Robbin

Profit Provision:

5% without challenges; Rising price of insurance give pressure to lower rates- however still increasing profit; Different algorithms for computing provision available to ratemaking actuary.

Total profit includes investment income and taxes

Total return approach: what’s an adequate total return level.

* Calendar year basis not matching with prospective py idea in ratemaking: Ratemaking look to the future while calendar year always reflect income attributed to prior writing
* How to adjust the difference, what’s an appropriate level

Offsetting Underwriting Profit approach:

Offset for investment income on phs funds 🡪 accumulated balance of paid premiums less loss and expense payments and declared profits (dividends)

Split between PHs and SHs funds: if company uses investment income on stockholder’s fund to cover losses, the underwriting return is below breakeven while total profits are positive

Types of UW profit:

* UW profit Provision in manual rates—filing
* Corporate target uw profit provision—to yield return favorable to stockholders compared to similar risk investment
* Breakeven uw profit-- to yield return to stockholders equal to risk-free return, ignore risk return tradeoff
* Charged uw profit—applying schedule rating or other adjustments to manual rate
* Actual uw profit—different from charged because of expected losses/expenses being different from actual

SEVEN METHODS See Notebook