Summary

(L) 5M

Overall Average Rate and Rate Change

Under the **manual rating** approach, risks with similar characteristics are grouped together, and rates are calculated based on the estimated future losses of the group.

· Loss Ratio Method

$${\bf Indicated\ Avg.\ Rate\ Change} = \frac{LR+F}{1-V-Q_T}-1$$

• Pure Premium (Loss Cost) Method

$$ext{Indicated Avg. Rate} = rac{ar{L} + ar{E}_F}{1 - V - Q_T}$$