

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

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ADMINISTRATIVE LETTER
1988-17

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

RE: DELAYED EFFECT OF RATE FILINGS AND CERTAIN FORM FILING REQUIREMENTS

This letter is to advise all insurers and rate service organizations of certain amendments and administrative decisions affecting rule and rate filing procedures. These changes are primarily a result of the Opinion and Final Order entered on September 16, 1988, in Case No. INS880219, which was mailed to all insurers on September 22, 1988, but other filing procedures are also reviewed. The issues addressed in this letter are: 1) filing procedures for the sixty day delayed effect sub-classes of liability insurance newly designated by the above mentioned Order, 2) identification of certain exempted non-competitive classes, 3) Bureau treatment of incomplete filings, and 4) policy effective date requirements. Finally, an amending order correcting a typographical error in the original order is attached.

Filings for Sub-Classes of Liability Insurance Subject to Delayed Effect

On September 16, 1988 the State Corporation Commission ordered that all rule and rate filings made by licensed insurance companies and rate service organizations for:

Lawyers Professional Liability Insurance

Public Housing Liability Insurance

Real Estate Agents Errors and Omissions
Liability Insurance

Insurance Agents Errors and Omissions
Liability Insurance

Law Enforcement Agencies Liability Insurance

Pest Control Liability Insurance

be subject to the delayed effect provisions of Virginia Code Section 38.2-1912 (see Administrative Letter 1988-3 for class codes, where applicable). Medical malpractice liability was previously designated as noncompetitive in an order entered on July 13, 1988 in Case No. INS880219 and is also subject to delayed effect filing procedures. Any change in rates or supplementary rate information for use with policies effective on or after September 16, 1988 (July 13, 1988 for medical malpractice) with regard to these seven sub-classes of liability insurance must be filed with the Commission at least sixty (60) days before they are to become effective. Each order remains in effect for a period of one year from the date entered.

Virginia Code Section 38.2-1912 further requires insurers to give notice to the Division of Consumer Counsel of the Office of the Attorney General that a filing subject to Virginia Code Section 38.2-1912 has been made with the Commission. Each insurer must certify such notice to the Commission at the time of its rate filing.

Insurers making filings subject to Virginia Code Section 38.2-1912 must submit 5 copies of the original filing and all subsequent supporting information. One copy will be stamped "Filed" and returned to the insurer when the filing is successfully concluded. The distribution of the other copies will be as follows: three to the Bureau of Insurance for public inquiry, policy examination and actuarial review; and one to the Division of Consumer Counsel of the Office of the Attorney General.

Exempted Classes of Insurance

The Commission further found that competition was not an effective regulator of the rates charged for:

Environmental Impairment Liability Insurance

Directors and Officers Liability Insurance

Liquor Liability Insurance and

Architects and Engineers Professional
Liability Insurance

but, pursuant to Virginia Code Section 38.2-1903, exempted these lines from the requirements of Virginia Code Section 38.2-1912 and permitted these four lines to be (a) rated.

Incomplete Form and Rate Filings

The Bureau has made a practice of keeping incomplete filings pending while corresponding with insurers to obtain the necessary information to complete the filing. In many cases, filings have been kept pending for inordinate amounts of time while awaiting company responses or corrections. Due to the management problems created by keeping large numbers of filings pending, the Bureau has re-examined this procedure. In the future, companies will be given a reasonable amount of time to respond to our correspondence. If an insurer does not respond in the time given, the submission will be returned as disapproved or incomplete and not filed. Insurers will receive clear notification of any time constraints imposed and should take whatever steps are necessary to provide complete submissions and prompt responses for Bureau review. This should assist us in reviewing filings in the most expeditious manner possible.

Policy Effective Dates

By Administrative Letters 1983-10 and 1984-2, dated November 4, 1983, and April 30, 1984, respectively, the Bureau of Insurance advised all companies that it would require each filing to contain, in the cover letter, a request for implementation based upon "policies effective" on and after a specific date. Companies were advised to specifically include the words "policies effective" so that there would be no misinterpretation of the effective date of the filing.

A number of filings are still being received that have not complied with the requirements outlined in Administrative Letters 1983-10 and 1984-2. Filings received in this office which do not comply with the above requirements will continue to be returned to the company without further review as to acceptability.

Sincerely,



Steven T. Foster
Commissioner of Insurance

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