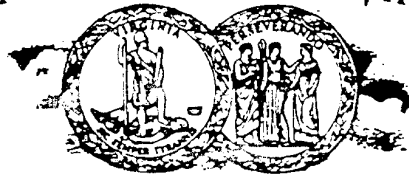


# COMMONWEALTH OF VIRGINIA

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## STATE CORPORATION COMMISSION BUREAU OF INSURANCE

ADMINISTRATIVE LETTER  
1989 - 10

June 5, 1989

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

**RE: RATE FILINGS SUBJECT TO THE PROVISIONS OF VIRGINIA CODE  
SECTIONS 38.2-1906 or 38.2-2003**

Virginia Code Section 38.2-1906 sets forth requirements for the filing of rates for the lines or subclassifications of insurance where the State Corporation Commission has determined that competition is not an effective regulator of rates pursuant to Virginia Section 38.2-1905.1. Virginia Code Section 38.2-2003 sets forth requirements for the filing of rates for workers compensation, the Virginia Automobile Insurance Plan, uninsured motorists coverage, the Virginia Property Insurance Association and home protection contracts. This Administrative Letter outlines the information the Bureau of Insurance must consider when an insurer or rate service organization submits a rate filing for one of the designated noncompetitive subclassifications of liability insurance or for one of the lines of insurance enumerated in Chapter 20.

Virginia Code Sections 38.2-1906.3.A1 and 38.2-2003.B provide that each insurer shall submit with its rate filing, as deemed appropriate by, and to the extent directed by, the Commission, the following information relating to experience in Virginia and countrywide:

1. Number of exposures;
2. Direct premiums written;
3. Direct premiums earned;
4. Direct losses paid identified by such period as the Commission may require;

5. Number of claims paid;
6. Direct losses incurred during the year, direct losses incurred during the year which occurred and were paid during the year, and direct losses incurred during the year which were reported during the year but were not yet paid;
7. Any loss development factor used and supporting data thereon;
8. Number of claims unpaid;
9. Loss adjustment expenses paid identified by such period as the Commission may require;
10. Loss adjustment expenses incurred during the year, loss adjustment expenses incurred during the year for losses which occurred and were paid during the year, and loss adjustment expenses incurred during the year for losses which were reported during the year but were not paid;
11. Other expenses incurred, separately by category of expense, excluding loss adjustment expenses;
12. Investment income on assets related to reserve and allocated surplus accounts;
13. Total return on allocated surplus;
14. Any loss trend factor used and supporting data thereon;
15. Any expense trend factor used and supporting data thereon; and
16. Such other information as may be required by rule of the Commission, including statewide rate information presented separately for Virginia and each state wherein the insurer writes the line, subline or rating classification for which the rate filing is made and which the Commission deems necessary for its consideration.

Insurers and rate service organizations should use the attached form to report the required information to support its rate filing. Where actual experience does not exist or is not credible, the Commission will allow the use of reasonable


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estimates for the information required. Each insurer and rate service organization should submit a full explanation with its rate filing as to why the required information is not submitted or available, and must submit supporting data for any estimates used. An authorized company representative should certify that appropriate consideration has been given in this filing to the factors specified in Subsection A. and B. of §38.2-1904 in §38.2-2005 (as appropriate), as set forth in the attached document.

Further, Virginia Code Sections 38.2-1912 and 32.2-2003 require that upon filing any change in the rate applicable to a class, line or subdivision of insurance governed by the provisions of these Sections, the insurer shall give notice to the Division of Consumer Counsel of the Office of the Attorney General. The notice shall indicate that a rate change has been filed with the State Corporation Commission. In its filing to the Commission the insurer must certify that it has notified the Office of the Attorney General of the filing. Insurers may certify to such notice by having an appropriate individual sign the certification statement included in the attached document.

The filing certification requirements of Administrative Letter 1987-11 continue in effect for those lines and subclassifications not subject to the delayed effect of rate provisions of §38.2-1912. They also remain in effect for the filings of the Virginia Medical Malpractice Joint Underwriting Association.

Sincerely,



Steven T. Foster  
Commissioner of Insurance

STF:dw  
Attachment

§38.2-1906 AND §38.2-2003 DATA REQUIREMENTS

For each line or subclassification designated, provide the information requested below:

Data: Virginia \_\_\_\_\_ Countrywide \_\_\_\_\_ or Other \_\_\_\_\_  
 If Other, please specify \_\_\_\_\_

Exposure Base \_\_\_\_\_

Designated line or subclassification	Insurer			NAIC#	
	X-4	X-3	X-2	X-1	X
Calendar/Accident Year (X - latest full calendar year)					
Enter Year	_____	_____	_____	_____	_____
1. Number of exposures written	_____	_____	_____	_____	_____
2. Number of exposures earned	_____	_____	_____	_____	_____
3. Direct premium written	_____	_____	_____	_____	_____
4. Direct premium earned	_____	_____	_____	_____	_____
5. Direct losses incurred					
A) Direct losses paid during the calendar year					
1) Current accident year	_____	_____	_____	_____	_____
2) Prior accident years	_____	_____	_____	_____	_____
B) Direct losses paid for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
C) Reserves for reported losses at the end of the calendar year					
1) Current accident year	_____	_____	_____	_____	_____
2) Prior accident years	_____	_____	_____	_____	_____
D) Reserves for reported losses at the end of the previous calendar year	_____	_____	_____	_____	_____

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year	X-4	X-3	X-2	X-1	X
E) Reserves for reported losses for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
F) Reserves for incurred but not reported losses at the end of the calendar year					
1) Current accident year	_____	_____	_____	_____	_____
2) Prior accident years	_____	_____	_____	_____	_____
G) Reserves for incurred but not reported losses at the end of the previous calendar year	_____	_____	_____	_____	_____
H) Reserves for incurred but not reported losses for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
I) Calendar year incurred losses [A(1) + A(2) + C(1) + C(2) - D + F(1) + F(2) - G]	_____	_____	_____	_____	_____
J) Accident year incurred losses A(1) + C(1) + F(1)	_____	_____	_____	_____	_____
K) Accident year incurred losses valued at 12-31-X B + E + H	_____	_____	_____	_____	_____
6. Number of claims paid <u>and</u> closed during the calendar year	_____	_____	_____	_____	_____
7. Number of claims unpaid and/or open at the end of the calendar year	_____	_____	_____	_____	_____

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year	X-4	X-3	X-2	X-1	X
8. Loss adjustment expenses incurred					
A) Loss adjustment expense paid during the calendar year					
1) Current accident year					
2) Prior accident years					
B) Loss adjustment expense paid for the accident year valued at 12-31-X					
C) Reserves for reported loss adjustment expense at the end of the calendar year					
1) Current accident year					
2) Prior accident years					
D) Reported loss adjustment expense at the end of the previous calendar year					
E) Reserves for reported loss adjustment expense for the accident year valued at 12-31-X					
F) Reserves for incurred but not reported loss adjustment expense at the end of the calendar year					
1) Current accident year					
2) Prior accident years					

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year                      X-4                      X-3                      X-2                      X-1                      X

G) Reserves for incurred but not reported loss adjustment expense at the end of the previous calendar year.	_____	_____	_____	_____	_____
H) Reserves for incurred but not reported loss adjustment expense for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
I) Calendar year incurred loss adjustment expense [A(1) + A(2) + (C(1) + C(2) - D + F(1) + F(2) - G]	_____	_____	_____	_____	_____
J) Accident year incurred loss adjustment expense A(1) + C(1) + F(1)	_____	_____	_____	_____	_____
K) Accident year incurred loss adjustment expense valued at 12-31-X B + E + H	_____	_____	_____	_____	_____
9. State premium taxes, licenses, and fees allocated to this line or subclassification.	_____	_____	_____	_____	_____
10. Commission expense allocated to this line or subclassification	_____	_____	_____	_____	_____
11. Other expenses allocated to this line or subclassification	_____	_____	_____	_____	_____
12. Investment income allocated to this line or subclassification related to reserve and surplus accounts	_____	_____	_____	_____	_____

Designated line  
or subclassification

Insurer

NAIC=

Calendar/Accident Year	X-4	X-3	X-2	X-1	X
13. Surplus allocated to this line or subclassification	_____	_____	_____	_____	_____
14. Annual loss trend used	_____	_____	_____	_____	_____
15. Annual expense trend used	_____	_____	_____	_____	_____

DR(5/89)

Certification

\_\_\_\_\_  
(Name of Insurance Company)

Filing Being Certified \_\_\_\_\_

Proposed Effective Date \_\_\_\_\_

I, being a qualified actuary, certify that appropriate consideration has been given in this filing to the factors specified in subsections A. and B. of §38.2-1904 or of §38.2-2005 (as appropriate) of the Code of Virginia. For the purpose of this certification, a qualified actuary is defined as (1) a member in good standing of the American Academy of Actuaries, or (2) a fellow or associate of the Casualty Actuarial Society, or (3) an individual who has both the educational background necessary for the practice of actuarial science and at least four years of property and casualty actuarial experience. I am a qualified actuary in accordance with (1) \_\_\_\_\_, (2) \_\_\_\_\_, or (3) \_\_\_\_\_ above.

\_\_\_\_\_  
NAME (Please Print or Type)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE

(\_\_\_\_\_) \_\_\_\_\_  
TELEPHONE NUMBER

I certify that the Division of Consumer Counsel of the Office of the Attorney General has been notified of this rate filing.

\_\_\_\_\_  
NAME (Please Print or Type)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE

(\_\_\_\_\_) \_\_\_\_\_  
TELEPHONE NUMBER

COF(5/89)



§38.2-1906 AND §38.2-2003 DATA REQUIREMENTS

For each line or subclassification designated, provide the information requested below:

Data: Virginia \_\_\_\_\_ Countrywide \_\_\_\_\_ or Other \_\_\_\_\_  
 If Other, please specify \_\_\_\_\_

Exposure Base \_\_\_\_\_

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year  
(X - latest full calendar  
year)

X-4

X-3

X-2

X-1

X

Enter Year

1. Number of exposures  
written

2. Number of exposures  
earned

3. Direct premium written

4. Direct premium earned

5. Direct losses incurred  
A) Direct losses paid  
during the calendar  
year

1) Current accident  
year

2) Prior accident  
years

B) Direct losses paid  
for the accident  
year valued at  
12-31-X

C) Reserves for reported  
losses at the end of  
the calendar year

1) Current accident  
year

2) Prior accident  
years

D) Reserves for reported  
losses at the end of  
the previous calendar  
year

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year	X-4	X-3	X-2	X-1	X
E) Reserves for reported losses for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
F) Reserves for incurred but not reported losses at the end of the calendar year					
1) Current accident year	_____	_____	_____	_____	_____
2) Prior accident years	_____	_____	_____	_____	_____
G) Reserves for incurred but not reported losses at the end of the previous calendar year	_____	_____	_____	_____	_____
H) Reserves for incurred but not reported losses for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
I) Calendar year incurred losses [A(1) + A(2) + C(1) + C(2) - D + F(1) + F(2) - G]	_____	_____	_____	_____	_____
J) Accident year incurred losses A(1) + C(1) + F(1)	_____	_____	_____	_____	_____
K) Accident year incurred losses valued at 12-31-X B + E + H	_____	_____	_____	_____	_____
6. Number of claims paid <u>and</u> closed during the calendar year	_____	_____	_____	_____	_____
7. Number of claims unpaid and/or open at the end of the calendar year	_____	_____	_____	_____	_____

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year	X-4	X-3	X-2	X-1	X
8. Loss adjustment expenses incurred					
A) Loss adjustment expense paid during the calendar year					
1) Current accident year					
2) Prior accident years					
B) Loss adjustment expense paid for the accident year valued at 12-31-X					
C) Reserves for reported loss adjustment expense at the end of the calendar year					
1) Current accident year					
2) Prior accident years					
D) Reported loss adjustment expense at the end of the previous calendar year					
E) Reserves for reported loss adjustment expense for the accident year valued at 12-31-X					
F) Reserves for incurred but not reported loss adjustment expense at the end of the calendar year					
1) Current accident year					
2) Prior accident years					

Designated line  
or subclassification

Insurer

NAIC#

Calendar/Accident Year	X-4	X-3	X-2	X-1	X
G) Reserves for incurred but not reported loss adjustment expense at the end of the previous calendar year.	_____	_____	_____	_____	_____
H) Reserves for incurred but not reported loss adjustment expense for the accident year valued at 12-31-X	_____	_____	_____	_____	_____
I) Calendar year incurred loss adjustment expense [A(1) + A(2) + C(1) + C(2) - D + F(1) + F(2) - G]	_____	_____	_____	_____	_____
J) Accident year incurred loss adjustment expense A(1) + C(1) + F(1)	_____	_____	_____	_____	_____
K) Accident year incurred loss adjustment expense valued at 12-31-X B + E + H	_____	_____	_____	_____	_____
9. State premium taxes, licenses, and fees allocated to this line or subclassification.	_____	_____	_____	_____	_____
10. Commission expense allocated to this line or subclassification	_____	_____	_____	_____	_____
11. Other expenses allocated to this line or subclassification	_____	_____	_____	_____	_____
12. Investment income allocated to this line or subclassification related to reserve and surplus accounts	_____	_____	_____	_____	_____

Designated line or subclassification	Insurer					NAIC#
	X-4	X-3	X-2	X-1	X	
Calendar/Accident Year						
13. Surplus allocated to this line or subclassification	_____	_____	_____	_____	_____	
14. Annual loss trend used	_____	_____	_____	_____	_____	
15. Annual expense trend used	_____	_____	_____	_____	_____	
DR(5/89)						

Certification

\_\_\_\_\_  
(Name of Insurance Company)

Filing Being Certified \_\_\_\_\_

Proposed Effective Date \_\_\_\_\_

I, being a qualified actuary, certify that appropriate consideration has been given in this filing to the factors specified in subsections A. and B. of §38.2-1904 or of §38.2-2005 (as appropriate) of the Code of Virginia. For the purpose of this certification, a qualified actuary is defined as (1) a member in good standing of the American Academy of Actuaries, or (2) a fellow or associate of the Casualty Actuarial Society, or (3) an individual who has both the educational background necessary for the practice of actuarial science and at least four years of property and casualty actuarial experience. I am a qualified actuary in accordance with (1) \_\_\_\_\_, (2) \_\_\_\_\_, or (3) \_\_\_\_\_ above.

\_\_\_\_\_  
NAME (Please Print or Type)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE

(\_\_\_\_\_) \_\_\_\_\_  
TELEPHONE NUMBER

I certify that the Division of Consumer Counsel of the Office of the Attorney General has been notified of this rate filing.

\_\_\_\_\_  
NAME (Please Print or Type)

\_\_\_\_\_  
DATE

\_\_\_\_\_  
SIGNATURE

(\_\_\_\_\_) \_\_\_\_\_  
TELEPHONE NUMBER