



# STATE OF CONNECTICUT Bulletin PC-35

## INSURANCE DEPARTMENT

December 20, 2000

**TO ALL COMPANIES LICENSED IN THE STATE OF CONNECTICUT TO WRITE PROPERTY AND CASUALTY INSURANCE**

**RE: Procedures for Making Commercial Risk Rate and Rule Filings and for the Use of Rating or Advisory Organization Commercial Risk Loss Cost Rate and Rule Filings**

Bulletin PC-35 specifies the framework under which insurers, and rating and advisory organizations will operate in Connecticut, pursuant to Chapter 701 of the Connecticut General Statutes. The following procedures and guidelines apply to all property and casualty rate, rating rule and supplementary rating information filings submitted to the Connecticut Insurance Department on or after January 1, 2001, with the exception of residual market insurance. Unless specifically noted, all references to "rating organizations" include "advisory organizations." This bulletin updates and supersedes bulletins PC-1-89 and PC-8-90.

Bulletin PC-35 does not modify or supersede insurer rates, rules, relativities, supplementary rating information and loss cost adjustment multipliers currently filed and in effect in Connecticut. A "loss cost adjustment multiplier" means that value which, when multiplied times the loss cost, will result in a rate which reflects the insurer's prospective loss cost, expenses, profit, contingencies and investment income.

Filings may be submitted by hard copy paper format or electronically through the approved SERFF electronic filing system. Paper filings should include two copies of the filing letter and one copy of the filing documents.

Rating organizations may request a waiver of these requirements by writing to the Insurance Commissioner (hereafter referred to as commissioner). Such requests shall be submitted in duplicate, for an individual line, subline, or for specific coverage, stating the reasons for the request and the anticipated future date, if any, at which time the rating organization will be prepared to convert the rates for such line, subline, or specific coverage to advisory loss costs.

### 1. LOSS COST FILING PROCEDURES

#### A. RATING ORGANIZATION ACTION

Chapter 701 provides that rating organizations and advisory organizations shall not develop or file final advisory rates that include provision for: profit, general and other acquisition expense, commission and brokerage, taxes or licenses and fees.

Chapter 701 provides that rating organizations and advisory organizations shall not develop or file final advisory rates that include provision for: profit, general and other acquisition expense, commission and brokerage, taxes or licenses and fees. For commercial lines of insurance, rating organizations may develop and file with the commissioner a reference filing containing advisory prospective loss costs and the supporting actuarial and statistical information for any calculations or assumptions underlying such loss costs.

Such reference filing shall be filed, reviewed and become effective in accordance with Connecticut General Statutes and the requirements of this bulletin. After a reference filing has been filed with the commissioner, the rating organization will provide its participating insurers with a copy of the reference filing. The rating organization may print and distribute manuals of prospective loss costs, as well as rules and other supplementary rating information.

## B INSURER ACTION

Each insurer must individually determine the final rates it will file with the commissioner and the effective date of any rate changes it proposes. Such rate filings will be made in accordance with the following procedures:

1. Initial filing to adopt a Rating Organization's reference filing for any line or subline of insurance must include:
  - a. Appendix 1: Reference Filing Adoption Form, completed and signed.
  - b. Appendix 2: Summary of Supporting Information
  - c. An explanatory memorandum that highlights and explains any changes being proposed, such as independent rules, rating plans, etc.
  - d. The insurer may request that its loss cost adjustment multipliers remain on file with the commissioner and reference (i.e. be applicable to) all subsequent prospective loss cost reference filings made by the rating organization. Such request may be made by checking the appropriate item on the Reference Filing Adoption Form. Upon authorization of subsequent rating organization loss cost reference filings, the insurer's rates will be the combination of the revised prospective loss costs and the loss cost adjustment multipliers on file with the commissioner. Except for workers' compensation loss cost reference filings, the insurer's rates will apply to policies effective on or after the effective date of the prospective loss costs. The insurer, in this instance, need not file anything further with the commissioner. For workers' compensation insurance, an insurer must file a Reference Filing Adoption Form (Appendix 1) each time it proposes to adopt a workers' compensation loss cost reference filing.
  - e. The insurer's filed loss cost adjustment multipliers will remain in effect until it withdraws them or files and receives authorization of revised multipliers, or it is determined that

the multipliers do not comply with the standards set forth in Chapter 701 of the Connecticut General Statutes.

2. Insurer adoption of Rating Organization’s subsequent reference filing for any line or subline:
  - a. If the insurer HAS filed to have its loss cost adjustment multiplier remain on file, and the rating organization files a new reference filing other than workers' compensation, and:

IF...	THEN...
a. the insurer elects to use the revision of the new loss costs and effective date as filed...	a. the insurer does NOT file anything with the commissioner. Rates are a combination of the new loss costs and the filed loss cost adjustment multipliers, and are effective on the effective date of the new loss costs.
b. the insurer elects to use the new loss costs as filed BUT with a different effective date...	b. the insurer must notify the commissioner of its effective date prior to the rating organization’s reference filing effective date.
c. the insurer elects to use the new loss costs, BUT wishes to change its loss cost adjustment multiplier...	c. the insurer must file a revised Reference Filing Adoption Form and Summary of Supporting Information Form prior to the rating organization’s reference filing effective date.
d. the insurer elects NOT to revise its rates...	The insurer must notify the commissioner prior to the rating organization’s reference filing effective date.

- b. If the insurer has NOT filed to have its loss cost adjustment multiplier remain on file, applicable to subsequent reference filings, or if the insurer wishes to adopt a workers’ compensation insurance loss cost reference filing, and:

IF	THEN
a. the insurer elects to use the new loss costs to revise its rates...	a. the insurer must file a Reference Filing Adoption Form and Summary of Supporting Information Form prior to its proposed effective date, in accordance with Connecticut General Statutes.
b. the insure elects NOT to use the new loss costs...	b. the insurer does not file anything with the commissioner.

### 3. INSURER FINAL RATES AND MINIMUM PREMIUMS

To the extent that an insurer's final rates are determined solely by applying its loss cost adjustment multiplier(s), as presented in the REFERENCE FILING ADOPTION FORM, to the prospective loss costs contained in a rating organization's reference filing and printed in the rating organization's rating manual, the insurer need not develop or file its final rate pages with the commissioner. If an insurer chooses to print and distribute final rate pages for its own use, based solely upon the application of its filed loss cost adjustment multipliers to a rating organization's prospective loss costs, the insurer need not file those pages with the commissioner. If the rating organization does not print the loss costs in its rating manual, the insurer must submit its rates to the commissioner. If an insurer wishes to use minimum premiums, it must file the minimum premiums or minimum premium rules it proposes to use.

## 2. INSURER INDEPENDENT RATE FILING (NON-LOSS COST FILING)

Each insurer that does not base its rates on loss costs reference filings must submit independent rate filings in accordance with Chapter 701. As part of its filing, the insurer must complete Appendix 3, Insurance Company Rate Filing Form, Independent Commercial Rate Filing.

## 3. CALCULATION OF RATES

Unless the rating organization specifies a rule for the calculation of rates in the appropriate manual, the insurer must explain how it calculates its rates.

## 4. PROFIT & CONTINGENCIES AND INVESTMENT INCOME

Rates may contain a provision for contingencies and a provision for a reasonable profit allowance. In determining the reasonableness of the profit allowance, consideration shall be given to all investment income attributable to unearned premiums and loss reserves.

## 5. RULES, RELATIVITIES AND SUPPLEMENTARY RATING INFORMATION

### A. RATING ORGANIZATION ACTION

1. A rating organization may file with the commissioner any filing which contains revisions to rules, relativities and supplementary rating information, including revisions to policy writing rules, rating plans, classification codes and descriptions, territory codes and descriptions, and rules which include factors or relativities such as increased limits factors, classification relativities and any other similar factors.
2. Filings made by the rating organization which include the above are made on behalf of those insurers which have authorized the rating organization to file such rules, relativities and other supplementary rating information on their behalf.
3. The rating organization shall submit to the commissioner a list of all insurers who have given the rating organization the authority to file on their behalf. Such list shall be updated periodically by the rating organization.

4. Rating organizations may print and distribute manuals of rules, relativities and other supplementary rating information.

**B. INSURER ACTION**

If an insurer has authorized a rating organization to file on its behalf, and a new filing of rules, relativities or other supplementary rating information is made by the rating organization, and...

IF...	THEN...
a. the insurer decides to use the revisions and the effective date as filed.	a. the insurer does NOT file anything with the commissioner.
b. the insurer decides to use the revisions as filed BUT with a different effective date...	b. the insurer must notify the commissioner of its effective date prior to the rating organization's effective date.
c. the insurer elects not to use the revision...	c. the insurer must notify the commissioner prior to the rating organization's effective date.
d. the insurer elects to use the revision with modification...	d. the insurer must file the modification with the commissioner, specifying the basis for the modification.

**6. ADVISORY LOSS COSTS**

A rating organization may file advisory loss costs for all classifications and types of insurance. If the advisory loss costs filing is accepted as a reference document, individual companies may incorporate it in the company's filing by identifying the filing's reference document number. Rating organizations may not file final rates, except for the residual market or on approval of the commissioner.

Loss costs may include adjustments for:

- a. Loss adjustment expense, both allocated and unallocated.
- b. Loss development to ultimate value.
- c. Trending of losses.
- d. Loss based assessments
- e. Benefit and law changes

Loss costs shall not include adjustments for:

- f. General and other acquisition expenses.
- g. Commission and brokerage expense.
- h. Taxes, licenses and fees.
- i. Premium based assessments
- j. Profit.

- k. Investment income.

## 7. RATING AND ADVISORY ORGANIZATIONS: PERMITTED ACTIVITIES

Pursuant to statute or by waiver granted by the commissioner, a rating or advisory organization is authorized to:

- a. Develop statistical plans, including classification definitions.
- b. Collect statistical data from members, subscribers or any other source.
- c. Prepare and distribute factors, calculations, formulas or miscellaneous values pertaining to classifications, increased limits and other variables, including:
  - 1. Premium discount factors.
  - 2. United States Longshoremen's and Harbor Workers Act Factors, F classes.
  - 3. Increased limits factors.
  - 4. Deductible rate credits.
  - 5. Expense constants.
  - 6. Loss constants
- d. Prepare and distribute manuals of rating rules and rating schedules that do not include final rates, expense provisions, profit provisions or minimum premiums.
- e. Upon the request of any insurer, produce rates for such insurer based upon such insurer's exposure, loss, expense and profit data, to be filed by the insurer.

## 8. WORKERS' COMPENSATION EXPERIENCE RATING PLAN

Workers' Compensation experience rating modification factors will be calculated using a uniform plan based on the current loss costs promulgated by the National Council on Compensation Insurance (NCCI). Such promulgated experience modifications must be used by all insurers in pricing accounts.

## 9. UNIFORM ADMINISTRATION OF WORKERS' COMPENSATION CLASSIFICATIONS, REPORTING OF RATES AND OTHER INFORMATION

- a. Every workers' compensation insurer shall adhere to a uniform classification system and uniform experience rating plan filed with the commissioner by a rating organization designated by the commissioner and subject to prior approval.
- b. The commissioner has designated the National Council on Compensation Insurance (NCCI) to assist in gathering, compiling and reporting relevant statistical information. Every workers' compensation insurer shall record and report its workers' compensation experience to the designated organization as set forth in the uniform statistical plan approved by the commissioner.

- c. Subject to the approval of the commissioner, the designated rating organization shall develop and file manual rules, reasonably related to the recording and reporting of data pursuant to the uniform statistical plan, uniform experience rating plan and the uniform classification system. Every workers' compensation insurer shall adhere to the approved manual rules and experience rating plan in writing and reporting its business.
- d. All insurers must adhere to standard policy forms. They may adopt advisory forms which have been developed by NCCI. Such forms must be filed by the individual company and are subject to approval by the commissioner.

#### 10. DOCUMENTATION OF FILINGS - APPENDICES/SUPPORTING INFORMATION

Insurers referencing rating organization reference filings are required to file a REFERENCE FILING ADOPTION FORM and a SUMMARY OF SUPPORTING INFORMATION FORM. These forms are attached to this bulletin as Appendices 1 and 2. Notwithstanding the inclusion of these appendices in an insurer's rate filing, in accordance with the provisions of Chapter 701, an insurer is not relieved of submitting detailed supporting information, when requested to do so by the commissioner.

Efficient processing of program filings will benefit insurers and enhance the marketplace for Connecticut consumers. If you have any questions on the procedures outlined in this bulletin, please call the Connecticut Insurance Department, Property and Casualty Division, 860-297-3867 or send a letter to P.O. Box 816, Hartford, Connecticut 06142-0816.

  
Susan F. Cogswell  
Insurance Commissioner

CONNECTICUT APPENDIX 1				
REFERENCE FILING ADOPTION FORM				
COMMERCIAL RATE FILING				
ADOPTION OF RATING ORGANIZATION ADVISORY PROSPECTIVE LOSS COSTS				
1.	Insurer Name:			
	Group Name:			
	Address			
	City			
	ZIP Code			
2.	NAIC Group Number			
3.	NAIC Company Number			
4.	Line/subline of insurance: (Check one)			
	Fire/Allied		Comm. Auto Liability	
	CMP-Property		Comm. Auto P. D.	
	CMP-Liability		Fidelity/Surety	
	Businessowners		Medical Malpractice	
	Inland Marine		Workers' Compensation	
	Products Liability		Other Liability	
				Professional Liability
				Burglary and theft
				Boiler and Machinery
				Other:
5.	Rating Organization (Check One)			
	ISO [ ]	NCCI [ ]	AAIS [ ]	SAA [ ]
	Other (name)			
6.	Rating Organization Reference Filing Number			
7.	Proposed Effective Date	New business		
		Renewal business		
8.	Estimated Company Rate Level Change (%)			
9.	Prior Company Rate Level Change (%)			
10.	Estimated Company Connecticut Market Share (%)			
11.	The above insurer hereby declares that it is a member, subscriber or service purchaser of the named rating organization for this line of business. The insurer hereby files to be deemed to have independently submitted, as its own filing, the prospective loss costs contained in the indicated reference filing. The insurer's rates will be the combination of the prospective loss costs, any deviations thereto, the loss cost adjustment multiplier and, if utilized, the expense constants specified in the attachments.			



12.	Check one of the following:	
	<input type="checkbox"/> The insurer hereby requests that its loss cost adjustment multiplier and, if utilized, expense constants, be applicable to future revisions of the rating organization's prospective loss costs for this line or subline of insurance. The insurer's rates will be the combination of the rating organization's loss costs, any company deviations thereto, and the insurer's loss cost adjustment multipliers. Except for workers' compensation, the rates will apply to policies effective on or after the effective date of the rating organization's prospective loss costs. This authorization is effective until amended or withdrawn by the insurer.	
	<input type="checkbox"/> The insurer hereby files to have its loss cost adjustment multiplier and, if utilized, expense constants, be applicable only to the above rating organization reference filing.	
13	Multiple Company Filing	
	Company Name:	NAIC Number
14.	Company Employee Responsible for filing:	
	Title	
	Telephone Number	
	Fax Number	
	E-mail Address	
	Signed:	

CONNECTICUT APPENDIX 2  
**SUMMARY OF SUPPORTING INFORMATION FORM**  
 INSURER RATE FILING

ADOPTION OF RATING ORGANIZATION ADVISORY PROSPECTIVE LOSS COSTS

1.	Insurer Name:			
	Address			
	City			
	ZIP Code			
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2.	NAIC Group Number			
3.	NAIC Company Number			
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4.	Reference Number			
	Filing Description			
<hr/>				
5.	The insurer hereby files to adopt the prospective loss costs in this reference filing (Check One):			
	Without modification/deviation:	[   ]		
	With the following modification(s):			
	Uniform Credit	[   ]	Uniform Debit	[   ]
	Uniform Credit with deviation by class	[   ]	Uniform debit with deviation by class	[   ]
	Combination: credit and debit deviation by class:	[   ]		
		*Excluding loss cost modifications	*Including loss cost modifications	
6.	Loss Cost Adjustment Multiplier*			
7.	Prior Loss Cost Adjustment Multiplier (if changed)*			
8.	Expected Loss Ratio			
9.	Investment income percentage offset included in Loss Cost Adjustment Multiplier			
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10.	Connecticut Page 15 Annual Statement LOB Experience – Most Recent 3 Years	Earned Premium	Incurred Losses	Loss Ratio Incurred/Earned
	Total Three Years			
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11.	Selected Expense Provisions in Loss Cost Adjustment Modifier:			
	A	Commissions		
	B	Other Acquisition Expense		
	C	General Expense		
	D	Taxes, Licenses & Fees		
	E	Profit & Contingencies		
	F	Other (Explain)		
	G	Total		
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12.	Company contact for filing:			
	Title			
	Telephone Number			
	Fax Number			
	E-mail Address			
	Signed:			
	Date:			

CONNECTICUT APPENDIX 3  
**INSURANCE COMPANY RATE FILING FORM**  
 INDEPENDENT COMMERCIAL RATE FILING

CONNECTICUT APPENDIX 3 <b>INSURANCE COMPANY RATE FILING FORM</b> INDEPENDENT COMMERCIAL RATE FILING				
1.	Insurer Name:			
	Group Name:			
	Address			
	City			
	ZIP Code			
2.	NAIC Group Number			
3.	NAIC Company Number			
4.	Line/subline of insurance: (Check one)			
	Fire/Allied		Comm. Auto Liability	
	CMP-Property		Comm. Auto P. D.	
	CMP-Liability		Fidelity/Surety	
	Businessowners		Medical Malpractice	
	Inland Marine		Workers' Compensation	
	Products Liability		Other Liability	
5.	Organization (Check One)	The company is a member or subscriber of the following organization for this line of business:		
	ISO [ ]	NCCI [ ]	AAIS [ ]	SAA [ ]
	Other (name)	NAII		
6.	Proposed Effective Date	New business		
		Renewal business		
7.	Estimated Company Rate Level Change (%)			
8.	Prior Company Rate Level Change (%)			
9.	Estimated Company Connecticut Market Share (%)			
10.	Connecticut Page 15 Annual Statement LOB Experience – Most Recent 3 Years	Earned Premium	Incurred Losses	Loss Ratio Incurred/Earned
	Total Three Years			
11.	Selected Expense Provisions in Loss Cost Adjustment Modifier:			
	A	Commissions		
	B	Other Acquisition Expense		
	C	General Expense		
	D	Taxes, Licenses & Fees		
	E	Profit & Contingencies		
	F	Other (Explain)		
	G	Total		

12	Multiple Company Filing		
	Company Name:	NAIC Number	
13.	Company Employee Responsible for filing:		
	Title		
	Telephone Number		
	Fax Number		
	E-mail Address		
	Signed:		