

February 22, 2018 - Actuarial Committee Update

The Actuarial Committee met on Thursday, February 22, 2018. The major topics covered at this meeting included:

- **Aggregate Loss Factors (ALFs) on Demand: Usability Testing Results (ACT-18-04)**
Using an *ALFs on Demand* prototype, NCCI staff conducted testing with external affiliate users who provided feedback on the usability of the design, task flow, and whether each task was successfully performed. A summary of the results and actions incorporated based on the results was presented at the meeting.
- **What Explains Differences Between Medical Price Indexes? (ACT-18-05)**
NCCI has recently changed indexes to measure medical inflation. Staff presented an examination of medical price changes by category and by payer to show that differences in the measurement of hospital prices explain most of the differences measured by the medical component of the Consumer Price Index and the Personal Health Care deflator.
- **NCCI-Filed Expense Provisions—Methodology and Results (ACT-18-06)**
NCCI staff shared preliminary research on potential changes to the calculation of the loss adjustment expense provision methodology.
- **Excess Ratio Simulation and Stability of Observed Results (ACT-18-07)**
Simulation is the imitation of a real-world process and is useful in actuarial science. The Committee presentation illustrated a simulated excess ratio calculation to provide an idea of how many expected claims are required to reduce the noise in observed results.
- **Underwriting Committee—Committee Updates (ACT-18-08)**
Staff provided an update on topics discussed by NCCI's Underwriting Committee.
- **Automatics in Ratemaking (ACT-18-09)**
NCCI staff has explored the impact of allowing "automatic" indemnity benefit changes to flow through the trend factor instead of being explicitly recognized in aggregate ratemaking. Results showing an equivalence of the methods when averaged across states and the impact of the change in procedure was shared with the Committee.
- **Class Ratemaking—Research: Industry Group Differentials (ACT-18-10)**
Industry Group (IG) differentials are used to refine the overall targeted change and their impact is greatest on small classes. Staff presented accuracy and stability performance test results for class values with and without IG differentials.
- **Class Ratemaking—Research: Final Wrap-Up (ACT-18-11)**
A high-level wrap-up of NCCI's review of class ratemaking, with emphasis on credibility and small classes, was presented to the Committee.
- **NCCI Premium Distribution—Methodology and Results (ACT-18-12)**
NCCI's Premium Distribution describes the percent of written premium by month

and state, and is primarily used in the calculation of state filing on-level factors. The methodology and latest results were presented to the Committee by staff.

- **Additional Items Discussed (ACT-MISC)**

NCCI provided a preliminary overview of the impact of the Tax Cuts and Jobs Act on NCCI's profit provision used in ratemaking.

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

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