



**MEDICAL PROFESSIONAL
LIABILITY ASSOCIATION**

February 28, 2020

Property/Casualty Rate Filing ASOP
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, D.C. 20036-4601

ATTN: Ms. Erica Kennedy
Assistant Director of Professionalism (Actuarial Standard)

Subject: MPL Assn. Comments re ASB P/C Rate Filing ASOP Development

Dear Ms. Kennedy:

On behalf of the Medical Professional Liability Association and our medical professional liability (MPL) insurers that conduct business across America, I would like to thank you for giving us the opportunity to share our perspective on the Actuarial Standards Board's plan to develop an actuarial standard of practice (ASOP) that addresses the actuarial aspects of property and casualty (P/C) rate filings submitted to state insurance departments.

The Medical Professional Liability Association ("MPL Association") is the leading trade association representing insurance companies, risk retention groups, captives, trusts, and other entities owned and/or operated by their policyholders, as well as other insurance carriers with a substantial commitment to the MPL line. MPL Association members insure more than 2 million healthcare professionals worldwide—doctors, nurses and nurse practitioners, and other healthcare providers—including more than two thirds of America's private practice physicians. MPL Association members also insure more than 150,000 dentists and oral surgeons, 2,500 hospitals and 8,000 medical facilities around the world.

The MPL Association supports actuarially sound and risk-based rates that promote financial stability for MPL insurers and consumers alike. Our member companies use a multi-disciplinary approach to determine final proposed rates that are submitted for approval to state insurance regulators in the jurisdictions where they conduct business. Final proposed rates are typically determined based on a combination of actuarial, underwriting, and marketing considerations. Actuarial work done either on a particular company's own data or review of other company filings require sound actuarial principles in evaluating, among other things, changes or differences in class plans, territory classifications, expense loads, expected loss ratios, and other rate factors. Actuaries may also develop additional increased limit factors and classes at the request of a company's underwriting and marketing departments. However, all this work requires the input of

the other disciplines to brought to market successfully and to allow for innovation. The development of a new ASOP that broadly applies constraints to this process in determining final proposed rates could undermine the multi-disciplinary approach that MPL insurers use to develop actuarially sound and risk-based rates.

Pursuant to the ASB's own acknowledgment in its October 2019 memo, there are several ASOPs on the books that provide guidance to P/C actuaries on various ratemaking issues and the determination of estimated future costs for P/C insurance. Furthermore, MPL actuaries also have access to the Casualty Actuarial Society's *Statement of Principles Regarding Property and Casualty Insurance Ratemaking (SOP-P/C Rates)* which also provides actuaries with guidance on calculating costs associated with transfer of risk. Given the wide entrée of actuarial guidelines already available to MPL actuaries, it is unclear why the ASB is pursuing the development of the proposed ASOP which could unnecessarily complicate the ratemaking process.

Finally, the MPL industry believes that flexibility and innovation in ratemaking are essential ingredients to fostering competition and promoting equity and availability for insurance consumers. The development of a single set of standards for establishing final proposed rates could decrease competition among insurers and in turn diminish consumers' access to affordable insurance products and a robust insurance market. While there is value in referring to existing standards related to components of the ratemaking process, MPL insurers and their actuaries should be given flexibility and the opportunity to innovate when determining what rates to file with their state regulators.

In closing, the MPL Association appreciates this opportunity to provide input on this critical issue. Please do not hesitate to contact me at 301.947.9000 should you need any further information.

Sincerely



Brian K. Atchinson
President & CEO