NAIC - Property and Casualty (C) Committee
Public Hearing on Proposed Risk Classification
Data Call
and Other Risk Classification Tools
Kansas City, Missouri
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Purpose of Data Call

► Evaluate how insurers use CBIS
► Determine how current economic conditions have affected policyholder premiums related to CBIS
► Evaluate the role played by CBIS vendors
► Evaluate the use of new classifications and evaluation tools
How do Insurers Use CBIS?

- To improve accuracy of rates
- Consider market-wide outcomes
  - Residual markets shrink
  - Cost decreases
  - Price decreases
How have current economic conditions affected premiums?

- They have not affected premiums via CBIS
- Models are recalibrated frequently

Regression results

- Estimate: loss ratio = $\beta$(credit risk index) + ...
- $\beta = .08$, not significantly different from zero
State with most change in credit risk

Wisconsin


auto loss ratio  homeowners loss ratio  credit risk index
Design of the Data Call

► Analysis of these data will be biased by several factors if applied to individual insurers
  - Interdependence of rating variables
  - Varying distributions of applicants