

COMMONWEALTH OF VIRGINIA

STEVEN T. FOSTER
COMMISSIONER OF INSURANCE

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RICHMOND, VIRGINIA 23218
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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

January 25, 1996

Administrative Letter 1996-1

TO: All Insurers Licensed to Write Commercial Liability Insurance

RE: Supplemental Reports for Potentially Noncompetitive Lines and Subclassifications of Commercial Liability Insurance as Required by Virginia Code Section 38.2-1905.2 **Due May 1, 1996**

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), 38.2-118 (property damage liability), and 38.2-119 (workers' compensation and employers' 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 and Workers' Compensation Insurance Industry," submitted to the General Assembly in December of 1995. Copies of this report may be obtained by phoning the Property and Casualty Division of the Bureau of Insurance at (804) 371-9628. A listing of the designated lines and subclassifications is attached (see Exhibit 2). It should be noted that no subclassifications of workers' compensation and employees liability insurance were designated as potentially noncompetitive in this report, **thus insurers should not include any workers' compensation and employer's liability experience in this data call.**

To collect the data required by Virginia Code Section 38.2-1905.2, the SCC has adopted the attached supplemental report form that each insurer is required to complete for the designated lines and subclassifications. The attached supplemental report form has not been changed substantially from the supplemental report forms adopted by the SCC in 1990, 1992, and 1994.

Pursuant to Virginia Code Section 38.2-1905.2.8, all supplemental reports should be submitted in machine readable format. A diskette reporting system has been developed to enable insurers to comply with this requirement. A diskette containing this system will be

forwarded to you upon receipt of the Diskette Request Form contained in the attached instructions. Experience for 1994 and 1995 should be reported on one form for each market definition specified in Exhibit 2. The market definitions provided are to be used as a guide in defining specific lines and subclassifications 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 insurer. **The information reported should include data for monoline policies as well as package policies.**

Pursuant to the Commission's Order of December 20, 1995, a copy of which is attached, the reports are due, and must be received by, May 1, 1996. If some information is not available, insurers should estimate appropriate figures to complete the report. Items allocated from countrywide data must be allocated in the same manner as for the NAIC Annual Statement pursuant to Section 38.2-1905.2.B of the Code of Virginia. Insurers with no written premiums in one or more of the lines or subclassifications for 1994 and/or 1995 must complete and return Exhibit 6A and Exhibit 6B. No insurer licensed to write the classes of insurance as defined in Virginia Code Sections 38.2-117, 38.2-118, and 38.2-119 is exempted from this data call, regardless of whether or not said insurer wrote business in Virginia during the experience period.

If you have any questions regarding this data call, please contact:

Eric Lowe
Senior Insurance Analyst
Bureau of Insurance
P. O. Box 1157
Richmond, VA 23218
Telephone: (804) 371-9628

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 this report in a substantially complete and accurate manner by the due date may be considered a willful violation and may subject the insurer 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:ecl

Attachments

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 20, 1995

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

z

Ex Parte: Adoption of

CASE NO. INS95024

supplemental report form

pursuant to Virginia Code
S 38.2-1905.2

ORDER ADOPTING SUPPLEMENTAL REPORT FORM

PURSUANT to Virginia Code S 38.2-1905.2.A and B.,

IT IS ORDERED that the supplemental report form, which is attached hereto and made a part hereof, be, and it is hereby, ADOPTED; and

IT IS FURTHER ORDERED that licensed insurers file with the commission their supplemental reports in the form adopted herein on or before May 1, 1996, as established in the Commission's December, 1995, Report to the Legislature pursuant to Virginia Code S 38.2-1905.1.A.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to Mary M. Bannister, Deputy Commissioner, Bureau of Insurance, who shall cause a copy of this order to be sent to every insurer licensed to transact the business of property and casualty insurance in the Commonwealth of Virginia.

A True Copy

Teste:

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, 1996, AT THE STATE CORPORATION COMMISSION BUREAU OF INSURANCE, MAILING ADDRESS: P. O. BOX 1157, RICHMOND, VIRGINIA 23218, OR STREET ADDRESS: 1300 E. MAIN STREET, RICHMOND, VIRGINIA 23219. 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:

S. Insurer:

D. Group Name:

C. NAIC#:

E. Group NAIC#:

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

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.

Calendar Year (Except As otherwise Specified)

	1991	1992	1993	1994	1995
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					
S. 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					
C A(1) + 8(1) + D(1) I					
G. Calendar year incurred losses					
C AM + A(2) + B(1) + B(2) -					
C + DO) + 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. KgJ investment gain (Loss) including realized capital gains generated by the line or subclass of business attributable to = 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. What percentage of the 1995 premiums reported in Question 2 were based upon an RSO loss costs filing?

- B. What percentage of the 1995 premiums reported in Question 2 were written using independent rates?

NOTE: The sum of the percents of written premium in A and B should total 100%.

- C. 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

- D. if yes, indicate:

1. The maximum schedule credits and/or debits allowed
(-) % to (+) %
2. The maximum expense credits allowed

3. The package modification factor

*This factor should be expressed as a final rating factor, i.e. 1.15 or .85. Enter only one factor; if you have different factors for different categories, please give a weighted average for all subclasses within this Line.

Signed:
Telephone:
Date:

Title:
Print Name:

EXHIBIT 1
Page I
SUPPLEMENTAL REPORTS DATA CALL 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, 1996.

1. The report(s) must be submitted on diskette; however, insurers that cannot comply may submit the appropriate paper reports. A written request detailing why the reports cannot be submitted using the diskette reporting program must be submitted to Eric Lowe at the address on page 2 of this administrative letter. Once received, a written exemption will be issued to the requesting insurer if circumstances warrant the exception.
2. Please complete and return the 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 filing procedure, please contact Eric Lowe at (804) 371-9628.
3. Insurers submitting data on the diskette will only be required to report 1994 and 1995 data, unless data from previous years is being amended. Insurers that submit **paper reports** must provide data for all five years (1991 through 1995) for all questions on the reporting form. Paper forms received without all five years of data will be considered substantially incomplete, invoking possible penalties as outlined on page 2 of this administrative letter. All paper reports must be **typed**. Handwritten reports will not be accepted.
4. Each supplemental report must contain the individual insurer name, NAIC number, group name and group NAIC number. **REPORTS ARE TO BE FILED FOR INDIVIDUAL INSURERS (DO NOT SUBMIT AGGREGATED GROUP REPORTS).**
5. Submit only one supplemental report per market definition. For example, **all contractors' subclassifications are considered one market and separate reports should not be submitted for the various subclassifications. QQ not combine markets.**
6. **Exhibits 16A and 6B must both be completed for all insurers that are licensed but that have no written premiums any of the the listed market definitions for 1994 or 1995.**
7. Use whole dollars or numbers. Do not include dollar signs, decimal points, or commas in completing the supplemental report. **DO NOT OMIT OOO'S. Do not use dashes, "N/A," or leave blanks within the report.**

EXHIBIT I
PAGE 2

8. Items 1, 2, 3, 5, 6, 7, and 8 of the supplemental reports 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.
9. Items 4 B and C do not include incurred but not reported losses (113NR).
10. Losses exclude all loss adjustment expenses which are reported in item 8 B.
11. Loss adjustment expenses reported in item 8 B should include any incurred but not reported loss adjustment expenses.
12. For item 1, policies written for other than a 12 month term should be adjusted to an annual basis.
13. **Additional instructions to assist in the completion of the supplemental reports are attached (Exhibits 2-5).**

EXHIBIT I

PAGE 3

Additional Instructions for Completion of the Supplemental Reports

Company Description

A. Market Number and Name.

B. Insurer.

C. NAIC Number.

D. Group Name.

E. Group NAIC Number.

Questions

Definition

Defined by Virginia AL 1996-1.

Exact verbal name of insurer.

NAIC Number for each insurer.

Exact verbal name of group.

Group NAIC Number.

Definition

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 is divided between (1) paid where 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 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 is 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.)

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

The sum of Questions 4 A.(1) and 4 A.(2) equals the total calendar year paid.

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 13J1). (Reserves in this item exclude Loss Adjustment Expense.)

EXHIBIT 4
LAWYERS PROFESSIONAL LIABILITY

Subline	Class Code	Description
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 Paralegals

EXHIBIT 5
VOLUNTEER FIRE DEPARTMENTS AND RESCUE SQUADS LIABILITY

	<u>Class Code</u>		
Subline	Old	New	Description
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

Including Volunteer Rescue Squads operated in connection with Fire Departments.

**EXHIBIT 6A
1994 Zero Report**

INSURER

NAIC #

Enter a zero beside the lines and/or subclassifications of liability insurance where you have no written premium in 1994.

- 87001 Architects and Engineers Professional Liability
- 87006 Insurance Agents Professional Liability
- 87008 Lawyers Professional Liability
- 87010 Medical Professional Liability
- 87015 Real Estate Agents Professional Liability
- 88022 Landfill Liability
- 88030 Volunteer Fire Departments and Rescue Squads Liability
- 91002 Environmental Impairment Liability including Underground Storage Tank Liability

I hereby certify that the information contained in this report contains all applicable Virginia data as reported to the NAIC on page 14 of the Annual Statement, line 5.2 (Multiperil Liability), line 11 (Medical Malpractice), line 17 (Other Liability), and line 18 (Products Liability).

Signed:

Print Name:

Title:

Telephone:

Date:

EXHIBIT 6B
1995 Zero Report

INSURER

NAIC #

Enter a zero beside the lines and/or subclassifications of liability insurance where you have no written premium in 1995.

- 87001 Architects and Engineers Professional Liability
- 87006 Insurance Agents Professional Liability
- 87008 Lawyers Professional Liability
- 87010 Medical Professional Liability
- 87015 Real Estate Agents Professional Liability
- 88022 Landfill Liability
- 88030 Volunteer Fire Departments and Rescue Squads Liability
- 91002 Environmental Impairment Liability including Underground Storage Tank Liability

I hereby certify that the information contained in this report contains all applicable Virginia data as reported to the NAIC on page 14 of the Annual Statement, line 5.2 (Multiperil Liability), line 11 (Medical Malpractice), line 17 (Other Liability), and line 18 (Products Liability).

Signed:

Print Name:

Title:

Telephone:

Date:

DISKETTE REQUEST FORM

Mr. Eric C. Lowe Senior
Insurance Analyst Bureau
of Insurance Post Office
Box 1157 Richmond,
Virginia 23218

RE: Administrative Letter 1996-1 Supplemental Report
Diskette Request Form

Dear Mr. Lowe:

- 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):

NOTE #1: All Companies licensed in Virginia for liability must be included on this list regardless of written premium size and even if the Company had no written premium for 1994 or 1995.

NAIC

Company

MAIL DISKETTE TO:

(Please Type or Print) Name

Title

Company

Address

Phone Number

Date