

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

P.O. BOX 110805
JUNEAU, ALASKA 99811-0805
PHONE: (907) 465-2515

DIVISION OF INSURANCE

ORDER R93-06 AMENDING REGULATIONS OF THE DIVISION OF INSURANCE

The attached 10 pages of regulations as amended by the Department of Law, dealing with the use of prospective loss costs for rate and rating plan filings are hereby adopted and certified to be a correct copy of the regulations that the Division of Insurance amends under authority of AS 21.06.090 and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

This order takes effect on the 30th day after it has been filed by the Lieutenant Governor, as provided in AS 44.62.180.

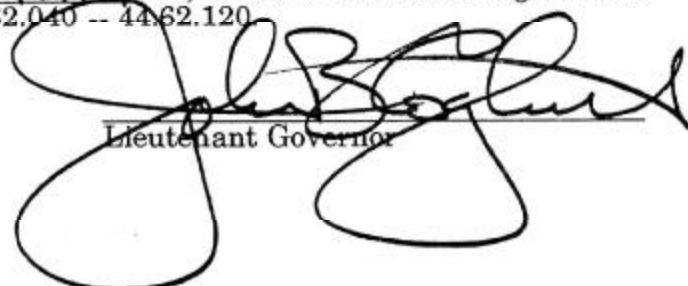
DATE: November 18, 1993
Juneau, Alaska



David J. Walsh, Director of Insurance

FILING CERTIFICATION

I, John B. Coghill, Lieutenant Governor for the State of Alaska, certify that on NOVEMBER 24, 1993 at 4:11 P.m., I filed the attached regulations according to the provisions of AS 44.62.040 -- 44.62.120.



Lieutenant Governor

Effective December 24, 1993

Register 28 January 1994

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TITLE 3. COMMERCE AND ECONOMIC DEVELOPMENT

PART 2. DIVISION OF INSURANCE

CHAPTER 29. PROPERTY, CASUALTY, AND RELATED INSURANCE

Article 2. Rate and Rating Plan Filings

Section

- 200. Scope
- 210. Rating [RATE] organization[S REFERENCE] filing
- 220. Insurer [PROSPECTIVE LOSS COST] filing responsibilities
- 230. (Repealed)
- 240. Insurer loss cost adjustment filing
- 250. Insurer rate filing
- 260. (Repealed)
- 270. (Repealed)
- 280. Implementation
- 300. Definitions

3 AAC 29.210 is amended to read:

3 AAC 29.210. RATING [RATE] ORGANIZATION[S REFERENCE] FILING. (a) A rating organization may develop and submit a reference filing to the director consisting of prospective loss costs supported by statistical data, interpretation of the statistical data, relevant loss experience or judgment, and other supporting information.

(b) A rating organization may develop and submit a [REFERENCE] filing of supplementary rating information.

(c) A participating insurer [MEMBER OR SUBSCRIBER] of a rating organization may adopt the rating organization reference filing or the filing of

supplementary rating information approved by the director.

(d) A rating organization may print and distribute prospective loss cost data, rules, and other supplementary rating information. (Eff. 8/7/92, Register 123; am 12/24/93, Register 128)

Authority: AS 21.06.090

AS 21.39.040

AS 21.39.050

AS 21.39.130

3 AAC 29.220 is amended to read:

3 AAC 29.220. INSURER [PROSPECTIVE LOSS COST] FILING RESPONSIBILITIES. (a) A [AN] participating insurer [THAT IS A MEMBER OR SUBSCRIBER] of a rating organization for a kind of insurance that has made a reference filing of prospective loss costs under 3 AAC 29.210 may

(1) develop and submit its own filing of rates [PROSPECTIVE LOSS COSTS] supported by statistical data, interpretation of the statistical data, relevant loss and expense experience or judgment, and other supporting information; or

(2) submit a reference filing adoption form provided by the division that adopts [DEPARTMENT, ADOPTING] the approved reference filing of prospective loss costs made by the rating organization and files the insurer's [ITS] own loss cost adjustments.

(b) Repealed 12/24/93 [IF AN INSURER THAT IS A MEMBER OR

SUBSCRIBER OF A RATING ORGANIZATION THAT HAS MADE A REFERENCE FILING OF PROSPECTIVE LOSS COSTS DOES NOT ELECT AN OPTION UNDER (a) OF THIS SECTION, ITS EXISTING RATE FILING WILL CONTINUE TO BE IN EFFECT].

(c) If a rating organization has filed prospective loss costs for a kind of insurance, a participating insurer of that rating organization may continue to use all of the rates and deviations already in effect until those rates and deviations are disapproved, the insurer submits its own filing of rates, or the insurer files a loss cost adjustment filing.

(d) A participating insurer of a rating organization for a kind of insurance may

(1) develop and submit a filing of supplementary rating information; or

(2) authorize the director to accept a filing of supplementary rating information made on its behalf by the licensed rating organization. (Eff. 8/7/92,

Register 123; am 12/24/93, Register 128)

Authority: AS 21.06.090

AS 21.39.040

AS 21.39.070

AS 21.39.130

3 AAC 29.230 is repealed:

3 AAC 29.230. INSURER SUPPLEMENTAL RATING INFORMATION

FILING. Repealed. (Eff. 8/7/92, Register 123; repealed 12/24/93, Register 128)

3 AAC 29.240 is amended to read:

3 AAC 29.240. INSURER LOSS COST ADJUSTMENT FILING. (a) A loss cost adjustment filing may be based on the operating methods of the insurer for each kind of insurance and the measurable variations of expenses within that kind of insurance. This filing must be supported by the insurer's statistical data, interpretation of the data, expense experience and judgment, and other relevant information.

(b) Repealed 12/24/93 [WHERE A RATING ORGANIZATION MAKES AN INITIAL FILING OF PROSPECTIVE LOSS COSTS FOR A KIND OF INSURANCE, AN INSURER THAT IS A MEMBER OR SUBSCRIBER OF THAT RATING ORGANIZATION MAY CONTINUE TO USE ALL RATES AND DEVIATIONS IN EFFECT UNTIL THE RATES ARE DISAPPROVED, THE INSURER SUBMITS ITS OWN FILING OF RATES, OR THE INSURER FILES A REFERENCE FILING ADOPTION FORM PROVIDED BY THE DIVISION].

(c) An insurer may elect to apply its approved loss cost adjustments in effect at the time of the election to [THE] subsequently approved reference filings of prospective loss costs of its rating organization. [AN INSURER MAKING THIS ELECTION SHALL NOTIFY THE DIRECTOR BY SUBMITTING A REFERENCE FILING ADOPTION FORM. BY ELECTING THIS OPTION, THE INSURER IS CERTIFYING THAT ITS LOSS COST ADJUSTMENTS ON FILE WITH THE DIRECTOR AT TIME OF ELECTION ARE APPROPRIATE FOR CONTINUED

USE AND APPLICATION TO THE REVISED PROSPECTIVE LOSS COSTS AND THAT THEY ARE CONSISTENT WITH (a) OF THIS SECTION.] Upon division approval of a subsequent rating organization reference filing, the insurer's rates are the combination of the prospective loss costs identified in that filing and the loss cost adjustments contained in the reference filing adoption form on file with the division, and will be in effect on the date specified in the reference filing 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 [SHALL] file a revision of the loss cost adjustments with the director.

(d) If the rates of a participating [AN] insurer [THAT IS A MEMBER OR SUBSCRIBER] of a rating organization for a kind of insurance are determined solely by applying the insurer's [ITS] loss cost adjustments already filed to the prospective loss costs contained in the rating organization reference filing, the insurer is not required to make an additional [NEW] filing to combine the prospective loss costs with the loss cost adjustments. If the rating organization does not print and distribute the loss costs, the insurer shall file its rates with the director.

(e) To continue using an approved loss cost adjustment, an insurer shall file additional statistical data and analysis to support the loss cost adjustment with the director three years after the date the adjustment was approved. The director will either approve or disapprove the continued use of the adjustment. The director will, in the director's discretion, disapprove a loss cost adjustment

filing not supported by additional statistical data and analysis. (Eff. 8/7/92,

Register 123; am 12/24/93, Register 128)

Authority: AS 21.06.090

AS 21.39.040

AS 21.39.070

AS 21.39.130

3 AAC 29.250 is amended to read:

3 AAC 29.250. INSURER RATE FILING. (a) Repealed 12/24/93 [IF A RATING ORGANIZATION SUBMITS A REFERENCE FILING OF PROSPECTIVE LOSS COST FILING, AN INSURER THAT IS A MEMBER OR SUBSCRIBER OF THAT RATING ORGANIZATION FOR A KIND OF INSURANCE MUST INDEPENDENTLY DETERMINE ITS RATES].

(b) Repealed 12/24/93 [THE RATE FILING OF AN INSURER THAT IS A MEMBER OR SUBSCRIBER OF A RATING ORGANIZATION FOR A KIND OF INSURANCE SHALL CONSIST OF: (1) THE RATES FILED BY THE INSURER OR (2) THE PROSPECTIVE LOSS COSTS FILED BY A RATING ORGANIZATION COMBINED WITH THE INSURER'S LOSS COST ADJUSTMENTS].

(c) The rate filing of an insurer that is not using the prospective loss costs filed by a rating organization must [SHALL] be consistent with the estimate of future costs of a risk transfer as established in the May 1988 Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty

Ratemaking [AS APPROVED BY THE DIRECTOR]. The costs must include estimated future losses [CLAIMS], loss adjustment [CLAIMS SETTLEMENT] expenses, and other [OPERATIONAL AND ADMINISTRATIVE] expenses.

(d) To continue using [THE CONTINUED USE OF] an approved rate, [BY] an insurer shall file additional [MUST BE SUPPORTED BY] statistical data and analysis to support the rate [DEVELOPED AND FILED] with the director [EVERY] three years after the date the rate was approved. The director will either approve or disapprove the rate. The director will, in the director's discretion, [MAY] disapprove a rate filing not supported by additional statistical data and analysis.

(e) If an insurer relies upon the loss cost of a rating organization to support its rates, the insurer must use the approved prospective loss costs of the rating organization in effect at the time of the use. (Eff. 8/7/92, Register 123; am 12/24/93, Register 128)

Authority: AS 21.06.090

AS 21.39.040

AS 21.39.050

AS 21.39.130

3 AAC 29.260 is repealed.

3 AAC 29.260. FILING TRANSMITTAL. Repealed. (Eff. 8/7/92, Register 123; repealed 12/24/93, Register 128)

3 AAC 29.270 is repealed:

3 AAC 29.270. FILING ACKNOWLEDGEMENT AND RETENTION.

Repealed. (Eff. 8/7/92, Register 123; repealed 12/24/93, Register 128)

3 AAC 29.300 is amended to read:

3 AAC 29.300. DEFINITIONS. In 3 AAC 29.200 -- 3 AAC 29.300, unless the context otherwise requires,

- (1) "director" means the director of the division of insurance;
- (2) "division" means the division of insurance;
- (3) "expenses" means that portion of a rate attributable to acquisition, field supervision, and collection expenses, general expenses, taxes, licenses, and fees;
- (4) "loss adjustment expense" means the cost of adjusting losses, excluding the amount of the loss itself;
- (5) "loss cost adjustments" means that portion of a rate that includes provisions for expenses, other than loss adjustment expenses, [AND] profit, and any modification to the prospective loss costs filed by the rating organization; "loss cost adjustments" does not include prospective loss costs;
- (6) "prospective loss costs" means the historical aggregate losses and loss adjustment expenses upon which a portion of a rate is based, adjusted through trending to a future point in time, but does not include expenses, other than loss adjustment expenses, or profit;
- (7) "rate" means the cost of a given unit of insurance;

(8) "rating organization" means a corporation, an unincorporated association, a partnership, or a person currently licensed and in good standing as a rating organization under AS 21.39.060;

(9) "reference filing" means the filing of prospective loss costs made by a rating organization [TO] which its participating insurers [MEMBERS AND SUBSCRIBERS] may [ADD EXPENSES IN THE DEVELOPMENT OF A RATE] modify in consideration of expenses, profits, and anticipated company differences in loss experience;

(10) "supplementary rating information" means any manual or plan of rates, classification, rating schedule, minimum premium, 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;

(11) "supporting information" means

(A) the loss or expense experience and judgment of the filer and the loss or expense experience and data of other insurers or organizations, relied upon by the filer; [, AND]

(B) the interpretation of statistical data relied upon by the filer; [, AND]

(C) descriptions of methods used in making the rates [AND OTHER SIMILAR INFORMATION REQUESTED BY THE DIRECTOR]; or

(D) any other relevant factors requested by the director;

(12) "trending" means any procedure for projecting developed losses

to the average date of loss, or premiums or exposures to the average date of writing, for the period during which the policies are to be in effect.

(13) "participating insurer" means an insurer that purchases loss cost information services from a licensed rating organization, including companies referred to in AS 21.39.060 as members and subscribers. (Eff. 8/7/92, Register 123; am 12/24/93, Register 128)

Authority: AS 21.06.090

AS 21.39.130