

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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Bulletin 94-05

To: Property/Casualty Insurance Companies writing business in Alaska

Re: Changes in Alaska Regulations 3 AAC 29.200 - .300

Changes in the Alaska Administrative Code, Sections 3 AAC 29.200 - 300 became effective on December 24, 1993. These regulations specify the framework under which insurers shall file their rates under a prospective loss cost system. The purpose of this bulletin is to:

- 1) distribute a copy of the new regulations
- 2) explain the changes in the regulations, and how they will be applied to current filings;
- 3) detail common errors that appear in insurers' loss cost filings, and list the proper procedures for those items; and
- 4) make available a reference filing adoption form to be used by insurers that are adopting advisory prospective loss costs filed by a rating organization.

New Regulations:

An unofficial copy of the new regulations dealing with the use of loss cost rating is enclosed with this bulletin. The official text can be found in the Alaska Administrative Code and its supplements.

Changes in the Regulations:

The primary intent of the revisions to the regulations was to improve the organizational structure and to clarify their intent. For this reason, most of the changes were editorial in nature. The most substantive change is outlined below:

3 AAC 29.240(c) has been revised to read:

"An insurer may elect to apply its approved loss cost adjustments in effect at the time of the election to subsequently approved reference filings of prospective loss costs of its rating organization. Upon receipt of subsequent approved rating organization reference filings, the insurer's rates are the combination of the prospective loss costs and the loss cost adjustments contained in the reference filing adoption form on file with the division, and will be effective on the effective date of the prospective loss costs. If an insurer determines that there is a significant change in the expenses it anticipates for a kind of insurance that would cause the insurer's rates to be excessive, inadequate, or unfairly discriminatory, the insurer must file a revision of the loss cost adjustments with the director."

The prior regulation did not permit insurers to keep a loss cost adjustment "on file" for use with future loss cost filings made by a rating organization. For that reason, there are currently no insurers for which a loss cost adjustment has been approved for use with future filings.

When filing a new multiplier, an insurer may now request to have its loss cost adjustments remain on file and apply to subsequently filed prospective loss costs by a rating organization. To make this request, an insurer should mark the appropriate box in Item 10 of the Reference Filing Adoption Form.

An insurer that currently has a loss cost adjustment approved for use with a specific rating organization loss cost filing may request that those adjustments be applied to future rating organization filings that are approved by the division. Such a request must be made in writing using the attached "Updated Loss Cost Adjustment Filing Form," and must include the filing number assigned by the division to the original loss cost adjustment filing. If the original filing was made to the division before about February 1, 1993, it is possible that the division did not assign a filing number to the filing. In that case, please include the date of the original filing with your request. Requests for existing multipliers to remain on file must be made separately for each line of business.

If the division does not receive a request to have the currently approved loss cost multiplier be applied to future loss cost filings, then it will deem the multiplier to apply only to the current filing. A new multiplier must then be filed by the insurer when the rating organization makes a new loss cost filing.

Common errors made by companies when filing loss cost filings:

The division has received a number of loss cost adjustment filings containing similar errors. Following the procedures below should enable insurers to avoid common errors, and speed up the filing approval process.

Loss cost adjustment filings may reference no more than one rating organization loss cost filing. If a company wants to file similar loss cost adjustments to several loss cost filings made by a rating organization, each must be filed separately.

The "proposed rate level change" on line 7 of the "Reference Filing Adoption Form" should be the overall rate change that will apply to the insurer's book of business. The "rate level change to which this page applies" shown on line 7 of the "Calculation of Company Loss Cost Multiplier" form should be the rate change applicable to the class, coverage, subline, etc. affected by the loss cost multiplier developed on this page. Refer to the attached "Calculation of Rate Change when Adopting a Loss Cost Multiplier" for examples of how to calculate the rate level change.

Any modifications shown on line 2 of the "Calculation of Company Loss Cost Multiplier" form or any differences between lines 5 and 6 of the same formula should be explained, and supported by historical experience where appropriate. In general, modifications to the rating bureau loss costs due to experience or underwriting judgment should be shown on line 2. Line 6 should be reserved for rounding or other small changes.


Loss Cost Adjustment Filing Forms:

Attached are new versions of the loss cost filing forms that may be used in Alaska. These forms are very similar to the ones used under the old regulations. Insurers may copy these forms, or may type them into their own computer system. All loss cost adjustment filings made in Alaska must utilize these forms as applicable.

Questions:

If you have any questions about the use of loss cost rating in Alaska, please contact Barbara Thurston, Actuary, Alaska Division of Insurance, P.O. Box 110805, Juneau, AK 99811-0805, phone (907) 465-2573.

Date: March 3, 1994



David J. Walsh, Director
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[See Bulletin 96-05 for current Lost Cost Filing Forms.](#)