



CR 92-118

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tommy G. Thompson
Governor

Robert D. Haase
Commissioner

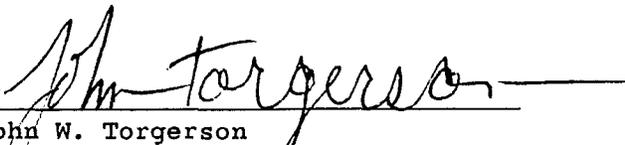
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STATE OF WISCONSIN)
)
OFFICE OF THE COMMISSIONER OF INSURANCE)

I, John W. Torgerson, Deputy Commissioner of Insurance and custodian of the official records of this Office, certify that the attached rule-making order affecting sections Ins 6.785, Wis. Adm. Code relating to the exemption of certain property and casualty rates from filing requirements, was issued by this Office on January 11, 1993.

I further certify that I have compared this copy with the original on file in this Office and that it is a true copy of the whole of the original.

Dated at Madison, Wisconsin, on January 11, 1993.


John W. Torgerson
Deputy Commissioner of Insurance

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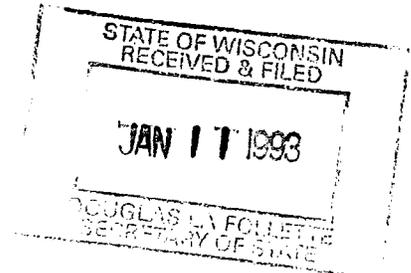
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ORDER OF THE OFFICE OF THE COMMISSIONER OF INSURANCE

CREATING A RULE

To create Ins 6.785, relating to the exemption of certain property and casualty rates from filing requirements.

ANALYSIS PREPARED BY THE OFFICE OF THE COMMISSIONER OF INSURANCE

Statutory authority: ss. 601.41 (3) and 625.04, Stats.

Statutes Interpreted: ss. 625.13 and 625.15, Stats.

In the past insurers have not individually filed certain property and casualty rates identified as "a" rates and as "refer to company" in the rates filed by certain rate service organizations. These rates are generally for large commercial risks which are unusual risks, risks in volatile areas and risks for which there is not enough data to calculate credible rates. This lack of filing in the past has not caused problems for this office or the insurance buying public. Under this statute, the commissioner may exempt certain rates from filing if filing is not necessary to protect policyholders or the public. This rule exempts these rates.

SECTION 1. Ins 6.785 is created to read:

Ins 6.785 EXEMPTION FROM RATE FILING REQUIREMENTS. (1) PURPOSE.

This section is intended to exempt certain classes of property and casualty rates from the rate filing requirements. This section implements and interprets ss. 625.04, 625.13 and 625.15, Stats.

(2) SCOPE. This section applies to the lines or classes of insurance which are listed in s. Ins 6.75 (2) (a), (d), (e), (f), (g), (h), (i), (j), (l), (m) and (n) of direct insurance written on risks or operations in this state subject to s. 625.03, Stats., and which are exempted under the consent-to-rate provision of s. Ins 6.78.

(3) FINDINGS. The commissioner of insurance finds that for certain classes of business certain risks within other classes of business and certain situations, the rate filing requirements set forth in s. 625.13, Stats., are unnecessary to achieve the purposes of ch. 625, Stats. The commissioner bases this finding on the following reasons:

(a) The manual rate, classification or form is inappropriate because it does not adequately reflect the exposure represented by the risk;

(b) The risk is so different from other risks that no single manual rate or classification could be representative of all such risks;

(c) The risk belongs to a classification that does not develop enough experience to warrant sufficient credibility for rate-making purposes; or

(d) The risk involves a new product or coverage as to which there are no appropriate analogous exposures for rate-making purposes.

(4) RATE FILING EXEMPTION. The following rates shall not be filed with the commissioner by the insurer or rate service organization on behalf of the insurer provided the insurer complies with sub. (7):

(a) The rate for an individual risk written under a rating rule class filed with the commissioner which must be accompanied by a certification by a qualified actuary that the rate under the rating rule class cannot be objectively rated for at least one of the following reasons:

1. The class generates insufficient loss experience to be reliably used in rating;

2. The class loss experience is so volatile as to make it unreliable;

3. Prospective losses for this class are likely to change rapidly and unpredictably; or

4. Risks within the class are so dissimilar that a single rate would not be representative of all risks in the class.

(b) Rates for excess liability insurance provided in an amount not less than \$1,000,000 in excess of a specified retained limit provided such retained limit is not less than:

1. \$350,000 per occurrence as respects those exposures covered by underlying insurance; or

2. \$10,000 per occurrence as respects those exposures not covered by underlying insurance.

(c) Rates for risks developing annual products liability and completed operations insurance premiums of \$5,000 or more at the basic limit.

(d) Rates for risks developing annual increased limits written premium determined by customary rating procedures of \$5,000 or more.

(e) Rates for risks developing \$100,000 or more annual manual basic limit premium individually or in any combination of general liability insurance, commercial automobile, crime or glass.

(f) Rates for liability insurance increased limits if the risk is reinsured on a facultative basis.

(g) Rates for an adjustment of the aggregate limit of general liability insurance at any time during the policy period.

(h) Rates for coverage which is materially broader or more restrictive than the coverage upon which the manual rate is based.

(5) UTILIZATION OF RATE FILING EXEMPTION. An insurer or a rate service organization wishing to utilize the rate filing exemption or modification granted by sub. (4) shall have on file with the commissioner rating rules pertaining to the situations described in sub. (4).

(6) DISAPPROVAL OF FILED RULES. If the commissioner determines that a rating rule does not meet the rate standards set forth in s. 625.11, Stats., the commissioner may exercise the authority granted by s. 625.22, Stats., and disapprove the rate.

(7) INSURER RECORDS. An insurer using a rate subject to the exemption granted by sub. (4) shall maintain separate records and documentation for a period of 3 years after the rate is no longer used. This documentation shall include all details of the factors used in determining the rate or classification for a particular risk, including conditions used to qualify a rate for an exemption under sub. (4). The insurer shall provide these records to the commissioner upon request.

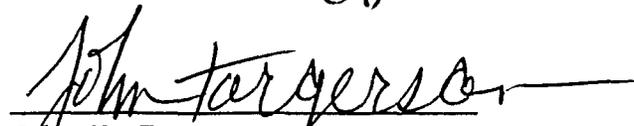
SECTION 2. INITIAL APPLICABILITY. This rule first applies to rates used and filings made after the effective date of this rule.

SECTION 3. EFFECTIVE DATE. This rule will take effect on the first day of the first month after publication, as provided in s. 227.22 (2) (intro.), Stats.

Dated at Madison, Wisconsin, this 11th day of January 1993.

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John W. Torgerson
Deputy Commissioner

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