

COMMONWEALTH OF VIRGINIA

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May 25, 2005

ADMINISTRATIVE LETTER 2005-01

- To: All Licensed Property and Casualty Insurers, Rate Service Organizations and Residual Market Mechanisms in Virginia
- Re: Withdrawal of Administrative Letters 1987-11 and 1989-10; Revised Rate Certification Forms DR/COF (05/05) for Use with Filings Subject to the Prior-Approval Provisions of Chapter 20 of Title 38.2 of the Code of Virginia and COF-1 (05/05) for Use with Filings Subject to the File-and-Use Provisions of Chapter 19 of Title 38.2 of the Code of Virginia

This administrative letter announces several changes regarding certification forms required to be submitted with rate-related filings in Virginia. Administrative Letters 1987-11 and 1989-10, which include obsolete actuarial certification forms, are hereby withdrawn.

Rate-Related Filings Subject to the File-and-Use Provisions of Chapter 19 of Title 38.2

Filers should immediately begin using the attached new certification form, COF-1 (05/05), with rate-related filings subject to the file-and-use provisions of Chapter 19 of Title 38.2 of the Code of Virginia. The Bureau will continue to accept the previous actuarial certification form, COF-1 (7/87) until August 1, 2005. However, as of August 1, 2005, filers will be required to use the new form.

Form COF-1 (05/05) must be completed and submitted with all filings that include rates or supplementary rate information subject to the file-and-use provisions of Chapter 19 of Title 38.2-of the Code of Virginia.

Rate-Related Filings Subject to the Prior-Approval Provisions of Chapter 20 of Title 38.2

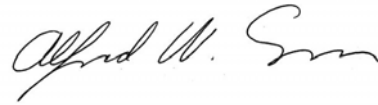
Filers should immediately begin using the attached new certification form, DR/COF (05/05), with rate-related filings subject to the prior-approval provisions of Chapter 20. In addition to completing the rate certification form, filers are required to submit the supporting information described in the document in order to satisfy the provisions of § 38.2-2003 of the Code of Virginia. The Bureau will continue to accept the previous actuarial certification form, DR/COF (5/89), until August 1, 2005. However, as of August 1, 2005, filers will be required to use the new form.

Form DR/COF (05/05) must be completed and submitted with all filings that include rates or supplementary rate information subject to the prior-approval provisions of Chapter 20 of Title 38.2 of the Code of Virginia. Currently, home protection insurance, credit property insurance,

credit involuntary unemployment insurance, and coverage provided by the Virginia Automobile Insurance Plan, the Virginia Property Insurance Association, and the Virginia Workers' Compensation Insurance Plan are subject to prior-approval rate regulation.

Questions pertaining to Administrative Letter 2005-01 should be directed to the Property and Casualty Division's Rates and Forms Sections at (804) 371-9965 (Personal Lines) and (804) 371-9298 (Commercial Lines).

Sincerely,

A handwritten signature in black ink, appearing to read "Alfred W. Gross". The signature is written in a cursive style with a large initial "A" and a long, sweeping underline.

Alfred W. Gross
Commissioner of Insurance

Attachments

Virginia
Rate/Loss Cost Certification Form for Use with File and Use Filings
(Filings Subject to Chapter 19 of Title 38.2 of the Code of Virginia)

Certification of

Name of Insurance Company/Organization

Filing being certified: _____

Proposed effective date: _____

I, being a qualified actuary, certify that appropriate consideration has been given in this filing to the applicable factors specified in subsections A and B of § 38.2-1904 of the Code of Virginia. For the purpose of this certification, a qualified actuary is defined as [1] a member in good standing of the American Academy of Actuaries, [2] a fellow or associate of the Casualty Actuarial Society, or [3] an individual who has both the educational background necessary for the practice of actuarial science and at least four years of property and casualty actuarial experience.

I am a qualified actuary in accordance with [1] , [2] , or [3] above.

It is understood that the Bureau of Insurance will rely on this certification and, should it be determined that the rates, loss costs, and/or supplementary rate information submitted in this filing do not comply with the provisions of § 38.2-1904 or that this certification is materially false or incorrect, appropriate corrective and/or disciplinary action, as authorized by law, will be taken by the Bureau of Insurance.

Name of qualified actuary: _____

Title of qualified actuary: _____

Signature of qualified actuary: _____

Date: _____

Telephone number: _____

E-mail address: _____

Virginia
Rate Certification Form for Use with Prior Approval Filings
(Filings Subject to Chapter 20 of Title 38.2 of the Code of Virginia)

Certification of

Name of Insurance Company/Organization

Filing being certified: _____

Proposed effective date: _____

I, being a qualified actuary, certify that (i) the data and analysis submitted in the filing is accurate and reliable; (ii) appropriate consideration has been given to the provisions of § 38.2-2005 of the Code of Virginia; (iii) the filing identified above is not in conflict or inconsistent with the applicable provisions of § 38.2-2005; and (iv) the filing includes the information required by § 38.2-2003 of the Code of Virginia as outlined in the Uniform Statement of Supporting Documentation included as pages two and three of this rate certification form. For the purpose of this certification, a qualified actuary is defined as [1] a member in good standing of the American Academy of Actuaries, [2] a fellow or associate of the Casualty Actuarial Society, or [3] an individual who has both the educational background necessary for the practice of actuarial science and at least four years of property and casualty actuarial experience.

I am a qualified actuary in accordance with [1] , [2] , or [3] above.

It is understood that the Bureau of Insurance will rely on this certification and, should it be determined that the rates and/or supplementary rate information submitted in this filing do not comply with the provisions of § 38.2-2005 or that this certification is materially false or incorrect, appropriate corrective and disciplinary action, as authorized by law, will be taken by the Bureau of Insurance.

Further, the signature below certifies that the Division of Consumer Counsel of the Office of the Attorney General has been given notice of this filing as required by subsection A of § 38.2-2003.

Name of qualified actuary: _____

Title of qualified actuary: _____

Signature of qualified actuary: _____

Date: _____

Telephone number: _____

E-mail address: _____

Uniform Statement of Supporting Documentation

The following information must be provided in an actuarial memorandum that accompanies the filing:

1. a general description of the filing (i.e., a list of all proposed changes to rates and rating factors and, if applicable, the current and proposed territory base rates for each coverage for which a rate level change is being proposed, the current and proposed territory definitions for each rating territory for which a change in definition is being proposed, and the current and proposed rating factors for each set of rating elements for which a change is being proposed);
2. the proposed effective dates for new business and renewal business;
3. actuarially based rate level indications to support the proposed rate level changes by coverage, including the underlying data, assumptions, and derivation of each of the following components of the indications:
 - a) premiums adjusted to the current rate level,
 - b) premium trend,
 - c) losses and allocated loss adjustment expense (ALAE, which is now referred to as defense and cost containment expense) developed to an ultimate basis including the loss development triangles and the selected loss development factors,
 - d) losses and ALAE adjusted to reflect prospective cost levels, including selected trend factors,
 - e) any adjustments made for large, catastrophic, or weather-related losses,
 - f) any adjustments made to reflect the credibility of the experience,
 - g) expense provisions - support, including five years of expense history for each expense provision including unallocated loss adjustment expense (ULAE, which is now referred to as claim adjustment service) with an explanation if the expenses underlying the expected loss ratio or expense multiplier vary from the company's historical expenses (recognition should be given to fixed and variable expense components), and
 - h) profit and contingency provision - support based on the most recent data available to the filer, including rationale for the target rate of return (if applicable), and an explanation (including underlying calculations, data, and assumptions) of how investment income was considered;
4. actuarial support and any other considerations for any proposed changes in rating factors or class definitions; i.e., territory definitions or relativities, class plan definitions or relativities, increased limit factors, deductible factors, discounts, surcharges, etc., reflecting the filer's experience to the extent credible.

If the filer is proposing rates, rating factors, discounts/surcharges, class/territory

definitions, etc. that are based on those currently in effect in Virginia for another insurance company(ies) or rating organization, provide the rates, rating factors, discounts/surcharges, class/territory definitions, etc. of that other company(ies), and explain how the filer has considered possible differences in coverage offered, underwriting standards, claim practices, expenses, etc. between the filer's company/organization and the referenced company(ies);

5. in providing the information in (2) and (3) above:
 - a) explain all differences from the ratemaking procedures employed in the filer's last rate filing in Virginia, and
 - b) clearly describe or label the type of information used (e.g., calendar year, policy year, or accident year; basic limits or total limits; Virginia or countrywide; by coverage or all coverages combined; etc.);
6. provide rationale for any proposed rate level change, by coverage or overall, that differs from the indicated change;
7. the derivation of the estimated overall premium effect of any proposed changes to a rating factor or definition, including the consideration that has been given to each of these effects in calculating the overall proposed rate level change;
8. any additional information that may be helpful to the Bureau in its review of this filing (for example, if the filer has undergone changes in its operations that affect its expense provision, then this information should be provided.);
9. the length of time the proposed rates are expected to remain in effect;
10. a description of the risk that will receive the largest rate increase and a description of the risk that will receive the largest rate decrease as a result of the changes proposed in the filing. (Include the amount of the rate change for each risk described.);
11. as applicable, provide an explanation as to how changing market share was considered in the calculation of the proposed rate level change;
12. an estimate of the number and percent of exposures that will receive a rate increase in excess of 15% due to the changes proposed in the filing; and
13. if someone other than the authorized representative signing the rate certification form is the individual to whom questions concerning the filing should be addressed, provide the name, address, telephone number, and fax number of that individual.