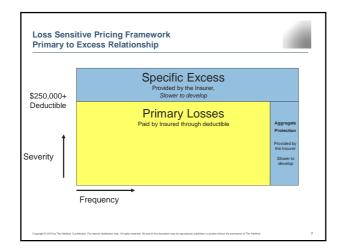
Russ Buckley, The Hartford	
- Wa	
R-8 Loss Sensitive Large Account Pricing:	
Approaches and Challenges	
HARTFORD	
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Austra Austria	
Opening Questions	
How many years have you worked as an actuary?	
I am not an actuary	
2. Under 5 years	
3. 5 to 10 years 4. 10 to 20 years	
5. 20 years or more	
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4	
Opening Questions	
Please rate your experience and understanding of the pricing of loss sensitive large account pricing?	
Other than the exam material, none at all	
<ol> <li>Some exposure to this area in a prior role</li> <li>Occasional involvement in current role</li> <li>I live for this stuff &amp; I do this work every day →</li> </ol>	
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Agenda	
Options for Large Account Insurance	
Structure used for larger commercial risks	
Methods used to estimate loss costs	
Data needs	
Decision points in the process	
o Trend	
o Loss development	
<ul><li>Credibility</li><li>Primary vs. Specific Excess vs. Aggregate Excess</li></ul>	
O Fillitary vs. Specific Excess vs. Aggregate Excess	
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4	
Options for Large Account Insurance	
Self-Insurance Mechanisms	
<ul> <li>Large Dollar Deductible (LDD) Policy (i.e., \$100k+ deductible)</li> </ul>	
o Self-insurance with an Excess policy	
o Captives	
<ul><li>Retrospective Rating</li><li>Loss-Rated Risks</li></ul>	
Conventional Policy	

Experience Rating Schedule Rating



## Methods used to estimate future loss costs

- NCCI has a formula for partial credibility, as does ISO.....
  - This approach is looking purely at historical actual results to create a experience modification ratio
- This is useful when the goal is to make an adjustment to a manual premium, but it does not provide a separate loss cost estimate.
- Also, the focus of these plans have been on small to moderately sized risks

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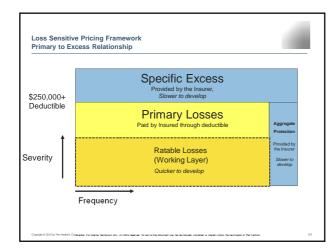
## Large risks - methods used to estimate future loss costs Which end of the barbell is the right place to start? Manual loss costs adjusted for experience modification factors Complete reliance on an insured's historical loss experience

## Complete reliance on an insured's historical loss experience?

What does complete reliance (i.e. self rating) mean when estimating future loss costs?

- Estimating losses from zero to the policy limit or infinity (for WC only) using only client experience?
- Estimating loss development using only client experience?
- Estimating loss trend using only client experience?
- Estimating the impact of benefit changes using only a single client's experience?

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Methods used to estimate future loss costs	
<ul> <li>If the primary or ratable client experience is not considered fully credible, what is used for the complement of credibility?</li> </ul>	
■ How do you calculate your credibility?	
What are your adjustments for trend, benefit changes, loss development and changes in exposure? How to adjust the parameters to reflect loss limits?	
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Methods used to estimate future loss costs	
Is the Specific Excess client experience given any credibility?	
If Yes, what is used for the complement of credibility or your "default result"?	
your deladicresult :	
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Mathada wadda adiwata futus basa sati	
Methods used to estimate future loss costs  Aggregate Excess Coverage	
Single line of coverage or multiple lines?	
Evaluation of attachment point for providing coverage?	
<ul> <li>Estimation of the expected losses for various limit options?</li> </ul>	