

COMMONWEALTH OF VIRGINIA



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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.

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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