



# **RISK CLASSIFICATION**

## **Proposed Data Call**

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NAIC Property and Casualty (C) Committee Hearing  
September 30, 2010

American Insurance Association  
Cate Paolino



# FRAMEWORK - REVIEWING DATA CALLS

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## ADMINISTRATIVE DECISIONS

- Specific proposal
- Alternatives

## DATA CONCERNS

- Input: Gathering  
Stage w/ Insurer
- Output: Analysis  
Stage w/ Regulator



# DATA CONCERNS

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**Inconsistent Input** across insurers  
responding to a data call →

**Questionable Output** for regulator to  
analyze and to better understand  
insurance marketplace



# DATA CONCERNS

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## COMPARABILITY

- Assumptions
- Definitions

## PRACTICAL LIMITS

GIVEN MODERN  
SOPHISTICATION

- Isolating Impact & Interactions
- Storage & Reprocessing



# DATA COMPARABILITY

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- **ASSUMPTIONS**

- "All things being equal"

- Without providing some common assumptions, inconsistent insurer interpretations jeopardize validity of regulators' conclusions



# DATA COMPARABILITY

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## ■ DEFINITIONS

- Median Value
  - Renewal
  - Other
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- Without providing some standard definitions or approaches, inconsistent insurer interpretations jeopardize validity of regulators' conclusions



# PRACTICAL LIMITS / SOPHISTICATION

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## INTERACTIONS

- Historically – One-way approach
- Change – Multivariate approaches
  - Relationship between independent variables may not always be constant
    - Ex: Age and gender
  - Competitive advantage
  - Problem isolating impact



# PRACTICAL LIMITS / SOPHISTICATION

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## **ISOLATING IMPACT**

- Interactions
- Relativities
- Vehicle vs. policy level data
- Coverage vs. policy level data





# PRACTICAL LIMITS / SOPHISTICATION

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## **STORAGE & REPROCESSING**

- Ask differs from practice
- Old fields replaced w/ new data/factors
- Options (cost, time, value?)
  - Manual process
  - Build system



# CONCLUSION

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Given

- Significant data challenges
  - Input consistency
  - Output value
- Administrative decisions
- Existing/Available tools/resources

AIA urges the (C) Committee not to consider moving forward with this data call