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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

ADMINISTRATIVE LETTER 1989 - 10

June 5, 1989

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

RE: RATE FILINGS SUBJECT TO THE PROVISIONS OF VIRGINIA CODE SECTIONS 38.2-1906 or 38.2-2003

Virginia Code Section 38.2-1906 sets forth requirements for the filing of rates for the lines or subclassifications of insurance where the State Corporation Commission has determined that competition is not an effective regulator of rates pursuant to Virginia Section 38.2-1905.1. Virginia Code Section 38.2-2003 sets forth requirements for the filing of rates for workers compensation, the Virginia Automobile Insurance Plan, uninsured motorists coverage, the Virginia Property Insurance Association and home protection contracts. This Administrative Letter outlines the information the Bureau of Insurance must consider when an insurer or rate service organization submits a rate designated noncompetitive of the for one subclassifications of liability insurance or for one of the lines of insurance enumerated in Chapter 20.

Virginia Code Sections 38.2-1906.3.A1 and 38.2-2003.B provide that each insurer shall submit with its rate filing, as deemed appropriate by, and to the extent directed by, the Commission, the following information relating to experience in Virginia and countrywide:

- 1. Number of exposures;
- Direct premiums written;
- 3. Direct premiums earned;
- Direct losses paid identified by such period as the Commission may require;

- 5. Number of claims paid;
- 6. Direct losses incurred during the year, direct losses incurred during the year which occurred and were paid during the year, and direct losses incurred during the year which were reported during the year but were not yet paid;
- 7. Any loss development factor used and supporting data thereon;
- Number of claims unpaid;
- Loss adjustment expenses paid identified by such period as the Commission may require;
- 10. Loss adjustment expenses incurred during the year, loss adjustment expenses incurred during the year for losses which occurred and were paid during the year, and loss adjustment expenses incurred during the year for losses which were reported during the year but were not paid;
- Other expenses incurred, separately by category of expense, excluding loss adjustment expenses;
- 12. Investment income on assets related to reserve and allocated surplus accounts;
- 13. Total return on allocated surplus;
- 14. Any loss trend factor used and supporting data thereon;
- 15. Any expense trend factor used and supporting data thereon; and
- 16. Such other information as may be required by rule of the Commission, including statewide rate information presented separately for Virginia and each state wherein the insurer writes the line, subline or rating classification for which the rate filing is made and which the Commission deems necessary for its consideration.

Insurers and rate service organizations should use the attached form to report the required information to support its rate filing. Where actual experience does not exist or is not credible, the Commission will allow the use of reasonable

estimates for the information required. Each insurer and rate service organization should submit a full explanation with its rate filing as to why the required information is not submitted or available, and must submit supporting data for any estimates used. An authorized company representative should certify that appropriate consideration has been given in this filing to the factors specified in Subsection A. and B. of §38.2-1904 in §38.2-2005 (as appropriate), as set forth in the attached document.

Further, Virginia Code Sections 38.2-1912 and 32.2-2003 require that upon filing any change in the rate applicable to a class, line or subdivision of insurance governed by the provisions of these Sections, the insurer shall give notice to the Division of Consumer Counsel of the Office of the Attorney General. The notice shall indicate that a rate change has been filed with the State Corporation Commission. In its filing to the Commission the insurer must certify that it has notified the Office of the Attorney General of the filing. Insurers may certify to such notice by having an appropriate individual sign the certification statement included in the attached document.

The filing certification requirements of Administrative Letter 1987-11 continue in effect for those lines and subclassifications <u>not</u> subject to the delayed effect of rate provisions of §38.2-1912. They also remain in effect for the filings of the Virginia Medical Malpractice Joint Underwriting Association.

Sincerely

Steven T. Foster

Commissioner of Insurance

STF:dw Attachment

§38.2-1906 AND §38.2-2003 DATA REQUIREMENTS

| below | Data: Virgini | a ease specify | | | or Oth | er |
|-------|---|-------------------|--------|-----|--------|----------|
| Expos | ure Base | | | | | |
| | nated line bclassification | | Insure | r | NAIC# | |
| | dar/Accident Year latest full calendar) | X-4 | X-3 | X-2 | X-1 | Х |
| Enter | Year _ | | | | | <u> </u> |
| 1. | Number of exposures written | · | | | | |
| 2. | Number of exposures earned | | | | | |
| 3. | Direct premium written | · · | | | | |
| 4. | Direct premium earned | | | | | |
| | Direct losses incurred A) Direct losses paid during the calendar year | - | | | | |
| | Current accident year Prior accident years | | | | | |
| | B) Direct losses paid for the accident year valued at 12-31-X | | | | | |
| | C) Reserves for reported losses at the end of the calendar year | | | | | |
| | Current accident year Prior accident years | | | | | |
| | D) Reserves for reported losses at the end of the previous calendar | | | | | |

| Calenda | r/Accident Year | X-4 | X-3 | X-2 | X-1 | X |
|---------|---|-----|---|-----|-----|---|
| E) | Reserves for reported losses for the accident year valued at 12-31-X | | | | | - |
| F) | Reserves for incurred but not reported losses at the end of the calendar year | | | | | |
| | 1) Current accident year 2) Prior accident years | | | | | |
| G) | Reserves for incurred but not reported losse at the end of the previous calendar year | s | *************************************** | | | |
| Н) | Reserves for incurred but not reported losses for the accident year valued at 12-31-X | | | | | |
| I) | Calendar year incurred losses [A(1) + A(2) + C(1) + C(2) - D + F(1) + F(2) - G] | | - | | | |
| J) | Accident year incurred losses A(1) + C(1) + F(1) | | | | | |
| K) | Accident year incurred losses valued at 12-31-X B + E + H | | | | · · | |
| and | mber of claims paid d closed during the lendar year | | | | | |
| and | mber of claims unpaid d/or open at the end the calendar year | | | | | |

- 1

| Cal | endar | /Accident Year | X-4 | X-3 | X - 2 | X-1 | X |
|-----|-------------------------------------|---|-----|-----|-------|---|---|
| 3. | . Loss adjustment expenses incurred | | | | | | |
| | A) | Loss adjustment expense paid during the calendar year | | | | | |
| | | Current accident year Prior accident years | | | | | |
| | В) | Loss adjustment expense paid for the accident year . valued at 12-31-X | | | 4 | | |
| | C) | Reserves for reported loss adjustment expense at the end of the calendar year | | | | | |
| | | 1) Current accident year 2) Prior accident years | | | | | |
| | D) | Reported loss adjustment expense at the end of the previous calendar year | | | | *************************************** | |
| | E) | Reserves for reported loss adjustment expense for the accident year valued at 12-31-X | | | | | |
| | F) | Reserves for incurred but not reported loss adjustment expense at the end of the calenda year | r | | | | |
| | | 1) Current accident year _ | | | | | |
| | | Prior accident years | | | | | |

| Caler | ndar/ | Accident Year | X-4 | X-3 | X-2 | X-1 | Х |
|-------|------------------------|--|-----|----------|----------|---------------------|-------|
| |) i | Reserves for incurred out not reported loss adjustment expense at the end of the previous calendar year. | | | | | |
| | 1 | Reserves for incurred out not reported loss adjustment expense for the accident year valued at 12-31-X | | | | | |
| | : : : | Calendar year incurred loss adjustment expense $\{A(1) + A(2) + (C(1)) + C(2) - D + F(1) + F(2) - G\}$ | | | | | |
| | i i | Accident year incurred loss adjustment expense A(1) + C(1) + F(1) | | | | | |
| | ; ; | Accident year incurred loss adjustment expense valued at 12-31-X B + E + H | | | | | |
| 9. | licer alloc line | e premium taxes, uses, and fees cated to this or subclassi- tion. | | | | ways and the second | |
| 10. | allo | ission expense cated to this or subclassi- tion | | <u>•</u> | | | |
| 11. | allo | r expenses cated to this or subclassi- tion | | | | | |
| 12. | alloc line ficat | stment income cated to this or subclassi- tion related to rve and surplus unts | | | <u> </u> | | , |

| Designated line or subclassification | | | Insur | er | NAIC= | | |
|--|--|---|--|--|--|--|--|
| Cale | ndar/Accident Year | X-4 | X-3 | X - 2 | X-1 | X | |
| 13. | Surplus allocated to this line or subclassification | | • | Charles Annual Conference Confere | • | - | |
| 14. | Annual loss trend used | | | | - | | |
| 15. | Annual expense trend used | | | | | <u>.</u> | |
| DR(5 | /89) | | | | | | |
| | | Certific | <u>ation</u> | | | | |
| | | | | | | | |
| Proposition Propos | ng Being Certified psed Effective Date eing a qualified act n in this filing to 2-1904 or of §38.2-20 pse of this certifica standing of the Amer the Casualty Actuariational background ne to four years of pro- ified actuary in acco | the factors s 005 (as appropri tion, a qualific ican Academy of al Society, or ecessary for the operty and case rdance with (1) | that approp pecified i ate) of the ed actuary Actuaries, (3) an i e practice ualty actu | riate cons n subsecti e Code of is defined or (2) a f ndividual of actuari | ons A. and Virginia. F as (1) a men Tellow or ass who has bo tal science rience. I | B. of For the mber in sociate th the and at am a | |
| | SIGNATURE | | TEL | EPHONE NUMB | ER | | |
| l cer Gener | ctify that the Division al has been notified | ion of Consumer of this rate fi | Counsel of ling. | the Offic | e of the At | torney | |
| IAME | (Please Print or Type | | | DATE | - | | |
| | SIGNATURE | (| TELE | EPHONE NUMB | ER | | |

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§38.2-1906 AND §38.2-2003 DATA REQUIREMENTS

For each line or subclassification designated, provide the information requested below:

| | Data: Virgir If Other, p | | Data: Virginia Countrywide If Other, please specify | | | | her |
|--|-----------------------------|---|--|---------|-----|------|-------------|
| Exp | posu | re Base | | | | | |
| Des | signa suba | ated line classification | | Insurer | | NAIC | # |
| Calendar/Accident Year (X - latest full calendar year) | | X-4 | X-3 | X-2 | X-1 | Х | |
| Ent | er Y | Cear | | | | | - |
| 1. | | umber of exposures | | | | | • |
| 2. | | mber of exposures | | | | | |
| 3. | Di | rect premium written | | | | | |
| 4. | Di | rect premium earned | | | | | |
| 5. | | rect losses incurred Direct losses paid during the calendar year | - | | | | |
| | • | 1) Current accident year 2) Prior accident years | | | | | |
| | B) | Direct losses paid for the accident year valued at 12-31-X | | | | | |
| | C) | Reserves for reported losses at the end of the calendar year | | | | | • |
| | | 1) Current accident year 2) Prior accident years | | | | | |
| | D) | Reserves for reported losses at the end of the previous calendar year | | | | | |
| | | | ₹, | | | · - | |

| | Calendar | r/Accident Year | X-4 | X-3 | X - 2 | X-1 | X |
|-------|------------|---|------------|-----|-------|-----|------------|
| () · | E) | Reserves for reported losses for the accident year valued at 12-31-X | | | | | · <u> </u> |
| | F) | Reserves for incurred but not reported losses at the end of the calendar year | | | | | |
| | | 1) Current accident year 2) Prior accident years | • | | | | |
| | G) | Reserves for incurred but not reported losse at the end of the previous calendar year | 9 S | | | | |
| | Н) | Reserves for incurred but not reported losses for the accident year valued at 12-31-X | | | | | |
| | I) | Calendar year incurred losses [A(1) + A(2) + C(1) + C(2) - D + F(1) + F(2) - G] | | | | | |
| | J) | Accident year incurred losses $A(1) + C(1) + F(1)$ | | | | | |
| | K) | Accident year incurred losses valued at 12-31-X B + E + H | | | | | |
| | and | mber of claims paid i closed during the Lendar year | | | | | |
| ž | and | mber of claims unpaid i/or open at the end the calendar year | | | | | |

| Calendar/Accident Year | | X-4 | X-3 . | X-2 | X-1 | X | |
|------------------------|----|--|-------|-----|-----|---|---|
| В. | | s adjustment expenses | | | | | |
| | A) | Loss adjustment expense paid during the calendar year | | | | | |
| | | Current accident year Prior accident years | | | | | |
| | B) | Loss adjustment expense paid for the accident year valued at 12-31-X | | | | | : |
| | C) | Reserves for reported loss adjustment expense at the end of the calendar year | | | | | |
| | | Current accident year Prior accident years | | | | | |
| | D) | Reported loss adjustment expense at the end of the previous calendar year | | | | | *************************************** |
| | E) | Reserves for reported loss adjustment expense for the accident year valued at 12-31-X | | | - | | |
| | F) | Reserves for incurred but not reported loss adjustment expense at the end of the calend year | : | • * | | | |
| | | Current accident year | | | | | |
| | | Prior accident years | | | | | |

| Cale | endar/Accident Year | X-4 | X-3 | X-2 | X-1 | Х |
|------|---|----------|-----|-----|---------------------------------------|---|
| | G) Reserves for incurr but not reported lo adjustment expense the end of the prev calendar year. | ss at | · | | | |
| | H) Reserves for incurred but not reported loadjustment expense the accident year valued at 12-31-X | ss | | | | |
| | <pre>I) Calendar year incurred loss adjustment expense [A(1) + A(2) + (C(1) + C(2) - D + F(1) + F(2) - G]</pre> |) . | | | · · · · · · · · · · · · · · · · · · · | |
| | <pre>J) Accident year incurred loss adjustment expense A(1) + C(1) + F(1)</pre> | | | | | |
| | K) Accident year incurred loss adjustment expense valued at 12-31-X B + E + H | | | | | |
| 9. | State premium taxes, licenses, and fees allocated to this line or subclassification. | | | | | |
| 10. | Commission expense allocated to this line or subclassification | | | | | |
| 11. | Other expenses allocated to this line or subclassi- fication | | () | | | _ |
| 12. | Investment income allocated to this line or subclassification related to reserve and surplus | · | | | | |

| Designated line or subclassification | | | Insurer | | | = |
|--|--|---|--|---|--|--|
| Cale | ndar/Accident Year | X-4 | X-3 | X - 2 | X-1 | X |
| 13. | Surplus allocated to this line or subclassification | | | | | |
| 14. | Annual loss trend used | | | | | |
| 15. | Annual expense trend used | | | | | • |
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| | . * | . <u>Certifi</u> c | cation | | • | |
| | · | Name of Insur | ance Compan | y) | | |
| Fili | ing Being Certified | | · · | | | |
| Prop | oosed Effective Date | | | | | |
| give §38. purp good of educ leas | being a qualified actual in this filing to a 2-1904 or of §38.2-2005 cose of this certification is standing of the Americation Casualty Actuarial cational background necest four years of propartical actuary in according the casualty in according the casualty in according to th | the factors i (as appropr on, a qualifi an Academy of Society, or essary for the | specified i iate) of the led actuary E Actuaries, r (3) an i ne practice sualty actu | n subsecti e Code of is defined or (2) a ndividual of actuar | ons A. and Virginia. I as (1) a men fellow or as who has bo ial science erience. I | B. of For the mber in sociate th the and at am a |
| NAME | E (Please Print or Type) | _ | | DATE | | |
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