



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

**Bulletin PC-78  
June 30, 2015**

**To: All Companies Licensed To Write Property and Casualty Insurance**

**Re: Update of Bulletin PC-74 Concerning Insurance Rates for Voluntary Market Personal Risk Policies—"Flex-Rate Filings" Under Public Act No. 15-185**

---

This Bulletin is intended to supersede Bulletin PC-74 dated September 3, 2013 concerning flex-rate filings and provide additional guidance to insurers effective for rate filings submitted on and after June 30, 2015. Public Act No. 15-185 extended the Flex-Rate Filing provisions under Conn. Gen. Stat. §38a-688a until July 1, 2017.

A rate filing made by an insurer\* under Conn. Gen. Stat. §38a-688a, as amended, with respect to voluntary market personal risk insurance on July 1, 2006 and until July 1, 2017, may take effect the date it is filed with the Insurance Department (the "Department") provided the rate results in an overall statewide rate increase or decrease of not more than six per cent (6%) in the aggregate and not more than a 15% increase in any individual territory within a 12-month period for all coverages that are subject to the filing.

**\*Note: For purposes of determining compliance with the Flex-Rate Filing provisions, no individual insurer within a group of insurers may exceed the 6% rate increase or decrease and not more than a 15% increase in any individual territory within a twelve month period. A filer cannot average the total increases and/or decreases of an insurer's individual rate increases that are a part of a group filing for purposes of determining whether the flex filing thresholds have been exceeded.**

The flex-filing limits shall not apply on an individual insured basis. Flex-Rate Filings may include changes in base rates and/or relativity factors. The Department does not consider changes to an insurer's rating plan (i.e. changes in class definitions, territory definitions, rating rules or rating model variables) to fall under the Flex-Rate Filing provisions of Conn. Gen. Stat. §38a-688a unless the insurer is adopting a rating plan, including all supplemental rate information, that is currently approved for use by other licensed insurers and/or advisory/rating organizations.

- Please note that the filer must identify in its transmittal letter, and under SERFF "filing type" that the filing is being submitted under the Flex-Rate Filing provisions and must provide a statement that such filing meets the requirements established by Conn. Gen. Stat. §38a-688a. The filing should also clearly state the proposed effective date(s) for new and renewal business subject to the filing.

- All insurers filing a rate under the Flex-Rate Filing provisions are to provide a separate exhibit indicating the overall aggregate rate impact by territory and towns in the territory.
  - For homeowners rate filings, insurers must include territorial definitions. In addition, all homeowners rate filings must include rate impact by form (HO-3, HO-4 and HO-6) in addition to the HO matrix required on all HO rate filings.
  - For private passenger nonfleet automobile filings, this exhibit should be included as a supplement to Appendix 3 of the Exhibits required under Department Bulletin PC-68 dated September 21, 2010.
- Not more than one Flex-Rate Filing may be made by an insurer within any twelve-month period, unless such filing, when combined with one or more Flex-Rate Filings and non Flex-Rate filings made by the insurer within the preceding twelve months, does not result in an overall statewide multiplicative cumulative increase or decrease of more than 6% in the aggregate and not more than a 15% increase in any individual territory for all coverages that are subject to the filing. Please note that the insurer must also identify in its transmittal letter to the Department all rate changes made during the twelve-month period which relate to the filing. Refer to question #2 below for further clarification.

## FREQUENTLY ASKED QUESTIONS

### 1. What types of filings are subject to the Flex-Rate Filing provision?

All personal risk rate filings, other than those written through residual market mechanisms, are subject to the Flex-Rate Filing provision.

### 2. How often may an insurer submit a rate revision under the Flex-Rate Filing provision?

An insurer may submit multiple rate revisions under the Flex-Rate Filing statute during a twelve-month period, provided the request complies with the requirements of Conn. Gen. Stat. §38a-688a as amended by Public Act 15-185. Filings submitted under the Flex-Rate Filing provision must adhere to the following:

- for a single Flex-Rate Filing made by the insurer within a 12-month period, the overall statewide increase or decrease **cannot** exceed 6% and not more than a 15% increase in any individual territory \*;
- and**
- for a Flex-Rate Filing made within a 12-month period, when combined with one or more Flex-Rate and non-Flex-Rate filings made by the insurer within the preceding 12 months, the overall multiplicative cumulative rate change must be within the Flex-Rating range of -6% to +6% and not more than a 15% increase in any individual territory.

**\*Note:** For purposes of determining compliance with the Flex-Rate filing provisions, no individual insurer within a group of insurers may exceed the 6% rate increase or decrease or a 15% increase in any individual territory within a twelve month period. A filer cannot average the total increases and/or decreases of an insurer's individual rate increases that are a part of a group filing for purposes of determining whether the flex filing thresholds have been exceeded.

Under Conn. Gen. Stat. §38a-688a as amended by Public Act 15-185, a filing that does not meet the Flex-Rate Filing requirements will be subject to Connecticut General Statutes §§38a-389 and 38a-688 unless the filing is otherwise exempt from those sections. Insurers may file under the Flex-Rate Filing provisions separately for each personal risk line of business an insurer is authorized to write in this state for which an existing rating plan is in effect.

**3. How often may an insurer apply for a rate revision outside the Flex-Rating law?**

Rate revisions outside of the Flex-Rating law are not subject to the cumulative annual limitation and may be filed as often as an insurer finds necessary.

**4. If an insurer submits a rate revision under the file and use provisions of the Connecticut General Statutes and the Regulations of Connecticut State Agencies, can it also submit a rate revision under the Flex-Rate Filing provision during a 12-month period?**

Yes. An insurer may file under both provisions during a 12-month period, provided the filing meets the Flex-Rating requirements of Conn. Gen. Stat. §38a-688a as amended by Public Act 15-185. Please refer to Question 2. above for further information.

**5. Will a filing be considered under the Flex-Rating law if it includes changes to supplemental rate information including changes in class definitions, territory definitions or changes in rating rules?**

It depends. Flex-Rate Filings may include changes in base rates and/or relativity factors. The Department does not consider changes to an insurer's rating plan (i.e., changes in class definitions, territory definitions, rating rules or rating model variables) to fall under the Flex-Rating provisions of Conn. Gen. Stat. §38a-688a as amended by Public Act 15-185 *unless* the insurer is adopting a rating plan, including all supplemental rate information, that is currently approved for use by other licensed insurers and/or advisory/rating organizations. Changes in rating plans, including all supplemental rate information, will be reviewed under the file and use provisions of the Connecticut General Statutes unless the insurer is adopting plans currently approved for use by other licensed insurers and/or advisory/rating organizations.

**6. Will initial filings received after July 1, 2006 be eligible for review under the Flex-Rating provisions of Conn. Gen. Stat. §38a-688a?**

No. The Flex-Rating statute only applies to rate revisions of existing programs.

**7. May an insurer file the first revision within 12 months after an initial filing under the Flex-Rate Filing provision?**

Yes. The Flex-Rate Filing provisions may be used provided the revision does not exceed an increase or decrease of 6% of the initial filing and not more than a 15% increase in any individual territory.

**8. Are the filing requirements the same for filings submitted under the Flex-Rating law?**

Yes. Filings submitted under the Flex-Rate Filing law must include all the required documents for a complete filing and must comply fully with all other applicable regulatory requirements.

**9. Will the Department continue to conduct its statutorily mandated reviews for Flex-Rate Filings submitted in accordance with the Conn. Gen. Stat. §38a-688a and Public Act 15-185?**

Yes. The Department will continue to comprehensively review such filings. The Flex-Rate Filing law provides that if the Commissioner determines that the filing is inadequate or unfairly discriminatory, the Commissioner shall issue a written order specifying in detail the reasons why the filing is inadequate or unfairly discriminatory. The order will indicate a future date on which the filing shall no longer be effective. The following should be noted:

- An order by the Commissioner that is issued more than 30 days after the date the Commissioner received the rate filing is prospective only and does not affect any contract of insurance issued or made before the effective date of the order.
- A rate is not inadequate unless (i) the rate is unreasonably low for the insurance provided and continued use of the rate would endanger the solvency of the insurer; or (ii) it is unreasonably low for the insurance provided and its use has or, if continued, will have, the effect of destroying competition or creating a monopoly.

**10. Are there any specific notice requirements at renewal time?**

- Yes. Conn. Gen. Stat. §38a-688a as amended by Public Act 15-185 provides that no rate increase within the 6% Flex-Rating band and not more than a 15% increase in any individual territory may be implemented with respect to an individual existing policy in effect on the date of the filing, unless the increase is applied at the time of renewal of an existing policy period and the insurer provides advance notice of the increase to the insured pursuant to Conn. Gen. Stat. §38a-323.



Katharine L. Wade  
Insurance Commissioner