:** Thomas, Lia C <LCThomas@naic.org>  
**Cc:** DeFrain, Kris <kdefrain@naic.org>; Gillespie, Tonya <tonya.l.gillespie@wv.gov>  
**Subject:** Re: CASTF - LCM Form Exposed for Comment

Good afternoon,

I'm providing comments for West Virginia on the proposed LCM form.

West Virginia could use the proposed NAIC form for all lines but would like to add the following additions or comments:

* We would like to keep the SERFF Filing number.
* We would like to add the NAIC group code.
* Can we include a field for the policy count affected by the proposed LCM?
* Can we include the effective date for the current factor so we know how long it's been in effect or when it was last changed?
* The check boxes in Question 2: Rule of Application didn't work properly for my test and may need revision before distribution or utilization.
* The current West Virginia loss cost form is located here:  <https://www.wvinsurance.gov/Portals/4/pdf/rates/PCA-LCR-2009.pdf> and the current West Virginia Rate Filing abstract is located here:  <https://www.wvinsurance.gov/Portals/4/pdf/rates/PCA-R-2009.pdf>

I appreciate the chance to provide feedback and would like to express my thanks to the volunteer drafters for their work on the form.

Please let me know if you have any questions or need additional information.

Thanks,

  
**Juanita Wimmer  
Actuarial Analyst**  
West Virginia Offices of the Insurance Commissioner  
900 Pennsylvania Ave., 9th Floor  
Charleston, WV 25302  
[Juanita.D.Wimmer@wv.gov](mailto:Juanita.D.Wimmer@wv.gov)  
Phone: 304-414-8491  
Fax: 304-558-0412

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**AMERICAN ASSOCIATION OF INSURANCE SERVICES (AAIS)**

**From:** Lori Dreaver Munn <lorim@AAISonline.com>  
**Sent:** Tuesday, May 24, 2022 3:45 PM  
**To:** Thomas, Lia C <LCThomas@naic.org>; DeFrain, Kris <kdefrain@naic.org>  
**Cc:** Michael Payne <michaelpa@AAISonline.com>; Robin Westcott <robinw@AAISonline.com>  
**Subject:** RE: CASTF - LCM Form Exposed for Comment

Good afternoon Kris and Lia,

On behalf of the American Association of Insurance Services (AAIS) we offer the following comments in response to your email dated April 28, 2022. Overall, we feel that the additional level of detail and explanations are great improvements.  We have provided feedback specific to each section as indicated below:

General

* SERFF Filing # would be good information to capture.

3. Loss Cost Modification/Deviation

* For complete transparency, it may be helpful to add another row in this section for the factors instead of using the descriptive examples.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current | Proposed | % Change |
| 1. Loss Cost Modification | % | % | N/A |
| 1. Loss Cost Modification Factor (1.000 + 3A) |  |  |  |

* A formula for the % Change field may also be beneficial.

5. Calculation of Permissible Loss (and Loss Adjustment Expense) Ratio

* In item 5.B., consideration should be given to displaying the formula, perhaps replacing the ‘=’ with [5A/100] following the word Form. For consistency, perhaps in item 5.A., the ‘=’ following 4J should be removed as well. (Items 7 and 8 do not display ‘=’ in their formulas).

8. Percent Change (from Current to Proposed)

* In item 8.A., for clarity of the formula, it may be more meaningful to move the ‘)’ after the word ‘Current’ or to use a display similar to 8.D, like [ (7B Prop / 7B Curr) – 1.000]

Expense Constant

* Are there instructions for how to calculate an expense constant, if applicable?

Please do not hesitate to contact me if you have any questions or if you require any additional information.

Thank you.

Lori

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**ORIGINAL EXPOSURE EMAIL**

On Thu, Apr 28, 2022 at 2:03 PM Thomas, Lia C <[LCThomas@naic.org](mailto:LCThomas@naic.org)> wrote:

*To: Casualty Actuarial and Statistical (C) Task Force, Interested Regulators, and Interested Parties*

Eric Slavich, CASTF Chair, exposes the attached proposed NAIC loss cost multiplier form for a 40-day comment period, with comments due by **Tuesday, June 7**. The volunteer drafters, led by Larry Steinert, propose this revised form could apply to any line of business (so there would no longer be a separate form for work comp). There is also an aim for this form to meet the needs of almost all states, if possible, whether LAE is included in loss costs or not. If your state has a special need that could be met with a proposed NAIC form, please submit comments. The current forms are located at this link: <https://content.naic.org/industry_rates_forms_loss_cost.htm>

The plan is to be able to discuss comments received on the June 14 CASTF conference call.

|  |  |  |
| --- | --- | --- |
| |  |  | | --- | --- | | **Kris DeFrain**  Director  Research & Actuarial Services | **O:** 816-783-8229 **M:** 816-392-6140 **W:** [www.naic.org](https://www.naic.org)  **Follow the NAIC on** | |