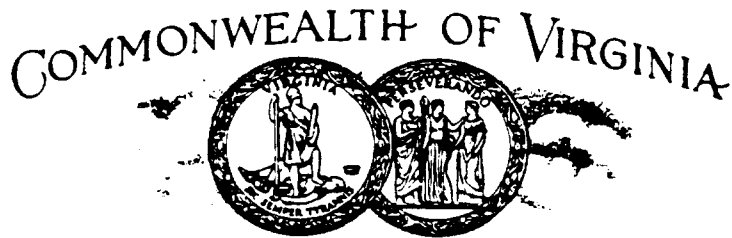


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STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

May 30, 1985

ADMINISTRATIVE LETTER 1985-12

TO: ALL COMPANIES LICENSED TO TRANSACT PROPERTY AND
CASUALTY INSURANCE IN VIRGINIA

RE: IMPROPER RULES/RATING PLANS WHICH EXEMPT THE FILING
OF RATES

FACULTATIVE REINSURANCE COSTS - AUTOMOBILE LIABILITY
AND GENERAL LIABILITY

The Bureau has become aware that companies may be using certain improper rules or rating plans which exempt the filing of rates. Examples of these plans include but are not limited to the (a) rating of a risk which presents unique or unusual conditions of exposure or hazard such that the application of the filed classification and rating procedures does not produce a reasonable rate, the (a) rating of the premium charged to delete an exclusion, and the (a) rating of risks when the annual increased limits premium determined in accordance with the manual is a specific dollar amount or more. Examples of unacceptable plans are attached for your information. Such plans are in violation of Section 38.1-279.34 of the Code of Virginia, which requires the filing of all rates and supplementary rate information with the State Corporation Commission on or before the date they are to become effective. The only exemptions to the filing requirements outlined in Chapter 6.2 of Title 38.1 are those rates which the State Corporation Commission has exempted from filing by specific Administrative Order(s) or approved for (a) rating.

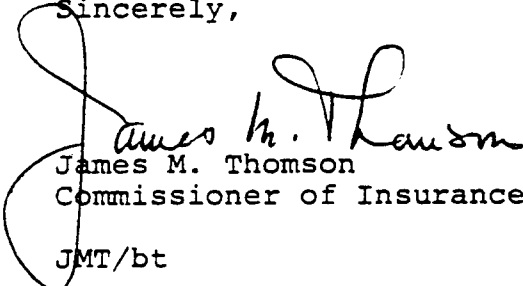
In addition, companies may be utilizing certain rating plans which provide for a charge for the cost of procuring facultative reinsurance. These rules are in compliance with Section 38.1-279.34 provided that the charge is a specific one. For example, the rule is not in compliance if it states that

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the premium is the facultative cost for the insurance increased by a charge up to but not exceeding a certain percentage, but would be in compliance if the facultative cost were increased by a stipulated percentage.

Any company that has on file and/or is currently utilizing these types of rules or rating plans should cease using them immediately and withdraw them from its filed manuals.

Sincerely,



James M. Thomson
James M. Thomson
Commissioner of Insurance

JMT/bt

The following rule, which is to be applied in accordance with the customary (a) rating procedures, is available for use with the Automobile Casualty Manual and the Manuals of Liability Insurance in the following states and territories, subject to the exceptions indicated. It is not necessary to file rates developed under this rule with Insurance Services Office or Insurance Department, for approval, unless otherwise noted.

If the annual increased limits written premium determined by customary rating procedures is \$2,500 or more, the risk may be referred to the company for determination of the charges for increased limits in excess of \$25,000/25,000 bodily injury* and \$25,000 property damage.

*For medical professional liability manuals, \$25,000 per claim and \$75,000 aggregate. For General Liability, EXCLUDING PRODUCT LIABILITY, \$25,000 per occurrence. For Product Liability, \$25,000 per occurrence and \$50,000 aggregate.

Alabama	Kentucky (3)	Ohio
Alaska	Maine	Oklahoma
Arizona	Maryland	Oregon
Arkansas	Massachusetts (4)	Pennsylvania (1) (8)
California	Michigan (1) (8)	Puerto Rico (8)
Colorado	Minnesota	Rhode Island
Connecticut	Mississippi	South Carolina (8)
Delaware	Missouri	South Dakota
District of Columbia (1) (8)	Montana	Tennessee
Florida	Nebraska	Texas (2) (4) (5) (8)
Georgia	Nevada	Utah
Hawaii	New Hampshire	Vermont
Idaho	New Jersey	Virginia (5)
Illinois	New Mexico	Washington
Indiana	New York (6)	West Virginia (8)
Iowa	North Carolina	Wisconsin
	(5) (7) (8)	
Kansas (8)	North Dakota	Wyoming

- (1) Each risk must be submitted to state supervisory authorities.
- (2) Subject to prior approval by state supervisory authorities.
- (3) Each risk must be submitted to the state supervisory authorities when the risk develops a rate in excess of manual. It is necessary to also furnish a letter signed by the insured, stating his reasons for seeking coverage at a higher rate.
 - (a) For Kentucky each submission must include the name of the producing agent, number of the Kentucky non-resident license, name of Kentucky agent counter-signing policy and the policy number.

- (4) General Liability insurance only.
- (5) The eligibility requirement is \$5,000 for Automobile Liability in Virginia and North Carolina, \$5,000 for General Liability in Texas and Virginia, and \$2,500 for General Liability in North Carolina.
- (6) Each risk must be submitted to the Insurance Department for approval and the submission must include a statement that the application of this rule does not operate to reduce the annual increased limits written premium below \$2,500. Also, the rule may be applied only to reduce the premium otherwise applicable to an individual risk and only to risks involving special underwriting conditions.
- (7) For Automobile Liability insurance, risks shall be referred directly to the North Carolina Automobile Rate Administrative Office.
- (8) Filings must be made with Insurance Services Office for rates developed under this rule.

In those states where it is NOT necessary to file rates developed under this rule with Insurance Services Office, a record of each risk rated under this rule shall, upon request, be made available to ISO together with supporting factual data justifying the treatment afforded.

To simplify ratings and reduce handling operations, the following rule applies to these special rating procedures to the extent they are available in the various states:

Rating Procedures applicable to the headquarters location of the risk shall govern the rating of all operations regardless of location.

The rule is applicable in all states and territories listed below, subject to the conditions indicated:

Alabama (1)	Maine	Ohio
Alaska	Maryland	Oklahoma
Arizona	Massachusetts	Oregon
Arkansas	Michigan	Pennsylvania
Connecticut	Minnesota	Puerto Rico
Delaware	Mississippi	Rhode Island
District of Columbia	Missouri	South Carolina
Florida	Montana	South Dakota
Georgia	Nebraska	Tennessee
Hawaii	Nevada	Utah
Idaho	New Hampshire	Vermont
Illinois	New Jersey	Washington
Indiana	New Mexico	West Virginia
Iowa	North Carolina	Wisconsin(2)
Kansas (1)	North Dakota	Wyoming

RULES FOR RATING EXTENDED COVERAGE

The following rules are available in the states listed below, subject to the indicated conditions:

Automobile Liability

Boiler and Machinery

General Liability

Glass

Theft

All risks for which coverage is to be written which is broader than that provided for by manual definition of coverage as limited by applicable manual exclusions may have additional rates established, unless manual rates apply for such extended coverage. It is not necessary to file rates developed under this rule with Insurance Services Office for approval except as indicated below:

Alabama	Kansas (2) (6)	North Dakota
Alaska	Kentucky	Ohio
Arizona	Louisiana (3)	Oklahoma
Arkansas	Maine	Oregon
California	Maryland	Pennsylvania
Colorado	Massachusetts	Puerto Rico (6)
Connecticut	Michigan (6)	Rhode Island
Delaware	Minnesota	South Carolina
District of Columbia (1) (6)	Mississippi	South Dakota
Florida	Missouri	Tennessee
Georgia	Montana	Texas (3) (6) (7)
Hawaii (5)	Nebraska	Utah
Idaho	Nevada	Vermont
Indiana	New Hampshire	Virginia
Iowa	New Jersey	Washington
	New Mexico	West Virginia (6)
	New York (5)	Wisconsin
	North Carolina (4)	Wyoming

- (1) Rates must be filed with state supervisory authorities.
- (2) Filing and prior approval are required by state supervisory authorities for glass insurance only.
- (3) Filing and prior approval are required by state supervisory authorities. In Louisiana, companies should file DIRECTLY with state supervisory authorities.
- (4) Rates must be filed with state supervisory authorities for kinds of insurance other than General Liability.

- (5) Rates must be filed DIRECTLY BY COMPANY with state supervisory authorities.
- (6) Filings must be made by companies with Insurance Services Office for rates developed under this rule.
- (7) Filing and prior approval are required by state supervisory authorities.

To simplify ratings and reduce handling operations, the following rule applies to these special rating procedures to the extent they are available in the various states:

Rating Procedures applicable to the headquarters location of the risk shall govern the rating of all operations regardless of location.

The rule is applicable in all states and territories listed below, subject to the conditions indicated:

Alabama (1)	Maine	Ohio
Alaska	Maryland	Oklahoma
Arizona	Massachusetts	Oregon
Arkansas	Michigan	Pennsylvania
Connecticut	Minnesota	Puerto Rico
Delaware	Mississippi	Rhode Island
District of Columbia	Missouri	South Carolina
Florida	Montana	South Dakota
Georgia	Nebraska	Tennessee
Hawaii	Nevada	Utah
Idaho	New Hampshire	Vermont
Illinois	New Jersey	Washington
Indiana	New Mexico	West Virginia
Iowa	North Carolina	Wisconsin (2)
Kansas (1)	North Dakota	Wyoming

- (1) The standard rule applies with the provision that the state where risk headquarters are maintained has adopted the identical programs as the other states where exposure exists.
- (2) The following is added to the rule applicable: "This rule applies only if such procedures are in effect in the state in which the risk headquarters are located."

Note: In effect (1) and (2) above spell out the intent of the rule as applicable in all states.

In those states where it is NOT necessary to file rates developed under this rule with Insurance Services Office, a record of each risk rated under this rule shall, upon request, be made available to ISO together with supporting factual data justifying the treatment afforded.

- (1) The standard rule applies with the provision that the state where risk headquarters are maintained has adopted the identical programs as the other states where exposure exists.
- (2) The following is added to the rule applicable: "This rule applies only if such procedures are in effect in the state in which the risk headquarters are located."

Note: In effect (1) and (2) above spell out the intent of the rule as applicable in all states.

SPECIAL RULES FOR RATING UNIQUE
OR UNUSUAL CONDITIONS

The Special Rules for Rating Unique or Unusual Conditions (see the following pages for text) are applicable in all states and territories within the scope of Insurance Services Office operations, subject to the conditions indicated below. It is not necessary to file rates developed under this rule with Insurance Services Office or Insurance Department for approval unless otherwise noted.

Alabama	Kansas (6)	North Dakota
Alaska	Kentucky	Ohio
Arizona	Louisiana (1) (5)	Oklahoma (7)
Arkansas	Maine	Oregon
California	Maryland	Pennsylvania
Colorado	Massachusetts	Puerto Rico (6)
Connecticut	Michigan (6)	Rhode Island
Delaware	Minnesota	South Carolina
District of Columbia (6)	Mississippi	South Dakota
Florida	Missouri	Tennessee
Georgia	Montana	Texas (3) (6)
Hawaii	Nebraska	Utah
Idaho	Nevada	Vermont
Illinois (6)	New Hampshire	Virginia (4)
Indiana	New Jersey	Washington
Iowa	New Mexico	West Virginia (6)
	New York (2) (5)	Wisconsin
	North Carolina (1)	Wyoming

- (1) In Louisiana and North Carolina, the special rules are not applicable. However, risks of unique or unusual nature may be submitted as special filings, subject to approval before the rates may be effective.
- (2) These rules shall not be used to limit coverage with coincident rate reduction unless submission includes statement that insured is fully aware of restriction in coverage and that restrictive endorsement will be forwarded to insured.
- (3) A comparable special rule applicable to Boiler and Machinery, Theft, Glass, and General Liability insurance applies in Texas. Prior approval is required before the rates may become effective. The rule is printed in the General Liability Manual, Miscellaneous Supplement for Texas.
- (4) The rule for Automobile Liability and rule B for General Liability do not apply in Virginia.
- (5) Companies should file DIRECTLY with State Insurance Department for approval, for rates developed under this rule.
- (6) Filings must be made with Insurance Services Office for rates developed under this rule. For Illinois, Workers' Compensation Coverage only.

- (7) These rules shall not be used to limit coverage with coincident rate reduction unless agreed to in writing and signed by the insured and insurance company.

Automobile Casualty Manual

Automobile Physical Damage Manual

If it can be clearly demonstrated that a risk presents unique or unusual conditions of exposure or hazard such that the application of normal classification and rating procedures does not produce a reasonable and equitable rate for the risk, such risk may be treated on a "Refer to Company" basis (a).

Requests for treatment under this rule, accompanied by full supporting factual data, shall be submitted to Insurance Services Office in those states where filings must still be made with ISO.

- (a) The company shall determine a reasonable and equitable rate in accordance with the conditions of hazard or exposure of the risk, for submission to ISO. ISO shall furnish a record of each risk rated under this rule to the state supervisory authorities in accordance with their requirements together with full supporting factual data justifying the treatment afforded, in those states where filings must still be made with ISO.

Theft Insurance Manual

Glass Insurance Manual

Workmen's Compensation and Employers' Liability Insurance Manual

If it can be clearly demonstrated that a risk described by specific classifications, the rates for which are shown in this manual, presents unique or unusual conditions of exposure or hazard such that the application of the normal rating procedure does not produce a reasonable and equitable rate for the risk, such risk may be treated on an (a) rate basis.

Requests for treatment under this rule shall be accompanied by evidence specifically setting forth the reasons for the request and shall be accompanied by full supporting factual data.

Insurance Services Office shall furnish the state supervisory authorities with a record of each risk rated under this rule, together with supporting factual data justifying the treatment afforded in those states where filings must still be made with Insurance Services Office.

Boiler and Machinery Manual

If it can be clearly demonstrated that a risk described by specific classifications in this manual presents unique or unusual conditions of exposure, hazard, or inspection and loss prevention service such that the application of the normal rating procedure does not produce a reasonable and equitable rate for the risk, such risk may be treated on an (a) rate basis.

Requests for treatment under this rule shall be accompanied by evidence specifically setting forth the reasons for the request and shall be accompanied by full supporting factual data.

Insurance Services Office shall furnish the state supervisory authorities with a record of each risk rated under this rule, together with supporting factual data justifying the treatment afforded, in those states where filings must still be made with Insurance Services Office.

In those states where it is NOT necessary to file rates developed under this rule with Insurance Services Office, a record of each risk rated under this rule shall, upon request, be made available to ISO together with supporting factual data justifying the treatment afforded.

Manuals of Liability Insurance

The following two rules are applicable to all forms of general liability insurance, the rules for which are included in the Manuals of Liability Insurance:

- A. If it can be clearly demonstrated that a risk described by specific classifications, the rates for which are shown in these manuals, presents unique or unusual conditions of exposure or hazard such that the application of the normal rating procedure does not produce a reasonable and equitable rate for the risk, such risk may be treated on an (a) rate basis.

Requests for treatment under this rule shall be accompanied by evidence specifically setting forth the reasons for the request and shall be accompanied by full supporting factual data.

Insurance Services Office shall furnish the Insurance Department with a record of each risk rated under this rule, together with supporting factual data justifying the treatment afforded, in those states where filings must still be made with Insurance Services Office.

- B. If for reasons beyond the control of the submitting company it is impractical or impossible to apply the regular underwriting basis to a risk, it shall be permissible to establish special underwriting basis for such risk as an (a) rate.

Insurance Services Office shall furnish the state supervisory authorities with a record of each risk rated under this rule, together with the reason for the treatment afforded in those states where filings must still be made with Insurance Services Office.

Note: Form ISO 3640 is to be used for all unique or unusual submissions.

To simplify ratings and reduce handling operations, the following rule applies to these special rating procedures to the extent they are available in the various states:

Rating Procedures applicable to the headquarters location of the risk shall govern the rating of all operations regardless of location.

The rule is applicable in all states and territories listed below, subject to the conditions indicated:

Alabama (1)	Maine	Ohio
Alaska	Maryland	Oklahoma
Arizona	Massachusetts	Oregon
Arkansas	Michigan	Pennsylvania
Connecticut	Minnesota	Puerto Rico
Delaware	Mississippi	Rhode Island
District of Columbia	Missouri	South Carolina
Florida	Montana	South Dakota
Georgia	Nebraska	Tennessee
Hawaii	Nevada	Utah
Idaho	New Hampshire	Vermont
Illinois	New Jersey	Washington
Indiana	New Mexico	West Virginia
Iowa	North Carolina	Wisconsin (2)
Kansas (1)	North Dakota	Wyoming

- (1) The standard rule applies with the provision that the state where risk headquarters are maintained has adopted the identical programs as the other states where exposure exists.
- (2) The following is added to the rule applicable: "This rule applies only if such procedures are in effect in the state in which the risk headquarters are located."

Note: In effect (1) and (2) above spell out the intent of the rule as applicable in all states.