RISK CLASSIFICATION
Proposed Data Call

NAIC Property and Casualty (C) Committee Hearing
September 30, 2010

American Insurance Association
Cate Paolino
FRAMEWORK - REVIEWING DATA CALLS

ADMINISTRATIVE DECISIONS
- Specific proposal
- Alternatives

DATA CONCERNS
- **Input**: Gathering Stage w/ Insurer
- **Output**: Analysis Stage w/ Regulator
DATA CONCERNS

Inconsistent Input across insurers responding to a data call →

Questionable Output for regulator to analyze and to better understand insurance marketplace
DATA CONCERNS

COMPARABILITY

- Assumptions
- Definitions

PRACTICAL LIMITS
GIVEN MODERN SOPHISTICATION

- Isolating Impact & Interactions
- Storage & Reprocessing
DATA COMPARABILITY

ASSUMPTIONS

“All things being equal”

Without providing some common assumptions, inconsistent insurer interpretations jeopardize validity of regulators’ conclusions
DATA COMPARABILITY

DEFINITIONS

- Median Value
- Renewal
- Other

Without providing some standard definitions or approaches, inconsistent insurer interpretations jeopardize validity of regulators’ conclusions.
PRACTICAL LIMITS / SOPHISTICATION

INTERACTIONS

- Historically – One-way approach

- Change – Multivariate approaches
  - Relationship between independent variables may not always be constant
    - Ex: Age and gender
  - Competitive advantage
  - Problem isolating impact
PRACTICAL LIMITS / SOPHISTICATION

ISOLATING IMPACT

- Interactions
- Relativities
- Vehicle vs. policy level data
- Coverage vs. policy level data
PRACTICAL LIMITS / SOPHISTICATION

STORAGE & REPROCESSING

- Ask differs from practice
- Old fields replaced w/ new data/factors
- Options (cost, time, value?)
  - Manual process
  - Build system
CONCLUSION

Given

- Significant data challenges
  - Input consistency
  - Output value
- Administrative decisions
- Existing/Available tools/resources

AIA urges the (C) Committee not to consider moving forward with this data call