

CR 87-103

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STATE OF WISCONSIN
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DOUGLAS LA FOLLETTE
SECRETARY OF STATE

STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Robert D. Haase, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order creating a rule relating to minimum documentation to be filed to support rate filings was issued by this office on January 19, 1988.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name in the City of Madison, State of Wisconsin, this 19th day of January, 1988.



Robert D. Haase
Commissioner of Insurance

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DOUGLAS LA FOLLETTE
SECRETARY OF STATE

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ORDER OF THE COMMISSIONER OF INSURANCE

CREATING A RULE

To create Ins 6.06 relating to the minimum documentation to be filed to support rate filings.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

Statutory Authority: 601.41 (3), Stats., 601.42 (1), Stats., 625.02 (3), Stats., 625.11, Stats.

Statutes Interpreted: 625.13 (1), Stats.

This rule establishes the minimum supplementary rate information which must accompany an insurance rate filing. This rule applies to all insurers and rate service organizations which are subject to Chapter 625 with the exception that life insurance, disability insurance, title insurance, mortgage guaranty insurance, and worker's compensation as defined in s. Ins 6.75, municipal bond insurance as defined in s. Ins 3.08 (3) (e), and all companies licensed under Chapter 612 are exempt from the provisions of the rule. The commissioner may accept applications for full or partial exemption from the requirements of this rule. Except as exempted above, the rule applies to all other kinds and lines of direct insurance written in this state.

Except as provided in the next paragraph, the minimum documentation to be filed shall include the following:

1. Three years experience relating to earned premiums, paid losses, reserves for reported and unpaid losses and reserves for losses incurred but not reported.
2. An explanation of the rate-making procedures and descriptions of any actuarial and statistical methods utilized.
3. An explanation of the permissible or target loss ratio, including an explanation of how any investment income has been taken into account.
4. Premium and loss adjustment factors by year. An explanation of the methods and judgments underlying these factors must be included.

The commissioner may accept supplementary rate information other than the minimum documentation listed if the insurer or rate service organization can demonstrate that the information fully supports the rate filing and complies with 625.11, Stats.

A member of or subscriber to a rate service organization must file supplementary rate information required by the rule only if its rates deviate from those filed on its behalf by the rate service organization.

Finally, the rule provides that each filing required to be made in accordance with the rule shall be accompanied by a certificate of compliance from the filing party which certifies that the filing meets the minimum requirements of the rule.

SECTION 1. Ins 6.06 is created to read:

Ins 6.06. MINIMUM DOCUMENTATION IN SUPPORT OF RATE FILINGS.

(1) **PURPOSE.** The purpose of this section is to establish the minimum supplementary rate information required to be submitted with rate filings to the commissioner. Statutes interpreted or implemented by this section are ss. 601.42 (1), 625.01, 625.02 (3), and 625.11, Stats.

(2) **SCOPE.** Except as provided in sub. (4), any insurer or rate service organization which is subject to s. 625.13 (1), Stats., and is filing rates for any kind or line of direct insurance in this state shall include, in that filing the supplementary rate information required by sub. (5) or (6).

(3) **DEFINITIONS.** (a) A "frequency trend factor" means any factor which adjusts the past number of paid or incurred claims to reflect more accurately the number of claims that can be expected to develop during the period the proposed rates will be used.

(b) A "loss adjustment factor" means any factor used to modify or adjust the actual losses paid or incurred during the period under examination or review.

(c) A "loss development factor" means any factor used either to adjust the reported amount of incurred losses to include incurred but not reported losses or to correct errors in the estimation of loss reserves for reported claims that have not been paid, or both.

(d) A "premium adjustment factor" means any factor used to modify or adjust the actual premiums earned during the period under examination or review.

(e) A "rate level factor" means any factor that adjusts prior earned premiums to the premiums that would have been earned if the present rates had been in effect throughout the period under examination or review.

(f) A "severity trend factor" means any factor which adjusts the past average claim amount to reflect more accurately the average claim amount that can be expected to develop during the period the proposed rates will be used.

(4) **EXEMPTIONS.** (a) Life and disability insurance as defined in s. Ins 6.75 (1), disability insurance as defined in s. Ins 6.75 (2) (c), title insurance as defined in s. Ins 6.75 (2) (h), mortgage guaranty insurance as defined in s. Ins 6.75 (2) (i), municipal bond insurance as defined in s. Ins 3.08 (3) (e), and worker's compensation insurance as defined in s. Ins 6.75 (2) (k) are exempt from the provisions of this section.

(b) All companies licensed under Chapter 612, Stats., are exempt from the provisions of this section.

(c) The commissioner may, upon written application, exempt an insurer from full or partial compliance with this rule.

(5) **SUPPLEMENTAL RATE INFORMATION.** A rate filing and accompanying supplemental rate information shall be appropriately organized for the kind, class or line of business for which the filing is being made. Except as provided in sub. (6), all rate filings shall include the following supplementary rate information:

(a) (1) At least three separate and consecutive years of both Wisconsin and aggregate of all state's experience showing

1. Premiums earned;
2. Losses paid;
3. Separate reserves for reported but unpaid losses; and
4. Reserves for losses incurred but not reported.

(2) If any of the information required by (1) is omitted or less than three years' experience is provided, an explanation shall be submitted.

(b) An explanation of the rate-making procedures including a description of any statistical data and actuarial methods utilized; or a

statement of facts and other detailed information which explain judgments used; or a statement as to how the rates of the filing company compare with those of the competition, providing detail where the rates are substantially higher or lower; or any combination.

(c) Explanation of the permissible or target loss ratio, including an explanation of how any investment income has been taken into account.

(d) When used, any premium adjustment factors and loss adjustment factors by year and an explanation of methods and judgments underlying each factor. Loss adjustment factors include but are not limited to loss development factors, frequency trend factors, and severity trend factors. Premium adjustment factors include but are not limited to rate level factors.

(6) **OTHER SUPPLEMENTAL RATE INFORMATION.** The commissioner may accept supplemental information other than that required by sub. (5) if the insurer or rate service organization can demonstrate to the commissioner that this information fully supports the rate filing and complies with s. 625.11, Stats.

(7) **USE OF RATE SERVICE ORGANIZATION RATES.** A member of or subscriber to a rate service organization licensed under s. 625.32, Stats., shall file supplementary rate information if its rates deviate from those filed on its behalf by the rate service organization. Such a filing shall be as required by sub. (5) and (6).

(8) **ADDITIONAL INFORMATION.** The commissioner may require additional rate filing information if the commissioner determines that the original filing does not explain the proposed rate. Such additional information shall be provided within 30 days of the request.

(9) **CERTIFICATE OF COMPLIANCE.** The filings required pursuant to sub. (2) shall be accompanied by a certificate of compliance in a form substantially similar to that set forth in Appendix I.

APPENDIX I

CERTIFICATE OF COMPLIANCE

I, _____ (name) _____, an officer of _____ (company name) _____, hereby certify that I have the authority to bind and obligate the company by the filing of this form. I further certify that, to the best of my information, knowledge and belief:

1. The accompanying filing complies with all applicable provisions of the Wisconsin Statutes and with all applicable rules of the Commissioner of Insurance; and
2. The accompanying filing complies with the minimum documentation required to be filed pursuant to Ins 6.06 (5) or (6).

(signature)

(title)

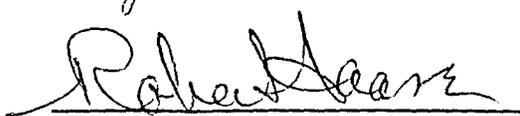
(date)

Individual responsible for this filing:

Name: _____ Title: _____
Address: _____
Phone Number: () _____ Date: _____

This section shall take effect on the first day of the month following publication of the Wisconsin administrative register as provided in s. 227.22 (2) (intro.), Stats.

Dated this 19th day of January, 1988, at Madison, Wisconsin.



Robert D. Haase
Commissioner of Insurance

The State of Wisconsin
Office of the Commissioner of Insurance

Robert D. Haase
Commissioner
(608) 266-3585



RECEIVED

JAN 19 1988

DATE: January 19, 1988
TO: Gary Poulson
FROM: Fred Nepple, General Counsel
Office of the Commissioner of Insurance
SUBJECT: Ins 6.06, Clearinghouse No. 87-103

Revisor of Statutes
Bureau

Enclosed are two copies of an Order of the Commissioner of Insurance creating Ins 6.06, Clearinghouse No. 87-103 relating to minimum documentation to be filed to support rate filings.

FN:LH:imk
Enclosure
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