The participants in the two sessions of this seminar agreed that actuarial work could probably be done in the aggregate excess field, where losses in the aggregate are the subject of the contract; and also in the field of loss development, where the solvency, or at least the profit, of the excess underwriter may be affected. The actuary probably is most useful today as a consultant, or technical advisor, or sounding board for underwriters in his own company on special excess insurance cases. But it is not likely that actuaries in the near future will be supplying with any degree of certainty the probability of a loss under an excess contract.

PACKAGE POLICY RATEMAKING

SUMMATION BY EDWARD S. ALLEN

A discussion of principles for package policy ratemaking at the present stage of package policy development will obviously produce more questions than answers.

The paramount question raised in this seminar was the proper definition of a package policy. Rather than attempting a definition, it was assumed that the title of the seminar was inclusive of all types of combinations of basic coverages in a single policy but that the approach to the establishment of ratemaking principles should be different for a package such as the special automobile policy than for packages such as the new commercial multiple peril policies.

In the former, the traditional procedures can probably be adapted to the problem whereas, in the latter, the variables in risk requirements and rating procedures for the coverages involved are such as to present a considerable challenge.

For commercial packages, we discussed whether the rating approach should involve (a) ratemaking for basic classifications as it exists today with all package experience assigned back to basic classes, (b) package experience to be reviewed on a loss ratio basis for the determination of appropriate package discounts or (c) the treatment of packaged coverages as a separate line of insurance to be rated without reference to basic classification indications.

The overwhelming expression of opinion was in favor of (c). One member expressed himself in favor of (a) but none in favor of (b). Also, among those in favor of (c) there was some minor sentiment for also maintaining all experience in basic classifications until we compile a body of credible package experience.

One member reported that his company has attempted the determination of a basic indivisible commercial package rate for stated coverages with modifications applicable for optional perils or exceptional coverages such as elevator liability. It is his opinion that this basic rate can be revised based on a review of the package experience.

Since discussions in the two sessions of the seminar developed in quite different directions, it might be of interest to the participants, as well as others, to list some of the comments and opinions expressed incidental to the general conclusions as summarized above. An abbreviated list is as follows:

1. The problem is complicated by coverage differences.
2. Experience to date has vindicated early judgment as to proper package discounts.
3. Separate rates should be made for various coverage combinations.
4. We are handicapped by current requirements such as Schedule P reportings and Insurance Expense Exhibit classifications.
5. Extended Coverage is a package and presents no insurmountable problem.
6. The problem is complicated as respects the determination of an appropriate exposure base.
7. Packages contain a lack of homogeneity.
8. Catastrophe coverage and small loss coverage should be treated differently.
9. The indivisible premium approach is important for maximum expense savings.
10. Necessary detail may be provided through sampling procedures.
11. We should rate property coverages in one rate with variations for different liability coverages.

HOW CAN ACTUARIAL ANALYSES HELP COMPANY CLAIM DEPARTMENTS CONTROL AVERAGE CLAIM COSTS?

SUMMATION BY MARTIN BONDY

Rather than restrict themselves to the literal boundaries of the title, the participants expanded the topic to HOW CAN ACTUARIAL DEPARTMENTS HELP CLAIM DEPARTMENTS FUNCTION MORE EFFECTIVELY. In exploring this subject, we traded experiences on jobs we had done and ideas on some we had considered doing but had not yet done. One of the topics discussed was the shortcomings of average claim costs as a yardstick of performance because of

1) differing methods of counting claims, and
2) differences in distribution by class, territory, etc.

The effect of growth on calendar year average claim costs was noted.

An interesting topic on which not much light was shed was the question of the correlation of speed of settlement with size of settlement. Is it more economical to settle claims more quickly or to resist a larger proportion of the claims? On account of the strong correlation between speed of settlement and size of claim, the possibly mistaken conclusion has been arrived at that quick settlement automatically brings about a savings in loss costs. It seems that correlation may have been mistaken for causation. In order to determine the effect of speed of settlement, controlled experiments were suggested, although no one had ever heard of any, or had devised such an experiment.

The solution of general business problems by mathematical techniques was