

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

January 29, 1990

ADMINISTRATIVE LETTER
1990 - 1

TO: All Companies Licensed to Write Commercial
Liability Insurance

RE: Supplemental Report for Certain Lines and Subclassifications
of Liability Insurance as Required by Virginia Code Section
38.2-1905.2 due May 1, 1990

Virginia Code Section 38.2-1905.1 requires the State Corporation Commission (SCC) to designate lines and subclassifications of insurance where it believes competition may not be an effective regulator of rates. Virginia Code Section 38.2-1905.2 provides that all insurers licensed to write the classes of insurance defined in Sections 38.2-117 (Personal injury liability) and 38.2-118 (Property damage liability) shall file a report showing their direct experience in the Commonwealth attributable to all lines and subclassifications of liability insurance designated by the SCC in accordance with subsection B of Section 38.2-1905.1.

The lines and subclassifications where the SCC has cause to believe that competition may not be an effective regulator of rates have been designated in the SCC's report, "The Level of Competition, Availability and Affordability in the Commercial Liability Insurance Industry", submitted to the General Assembly in December, 1989. Copies of this report may be obtained by phoning the Property and Casualty Division of the Bureau of Insurance at (804) 786-3665. A listing of the designated lines and subclassifications is attached (See Exhibit 2).

To collect the data required by Virginia Code Section 38.2-1905.2, the SCC has adopted the attached supplemental report format that each insurer is required to complete for the designated lines and subclassifications. The attached supplemental report requests information in a different manner but has not been substantially changed from the supplemental

Administrative Letter 1990-1
January 29, 1990
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reports adopted by the SCC in 1988 and 1989. The Bureau of Insurance requests that all supplemental reports be submitted on diskette (which will be forwarded to you upon receipt of the Diskette Request Form); however, if a company cannot comply, typed reports will be acceptable (See Exhibit 1 for complete instructions). A separate report is required of each insurer having written premium in 1989 for each market described in Exhibit 2. The market definitions provided are to be used as a guide in defining specific markets which are required to be reported. Companies should also report the required information for policies written under any comparable classification in use by the individual company.

Pursuant to the Commission's order of January 19, 1990, copy attached, the reports are due (must be received by) May 1, 1990. Insurers shall report data in the detail prescribed by the report format. If some information is not available, insurers should estimate appropriate figures to complete the form. Insurers with no written premium for 1989 in one or more of the lines or subclassifications must complete and return Exhibit 17.


If you have any questions regarding the form, please contact our consulting actuary at the following address:

Dennis R. Henry, FCAS, MAAA
Vice President
Consulting Actuary
Huggins Financial Services
Suite 1400
1600 Market Street
Philadelphia, PA 19102
Telephone: (215) 246-2780

Virginia Code Section 38.2-218 provides that any person who knowingly or willfully violates any provision of the insurance laws shall be punished for each violation by a penalty of not more than \$5,000. Failure to file a substantially complete and accurate supplemental report by the due date may be considered a willful violation and subject to an appropriate penalty.

Attached is a sheet of additional instructions (See Exhibit 1) to facilitate accurate completion of the supplemental reports.

Sincerely,


Steven T. Foster
Commissioner of Insurance

STF:km
Attachments

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 19, 1990

1990 JAN 19 PM 4:41

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. INS890517

Ex Parte in re: Adopting of amended supplemental report form pursuant to Virginia Code Section 38.2-1905.2.B.

ORDER ADOPTING SUPPLEMENTAL REPORT FORM

WHEREAS, by order entered herein December 21, 1989, the Commission provided an opportunity for the Attorney General and insurers licensed in this Commonwealth to transact the business of property and casualty insurance to comment on a proposed supplemental report form for 1990 reporting purposes as required by Virginia Code Section 38.2-1905.2.B.; and

WHEREAS, the Commission has reviewed and considered the comments filed in this matter,

IT IS ORDERED that the supplemental report form, which is attached hereto and made a part hereof, be, and it is hereby, ADOPTED for filing pursuant to Chapter 19 of Title 38.2 of the Code of Virginia and that supplemental reports shall be filed by insurers with the Commission on or before May 1, 1990.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to the Honorable Mary Sue Terry, Attorney General of Virginia, in care of Gail D. Jaspen, Assistant Attorney General, 101 North Eighth Street, 6th Floor, Richmond, Virginia 23219;

and Robert A. Miller, Deputy Insurance Commissioner, Bureau of Insurance, who shall cause a copy of this order to be sent to each insurer licensed to transact the business of property and casualty insurance in the Commonwealth of Virginia.

A True Copy
Teste:

George W. Bryant Jr.

Clerk of the
State Corporation Commission

SUPPLEMENTAL REPORT REQUIRED BY VIRGINIA CODE SECTION 38.2-1905.2
FOR CERTAIN LINES OR SUBCLASSIFICATIONS OF LIABILITY INSURANCE

BY ORDER OF THE STATE CORPORATION COMMISSION THIS REPORT IS DUE ON OR BEFORE MAY 1, 1990, AT THE STATE CORPORATION COMMISSION BUREAU OF INSURANCE, P. O. BOX 1157, RICHMOND, VIRGINIA 23209.

All insurers licensed to write the classes of insurance defined in Section 38.2-117 (Personal injury liability) and 38.2-118 (Property damage liability) shall file a report showing their direct experience in the Commonwealth attributable to the line or subclassification of liability insurance below which has been designated by the Commission in accordance with subsection B of Section 38.2-1905.1.

For the market designated, provide the information requested:

A. Market Number and Name: _____

B. Insurer: _____ C. NAIC #: _____

D. Group Name: _____ E. Group NAIC #: _____

(Each insurer must report separately,
group reports are not permitted)

	Calendar Year (Except As Otherwise Specified)				
	1985	1986	1987	1988	1989
1. Number of policies written	_____	_____	_____	_____	_____
2. Direct premiums written	_____	_____	_____	_____	_____
3. A. Direct premiums earned	_____	_____	_____	_____	_____
B. Net premiums earned	_____	_____	_____	_____	_____
4. Direct losses incurred					
A. Direct losses paid during the calendar year:					
(1) for the current accident year	_____	_____	_____	_____	_____
(2) for prior accident years	_____	_____	_____	_____	_____
B. Reserves for reported losses at the end of the calendar year:					
(1) for the current accident year	_____	_____	_____	_____	_____
(2) for prior accident years	_____	_____	_____	_____	_____
C. Reserves for reported losses at the end of the previous calendar year	_____	_____	_____	_____	_____
D. Reserves for incurred but not reported losses at the end of the calendar year:					
(1) for the current accident year	_____	_____	_____	_____	_____
(2) for prior accident years	_____	_____	_____	_____	_____
E. Reserves for incurred but not reported losses at the end of the previous calendar year	_____	_____	_____	_____	_____
F. Accident year incurred losses [A(1) + B(1) + D(1)]	_____	_____	_____	_____	_____

- G. Calendar year incurred losses
 [A(1) + A(2) + B(1) + B(2) -
 C + D(1) + D(2) - E] _____
5. Number of claims closed with payment during the calendar year _____
6. Number of open claims at the end of the calendar year _____
7. Net investment gain (loss) including realized capital gains generated by the line or subclass of business attributable to net premium, loss and loss expense reserves. _____
8. A. Direct underwriting expenses incurred in producing the written premium in line 2 (direct premiums written):
 (1) commissions _____
 (2) general expenses _____
 (3) other acquisition expenses _____
 (4) premium taxes, licenses and fees. _____
 (5) Total (sum of all parts in question 8 A) _____
- B. All direct loss adjustment expenses incurred on a calendar year basis: _____
9. Have you sought to write or obtain new business within this line or subclassification within the past year?
 Yes _____ No _____
10. A. Are current rates for this line or subclassification those filed on your behalf by a rate service organization?
 Yes _____ No _____
- B. If yes, name of rate service organization:
 ISO _____ AAIS _____
- C. If no, in determining your independently filed rates, do you rely on information, including prospective loss costs or supplemental rate information, provided by a rate service organization?
 Yes _____ No _____
- D. Percent of premiums written using independent rates (not based on RSO filings or data): _____
- E. If applicable to this market definition, please indicate the edition dates of premises/operations base rates in use during 1989 for this line or subclassification (indicate month and year), percent of total written premium based on each edition date, and filed deviation (if any) to each edition date:

Edition Date Month/Year	% Premium	Filed deviation(s) (indicate "+" or "-" for upward or downward)
_____	_____	_____
_____	_____	_____
_____	_____	_____

F. Do you apply schedule, expense, experience, and/or package modifications to eligible risks?

- | | | |
|-------------------------|-----------|----------|
| 1. Schedule | Yes _____ | No _____ |
| 2. Expense | Yes _____ | No _____ |
| 3. Experience | Yes _____ | No _____ |
| 4. Package Modification | Yes _____ | No _____ |

G. If yes, indicate:

1. The maximum schedule credits and/or debits allowed
(-) _____% to (+) _____%
2. The maximum expense credits allowed
(-) _____%
3. The package modification factor _____

Signed: _____

Title: _____

Telephone: _____

Print Name: _____

Date: _____

- NOTE:**
1. All figures are to be reported in whole numbers or dollars. Do not include dollar signs, decimal points, or commas.
 2. For Item 1, policies written for other than a 12 month term should be adjusted to an annual basis.
 3. Losses exclude all loss adjustment expenses which are reported in item 8 B.
 4. Loss adjustment expenses reported in item 8 B should include incurred but not reported loss adjustment expenses.

EXHIBIT 1

SUPPLEMENTAL REPORT INSTRUCTIONS

The following should be utilized to assure the proper completion and submission of the supplemental reports, which must be received by the Commission on or before May 1, 1990.

1. Do **NOT** change the format of the supplemental report. The report(s) should be submitted on diskette, however companies who cannot comply may submit the appropriate paper reports in Administrative Letter 1990-1.
2. Please complete and return the blue Diskette Request Form. The diskette will contain the Supplemental Report forms, previously reported data, the operating system, and detailed instructions. If you have any questions regarding the diskette procedure please contact Richard Shropshire at (804) 786-4295.
3. For paper reports only, the insurer must insert the market number and name. The insurer should reproduce the supplemental report form for each market in which it has written premium.
4. Insurers who have previously reported data for 1985 thru 1988 need only report 1989 data with the exception of questions 3.B., 7, 8, and market number 89032 (Homes for Adults Liability), for which each year must be reported. However, insurers may amend data from previous years by entering the amended data on the diskette or form.
5. Submit only one supplemental report per market. For example, all contractors' subclassifications are considered one market and separate reports should not be submitted for the various subclassifications. (**Do not combine markets.**)
6. In the event you had no written premium in 1989 for a specified market(s), complete Exhibit 17. Do **NOT** complete a supplemental report for a market where you had no written premium in 1989.
7. Use whole dollars or numbers. Do not include dollar signs, decimal points, or commas in completing the supplemental report. **DO NOT OMIT 000'S.** Do not use dashes, N/A or leave blanks within the report.
8. Each supplemental report must contain the individual company name, NAIC#, group name and group NAIC#. **REPORTS ARE TO BE FILED FOR INDIVIDUAL COMPANIES (DO NOT SUBMIT AGGREGATED GROUP REPORTS).**
9. Items 1, 2, 3, 5, 6, 7, and 8 of the supplemental report shall be reported on a calendar year basis. The subparts of item 4 shall be reported on a calendar or accident year basis as required.

EXHIBIT 1

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10. Items 4 B, and C do not include incurred but not reported losses (IBNR).
11. Losses exclude all loss adjustment expenses which are reported in item 8 B.
12. Loss adjustment expenses reported in item 8 B should include incurred but not reported loss adjustment expenses.
13. For item 1, policies written for other than a 12 month term should be adjusted to an annual basis.
14. All supplemental reports not on diskette must be typed. Handwritten reports will not be accepted.
15. **Additional Instructions for completion of the Supplemental Reports are attached.**

EXHIBIT 1

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Additional Instructions for Completion of
Supplemental Reports

<u>Company Description</u>	<u>Definition</u>
A. Market Number and Name.	Defined by Virginia AL 1990-1.
B. Insurer.	Exact verbal name of insurer.
C. NAIC Number.	NAIC Number for each insurer.
D. Group Name.	Exact verbal name of group.
E. Group NAIC Number.	Group NAIC Number.

<u>Questions</u>	<u>Definition</u>
NOTE: All accident year data should be evaluated as of the end of each calendar year being reported.	
1. Number of Policies Written.	A count of policies written in a calendar year within a Market Definition. The count should be annualized. Policy counts should be annualized (e.g. 6 months policies should be counted once in a given year and 3 year policies should be counted in each year).
2. Direct Premiums Written.	Standard definition.
3. A. Direct Premiums Earned.	Standard definition.
B. Net Premiums Earned.	Standard definition.
4. A.(1) Direct Losses Paid During the Calendar Year for the Current Accident Year.	Calendar year paid are divided between (1) paid where the accident year is the <u>same</u> as the calendar year and (2) other accident years. Where the calendar year and accident year are the <u>same</u> , this paid amount is reported under Question 4 A.(1). (Paid losses in this item exclude Loss Adjustment Expense.)
A.(2) Direct Losses Paid During the Calendar Year for Prior Accident Years.	Calendar year paid are divided between (1) paid where the accident year is the same as the calendar year and (2) other accident years. Where the calendar and accident year are NOT the same, this paid amount is reported under Question 4 A.(2). (Paid losses in this item exclude Loss Adjustment Expense.)
	The sum of Questions 4 A.(1) and 4 A.(2) equals the total calendar year paid.

EXHIBIT 1

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B.(1) Reserves for Reported Losses at the End of the Calendar Year for the Current Accident Year.

Reserves for reported losses at the end of the calendar year are divided between (1) those in which the accident year is the same as the calendar year and (2) other accident years. Where the calendar and accident year are the same, this reserve amount should be reported under Question 4 B.(1).

(Reserves in this item exclude Loss Adjustment Expense.)

B.(2) Reserves for Reported Losses at the End of the Calendar Year for Prior Accident Years.

Reserves for reported losses at the end of the calendar year are divided between (1) those in which the accident year is the same as the calendar year and (2) other accident years. Where the calendar year and accident year are NOT the same, this reserve amount should be reported under Question 4 B.(2).

(Reserves in this item exclude Loss Adjustment Expense.)

The sum of Questions 4 B.(1) and 4 B.(2) equals the total reserves at the end of the calendar year.

C. Reserves for Reported Losses at the End of the Previous Calendar Year.

Sum of Questions 4 B.(1) and 4 B.(2) for the prior year end.

D.(1) Reserves for Incurred But Not Reported Losses at the End of the Calendar Year for the Current Accident Year.

IBNR reserves at the end of the calendar year are divided between (1) those in which the accident year is the same as the calendar year and (2) other accident years. Where the calendar year and accident year are the same, this IBNR amount should be reported under Question 4 D.(1).

(This figure should exclude Loss Adjustment Expense.)

D.(2) Reserves for Incurred But Not Reported Losses at the End of the Calendar Year for Prior Accident Years.

IBNR reserves at the end of the calendar year are divided between (1) those in which the accident year is the same as the calendar year and (2) other accident years. Where the calendar year and accident year are NOT the same, this reserve amount should be reported under Question 4 D.(2).

(This figure should exclude Loss Adjustment Expense.)

The sum of Questions 4 D.(1) and 4 D.(2) equals the total IBNR reserves at the end of the calendar year.

EXHIBIT 1

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E. Reserves for Incurred But Not Reported Losses at the End of the Previous Calendar Year.	Sum of Questions 4 D.(1) and 4 D.(2) for the prior year end.
F. Accident Year Incurred Losses.	Sum of questions 4 A.(1), 4 B.(1) and 4 D.(1).
G. Calendar Year Incurred Losses.	Sum of questions 4 A.(1), 4 A.(2), 4 B.(1), 4 B.(2), 4 D.(1), and 4 D.(2), minus 4 C. and 4 E.
5. Number of Claims Closed With Payment During the Calendar Year.	A count of claims with indemnity and/or medical payments only.
6. Number of Open Claims at the End of the Calendar Year.	Self defining.
7. Net Investment Gain (Loss).	Self defining.
8. A. Direct Underwriting Expenses Incurred.	Self defining.
B. All Direct Loss Adjustment Expenses Incurred During Each Calendar Year.	Self defining.

DISKETTE REQUEST FORM

Richard T. Shropshire
Insurance Analyst
Bureau of Insurance
Post Office Box 1157
Richmond, Virginia 23209

RE: Administrative Letter 1990-1 Supplemental Report
Diskette Requisition

Dear Mr. Shropshire:

- Our computer system can use both 3 1/2" high density (1.4M) and 5 1/4" low density (360K) diskettes.
Yes _____ No _____
- Our computer system requires that we use only:
3 1/2" high density (1.4M) _____
5 1/4" low density (360K) _____

Please forward the diskette program for the following company(s):

NAIC	Company
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

MAIL DISKETTE TO:

(Please Type or Print) Name

Title

Address

Phone Number

Date

EXHIBIT 2

SUPPLEMENTAL REPORT FOR CERTAIN LINES OR SUBCLASSIFICATIONS OF
LIABILITY INSURANCE AS REQUIRED BY VIRGINIA CODE §38.2-1905.2

Market Number and Name	Market Definitions Commercial Statistical Plan (CSP) Classes
87001 Architects and Engineers Professional Liability	73908, 73909, 73910 (Subline 317)
87002 Commercial Contractors Liability	See Exhibit 3
87004 Directors and Officers Liability	73140, 73144, 73145 (Subline 317)
87005 Environmental Impairment Liability	See Exhibit 4
87006 Insurance Agents Professional Liability	73123 (Subline 317)
87007 Law Enforcement Agencies Liability	See Exhibit 5
87008 Lawyers Professional Liability	See Exhibit 6
87010 Medical Professional Liability	All subline 210, 220, 230 and 240 classes
87011 Municipal Liability	See Exhibit 7
87012 Pest Control Liability	See Exhibit 8
87013 Products and Completed Operations Liability	All subline 316 and 336 classes
87014 Public Housing Liability	See Exhibit 9
87015 Real Estate Agents Professional Liability	73127 (Subline 317)
88018 Asbestos Abatement Contractors Liability	95630 (Subline 334)
88019 Dams (existence hazard) Liability	41700 (Subline 334)
88020 Detective or Investigative Agencies Liability (private)	See Exhibit 10
88021 Gas Companies Liability	See Exhibit 11
88022 Landfill Liability	All Classes*
88023 Public Officials Errors and Omissions Liability	73131 (Subline 317)
88025 School Board Errors and Omissions Liability	All Classes*
88027 Security Guards Liability	See Exhibit 12

EXHIBIT 2

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SUPPLEMENTAL REPORT FOR CERTAIN LINES OR SUBCLASSIFICATIONS OF
LIABILITY INSURANCE AS REQUIRED BY VIRGINIA CODE §38.2-1905.2

88028	Sewage Treatment Plants Liability	See Exhibit 13
88029	Underground Tanks Liability	All Classes*
88030	Volunteer Fire Departments and Rescue Squads Liability	See Exhibit 14
88031	Water Treatment Plants Liability	See Exhibit 15
89032	Homes for Adults Liability	See Exhibit 16

The above market definitions are to be used as a guide in defining specific markets which are required to be reported. Companies should also report the required information for policies written under any comparable classification in use by the individual company.

* NOTE: The ISO CSP does not have specific classes for this market.

EXHIBIT 3

COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	17140Ø		Air Conditioning, Heating, or Refrigeration Systems or Combined Heating and Air Conditioning Systems - installation, servicing and repair - including shop and retail stores or display rooms Ø Code 17140 includes "Gas Appliances or Equipment - household type - installation, servicing or repair"
334		91111	Air Conditioning Systems or Equipment - Dealers or distributors and installation, servicing or repair
334		95647	Heating or Combined Heating and Air Conditioning System or Equipment - dealers or distributors and installation, servicing or repair - no liquified petroleum gas (LPG) equipment sales or work
334		95648	Heating or Combined Heating and Air Conditioning Systems or Equipment - dealers or distributors and installation, servicing or repair - Not Otherwise Classified
313	16135		Airport Runway or Warming Apron Construction, Paving or Repaving
334		91125	Airport Runway or Warming Apron - paving or repaving, surfacing, resurfacing or scraping
313	76992		Boiler Inspecting or Scaling

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Subline</u>	<u>Class Code</u>		<u>Description</u>
	<u>Old</u>	<u>New</u>	
313	17145Ø		Boiler Installation or repair - steam ØCode 17145 also includes "Tank Erection or Repair - metal - within buildings exclusively"
334		91250	Boiler Inspection, Installation, Cleaning or Repair
334		99572	Tank Construction, Installation, Erection or Repair - metal - not pressurized - within buildings exclusively
334		99573	Tank Construction, Installation, Erection or Repair - metal - pressurized - within buildings exclusively
313	16275Ø		Bridge or Elevated Highway Construction ØCode 16275 also includes "Iron or Steel Erection - bridges"
334		91265	Bridge or Elevated Highway Construction - iron or steel
334		91266	Bridge or Elevated Highway Construction - concrete
313	17835		Building Equipment Installation, Erection, Servicing or Repair - Not Otherwise Classified
313	17885Ø		Building or Structure Raising, Moving or Underpinning - including incidental shoring ØCode 17885 includes "Salvage Operations" and "Underpinning Buildings or Structures"

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
334		91280	Building Structure - raising or moving
334		98698	Salvage Operations - Not Otherwise Classified
334		99803	Underpinning Buildings or Structures
313	17314		Cable Installation in Conduits or Subways
334		91302	Cable Installation in Conduits or Subways
334		91324	Caisson or Cofferdam Work - Foundations for buildings
334	16235Ø		Caisson Work - not foundations for buildings ØCode 16235 also includes "Cofferdam Work," "Shaft Sinking" and "Tunneling"
334		91325	Caisson or Cofferdam work - not foundations for buildings
334		98871	Shaft Sinking
334		99798	Tunneling
313	17535Ø		Carpentry - Not Otherwise Classified ØCode 17535 also includes "Ceiling or Wall Installation - not plastering", "Modular Units - building erection", "Prefabricated Building Erection"

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
334		91342	Carpentry - Not Otherwise Classified
334		98502	Prefabricated Building Erection
313	17621		Ceiling or Wall Installation - metal
334		91436	Ceiling or Wall Installation - metal
313	17745Ø		Cement, Concrete or Granolithic Floor Construction, Finishing or Surfacing ØCode 17745 also includes "Concrete Construction - Not Otherwise Classified"
334		91560	Concrete Construction
313	17425Ø		Chimney Construction ØCode 17425 also includes "Masonry - Not Otherwise Classified"
334		91481	Chimney Cleaning
334		97447	Masonry
313	17965		Cleaning or Renovating - outside Surfaces of Buildings
334		91522	Cleaning or Renovating - outside Surfaces of Buildings
313	17741		Concrete Block Construction - buildings

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	16285		Conduit Construction
334		91577	Conduit Construction for Cables or Wires
313	42264		Contractors Permanent yards - maintenance or storage of equipment or material
334		91590	Contractors Permanent Yards - maintenance or storage of equipment or material
313	17755Ø		Core Drilling - Not Otherwise classified ØCode 17755 also includes: "Drilling - Not Otherwise classified"
334		92101	Drilling - Not Otherwise classified
334		92102	Drilling - Water
313	16232		Dam or Reservoir Construction
334		91618	Dam or Reservoir Construction
313	16295Ø		Dike or Revetment Construction - river work only ØCode 16295 also includes: "Jetty or Breakwater Construction" and "Levee Construction"
334		91641	Dike, Levee or Revetment Construction
334		96872	Jetty or Breakwater Construction
313	17511		Door, Window or Assembled Millwork Erection - metal or metal covered

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
334		91746	Door, Window or Assembled Millwork - installation - metal
313	16293		Dredging - except gold dredging
334		92055	Dredging - Not Otherwise Classified
313	16144		Driveway, Parking Area or Sidewalk Construction, Paving or Repaving
334		92215	Driveway, Parking Area or Sidewalk - paving or repaving
313	17946		Dry Wall or Wallboard Installation
334		92338	Dry Wall or Wallboard Installation
313	16242		Electric Light or Power Line Construction - Rural Electrification Administration Projects only
334		92447	Electric Light or Power Line Construction - Rural Electrification Administration Projects only
313	16245Ø		Electric Light or Power Line Construction - Not Otherwise Classified Ø Code 16245 also includes: "Telephone, Telegraph or Fire Alarm Line Construction"
334		92446	Electric Light or Power Line Construction - Not Otherwise Classified
334		99613	Telephone, Telegraph or Cable Television Line Construction

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Subline</u>	<u>Class Code</u>		<u>Description</u>
	<u>Old</u>	<u>New</u>	
313	17315		Electrical Wiring - within buildings - including installation or repair of fixtures or appliances
334		91127	Alarm and Alarm Systems - installation, servicing or repair
334		92451	Electrical Apparatus - installation, servicing or repair - Not Otherwise Classified
334		92478	Electrical Work - within building
313	17845		Elevator, Escalator or moving Sidewalk Installation, Service or Repair
334		92593	Elevator or Escalator Inspecting, Installation, Servicing or Repair
313	15111		Excavation - Not Otherwise Classified
334		94007	Excavation
313	17985		Fence Erection - metal
334		94276	Fence Erection Contractors
313	15161Ø		Fireproofing - structures Ø Code 15161 also includes "Insulation Work - installation or application of acoustical or thermal insulating materials in buildings or within building walls - Not Otherwise Classified"
334		94404	Fireproofing - structures

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
334		96408	Insulation Work - plastic - Not Otherwise Classified
334		96409	Insulation Work - organic or plastic in solid state
334		96410	Insulation Work - mineral
313	49531Ø		Garbage, Ashes or Refuse Collecting Ø Code 49531 also includes: "Street Cleaning - including snow removal from street and highways"
334		95233	Garbage, Ash or Refuse Collecting
334		99303	Street Cleaning
313	16225		Gas, Sewer, Steam or Water Mains or Connections Construction - including tunneling at street crossings
334		95310	Gas Mains or Connections Construction
334		98820	Sewer Mains or Connections Construction
334		99163	Steam Mains or Connections Construction
334		99946	Water Main or Connections Construction
313	07313		Grading of Land - Not Otherwise Classified
334		95410	Grading of Land

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Subline</u>	<u>Class Code</u>		<u>Description</u>
	<u>Old</u>	<u>New</u>	
313	17765		Iron or Steel Erection - frame structures, iron work on outside of buildings including erecting or repairing balconies, fire escapes, railings, staircases, coal chutes or fireproof shutters
334		97651	Metal erection - frame structures - iron work on outside of buildings
313	15121		Iron or Steel Erection in the construction of dwellings not exceeding two stories in height
334		97652	Metal Erection - in the construction of dwellings not exceeding two stories in height
313	15122		Iron or Steel Erection - steel lock gates, gas holders, standpipes, water towers, smoke stacks, tanks, silos, prison cells or fire or burglar proof vaults
334		97654	Metal Erection - steel lock gates gas holders, standpipes, water tower, smokestacks, tanks, silos, prison cells, fire or burglar proof vaults
313	15125		Iron or Steel Erection - Not Otherwise Classified
334		97655	Metal Erection - structural - Not Otherwise Classified
313	16255		Irrigation or Drainage System Construction - including pile driving or dredging
334		96702	Irrigation or Drainage System Construction

EXHIBIT 3

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COMMERCIAL CONTRACTORS LIABILITY

<u>Subline</u>	<u>Class Code</u>		<u>Description</u>
	<u>Old</u>	<u>New</u>	
313	15142		Military Reservation Construction - Carpentry
313	17762		Military Reservation Construction - iron or steel erection - not over two stories in height
313	16365Ø		Oil or Gas Pipe Construction - including pile driving and dredging Ø Code 16365 also includes "Pipe Line Construction - including pile driving or dredging"
334		98423	Pipeline Construction - gas
334		98424	Pipeline Construction - Not Otherwise Classified
334		98425	Pipeline Construction - Oil
334		98426	Pipeline Construction - slurry - nonflammable mixtures
313	17235Ø		Painting - oil or gasoline tanks - including shop operations Ø Code 17235 also includes "Painting, Decorating or Paper Hanging - Not Otherwise Classified - including shop operations", "Paperhanging" and "Sign Painting or Lettering - on buildings or structures - including operations"
334		98304	Painting - exterior - buildings or structures - three stories or less in height - Not Otherwise Classified
334		98305	Painting - interior buildings or structures

EXHIBIT 3

Page 11

COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
334		98306	Painting - Oil or gasoline tanks
334		98344	Paperhanging
334		99004	Sign Painting or Lettering on Buildings or Structures
313	17215		Painting - ship hulls
334		98307	Painting - ship hulls
313	17225		Painting - steel structures or bridges
334		98303	Painting - exterior - buildings or structures - exceeding three stories in height - Not Otherwise Classified
313	17805		Pile Driving - building foundations only
334		98413	Pile Driving - building foundations only
313	16296		Pile Driving - sonic method
334		98415	Pile Driving - sonic method
313	16294		Pile Driving - including timber wharf building - Not Otherwise Classified
334		98414	Pile Driving - Not Otherwise Classified
313	17185		Plumbing - Not Otherwise Classified
334		98482	Plumbing commercial and industrial
334		98483	Plumbing - residential or domestic
334		99080	Solar Energy Contractors

EXHIBIT 3

Page 12

COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
334		99948	Water Softening Equipment - installation, servicing or repair
334		98636	Refrigeration Systems or Equipment - dealers and distributors and installation, servicing or repair - commercial
313	17625		Roofing - all kinds - including yard employees
334		98677	Roofing - commercial
334		98678	Roofing - residential
334		98705	Sandblasting
313	17615Ø		Sheet Metal Work Erection Installation or Repair - Not Otherwise Classified Ø Code 17615 also includes "Siding Installation - not wood"
313	73122		Sign Erection or Repair - not outdoor advertising companies - including shop operations
334		98884	Sheet Metal Work - shop and outside
334		98967	Siding Installation
334		98993	Sign Erection, Installation or Repair
313	17141		Steam Pipe or Boiler Insulation
334		99165	Steam Pipe or Boiler Insulation
313	16115		Street or Road Construction or Reconstruction
334		99315	Street or Road Construction or Reconstruction

EXHIBIT 3

Page 13

COMMERCIAL CONTRACTORS LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	16125		Street or Road Paving or Repaving, Surfacing or Resurfacing or Scraping
334		99321	Street or Road Paving or Repaving, Surfacing or Resurfacing or Scraping
313	16205		Subway Construction
334		99445	Subway Construction
313	17802		Swimming Pools - below ground - installation, service or repair
334		99507	Swimming Pools - installation, servicing or repair - below ground
313	17906		Swimming Pools - above ground - installation, service or repair
334		99506	Swimming Pools - above ground - installation, service or repair
334		99570	Tank Construction, Installation, Erection or Repair - metal - not pressurized - Not Otherwise Classified
334		99571	Tank Construction, Installation, Erection or Repair - metal - pressurized - Not Otherwise Classified
313	17821		Wrecking - marine- including salvage operations
334		99988	Wrecking - marine
313	17822		Wrecking Buildings or Structures - not marine - Not Otherwise Classified
334		99986	Wrecking - buildings or structures - Not Otherwise Classified

EXHIBIT 4

ENVIRONMENTAL IMPAIRMENT LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
325	90000		Pollution Liability
350		90100	Pollution Liability Form - Including Clean-up Costs Coverage
350		90105	Pollution Liability Form - Excluding Clean-up Costs Coverage
350		90110	CGL Coverage Form - Pollution Extension Endorsement (Excludes Clean-up Costs Coverage)

EXHIBIT 5

LAW ENFORCEMENT AGENCIES LIABILITY*

All classes, including, but not limited to the following:

Agencies whose employees deal directly with the public and exercise general powers of arrest such as:

- (a) County Sheriff/Police Chief
- (b) Peace Officers

Agencies whose employees do not deal directly with the public and exercise limited power of arrest such as:

- (a) Jailers
- (b) Matrons
- (c) County Security
- (d) Civil Process Officers

Agencies who do not exercise power of arrest and whose duties are administrative such as:

- (a) County Commissioners
- (b) City Council
- (c) Mayors or City Managers
- (d) Auxiliary or Reserve Police
- (e) Coroner
- (f) School Crossing Guards, Humane Officers, Crime Prevention Officers

Agencies whose employees whose ordinary duties are only indirectly related to enforcement of criminal laws such as:

- (a) Clerical Staff/Fingerprinting/License Examination
- (b) Stenographic Personnel/Food Service/Photographic
- (c) Dispatcher/Record Keeping

* ISO CSP does not have specific classes for this market.

EXHIBIT 6

LAWYERS PROFESSIONAL LIABILITY

<u>Subline</u>	<u>Class Code</u>	<u>Description</u>
317	81220	Lawyers - not members or employees of a partnership
317	81113	Additional Charge: Employed Lawyers not named as insureds and employed law clerks, investigators and abstracters - not employees of a partnership.
317	81330	Lawyers - members or employees of a partnership
317	81114	Additional Charge: Employed Lawyers not named as insureds and employed law clerks, investigators and abstracters - employees of a partnership.
317	81400	Lawyers
317	81420	Employed law clerks, Investigators, Abstracters and Para Legals

EXHIBIT 7

MUNICIPAL LIABILITY

GOVERNMENTAL SUBDIVISION - NOT STATE OR FEDERAL

Municipalities (including boroughs, cities, towns, townships, etc.)

<u>Subline*</u>	<u>Class Code</u>		<u>Population</u>
	<u>Old</u>	<u>New</u>	
	91250	44100	Under 2,500
	91251	44101	2,501 - 10,000
	91252	44102	10,001 - 25,000
	91253	44103	25,001 - 50,000
	91254	44104	50,001 - 100,000
	91255	44105	100,001 - 250,000
	91256	44106	Over 250,000
	91263	Included	Personal Injury Coverage

Counties or Parishes

	91257	44108	Under 10,000
	91258	44109	10,001 - 25,000
	91259	44110	25,001 - 50,000
	91260	44111	50,001 - 100,000
	91261	44112	100,001 - 250,000
	91262	44113	Over 250,000
	91263	Included	Personal Injury Coverage
	#93050	93050	Governmental Composite Rated Risks

Class Code

<u>Old</u>	<u>New</u>	<u>Description</u>
93111		Government Employees - municipal, township, county or state
		This classification includes employees engaged in laboratory work, inspectors of the Board of Health, electrical inspectors, building inspectors and similar occupations. Workmen, mechanics or others engaged in manual labor or supervisors of construction work to be separately rated.

EXHIBIT 7

Page 2

MUNICIPAL LIABILITY

GOVERNMENTAL SUBDIVISION - NOT STATE OR FEDERAL

Municipalities (including boroughs, cities, towns, townships, etc.)
Streets, Roads, Highways or Bridges

Class Code

<u>Old</u>	<u>New</u>	<u>Description</u>
93151		Streets, Roads or Highways - with or without sidewalks - including bridges and culverts but excluding toll bridges and drawbridges - existence hazard only (excluding New York)
	48727	Streets, Roads, Highways or Bridges - existence and maintenance hazard only

* NOTE: Except for Governmental Composite Rated Risks (class 93050),
all old classes are subline 314 - all new classes are
subline 334

NOTE: Sublines 322, 323, 324, 342, 343, and 344

EXHIBIT 8

PEST CONTROL LIABILITY

	<u>Class Code</u>		
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	73420		Exterminators including Pest Control - excluding the use of gas
334		43470	Exterminators
313	07315		Crop Spraying
334		91606	Crop Spraying - by contractors
313	73421		Fumigating
334		43860	Fumigating

EXHIBIT 9

PUBLIC HOUSING LIABILITY

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
314	93181		Housing Projects - Federal, State, Local - Apartment Houses - not three or four family dwellings
314	93182		Housing Projects - Federal, State, Local - Dwellings - four family
314	93183		Housing Projects - Federal, State, Local - Dwellings - three family
314	93184		Housing Project - Federal, State, Local - Dwellings - two family
314	93185		Housing Projects - Federal, State, Local - Private Residences
334		64500	Housing Projects - Federal, State, Local

EXHIBIT 10

DETECTIVE OR INVESTIGATIVE AGENCIES LIABILITY (PRIVATE)

<u>Class Code</u>			
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	73902		Detective or Patrol agencies
334		91636	Detective or Investigative agencies - private

EXHIBIT 11

GAS COMPANIES LIABILITY

	<u>Class Code</u>		
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	49221		Gas Companies - natural gas - local distribution
334		95306	Gas Companies - natural gas - local distribution

EXHIBIT 12

SECURITY GUARDS LIABILITY

	<u>Class Code</u>		
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	73902		Detective or Patrol agencies
334		98751	Security and Patrol agencies

EXHIBIT 13

SEWAGE TREATMENT PLANTS LIABILITY

	<u>Class Code</u>		
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
313	49521		Sewage Disposal - plant operation
334		98810	Sewage Treatment Plants

EXHIBIT 14

VOLUNTEER FIRE DEPARTMENTS AND RESCUE SQUADS LIABILITY

<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
314	93131		Firehouses
314	89970		Volunteer First Aid and Rescue Squads
334		43551	Fire Departments - volunteer
334		40030	Ambulance Service, First Aid or Rescue Squads

EXHIBIT 16

HOMES FOR ADULTS LIABILITY

	<u>Class Code</u>		
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
314	80921		Homes for the aged
334		44423	Health Care Facilities - Home for the aged
314	80991		Asylums - Not otherwise classified
334		44424	Health Care Facilities - Homes for the physically handicapped or orphaned.

EXHIBIT 17

INSURER _____ NAIC # _____

Enter a zero beside the lines and/or subclassifications of liability insurance where you have no written premium in 1989.

- 87001 Architects and Engineers Professional Liability _____
- 87002 Commercial Contractors Liability _____
- 87004 Directors and Officers Liability _____
- 87005 Environmental Impairment Liability _____
- 87006 Insurance Agents Professional Liability _____
- 87007 Law Enforcement Agencies Liability _____
- 87008 Lawyers Professional Liability _____
- 87010 Medical Professional Liability _____
- 87011 Municipal Liability _____
- 87012 Pest Control Liability _____
- 87013 Products and Completed Operations Liability _____
- 87014 Public Housing Liability _____
- 87015 Real Estate Agents Professional Liability _____
- 88018 Asbestos Abatement Contractors Liability _____
- 88019 Dams (existence hazard) Liability _____
- 88020 Detective or Investigative Agencies Liability (private) _____
- 88021 Gas Companies Liability _____
- 88022 Landfill Liability _____
- 88023 Public Officials Errors and Omissions Liability _____
- 88025 School Board Errors and Omissions Liability _____
- 88027 Security Guards Liability _____

EXHIBIT 17

Page 2

88028	Sewage Treatment Plants Liability	_____
88029	Underground Tanks Liability	_____
88030	Volunteer Fire Departments and Rescue Squads Liability	_____
88031	Water Treatment Plants Liability	_____
89032	Homes for Adults Liability	_____

Signed: _____

Print Name: _____

Title: _____

Telephone: _____

Date: _____

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

Box 1157
RICHMOND, VA 23209
TELEPHONE: (804) 786-3741
TDD/VOICE: (804) 225-3806

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

January 29, 1990

Administrative Letter 1990-2

TO: All Companies Licensed to Write Commercial Liability Insurance

RE: Report of Certain Liability Claims as Required by Virginia Code Section 38.2-2228.1 due September 1, 1990

Virginia Code Section 38.2-2228.1 requires that all liability claims for commercial liability insurance as defined in Sections 38.2-117 (Personal injury liability) and 38.2-118 (Property damage liability) be reported annually to the State Corporation Commission (SCC). To collect the required data, the SCC Bureau of Insurance has developed the attached markets (See Exhibit 2) and reporting formats that insurers are required to complete. Mutual assessment insurers and insurers with 1989 written premiums for "Other Liability" and "Medical Professional Liability" combined totaling \$100,000 or less (lines 17 and 11 respectively of page 14 of the Annual Statement) are exempt from the data reporting requirements.

A separate report is required for each market definition by each insurer not exempt from the data reporting requirements. For the purposes of the data report, "insurer" shall mean an individual insurer or group of insurers including all companies under common ownership or control. A combined report must indicate it is a group report and include the group name and NAIC number as well as the name and NAIC number of each individual company comprising the group. These reports are due (must be received by) September 1, 1990.

Insurers shall report data in the detail prescribed by the report formats. If some information is not available, insurers should estimate appropriate figures to complete the form.

Any insurer that is experiencing difficulty in submitting typed reporting form numbers VCR1, VCR2, VCR3, VCR4, VCR5, and VCR6 may wish to reproduce these forms (expanding their width size) in order to insure readability.

Administrative Letter 1990-2
January 29, 1990
Page Two

The market definitions provided are to be used as a guide in defining specific markets which are required to be reported. Insurers should also report the required information for policies written under any comparable classification in use by the individual company.

Insurers who are members or subscribers of ISO should contact their liaison officer regarding the computerized transmission. Other insurers not affiliated with ISO should write to the Property and Casualty Division of the Bureau of Insurance requesting assistance.

Actuarial questions about the report may be addressed to our consulting actuary at the following address:

Dennis R. Henry, FCAS, MAAA
Vice President
Consulting Actuary
Huggins Financial Services
Suite 1400
1600 Market Street
Philadelphia, PA 19102
Telephone: (215) 246-2780

Virginia Code Section 38.2-218 provides that any person who knowingly or willfully violates any provision of the insurance laws shall be punished for each violation by a penalty of not more than \$5,000. Failure to file a substantially complete and accurate liability claims report by the due date may be considered a willful violation and subject to an appropriate penalty.

Attached is a sheet of additional instructions to facilitate accurate completion of the required reports.

Sincerely,


Steven T. Foster
Commissioner of Insurance

STF:km
Attachments

LIABILITY CLAIMS REPORT INSTRUCTIONS

The following should be utilized to assure the proper completion and submission of the liability claims reports which must be received by the Commission on or before September 1, 1990.

1. Do not change the format of the report except to expand their width size to ensure readability.
2. Submit only one report per market definition (generally described by CSP subline codes) except as noted in 5. below. (Do not combine markets or sublines and do not provide reports on separate classifications within a market.)
3. In the event you had no written premium in 1989 for a specific market definition, or in the event you had 1989 written premiums for "Other Liability" and "Medical Professional Liability" combined totaling \$100,000 or less (lines 17 and 11 respectively of page 14 of the Annual Statement), complete Exhibit 1. Completion of Exhibit 1 verifies that you are exempt from the data reporting requirements.
4. Reports must contain the complete verbal name and NAIC number of each individual insurer and the group name and group NAIC number, if a group report.
5. Claims made coverage and occurrence coverage data should be reported by separate reports. In addition, tail coverage and basic coverage for claims made data should each be identified on a separate report. In the space provided on the form indicate the type of coverage being reported.
6. All data applicable for deductible liability insurance should be included with data for non-deductible insurance and must not be reported separately.
7. All bodily injury, property damage and medical payments data for each type of coverage should be combined to provide one report.
8. Reports are due (must be received by) **September 1, 1990.**

**VIRGINIA LIABILITY CLAIMS REPORT
DEFINITIONS**

Calendar Year Earned Premium

Report premium that is earned during the Calendar year beginning January 1st and ending December 31st for each year.

Incurred But Not Reported (IBNR) Loss and Allocated Loss Adjustment Expenses

Report IBNR loss and allocated loss adjustment expense reserves segregated by year of accident or occurrence at annual intervals for each accident year. IBNR is the amount held in reserve for claims which have occurred, but have not yet been reported, plus the amount held in reserve for the deficiency (or redundancy) of known case reserves. It is the estimated ultimate incurred loss and allocated loss adjustment expenses for each accident year as of the particular evaluation date minus the incurred loss and allocated loss adjustment expenses for all reported accidents as of the particular evaluation date.

Evaluation Dates

Report data on a cumulative basis for the evaluation points indicated up to 108 months.

Market Definitions

The attached Insurance Services Office (ISO) Commercial Statistical Plan (CSP) subline and classification codes are to be used as a guide in defining specific markets which are required to be reported. Insurers should also report the required premium and loss data written under any comparable classification in use by the individual company.

Attorney's Fees

Attorney's fees are all expenses billed by an attorney to the insurer including hourly billings, expert or other witnesses, stenographic, summons and copies of documents.

ANNUAL REPORT OF VIRGINIA COMMERCIAL LIABILITY CLAIMS
AS REQUIRED BY SECTION 38.2-2228.1 OF THE CODE OF VIRGINIA

Insurer: _____ COMPANY NAIC # _____
 Address: _____ (and if Group Report GROUP NAIC#) _____

 Coverage Code _____

This report is due (must be received by) September 1, 1990. For each market described in the attached, provide the information requested for the State of Virginia.

1. Market number and description (see Exhibit 2) _____

(Please check one only)
 1. () Claims Made
 2. () Claims Made Tail Coverage
 3. () Occurrence
 4. () Claims Made - No retroactive date
 5. () Claims Made Tail - No retroactive data

(\$000 omitted)

	1983	1984	1985	1986	1987	1988	6 months 1989
2. Calendar year earned premium.	_____	_____	_____	_____	_____	_____	_____
3. Total amount of attorney's fees paid in connection with the claim(s) to the extent these amounts are known (evaluated as of 3/31/89 on an accident year basis).	_____	_____	_____	_____	_____	_____	XXX
4. Total amount of paid and outstanding unallocated loss adjustment expense in connection with the claim(s) to the extent these amounts are known (evaluated as of 3/31/89 on an accident year basis).	_____	_____	_____	_____	_____	_____	XXX

5. Signed: _____ 6. Title: _____
 Telephone: _____ Print Name: _____
 Date: _____

VIRGINIA LIABILITY CLAIMS REPORT
(\$000 Omitted)

Coverage
Code

(Please check one only)

- 1. () Claims Made
- 2. () Claims Made Tail Coverage
- 3. () Occurrence
- 4. () Claims Made - No retroactive date
- 5. () Claims Made Tail - No retroactive data

Insurer
NAIC # or GROUP # _____

7. Market _____
(from #1 on page 1)

8. For accident years beginning with 1980, list the cumulative paid loss and allocated loss adjustment expense at the various points in time.

PAID LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSES EVALUATED AS OF:

Accident Year	6 Mos	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	
1980	XXX	XXX	XXX	XXX	XXX														
1981	XXX																		
1982	XXX																		
1983	XXX																		
1984	XXX																		
1985	XXX																		
1986	XXX																		
1987	XXX																		
1988	XXX																		
1989	XXX																		

Accident Year	63	66	69	72	75	78	81	84	87	90	93	96	99	102	108	111	114
1980																	
1981																	
1982																	
1983																	
1984																	
1985																	
1986																	
1987																	
1988																	
1989																	

VIRGINIA LIABILITY CLAIMS REPORT
(\$000 Omitted)

Coverage Code

(Please check one only)

- 1. () Claims Made
- 2. () Claims Made Tail Coverage
- 3. () Occurrence
- 4. () Claims Made - No retroactive date
- 5. () Claims Made Tail - No retroactive data

Insurer
NAIC # or GROUP # _____

Market _____
(from #1 on page 1)

9. For accident years beginning with 1980, list the case outstanding loss and allocated loss adjustment expense (excluding IBNR) at the various points in time.

CASE OUTSTANDING LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSES EVALUATED AS OF:

Accident Year	6 Mos	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	
1980	XXX	XXX	XXX	XXX	XXX														
1981	XXX																		
1982	XXX																		
1983	XXX																		
1984	XXX																		
1985	XXX																		
1986	XXX																		
1987	XXX																		
1988	XXX																		
1989																			

Accident Year	63	66	69	72	75	78	81	84	87	90	93	96	99	102	108	111	114
1980																	
1981																	
1982																	
1983																	
1984																	
1985																	
1986																	
1987																	
1988																	
1989																	

VIRGINIA LIABILITY CLAIMS REPORT
(\$000 Omitted)

Coverage Code

(Please check one only)

- 1. () Claims Made
- 2. () Claims Made Tail Coverage
- 3. () Occurrence
- 4. () Claims Made - No retroactive date
- 5. () Claims Made Tail - No retroactive data

Insurer _____
NAIC # or GROUP # _____

10. Market _____
(from #1 on page 1)

11. For accident years beginning with 1980, list the cumulative incurred loss and allocated loss adjustment expense (excluding IBNR) at the various points in time. (sum of 8 and 9).

INCURRED LOSS AND ALLOCATED LOSS ADJUSTMENT EXPENSES EVALUATED AS OF:

Accident Year	6 Mos	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	
1980	XXX	XXX	XXX	XXX	XXX														
1981	XXX																		
1982	XXX																		
1983	XXX																		
1984	XXX																		
1985	XXX																		
1986	XXX																		
1987	XXX																		
1988	XXX																		
1989																			

Accident Year	63	66	69	72	75	78	81	84	87	90	93	96	99	102	108	111	114
1980																	
1981																	
1982																	
1983																	
1984																	
1985																	
1986																	
1987																	
1988																	
1989																	

VIRGINIA LIABILITY CLAIMS REPORT
(\$000 Omitted)

Coverage
Code

(Please check one only)

- 1. () Claims Made
- 2. () Claims Made Tail Coverage
- 3. () Occurrence
- 4. () Claims Made - No retroactive date
- 5. () Claims Made Tail - No retroactive date

Insurer
NAIC # or GROUP # _____

Market _____
(from #1 on page 1)

12. For accident years beginning with 1980, list the cumulative number of incurred claims at the various points in time.

ACTUAL NUMBER OF INCURRED CLAIMS AS OF:

Accident Year	6 Mos	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	
1980	XXX	XXX	XXX	XXX	XXX														
1981	XXX																		
1982	XXX																		
1983	XXX																		
1984	XXX																		
1985	XXX																		
1986	XXX																		
1987	XXX																		
1988	XXX																		
1989																			

Accident Year	63	66	69	72	75	78	81	84	87	90	93	96	99	102	108	111	114
1980																	
1981																	
1982																	
1983																	
1984																	
1985																	
1986																	
1987																	
1988																	
1989																	

VIRGINIA LIABILITY CLAIMS REPORT
(\$000 Omitted)

Coverage Code

- (Please check one only)
 1. () Claims Made
 2. () Claims Made Tail Coverage
 3. () Occurrence
 4. () Claims Made - No retroactive date
 5. () Claims Made Tail - No retroactive data

Insurer
NAIC # or GROUP # _____

13. Market _____
(from #1 on page 1)

14. For accident years beginning with 1980, list the IBNR for loss and allocated loss adjustment expense for each evaluation.

INCURRED BUT NOT REPORTED (IBNR) LOSS AND ALLOCATED:
LOSS ADJUSTMENT EXPENSE EVALUATED AS OF:

Accident Year	12 Mos	24	36	48	60	72	84	96	108
1980									
1981	XXX								
1982	XXX								
1983									
1984									
1985									
1986									
1987									
1988									
1989									

EXHIBIT 1

INSURER _____

NAIC # _____

Check Column A when you had no written premium in 1989. Check Column B when you had 1989 written premiums of \$100,000, or less, for "Other Liability" and "Medical Professional Liability" combined (lines 17 and 11 respectively of page 14 of the Annual Statement).

	<u>Column A</u>	<u>Column B</u>
C0001 OWNERS LANDLORDS AND TENANTS INCLUDING STOREKEEPERS' LIABILITY	_____	_____
C0011 MANUFACTURERS AND CONTRACTORS LIABILITY	_____	_____
C0022 PREMISES/OPERATIONS LIABILITY	_____	_____
C0023 LIQUOR LIABILITY	_____	_____
C0024 PROFESSIONAL LIABILITY OTHER THAN MEDICAL	_____	_____
C0030 LAWYERS PROFESSIONAL LIABILITY	_____	_____
C0031 DIRECTORS AND OFFICERS LIABILITY	_____	_____
C0032 ENVIRONMENTAL IMPAIRMENT LIABILITY	_____	_____
C0033 PRODUCTS AND COMPLETED OPERATIONS LIABILITY	_____	_____
C0034 CONTRACTUAL LIABILITY	_____	_____
C0035 OWNERS AND CONTRACTORS PROTECTIVE LIABILITY	_____	_____
C0036 COMMERCIAL UMBRELLA LIABILITY	_____	_____
C0037 MEDICAL PROFESSIONAL LIABILITY	_____	_____
C0099 ALL OTHER COMMERCIAL LIABILITY NOT REPORTED IN ANY OF THE ABOVE MARKETS	_____	_____

INCLUDE COMPOSITE RATED RISKS

Signed: _____

Title: _____

Telephone: _____

Print Name: _____

Date: _____

EXHIBIT 2

Market Number and Name	Market Definitions Commercial Statistical Plan (CSP) Classes
C0001 OWNERS LANDLORDS AND TENANTS INCLUDING STOREKEEPERS' LIABILITY	All Subline 314 Classes and 326 Classes
C0011 MANUFACTURERS AND CONTRACTORS LIABILITY	All Subline 313 Classes
C0022 PREMISES/OPERATIONS LIABILITY	All Subline 334 Classes
C0023 LIQUOR LIABILITY	All Subline 312 and 332 Classes
C0024 PROFESSIONAL LIABILITY OTHER THAN MEDICAL	All Subline 317 Classes
C0030 LAWYERS PROFESSIONAL LIABILITY	See Exhibit 3
C0031 DIRECTORS AND OFFICERS LIABILITY	73140, 73144, 73145 (Subline 317)
C0032 ENVIRONMENTAL IMPAIRMENT LIABILITY	See Exhibit 4
C0033 PRODUCTS AND COMPLETED OPERATIONS LIABILITY	All Subline 316 and 336 Classes
C0034 CONTRACTUAL LIABILITY	All Subline 311 Classes
C0035 OWNERS AND CONTRACTORS PROTECTIVE LIABILITY	All Subline 315 and 335 Classes
C0036 COMMERCIAL UMBRELLA LIABILITY	99935 (Subline 325)
C0037 MEDICAL PROFESSIONAL LIABILITY	All Subline 210, 220, 230 240, 250, 260, 270 and 280 Classes
C0099 ALL OTHER COMMERCIAL LIABILITY NOT REPORTED IN ANY OF THE ABOVE MARKETS	All Subline 325 Classes not reported above
INCLUDE COMPOSITE RATED RISKS	All Subline 322, 323, 324, 342, 343 and 344 Classes

EXHIBIT 3

LAWYERS PROFESSIONAL LIABILITY

<u>Subline</u>	<u>Class Code</u>	<u>Description</u>
317	81220	Lawyers - not members or employees of a partnership
317	81113	Additional Charge: Employed Lawyers not named as insureds and employed law clerks, investigators and abstracters - not employees of a partnership.
317	81330	Lawyers - members or employees of a partnership
317	81114	Additional Charge: Employed Lawyers not named as insureds and employed law clerks, investigators and abstracters - employees of a partnership.
317	81400	Lawyers
317	81420	Employed law clerks, Investigators, Abstracters and Para Legals

EXHIBIT 4

ENVIRONMENTAL IMPAIRMENT LIABILITY

	<u>Class Code</u>		
<u>Subline</u>	<u>Old</u>	<u>New</u>	<u>Description</u>
325	90000		Pollution Liability
350		90100	Pollution Liability Form - Including Clean-up Costs Coverage
350		90105	Pollution Liability Form - Excluding Clean-up Costs Coverage
350		90110	CGL Coverage Form - Pollution Extension Endorsement (Excludes Clean-up Costs Coverage)

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

Box 1157
RICHMOND, VA 23209
TELEPHONE: (804) 786-3741
TDD/VOICE: (804) 225-3806

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

January 26, 1990

Administrative Letter
1990 - 3

TO: All Licensed Property and Casualty Insurers
and Advisory Organizations

RE: Policy Effective Dates

This letter outlines the position of the Bureau of Insurance regarding two issues related to the effective date of rule, rate and form filings.

The first issue is the establishment of policy effective dates for newly filed rules, rates and forms. It is the position of the Bureau that all filings must contain wording stating that the filing applies to all policies effective on and after a specified date. Different dates are permitted for new and renewal business. Any filing received without this wording will be returned to the filer. The Bureau takes this position so that there is no ambiguity as to which rules, rates or forms apply to a policy, based on the policy effective date.

The second issue is the establishment of this same procedure for the extended reporting period endorsement (tail coverage) attached to claims-made policies. It is the position of the Bureau that the rates charged for the extended reporting period endorsement shall be those that were in effect as of the most recent policy effective date. If there has been a rate change since the latest policy effective date, it is not permissible to charge for the endorsement based on rates that are in effect at the time the endorsement is purchased. Rather, the insurer must charge the rates in effect as of the most recent effective date of the policy to which the extended reporting period endorsement is attached.

We take the second position for two reasons. One, this procedure will permit an insured to know the price of the extended reporting period endorsement at the time a policy is purchased and two, it will facilitate comparison shopping by insureds prior to renewal dates.

Administrative Letter 1990 - 3
January 26, 1990
Page 2

The procedures outlined above are effective immediately. Insurers should review their current filings and make any appropriate changes forthwith.

Very truly yours,

A handwritten signature in black ink, appearing to read "S. T. Foster", with a long horizontal line extending to the right.

Steven T. Foster
Commissioner of Insurance

STF:dw

COMMONWEALTH OF VIRGINIA



STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

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TELEPHONE: (804) 786-3741
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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

March 12, 1990

Administrative Letter
1990-4

**TO: ALL LICENSED INSURERS WRITING WORKERS' COMPENSATION
BUSINESS IN VIRGINIA**

RE: WORKERS' COMPENSATION INSURANCE RATES

On February 16, 1990 and February 21, 1990, the State Corporation Commission entered the attached orders in Case No. INS880340 amending workers' compensation insurance rates for policies effective from November 30, 1989 through February 15, 1990. These orders follow a January 23, 1990 hearing by the State Corporation Commission which was necessitated by a decision of the Virginia Supreme Court following an appeal on procedural grounds by the Division of Consumer Counsel of the Office of the Attorney General of the Commission's September 28, 1988 rate setting order (as amended). The purpose of this Administrative Letter is to advise insurers on the implementation of the State Corporation Commission's orders of February 16, 1990 and February 21, 1990.

The Commission's orders require that policies issued or renewed effective on and after February 16, 1990 be issued at the rates adopted in the Commission's orders of September 28, 1988 and October 21, 1988 (rates approved for policies issued or renewed effective on and after November 1, 1988). However, for policies issued or renewed effective during the interim period from November 30, 1989, up to and including February 15, 1990, the rates shall be those that were adopted in 1987 by the Commission for policies issued or renewed effective on and after October 15, 1987.

Insurers that have issued or renewed policies effective during this interim period must endorse all policies with the appropriate adjustment in rates by June 1, 1990. At the option of the insurer, additional premiums may be waived until final audit. Return premiums created by this adjustment shall be returned to each insured, except that returns of \$250.00 or less may be made subject to audit, unless the return premium is specifically requested by the insured.

1990 FEB 16 PM 2:56 COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 16, 1990

APPLICATION OF

NATIONAL COUNCIL ON
COMPENSATION INSURANCE

CASE NO. INS880340

For Revision of Workers'
Compensation Insurance Rates

OPINION AND ORDER

Opinion, Harwood, Commissioner:

On October 21, 1988, we entered herein an order which amended our order of September 28, 1988 by making the rates adopted therein effective November 1, 1988. These orders were appealed on procedural grounds by the Division of Consumer Counsel of the Office of the Attorney General (Consumer Counsel). The case was remanded by the Supreme Court of Virginia "for further proceedings consistent with the views expressed in the written opinion of this Court." The Commission received the court's mandate on November 30, 1989.

On December 13, 1989, we entered an order vacating our orders of September 28, 1988 and October 21, 1988; and, on December 14, 1989, we entered an order scheduling a hearing for January 16, 1990 for the purpose of further cross-examination of Staff witness Presley.

Prior to the hearing scheduled for January 16, 1990, which was ultimately held on January 23, 1990 as the result of our granting a continuance requested by Consumer Counsel, an informal

of bias. To the contrary, Mr. Presley has for many years advocated before this Commission, and we have accepted, the use of a trend factor in the determination of appropriate workers' compensation rates. Mr. Presley's consistency in this regard merely demonstrates to us a professional adherence to what he believes is an appropriate rate-making principle. Accordingly, we are of the opinion and find that the rates adopted to be effective November 1, 1988 should be re-affirmed and adopted for policies issued or renewed on and after the date of this order.

Effect of mandate. At our request, and subsequent to the January 23rd hearing, counsel filed argument as to the effect of the language of the Court's mandate on these proceedings. In addition to counsels' argument: we note specifically the absence of any refund authority in Chapter 20 of Title 38.2 of the Code; the fact that premiums charged by insurers during the period November 1, 1988 to November 30, 1989 were authorized by the Commission; and the fact that no party to this proceeding petitioned the Supreme Court for a suspension order pursuant to Virginia Code § 8.01-676.1.H. Based thereon, and given the principle, cited by Consumer Counsel, that a mandate of reversal with a remand for further proceedings must necessarily be construed with reference to the facts and circumstances of a particular proceeding, we believe that the Supreme Court's mandate must be given effect prospectively from the date of the Commission's receipt thereof, - November 30, 1989.

Accordingly, for rates for the interim period November 30, 1989 until the date of this order, we are of the opinion and find

Morrison, Commissioner, took no part in the determination of this case.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Joanne M. Porter, Director, National Council on Compensation Insurance, Suite 302, 2568A Riva Road, Annapolis, Maryland 21401; Barry Llewelyn, National Council on Compensation Insurance, One Penn Plaza, New York, New York 10119; C. William Waechter, Jr., Esquire, 1700 Bayberry Court, Suite 300, Richmond, Virginia 23226; Charles G. James, Commissioner, Industrial Commission of Virginia, 1000 DMV Drive, Richmond, Virginia 23220; Fred H. Coddling, Esquire, P.O. Box 225, Fairfax, Virginia 22020; Gail Starling Marshall, Esquire, Deputy Attorney General, Office of the Attorney General, 101 North Eighth Street, Richmond, Virginia 23219; and to the Bureau of Insurance in care of Deputy Commissioner Robert A. Miller.

A True Copy
Teste: -

George W. Bryant, Jr.

Clerk of the
State Corporation Commission

COMMONWEALTH OF VIRGINIA



STEVEN I. FOSTER
COMMISSIONER OF INSURANCE

Box 1157
RICHMOND, VA 23209
TELEPHONE: (804) 786-3741
TDD/VOICE: (804) 225-3806

STATE CORPORATION COMMISSION BUREAU OF INSURANCE

May 2, 1990

Administrative Letter
1990-5

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

RE: PROSPECTIVE LOSS COSTS FILING PROCEDURES

The General Assembly of Virginia during the 1990 Session enacted and amended certain statutes regarding the rates and supplementary rating information filing requirements of rate service organizations. The effective date of these new or revised statutes is July 1, 1990.

Prospective Loss Costs Filing Procedures

This Administrative Letter specifies the framework under which rate service organizations and any member, subscriber or service purchaser of a rate service organization will operate in a loss costs system. Under this system, rate service organizations will no longer develop or file final rates, but instead will develop and file prospective loss costs and supporting actuarial and statistical data. Each insurer must individually determine and file the rates it will use as a result of its own independent company decision-making process. Rate service organizations will continue to develop and file rules and supplementary rating information on behalf of their members, subscribers and service purchasers.

Nothing in these procedures shall be construed to require rate service organizations or their members, subscribers and service purchasers to immediately refile rates previously implemented. Members, subscribers and service purchasers of a rate service organization are authorized to continue to use all rates and deviations filed for their use until such time as the insurer makes its own filing to change its rates, either by making an independent filing or by filing a Reference Filing Adoption Form (VA RFA-1 (7/90) copy attached) adopting the rate service organization's prospective loss costs, or modification thereof.

DEFINITIONS

For the purpose of loss costs filing procedures:

- A) "Advisory organization" means rate service organization.
- B) "Commission" means the Virginia State Corporation Commission.
- C) "Developed losses" means losses (including loss adjustment expenses) adjusted, using standard actuarial techniques, to eliminate the effect of differences between current payments or reserve estimates and those needed to provide actual ultimate loss (including loss adjustment expense) payments.
- D) "Effective date" shall mean the policy effective date that rates and supplementary rate information will be implemented.
- E) "Expenses" means that portion of a rate attributable to acquisition, field supervision, collection expenses, general expenses, taxes, licenses and fees.
- F) "Loss trending" means any procedure for projecting developed losses to the average date of loss for the period during which the policies are to be effective.
- G) "Minimum premium rule" means any formula or methodology used to calculate minimum premium for a given policy but does not include any manual rules that allow for the use of minimum premiums.
- H) "Prospective loss costs" are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses adjusted through development to their ultimate value and projected through trending to a future point in time.
- I) "Rate" means the cost of insurance per exposure unit, whether expressed as a single number or as a prospective loss cost with an adjustment to account for the treatment of expenses, profit and variations in loss experience, prior to any application of individual risk variations based on loss or expense considerations, and does not include minimum premiums.
- J) "Supplementary rating information" includes any manual or plan of rates, classification, rating schedule, minimum premium or minimum premium rule, policy fee, rating rule, rate-related underwriting rule, experience rating plan, statistical plan and any other similar information needed to determine the applicable rate in effect or to be in effect.

SECTION I: RATES/LOSS COSTS

A) Rate Service Organization Action

- Rate service organizations will no longer develop or file final rates that contain provisions for expenses (other than loss adjustment expenses), and profit and contingencies. Instead, for all lines, rate service organizations will develop and file with the State Corporation Commission in accordance with Section 38.2-1906 of Title 38.2 of the Code of Virginia, a Reference Filing containing prospective loss costs and supporting actuarial and statistical data.
- The rate service organization may print and distribute manuals of prospective loss costs as well as rules and other supplementary rating information described in Section II A.
- With the initial prospective loss costs Reference Filing, rate service organizations will no longer develop or file any minimum premiums or minimum premium rules.

B) Insurer Action

- If an insurer that is a member, subscriber or service purchaser of a rate service organization decides to use the prospective loss costs in a Reference Filing in support of its own filing, the insurer should make a filing using VA RFA-1 (7/90). The insurer's rates are the combination of the prospective loss costs and the loss cost adjustments contained in the VA RFA-1 (7/90).
- Insurers may file modifications of the prospective loss costs in a Reference Filing based on their own anticipated experience. Supporting documentation will be required for any modifications (upwards or downwards) of the prospective loss costs in the Reference Filing.
- Insurers may vary expense loads by individual classification, grouping, or subline of insurance. Insurers may use variable or fixed expense loads or a combination of these to establish their expense loadings.
- If an insurer wishes to use minimum premiums, it must file the minimum premiums and minimum premium rules it proposes to use.

- The insurer may request to have its loss costs adjustments remain on file and reference all subsequent prospective loss costs Reference Filings. Upon receipt of subsequent rate service organization loss costs Reference Filings, the insurer's rates will be the combination of the prospective loss costs and the loss cost adjustments contained in the VA RFA-1 (7/90) on file with the Commission, and will be applicable to new and renewal policies effective on or after the effective date of the prospective loss costs. The insurer need not file anything further.
- If an insurer that has filed to have its loss cost adjustments remain on file intends to delay, modify, or not adopt a particular rate service organization loss costs Reference Filing, the insurer must make an appropriate filing.
- The insurer's filed loss cost adjustments will remain in effect until the insurer withdraws them or files a revised VA RFA-1 (7/90).
- Insurers shall provide such other information as may be required by the Commission.
- To the extent that an insurer's final rates are determined solely by applying its loss cost adjustments, as proposed in the VA RFA-1 (7/90), to the prospective loss costs contained in a rate service organization's Reference Filing and printed in the rate service organization's rating manual, the insurer need not develop or file its final rate pages. If an insurer chooses to print and distribute final rate pages for its own use, based solely upon the application of its filed loss costs, the insurer need not file those pages with the Commission. If the rate service organization does not print the loss costs in its manual, the insurer must submit its rate pages.

For future Reference Filings filed by the rate service organization:

- If the insurer HAS filed to have its loss cost adjustments remain on file, applicable to subsequent Reference Filings, and a new Reference Filing is filed and

If....

Then....

- | | |
|---|--|
| 1. the insurer decides to use the revision of the prospective loss costs and effective date as filed... | 1. the insurer does NOT file anything with the Commission. Rates are the combination of the prospective loss costs and the on-file loss cost adjustments and become effective on the effective date of the loss costs. |
| 2. the insurer decides to use the prospective loss costs as filed BUT with a subsequent effective date... | 2. the insurer must file page one of VA RFA-1 (7/90) with the Commission before the effective date of the loss costs. |
| 3. the insurer decides to use the revision of the prospective loss costs, but wishes to change its loss cost adjustments... | 3. the insurer must file a revised VA RFA-1 (7/90) before the effective date of the loss costs. |
| 4. the insurer decides NOT to revise its rates using the prospective loss costs... | 4. the insurer must file page one of VA RFA-1 (7/90) with the Commission before the effective date of the loss costs. Page one of VA RFA-1 (7/90) should include in item 5 the loss cost reference filing number which immediately preceded the loss costs the insurer is not adopting and the second block of item 10 should be checked. Items 6 - 9 on page one need not be completed. |

- If an insurer has NOT elected to have its loss cost adjustments remain on file, applicable to future prospective loss costs reference filings, and a new Reference Filing is filed and

If...

Then...

1. the insurer decides to use the prospective loss costs to revise its rates...
2. the insurer decides NOT to use the revisions...

1. the insurer must file VA RFA-1 (7/90).
2. the insurer does not file anything.

SECTION II: SUPPLEMENTARY RATING INFORMATION

A) Advisory Organization Action

- Filings of rules and supplementary rating information are made by the rate service organization with the Commission on behalf of those insurers that have authorized the rate service organization to file rules, relativities and supplementary rate service information on their behalf. This includes policy-writing rules, rating plans, classification codes and descriptions, territory codes and descriptions and rules which include factors such as increased limits factors or similar factors but excludes minimum premiums and minimum premium rules.
- Rate service organizations may print and distribute manuals of rules and supplementary rating information excluding minimum premiums and minimum premium rules.

B) Insurer Action

- If an insurer has authorized a rate service organization to file on its behalf, and a new filing of rules and supplementary rating information is filed and

If...

Then...

1. the insurer decides to use the revisions and effective date as filed...
2. the insurer decides to use the revisions as filed BUT with a subsequent effective date...

1. the insurer does NOT file anything.
2. the insurer must file with the Commission its effective date before the rate service organization's effective date.

Administrative Letter 1990-5
May 2, 1990
Page Seven

- | | |
|---|--|
| 3. the insurer decides not to use the revision... | 3. the insurer must advise the Commission in writing before the rate service organization's effective date. |
| 4. the insurer decides to use the revision with modifications on or after the effective date as filed ... | 4. the insurer must file the modifications with the Commission, specifying the basis for the modifications, and the insurer's effective date, if different from the effective date filed by the rate service organization. |

If you have any questions regarding the content of this letter, please call the:

Property and Casualty Division
Rates and Forms Section
(804) 786-3665

In addition, the attached VA RFA-1 (7/90) should be reproduced for your future use.

Sincerely,



Steven T. Foster
Commissioner of Insurance

STF:krm
Attachments

Space Reserved for Bureau of Insurance Use

Date: _____

INSURER RATE FILING
ADOPTION OF ADVISORY ORGANIZATION
PROSPECTIVE LOSS COSTS
REFERENCE FILING ADOPTION FORM

1. INSURER NAME _____
ADDRESS _____

PERSON RESPONSIBLE FOR FILING _____
TITLE _____

2. INSURER NAIC # _____ TELEPHONE # _____

3. LINE OF INSURANCE _____

4. ADVISORY ORGANIZATION _____

5. ADVISORY ORGANIZATION REFERENCE FILING # _____

6. The above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned Reference Filing.

The insurer's rates will be the combination of the prospective loss costs and the loss costs multipliers and, if utilized, the expense constants specified in the attachments.

7. PROPOSED RATE LEVEL CHANGE _____% EFFECTIVE DATE _____

8. PRIOR RATE LEVEL CHANGE _____% EFFECTIVE DATE _____

9. ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM"
(Use a separate Summary for each insurer-selected loss costs multiplier.)

10. CHECK ONE OF THE FOLLOWING:

The insurer hereby files to have its loss costs multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss costs multipliers and, if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Commissioner, or amended or withdrawn by the insurer.

The insurer hereby files to have its loss costs multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

Insurer Name _____

NAIC Number _____

Date _____

INSURER RATE FILING
ADOPTION OF ADVISORY ORGANIZATION PROSPECTIVE LOSS COSTS
SUMMARY OF SUPPORTING INFORMATION FORM
CALCULATION OF COMPANY LOSS COSTS MULTIPLIER

1. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies: _____

2. Loss Costs Modification:
A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:

(CHECK ONE)

Without modification. (factor = 1.000)

With the following modification(s). (Cite the nature and percent modification, and attach supporting data and/or rationale for the modification.)

B. Loss Costs Modification Expressed as a Factor: _____
(See examples below.)

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED, ATTACH "EXPENSE CONSTANT SUPPLEMENT" OR OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 3 - 7 BELOW.

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

	Selected Provisions
A. Total Production Expense	_____ %
B. General Expense	_____ %
C. Taxes, Licenses & Fees	_____ %
D. Underwriting Profit & Contingencies	_____ %
E. Other (explain)	_____ %
F. TOTAL	_____ %

4A. Expected Loss Ratio: ELR=100% - 3F = _____ %

4B. ELR in decimal form = _____

5. Company Formula Loss Costs Multiplier: (2B / 4B) = _____

6. Company Selected Loss Costs Multiplier = _____
Explain any differences between 5 and 6:

7. Rate level change for the coverages to which this page applies _____ %

Example 1: Loss costs modification factor: If your company's loss costs modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss costs modification factor: If your company's loss costs modification is +15%, a factor of 1.15 (1.000 + .150) should be used.

Insurer Name _____

NAIC Number _____

Date _____

EXPENSE CONSTANT SUPPLEMENT

CALCULATION OF COMPANY LOSS COSTS MULTIPLIER WITH EXPENSE CONSTANTS

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

	Selected Provisions		
	Overall	Variable	Fixed
A. Total Production Expense	_____	_____	_____
B. General Expense	_____	_____	_____
C. Taxes, Licenses & Fees	_____	_____	_____
D. Underwriting Profit & Contingencies	_____	_____	_____
E. Other (explain)	_____	_____	_____
F. TOTAL	_____	_____	_____

4. A. Expected Loss Ratio: ELR=100% - Overall 3F = _____

B. ELR expressed in decimal form = _____

C. Variable Expected Loss Ratio VELR=100% - Variable 3F = _____

D. VELR in decimal form = _____

5. Formula Expense Constant:
[(1.00 / 4B) - (1.00 / 4D)] x Average Underlying Loss Costs = _____

Formula Variable Loss Costs Multiplier: (2B / 4D) = _____

6. Selected Expense Constant = _____

Selected Variable Loss Costs Multiplier = _____

7. Explain any differences between 5 and 6:

8. Rate level change for the coverages to which this page applies _____%

REFERENCE FILING ADOPTION
VIRGINIA SUPPLEMENT

- . In item 10. on page 1 the phrase "policies written" is replaced with "policies effective". Please refer to Administrative Letter 1990-3, dated January 26, 1990. In addition, the word "Commissioner" is replaced with "Commission".
- . In item 5 on page 3, "average underlying loss costs" means the insurer's statewide per policy (or coverage) loss cost, averaged across all policy limits, deductibles, territories, classifications, etc. One simple method of determining your statewide underlying loss costs per policy would entail first calculating your average premium per policy for a prior period. Then multiply the average premium by your expected overall loss ratio (e.g., line 4.A.) to get an average underlying loss cost for that prior period. Finally, apply a trend factor to place the average loss cost at the level anticipated for the prospective period for which the rates will be used. Other methods for determining statewide underlying loss costs per policy are left to individual company discretion.
- . Insurers should review Administrative Letters 1987-11 and 1989-10 for certification and data requirements. The certification forms contained in these letters shall not be utilized by rate service organizations.
- . Administrative Letter 1988-17 should be reviewed as respects delayed effect of rate filings.
- . Rates are "file and use" for Chapter 19, except those lines and subclassifications designated by the Commission to be subject to §38.2-1912 of the Code of Virginia.
- . Filings must be filed separately by line of insurance, and by program.
- . A CP-12 (4-83) is required for any homeowner's rule and rate filing affecting premium levels.
- . A CP-19 (7-89) is required for rate filings affecting premiums for special package auto policies.
- . A CP-20 (7-89) is required for rate filings affecting premiums for family auto policies.

This check list is not all inclusive. You need to review current Administrative Orders and Letters for additional requirements.

DEFINITIONS

The following are commonly accepted definitions for use with this form.

- A. **"Total Production Expense"**: Commission and brokerage and other expenses associated with production, sales, field supervision, advertising and collection.
- B. **"General Expense"**: Payroll, rent, board and bureau fees, pensions and employee benefits.
- C. **"Taxes, Licenses and Fees"**: Premium taxes, fire programs fund assessment, maintenance assessment of the Bureau of Insurance, payroll taxes, and guaranty fund assessments, etc.
- D. **"Underwriting Profit and Contingencies"**: Investment income, riskiness, cost of capital, surplus, competitive considerations.
- E. **"Other"**: for expenses not included above.