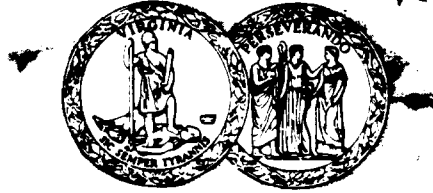


STEVEN T. FOSTER  
COMMISSIONER OF INSURANCE

THOMAS S. NARDO  
FIRST DEPUTY COMMISSIONER

COMMONWEALTH OF VIRGINIA



Box 1157  
RICHMOND, VA 23209  
TELEPHONE (804) 786-37

STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

June 15, 1987

**Administrative Letter 1987-11**

TO: ALL PROPERTY AND CASUALTY INSURANCE COMPANIES AND ALL RATE SERVICE ORGANIZATIONS LICENSED IN VIRGINIA

RE: IMPLEMENTATION OF HOUSE BILL 1235

House Bill 1235, effective July 1, 1987, requires certain changes in the procedures for handling rule and rate filings which are subject to the provisions of Chapters 19 and 20.

**Chapters 19 and 20**

Legislative changes in subsections A and B of §§38.2-1904 and 38.2-2005 require that an insurer or a rate service organization, on behalf of its members or subscribers, consider certain factors when establishing rates for the classes of insurance to which Chapters 19 and 20 apply. In order to ensure compliance with the sections in question, the attached certification forms COF-1 (7/87) and COF-2 (7/87) have been designed for your use with rule and rate filings made pursuant to Chapters 19 and 20. If you are a member or subscriber of a rate service organization and have given that rate service organization authorization to file rules and rates on your behalf, then the rate service organization will certify such filing on your behalf. If you file a downward deviation from a filing made on your behalf which has already been certified by the rate service organization, then no additional certification is required for Chapter 19 lines or workers' compensation filings submitted pursuant to Chapter 20. However, when an upward deviation is filed, certification will be required for Chapter 19 lines. In addition, all other rule and rate filings will require individual company certification. A filing will not be considered complete without the proper certification. On a random basis, companies or rate service organizations will be required to submit the statistical data in question for review by the Commission in order to monitor compliance with these statutory requirements.

There are two major changes in §38.2-1912 of the Code of Virginia regarding the delayed effect of rates. The rules and rates for any class, line, or subdivision of insurance subject to this section must be filed by the insurer with the Commission at least 60 days before the proposed effective date of the filing. The statute also requires an insurer or rate service organization filing any rate or supplementary rate information to which this section is applicable to give notice to the Division of Consumer Counsel of the Office of the Attorney General that such rate has been filed with the Commission. In addition, the insurer or rate service organization must certify to the Commission in its rate filing that appropriate notice has been given to the Attorney General. The same prior filing requirements for insurers and rate service organizations and the same notice requirements to the Attorney General and the Commission are also contained in Chapter 20 (see §§38.2-2003.A. and 38.2-2006).

#### Chapter 20

Subsections B and D of §38.2-2003 require insurers and rate service organizations subject to Chapter 20 to submit certain information with each rate filing on standardized forms developed by the Commission. The attached forms Va. AIPSO-1 (7/87), Va. HP-1 (7/87), Va. NCCI-1(7/87), Va. UM-1 (7/87), Va. VPIA-1 (7/87), Va. IR-1(7/87) and Va. IR-2(7/87) have been developed for that purpose. The Commission may, in addition to the information contained on the standardized forms in question, require additional information in support of your filing.

We suggest that you review House Bill 1235 closely in order to ensure compliance with these statutory changes. In addition, the attached forms should be reproduced for your use with future filings. Any questions concerning the contents of this letter may be addressed, in writing, to the Property and Casualty Division.

Sincerely,



Steven T. Foster  
Commissioner of Insurance

STF/psc

Attachments

Chapter 19 - Certification of

-----  
(Name of Insurance Company)

Filing Being Certified \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Proposed Effective Date \_\_\_\_\_

I, being a qualified actuary, certify that appropriate consideration has been given in this filing to the 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, or (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.

-----  
NAME  
(Please Print or Type)

-----  
SIGNATURE

-----  
DATE

( )

-----  
TELEPHONE NUMBER

Chapter 20 - Certification of

-----  
(Name of Insurance Company)

Filing Being Certified \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Proposed Effective Date \_\_\_\_\_

I, being a qualified actuary, certify that appropriate consideration has been given in this filing to the factors specified in subsections A. and B. of §38.2-2005 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, or (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.

-----  
NAME  
(Please Print or Type)

-----  
SIGNATURE

-----  
DATE

( )

-----  
TELEPHONE NUMBER

## Loss and Loss Adjustment Expense Payout Pattern

Given the expected combined loss ratio for the requested rates, indicate below the approximate value of loss and loss adjustment expenses expected to be paid for policies sold at the beginning of year one where total premiums equal \$100,000. (Note: The total value of such expenses should equal the product of your anticipated combined loss ratio and \$100,000.) Please rely on Virginia data to the extent possible.

<u>Year</u>	<u>Loss and Loss Adjustment Expenses Paid</u>
1	_____
2	_____
3	_____
4	_____
5	_____
6	_____
7	_____
8	_____
9	_____
10	_____
11	_____
12	_____
13	_____
14	_____
15	_____
	_____
	Total= _____

**NOTE:** Attach any additional information that is necessary to explain how the above values were determined.

General Assumptions

<u>Item</u>	<u>Percent of Premium</u>
Combined Loss Ratio	_____
Commissions	_____
Other Expenses	_____
Underwriting Margin	_____
	100%

\*Based on requested rates.

---

Federal tax rate on underwriting profits	_____
Pre-tax rate of return on investments (current yield)	_____
Federal tax rate on investment income	_____
Reserves to surplus ratio (exclude unearned premiums)	_____

**NOTE:** Attach any additional information that is necessary to explain how the above values were determined.

**AUTOMOBILE INSURANCE PLANS SERVICE OFFICE  
RATE FILINGS**

1. Complete the following information for Virginia:

	<u>Direct Premiums Earned</u>	<u>Direct Losses Paid</u>	<u>Loss Adjustment Expenses Paid</u>	<u>Num Exp</u>
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Incurred (excluding IBNR)</u>	<u>Direct Losses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Loss Adjustment Expenses Incurred (excluding IBNR)</u>	<u>Loss Adjustment Expenses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

2. Complete the following information on a Countrywide basis:

	<u>Direct Premiums Earned</u>	<u>Direct Losses Paid</u>	<u>Loss Adjustment Expenses Paid</u>	<u>Num Exp</u>
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Incurred (excluding IBNR)</u>	<u>Direct Losses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Loss Adjustment Expenses Incurred (excluding IBNR)</u>	<u>Loss Adjustment Expenses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____



3. Provide any loss development factor, loss trend factor, or expense trend factor, if any, for Virginia and countrywide, and the supporting data for
4. Specify by category of expense all expenses incurred (other than acquisition expense) as a percentage of direct premiums earned:

**Virginia Expenses**

	<u>1st Prior Year</u>		<u>2nd Prior Year</u>	
	\$	%	\$	%
Commissions	-----	---	-----	---
General Expense	-----	---	-----	---
Other Acquisition	-----	---	-----	---
Taxes, Licenses, and Fees	-----	---	-----	---
Other (please specify)	-----	---	-----	---
	-----	---	-----	---
	-----	---	-----	---

**Countrywide Expenses**

	<u>1st Prior Year</u>		<u>2nd Prior Year</u>	
	\$	%	\$	%
Commissions	-----	---	-----	---
General Expense	-----	---	-----	---
Other Acquisition	-----	---	-----	---
Taxes, Licenses, and Fees	-----	---	-----	---
Other (please specify)	-----	---	-----	---
	-----	---	-----	---
	-----	---	-----	---
	-----	---	-----	---

5. Investment Income and Rate of Return:

Provide the information requested on Forms Va. IR-1 (7/87) and present a fully documented analysis of how investment income and the return on surplus have been considered in this filing. Any surplus must recognize the expected claims payment pattern and must be based on return on surplus. A traditional profit margin approach is not acceptable.

Va. AIPSO-1 (7/87)

**INSURANCE SERVICES OFFICE  
UNINSURED MOTORISTS  
RATE FILINGS**

1. Complete the following information for Virginia:

	<u>Direct Premiums Earned</u>	<u>Direct Losses Paid</u>	<u>Unallocated Loss Adjustment Expenses Paid</u>	<u>Numl Exp</u>
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Incurred (excluding IBNR)</u>	<u>Direct Losses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Unallocated Loss Adjustment Expenses Incurred (excluding IBNR)</u>	<u>Unallocated Loss Adjustment Expenses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

2. Complete the following information on a Countrywide basis:

	<u>Direct Premiums Earned</u>	<u>Direct Losses Paid</u>	<u>Unallocated Loss Adjustment Expenses Paid</u>	<u>Num Exp</u>
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Incurred (excluding IBNR)</u>	<u>Direct Losses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Unallocated Loss Adjustment Expenses Incurred (excluding IBNR)</u>	<u>Unallocated Loss Adjustment Expenses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

3. Provide any loss development factor, loss trend factor, or expense if any, for Virginia and countrywide, and the supporting data for
4. Specify by category of expense all expenses incurred (other than expense) as a percentage of direct premiums earned:

**Virginia Expenses**

	<u>1st Prior Year</u>		<u>2nd Prior Year</u>	
	\$	%	\$	%
Commissions	-----	----	-----	----
General Expense	-----	----	-----	----
Other Acquisition	-----	----	-----	----
Taxes, Licenses, and Fees	-----	----	-----	----
Other (please specify)	-----	----	-----	----
	-----	----	-----	----
	-----	----	-----	----

**Countrywide Expenses**

	<u>1st Prior Year</u>		<u>2nd Prior Year</u>	
	%	%	%	%
Commissions	-----	----	-----	----
General Expense	-----	----	-----	----
Other Acquisition	-----	----	-----	----
Taxes, Licenses, and Fees	-----	----	-----	----
Other (please specify)	-----	----	-----	----
	-----	----	-----	----
	-----	----	-----	----
	-----	----	-----	----

5. Investment Income and Rate of Return:

Provide the information requested on Forms Va. IR-1 (7/87) and present a fully documented analysis of how investment income and return on surplus have been considered in this filing. Any recognize the expected claims payment pattern and must be based on return on surplus. A traditional profit margin approach is not acceptable.

Va. UM-1 (7/87)

**VIRGINIA PROPERTY INSURANCE ASSOCIATION  
RATE FILINGS**

1. Complete the following information for Virginia:

	<u>Direct Premiums Written - Habitational</u>	<u>Direct Premiums Written - Commercial</u>	<u>Direct Premiums Earned - Habitational</u>	l Ea
5th Prior Year 19__	_____	_____	_____	_____
4th Prior Year 19__	_____	_____	_____	_____
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Paid Habitational</u>	<u>Direct Losses Paid Commercial</u>	<u>Direct Losses Incurred (excluding JBR)</u>	Df
5th Prior Year 19__	_____	_____	_____	_____
4th Prior Year 19__	_____	_____	_____	_____
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	Loss Adjustment Expenses Incurred (excluding IBNR)	Loss Adjustment Expenses Incurred But Not Reported	Investment Income Earned
5th Prior Year 19__	_____	_____	_____
4th Prior Year 19__	_____	_____	_____
3rd Prior Year 19__	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____
1st Prior Year 19__	_____	_____	_____
__ Months 19__	_____	_____	_____

2. Specify by category of expense all expenses incurred (other than loss adjustment expense) as a percentage of

**Virginia Expenses**

	1st Prior Year		2nd Prior Year		3rd Prior Year		4th Prior Year
	\$	%	\$	%	\$	%	\$
Commissions	_____	_____	_____	_____	_____	_____	_____
General Expense	_____	_____	_____	_____	_____	_____	_____
Other Acquisition	_____	_____	_____	_____	_____	_____	_____
Taxes	_____	_____	_____	_____	_____	_____	_____
Inspections, Boards & Bureaus	_____	_____	_____	_____	_____	_____	_____
Other (please specify)	_____	_____	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____	_____	_____
	_____	_____	_____	_____	_____	_____	_____

Va. VPIA-1 (7/87)



**HOME PROTECTION RATE FILINGS**

1. Complete the following information for Virginia:

	<u>Direct Premiums Written</u>	<u>Direct Premiums Earned</u>	<u>Direct On A C</u>
3rd Prior Year 19__	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____
1st Prior Year 19__	_____	_____	_____
__ Months 19__	_____	_____	_____

	<u>Direct Losses Incurred</u>	<u>Loss Adjustment Expenses Paid On A Calendar Year Basis</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Loss Adjustment Expenses Incurred</u>	<u>Number of Exposures</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

2. Complete the following information on a Countrywide basis:

	<u>Direct Premiums Written</u>	<u>Direct Premiums Earned</u>	<u>Direct On A Ca</u>
3rd Prior Year 19__	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____
1st Prior Year 19__	_____	_____	_____
___ Months 19__	_____	_____	_____

	<u>Direct Losses Incurred</u>	<u>Loss Adjustment Expenses Paid On A Calendar Year Basis</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
___ Months 19__	_____	_____

	<u>Loss Adjustment Expenses Incurred</u>	<u>Number of Exposures</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
___ Months 19__	_____	_____

3. Provide any loss development factor, loss trend factor, or expense if any, for Virginia and countrywide, and the supporting data for
4. Specify by category of expense all expenses incurred (other than expense) as a percentage of direct premiums earned:

**Virginia Expenses**

	<u>1st Prior Year</u>		<u>2nd Prior Year</u>	
	\$	%	\$	%
Commissions	-----	---	-----	---
General Expense	-----	---	-----	---
Other Acquisition	-----	---	-----	---
Taxes, Licenses, and Fees	-----	---	-----	---
Other (please specify)	-----	---	-----	---
	-----	---	-----	---
	-----	---	-----	---

**Countrywide Expenses**

	<u>1st Prior Year</u>		<u>2nd Prior Year</u>	
	%		%	
Commissions	-----		-----	
General Expense	-----		-----	
Other Acquisition	-----		-----	
Taxes, Licenses, and Fees	-----		-----	
Other (please specify)	-----		-----	
	-----		-----	
	-----		-----	
	-----		-----	

5. Investment Income and Rate of Return:

Provide the information requested on Forms Va. IR-1 (7/87) and present a fully documented analysis of how investment income and return on surplus have been considered in this filing. Any recognize the expected claims payment pattern and must be based on return on surplus. A traditional profit margin approach is not acceptable.

Va. HP-1 (7/87)

**NATIONAL COUNCIL ON COMPENSATION INSURANCE  
RATE FILINGS**

1. Complete the following information for Virginia:

	<u>Direct Premiums Earned</u>	<u>Direct Losses Paid</u>	<u>Loss Adjustment Expenses Paid</u>	<u>Numt Exps</u>
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Incurred (excluding IBNR)</u>	<u>Direct Losses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Loss Adjustment Expenses Incurred (excluding IBNR)</u>	<u>Loss Adjustment Expenses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

Va. NCCI-1 (7/87)

2. Complete the following information on a Countrywide basis:

	<u>Direct Premiums Earned</u>	<u>Direct Losses Paid</u>	<u>Loss Adjustment Expenses Paid</u>	<u>Number Expos</u>
3rd Prior Year 19__	_____	_____	_____	_____
2nd Prior Year 19__	_____	_____	_____	_____
1st Prior Year 19__	_____	_____	_____	_____
__ Months 19__	_____	_____	_____	_____

	<u>Direct Losses Incurred (excluding IBNR)</u>	<u>Direct Losses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

	<u>Loss Adjustment Expenses Incurred (excluding IBNR)</u>	<u>Loss Adjustment Expenses Incurred But Not Reported</u>
3rd Prior Year 19__	_____	_____
2nd Prior Year 19__	_____	_____
1st Prior Year 19__	_____	_____
__ Months 19__	_____	_____

3. Provide any loss development factor, loss trend factor, or expense if any, for Virginia and countrywide, and the supporting data for
4. Specify by category of expense all expenses incurred (other than expense) as a percentage of direct premiums earned:

**Virginia Expenses**

	1st Prior Year		2nd Prior Year	
	\$	%	\$	%
Commissions	-----	----	-----	----
General Expense	-----	----	-----	----
Other Acquisition	-----	----	-----	----
Taxes, Licenses, and Fees	-----	----	-----	----
Other (please specify)	-----	----	-----	----
	-----	----	-----	----
	-----	----	-----	----

**Countrywide Expenses**

	1st Prior Year		2nd Prior Year	
	%		%	
Commissions	-----		-----	
General Expense	-----		-----	
Other Acquisition	-----		-----	
Taxes, Licenses, and Fees	-----		-----	
Other (please specify)	-----		-----	
	-----		-----	
	-----		-----	

5. Investment Income and Rate of Return:

Provide the information requested on Forms Va. IR-1 (7/87) and present a fully documented analysis of how investment income and return on surplus have been considered in this filing. Any s recognize the expected claims payment pattern and must be based on return on surplus. A traditional profit margin approach is not ac

Va. NCCI-1 (7/87)