

## AUTOMOBILE PHYSICAL DAMAGE RATEMAKING

BY

LUTHER L. TARBELL, JR.

Volume XLVI, Page 123

DISCUSSION BY C. L. NILES, JR.

Mr. Tarbell's paper on Automobile Physical Damage Ratemaking has been long awaited. It is a logical adjunct to the other ratemaking papers that have recently appeared in the *Proceedings* of the Casualty Actuarial Society. Once we had Mr. Marshall's paper on Workmen's Compensation ratemaking, Mr. Stern's paper on Automobile Liability ratemaking and Mr. Shaver's paper on Property Fire Insurance ratemaking, it was essential that we obtain this paper.

It is generally felt that papers such as Mr. Tarbell's are written primarily for the actuarial student or trainee. I don't completely agree with this general point of view. Certainly papers of this nature are of great interest and of immeasurable assistance to the student. They may be specifically used by the student in preparing himself for the Society's examinations. In this regard they serve as a reference paper. Notwithstanding, I feel it is absolutely necessary to set down on the written page, in this case the P.C.A.S., the current ratemaking procedures of the various lines of insurance.

Not very many of us have such a broad exposure that we are able to know intimately, or even well, all of the various ramifications of all rate-making procedures for all lines of insurance. Papers on ratemaking are required to fill this void. I would like to think that we of the actuarial profession will always be students. As students we will continually require reference papers of this nature. Regardless of one's experience in the insurance field, Mr. Tarbell's paper is particularly appropriate. Automobile Physical Damage ratemaking is one area where nearly all of us are truly students. Prior to Mr. Tarbell's paper, Automobile Physical Damage ratemaking was an esoteric and confused area in the casualty insurance business; now, thanks to Mr. Tarbell, we have the key to this mystery.

Before this paper, very few beyond the pale of the National Automobile Underwriters Association had anything that approximated a comprehensive knowledge of this phase in ratemaking. Consequently, we can all well appreciate the time and effort expended by Mr. Tarbell. He is to be commended for this. But, most important, he is to be commended for the excellent job he has done. He has set forth the ratemaking procedures of the N.A.U.A. in a most logical and intelligent fashion for us, the students, to follow.

In the past, I had heard it said that the N.A.U.A.'s ratemaking procedures were rough and crude and unworthy of an actuarial imprimatur. I had pondered these words. If indeed their procedures were crude, could we not learn from them? After all, the N.A.U.A. was doing something strange in this general area of automobile insurance. They were promulgating rates that rather consistently made the companies money. This is indeed strange, if

not immoral. Mr. Tarbell's paper indicates that we can learn from the N.A.U.A. He has clearly demonstrated that the N.A.U.A.'s ratemaking procedures are not crude. The N.A.U.A. has done an excellent job—one worthy of actuarial approbation.

Once papers such as Mr. Tarbell's are printed in the P.C.A.S., another end is accomplished. We then have something available for all to discuss and to improve upon. This is a most desirable end. Our business is not static and our ratemaking procedures cannot be allowed to become staid or sterile. We must be alert to the requirements of the insuring public—probably the largest public of any American industry. What better way to lay the groundwork for this activity than by a general airing of the facts in the form of papers on ratemaking?

Papers on the fundamental ratemaking procedures of the various casualty, property and fire and accident and health lines have been sorely needed. Is not ratemaking basic to our industry? Is it not the actuary's main stock in trade? Regardless of where we work—for ourselves or for another; a private concern, an insurance department, a rating bureau, or an insurance company; an independent company or a bureau company; a stock company or a mutual company—regardless of our primary concern in our own particular job, do not all of our activities eventually devolve to ratemaking?

A start has been made, but additional papers on ratemaking are still needed. We should have a paper on General Liability ratemaking—an enormous task. The areas of burglary, fidelity and surety also require coverage. An important ratemaking area, almost completely devoid of papers in our *Proceedings*, is the Accident and Health field. We should have ratemaking papers on both Group and Individual Accident and Health. Accident and Health, incidentally, is a most timely and important topic.

These are the thoughts Mr. Tarbell's excellent paper has evoked from me.

## DISCUSSIONS OF PAPERS READ AT THE NOVEMBER 1959 MEETING

### AN ACTUARIAL NOTE ON THE CREDIBILITY OF EXPERIENCE OF A SINGLE PRIVATE PASSENGER CAR

BY

ROBERT A. BAILEY AND LEROY J. SIMON

Volume XLVI, Page 159

DISCUSSION BY W. J. HAZAM

The authors are to be congratulated for their very valuable contribution to our knowledge of credibility. Presented, as it was, at a time when a large segment of the industry is embarking on merit rating programs for individual private passenger risks, it provides a basis for the actuarial evaluation of plans now available and perhaps many we have yet to see.

While the data underlying the paper are exclusively the results under the