

## August 08, 2018 - Actuarial Committee Update

The Actuarial Committee met on Wednesday, August 8, 2018. The major topics covered at this meeting included:

- **Aggregate Trend Selection—A Retrospective Analysis (ACT-18-04)**  
Trend factors are a central component in the calculation of NCCI's aggregate rate indications. They are used to account for changes in frequency and severity over time and can be estimated using a wide variety of techniques. At the meeting, staff described the methodology utilized in a retrospective test on various trend estimation procedures and shared the results with the Committee.
- **Aggregate Ratemaking—Large Loss Procedure (ACT-18-05)**  
NCCI's Large Loss Procedure has been utilized in aggregate ratemaking for the majority of states since the 2004-05 rate filing season and helps to minimize the impact of large losses and promotes stability across rate filings. A review of this procedure was presented at the meeting.
- **F-Class Ratemaking Research—Proposed Project Scope (ACT-18-06)**  
NCCI staff has started a project to review and potentially enhance the ratemaking procedures for the USL&HW classes, also known as the F-classes. The proposed scope of this project was presented to the Committee.
- **Workers Compensation Industry Reserve Analysis (ACT-18-07)**  
A countrywide loss and LAE reserve analysis on private carrier data is completed by NCCI, annually. Various approaches and results are analyzed. At the meeting, an update on the latest analyses of underwriting results, reserve deficiencies, tail factors, diagnostics, and indications of loss and LAE ratios based on Annual Statement data evaluated as of 12/31/2017 was presented.
- **NCCI Experience Rating Plan Methodology and Performance—Countrywide Off-Balance (ACT-18-08)**  
NCCI regularly monitors and refines its Experience Rating Plan to ensure optimal performance. The off-balance of the Plan across all states is reviewed annually—separately for intrastate risks, interstate risks, and on a combined basis. An update of the review was presented at the meeting.
- **Excess Ratio Simulation and Stability of Observed Results—Part 2 (ACT-18-09)**  
Simulation is the imitation of a real-world process, and its techniques have proven to be useful in actuarial science. Part 1, presented in January 2018, illustrated a simulated excess ratio calculation, in which the fitted claim counts were replaced with their multinomial-random equivalents. Part 2 extended this approach by randomizing both the claim severities and the claim counts. The simulated data provided an idea of how many expected claims are required to reduce the noise in observed results.
- **Mega Loss (ACT-18-10)**  
Multimillion-dollar claims have recently received considerable attention. While

relatively infrequent, the largest claims can generate a significant amount of loss dollars. NCCI's presentation explored mega claims, defined as \$10M or more, and expanded on information presented at AIS 2018.

- **NCCI-Filed Expense Provisions—Methodology and Results (ACT-18-10)**

NCCI files expense provisions in manual rates for several NCCI states; and files loss adjustment expense in manual loss costs in many other NCCI states. At the meeting, staff presented the methodology and results of its recent annual analysis for several filed expense components including the expense constant, production and general expense, and loss adjustment expense. In addition, an update on the loss adjustment expense research was provided.

Please refer to the minutes for any pertinent meeting discussion and presentations.

*Content Requires Authentication*

[August 8, 2018—Actuarial Committee Agenda \(PDF\)](#)

[August 8, 2018—Actuarial Committee Minutes \(PDF\)](#)