WEST VIRGINIA
SECRETARY OF STATE
JOE MANCHIN, III
ADMINISTRATIVE LAW DIVISION

Form #2

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2003 MAY 28 P 4:06

OFFICE WEST VIRGINIA
SECRETARY OF STATE

NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE

AGENCY: Insurance Commissioner TITLE NUMBER: 114

RULE TYPE: Legislative CITE AUTHORITY: §§33-2-10, 33-6-9(e) & 33-16B-2

AMENDMENT TO AN EXISTING RULE: YES X NO ___

IF YES, SERIES NUMBER OF RULE BEING AMENDED: 26

TITLE OF RULE BEING AMENDED: Accident and Sickness Rate Filing

IF NO, SERIES NUMBER OF RULE BEING PROPOSED: ___

TITLE OF RULE BEING PROPOSED: ___

IN LIEU OF A PUBLIC HEARING, A COMMENT PERIOD HAS BEEN ESTABLISHED DURING WHICH ANY INTERESTED PERSON MAY SEND COMMENTS CONCERNING THESE PROPOSED RULES. THIS COMMENT PERIOD WILL END ON June 27, 2003 AT 4:30 PM ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS:

Gara A. Hoke, Associate Counsel
West Virginia Insurance Commission
P.O. Box 50540
Charleston, WV 25305-0540

THE ISSUES TO BE HEARD SHALL BE LIMITED TO THIS PROPOSED RULE.

Brian J. Kostur
Authorized Signature

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL

5.40

Insurance Commissioner
Legislative Rule
Title 114, Series 26

ACCIDENT AND SICKNESS RATE FILING

TITLE 114, SERIES 26

BRIEF SUMMARY OF RULE

The amendment to Series 26 consists of the deletion of Appendix A, Form ASA-R-89. In so doing, the process of making changes to the form, when and if necessary, becomes much more efficient, in that a legislative rule amendment is not necessary. The form, as amended, will be incorporated into a new procedural rule, so that changes in the future may occur with more ease than the amendment of a legislative rule and the time that it takes to achieve such an amendment.

Insurance Commissioner
Legislative Rule
Title 114, Series 26

ACCIDENT AND SICKNESS RATE FILING

TITLE 114, SERIES 26

STATEMENT OF CIRCUMSTANCES

In an effort to amend form ASA-R-89, the lengthy timeline involved precipitated a discussion to delete the form from a legislative rule, instead promulgating a new procedural rule which would incorporate form ASA-R-89 for accident and sickness rate filings and other related forms. To accomplish this end, an amendment to Series 26 was necessary, deleting the form from the legislative rule. The amendment to Series 26 accomplishes this goal, while at the same time the Insurance Commission is able to promulgate a procedural rule that includes forms for accident and sickness rate and form filings, as well as forms for property and casualty rate and form filings. This ensures greater ease if amendments to the forms are necessary in the future.

APPENDIX B

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Accident and Sickness Rate Filing
Series 26

Type of Rule: _X_ **Legislative** ___**Interpretive** ____**Procedural**

Agency: Insurance Commissioner

Address: Post Office Box 50540
1124 Smith Street, Greenbrooke Building
Charleston, West Virginia 25305-0540

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1. Effect of Proposed Rule

	ANNUAL		FISCAL YEAR		
	Increase	Decrease	Current	Next	Thereafter
ESTIMATED TOTAL COST	None	None	None	None	None
PERSONAL SERVICES	None	None	None	None	None
CURRENT EXPENSE	None	None	None	None	None
REPAIRS AND ALTERNATIONS	None	None	None	None	None
EQUIPMENT	None	None	None	None	None
OTHER	None	None	None	None	None

2. Explanation of above estimates:

The amendment to the rule will have no additional fiscal impact upon state government.

Rule Title: Accident and Sickness Rate Filing
Title 114, Series 26

3. Objectives of these rules:

The amendment to Series 26 consists of the deletion of Appendix A, Form ASA-R-89. In so doing, the process of making changes to the form, when and if necessary, becomes much more efficient, in that a legislative rule amendment is not necessary. The form, as amended, will be incorporated into a new procedural rule, so that changes in the future may occur with more ease than the amendment of a legislative rule and the time that it takes to achieve such an amendment.

4. Explanation of Overall Economic Impact of Proposed Rule.

A. Economic Impact on State Government.

None

B. Economic Impact on Political Subdivisions; Specific Industries; Specific groups of Citizens.

None

C. Economic Impact on Citizens/Public at Large.

There is not expected to be any specific economic impact on the public as a result of the amendments to this rule.

Date: May 28, 2003

Signature of Agency Head or Authorized Representative

Jane L. Cline, Insurance Commissioner

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2003 MAY 28 P 4: 06

OFFICE WEST VIRGINIA
SECRETARY OF STATE

114CSR26

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

SERIES 26
ACCIDENT AND SICKNESS RATE FILING

Section

114-20-1. General.

114-20-2. Definitions.

114-20-3. Rate Filing Requirements.

~~Appendix A. Accident and Sickness Insurance Rate Filing Abstract~~

114CSR26

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

SERIES 26
ACCIDENT AND SICKNESS RATE FILING

§114-26-1. General.

1.1. Scope. -- This legislative regulation establishes requirements for information and data to be provided to the Insurance Commissioner with the filing of rates and rate adjustments for accident and sickness insurance policies. The purpose of this regulation is to provide the Insurance Commissioner with the information necessary to ensure that rates for accident and sickness insurance are reasonable in relation to the benefits provided under the policy as required by W. Va. Code §33-6-9(e) and §33-16B-2. This regulation applies to all individual accident and sickness insurance policy forms and all group accident and sickness insurance policy forms which are delivered or issued for delivery in this State which are not negotiated for with the policyholder and experience rated.

1.2. Authority. -- W. Va. Code §§33-2-10, 33-6-9(e), 33-16B-2.

1.3. Filing Date. -- May 31, 1991.

1.4. Effective Date. -- May 31, 1991.

§114-26-2. Definitions.

2.1. A policy or policy form includes the contract effecting insurance, or the certificate thereof, and includes any riders, endorsements or amendments attached to the base contract.

2.2. An experience rated group, for purposes of this regulation means a group eligible for group accident and sickness insurance pursuant to W. Va. Code §33-16-2 and whose premium rates are based on the historic and/or projected loss experience of the individual group standing alone.

2.3. A community rated group is a group eligible for group accident and sickness insurance pursuant to W. Va. Code §33-16-2 and whose premium rates are based on the historic and/or projected loss experience of a pool of group policies.

§114-26-3. Rate Filing Requirements.

3.1. General Requirements.

~~3.1.1.~~ a. Every policy, rider or endorsement form which is submitted to the

Commissioner for approval shall be accompanied by a rate filing if such policy, rider, or endorsement form in any way involves a new product which has not been previously approved or in any way effects a rate change. A reduction in benefits while maintaining the same rate shall be considered a rate change. Any subsequent additions to rate schedules or changes in rates applicable to such forms shall also be filed for approval.

~~3.1.2.~~ b. Each rate filing shall include the appropriate filing fee, filing abstract(s), a cover letter explaining the nature of the filing, and all relevant information describing the basis on which the rates were determined and the calculations of the anticipated loss ratio. Interest, at a rate consistent with that assumed in the determination of premiums, shall be used in the calculation of the loss ratio.

~~3.1.3.~~ c. Information required pursuant to this regulation shall be provided ~~in the format prescribed by the Accident and Sickness Insurance Rate Filing Abstract (Department Form ASA-R-89, provided as Appendix A)~~ in a format prescribed by the Insurance Commissioner.

3.2. Filing of Rates for a New Policy Form.

~~3.2.1.~~ a. All new policy forms shall be accompanied by a rate submission which shall include:

~~3.2.1.a.~~ 1. The policy form and application;

~~3.2.1.b.~~ 2. The rate sheets which indicate the rate structures at various benefit levels for the proposed policy form;

~~3.2.1.c.~~ 3. An actuarial memorandum containing the following information:

~~3.2.1.c.1.~~ A. A description of the type of policy and benefits, renewability, general marketing method and issue age limits;

~~3.2.1.c.2.~~ B. A description of how rates were determined including all calculations, formulas, and variables used in the determination of the proposed rate and a general description of, and the source of each assumption used;

~~3.2.1.c.3.~~ C. The anticipated loss ratio, a description of how it was calculated, and minimum anticipated loss ratio presumed reasonable for this policy form.

~~3.2.1.d.~~ 4. Any other information relevant to the filing.

3.3. Adjustments to Approved Rates.

~~3.3.1.~~ a. All filings for adjustments to approved rates shall include:

~~3.3.1.a.~~ 1. New rate sheets which provide a comparison of the revised premiums with the current premiums;

~~3.3.1.b.~~ 2. All current policy forms and related rate structures for policies that would be affected by the rate adjustment submission, along with the date of approval thereof, if the forms have been in effect for two (2) years or more;

~~3.3.1.c.~~ 3. The number of contracts and persons covered by the applicable policy forms in West Virginia for each of the five (5) years prior to the effective date of new rates that are requested;

~~3.3.1.d.~~ 4. The proposed effective date for all rate adjustments;

~~3.3.1.e.~~ 5. A statement of all rate increases, by yearly percentage, which have been received on the rate structure for the applicable policy in each of the five (5) years preceding the proposed effective date of the new rates. Such increases shall be shown both on a countrywide and a West Virginia basis;

~~3.3.1.f.~~ 6. An all-inclusive description of the benefits provided by the policy that is applicable to the requested rate adjustment. If different benefits are provided at different premium levels the differences should be indicated;

~~3.3.1.g.~~ 7. If applicable, a full description as to the information and representations, including negotiating procedures, provided to preferred providers which affect the program for which new rates are proposed and how such information and representations will affect the program and rates on an annual basis;

~~3.3.1.h.~~ 8. A description of the purpose for the rate adjustment and any changes in the text of the policy forms;

~~3.3.1.i.~~ 9. A breakdown of the losses associated with vintage years of policies. Losses should be separated by those losses associated with policies with a life of 1, 2, 3, 4, and more than four (4) years on a West Virginia and countrywide basis;

~~3.3.1.j.~~ 10. A breakdown of earned premiums separated in the manner noted in item 3.3.1.i above;

~~3.3.1.k.~~ 11. A breakdown of written premium separated in the same manner noted in item 3.3.1.i. above;

~~3.3.1.l.~~ 12. All calculations, formulas and variables that were used in the determination of the proposed rates;

~~3.3.1.m.~~ 13. All data used in the formulation of trended losses;

~~3.3.1.n.~~ 14. All assumptions, formulas and calculations that were used to formulate trended losses and earned premiums submitted in support of rate adjustments;

~~3.3.1.o.~~ 15. The weighted average investment income yield earned on reserves of the company for each of the five (5) years prior to the proposed effective date of the new rates;

~~3.3.1.p.~~ 16. A disclosure as to the loss ratios realized for each of the five (5) years prior to the proposed effective date of new rates on a West Virginia and countrywide basis;

~~3.3.1.q.~~ 17. A breakdown of the percentage of earned premiums that are associated with administrative costs, taxes, risk retention and profit, and other cost functions that are not loss coverage;

~~3.3.1.r.~~ 18. A disclosure of whether losses are reported on a policy year basis or a calendar year basis;

~~3.3.1.s.~~ 19. Any consideration given to mitigating a requested increase through benefit restructuring;

~~3.3.1.t.~~ 20. A breakdown as to the average age associated with the groups that are covered;

~~3.3.1.u.~~ 21. A description of the embedded stop loss provisions of the policy;

~~3.3.1.v.~~ 22. Any other information relevant to the filing.

3.4. Community Rated Groups.

All insurers providing group accident and sickness coverage must file for approval all formulas, indices, factors and any other variables used in calculation of community rated group coverage along with a narrative explanation of how these factors are used and the group rates calculated. Rates currently in effect for all community rated groups must be filed with the

Commissioner. Any changes in the insurer's group rating factors or variables used in the community group rating plan must be filed for approval. Rate adjustments for individual groups in the community pool which correspond to approved changes in the rating plan or formula are to be filed for approval only at the request of the Commissioner. Any proposed changes in an approved community rating plan should be filed with all the relevant information required by Sections 3.1 through 3.3. of this regulation.

Insurance Commissioner
Legislative Rule
Title 114, Series 26

~~Appendix A~~

~~**INSURANCE COMMISSIONER**~~

~~**STATE OF WEST VIRGINIA**~~

~~**ACCIDENT AND SICKNESS INSURANCE**~~
~~**RATE FILING ABSTRACT**~~

~~**INSTRUCTIONS:** All questions must be answered; if no answer is applicable, enter the reason for such determination. USE A SEPARATE ABSTRACT FOR EACH POLICY FORM AFFECTED, OR FOR EACH PROPOSED PREMIUM RATE ADJUSTMENT. If this filing is a combination rate and form filing, the Form Filing Abstract Form ASA-F-83 must also be completed. Is there a form filing which corresponds to this rate filing? Yes____ No____~~

~~NOTE: A $25.00 filing fee is required for each rate filing. (Code Section 33-6-34).~~

~~I. General~~

~~1. Date Filed_____ Proposed Effective Date_____~~

~~2. Company Name:_____ Part of Group:_____~~

~~3. Policy/Contract Affected:~~

~~a. Department ID Number:_____~~
~~(If form has previously been approved.)~~

~~b. Form Number:_____~~

~~c. Date of Approval:_____~~
~~(If over 2 years provide copies of all forms affected.)~~

~~d. Type of Policy:_____~~

~~4. Average Current and Proposed Premium Rate Levels - Indicate mode for each (i.e. monthly, quarterly, annually)~~

~~Current Rate: Single Family~~

~~Proposed Rate: Single Family~~

~~II. Data for new policy form - (Use separate sheets for response if necessary.)~~

~~1. Indicate anticipated loss ratio and how calculated.~~

~~ASA-R-89-1~~

~~2. Describe how rates were determined indicating all calculations, formula and variables used and a general description and source of each assumption used.~~

~~3. Provide the policy form, applications and any riders or endorsements that may be attached to the base policy.~~

~~4. Describe the marketing method to be used for this form.~~

~~III. Adjustments to Approved Rates~~

~~1. Provide rate sheets which compare revised premiums with current premiums at all benefit levels.~~

~~2. Provide all policy forms affected by this proposed rate adjustment if the forms have been in effect in West Virginia for more than two years.~~

~~3. Number of West Virginia policies in force in each of the last five years.~~

	# of Policies	% Change
5th Prior Year 19____		
4th Prior Year 19____		
3rd Prior Year 19____		
2nd Prior Year 19____		
1st Prior Year 19____		

~~4. List all rate level changes for the last five years on the policy affected by this proposed premium rate adjustment.~~

~~a. West Virginia~~	~~Effective Date~~	~~Percentage Adjustment~~
~~5th Prior Year 19____~~	_____	_____
~~4th Prior Year 19____~~	_____	_____
~~3rd Prior Year 19____~~	_____	_____
~~2nd Prior Year 19____~~	_____	_____
~~1st Prior Year 19____~~	_____	_____

~~ASA-R-89-2~~

b. Countrywide	Effective Date	Percentage Adjustment
5th Prior Year 19____	_____	_____
4th Prior Year 19____	_____	_____
3rd Prior Year 19____	_____	_____
2nd Prior Year 19____	_____	_____
1st Prior Year 19____	_____	_____

5. Provide the following information:

		WEST VIRGINIA		COUNTRYWIDE	
		Earned Premium (000)	Incurred Losses (000)	Earned Premium (000)	Incurred Losses (000)
5th Prior Year	19____	_____	_____	_____	_____
4th Prior Year	19____	_____	_____	_____	_____
3rd Prior Year	19____	_____	_____	_____	_____
2nd Prior Year	19____	_____	_____	_____	_____
1st Prior Year	19____	_____	_____	_____	_____
Report Year	19____	_____	_____	_____	_____
	TOTAL	_____	_____	_____	_____

6. Provide a breakdown of losses associated with vintage policy years.

	WEST VIRGINIA			
Policy Age	Written Premium	Earned Premium	Incurred Losses	Trended Developed Incurred Losses
Over 4 years	_____	_____	_____	_____
3 Years	_____	_____	_____	_____
2 Years	_____	_____	_____	_____
1 Year	_____	_____	_____	_____

~~COUNTRYWIDE~~

~~Policy Age~~	~~Written Premium~~	~~Earned Premium~~	~~Incurred Losses~~	~~Trended Developed Incurred Losses~~
~~Over 4 years~~				
~~3 Years~~				
~~2 Years~~				
~~1 Year~~				

~~ASA-R-89-3~~

~~7. A. Provide a breakdown of the percentage of earned premium associated with each of the following areas of cost:~~

~~Commission and brokerage~~	~~%~~
~~Taxes, License, Fees~~	~~%~~
~~General Administrative~~	~~%~~
~~Risk Retention~~	~~%~~
~~Profit~~	~~%~~
~~Other (describe)~~	~~%~~
~~TOTAL EXPENSES~~	~~%~~

~~B. Indicate minimum loss ratio for this type of policy.~~

~~8. Address in narrative form the following requests for information:~~

~~(a) Explain trending methods used. Provide trended loss data (by significant loss category) and provide a clear explanation of the trending methodology and mathematics. Provide all formulas and calculations used in formulation of the trended data.~~

~~(b) Explain the manner in which credibility of data is considered in your ratemaking process. Show all formulas, applications and methodology used to formulate credibility measurements.~~

~~(c) Explain your indicated rate level. Provide all mathematical formulas and calculations which show the complete deliniation of the method used to calculate the indicated rate level.~~

~~(d) Explain the manner in which investment income is considered when a final rate level is selected. Provide a complete breakdown of the formulas, variables and methodology used to calculate investment income yield. Further, the weighted average investment income yield earned on reserves for the five years prior to the proposed effective date of new rates.~~

~~9. Was any consideration given to mitigating the proposed rate adjustment through benefit restructuring? If not, why not? If so, describe benefit changes proposed and effect on rate adjustment.~~

~~10. What is the average age of the policyholder group affected by this filing?~~

~~11. Are losses reported on a calendar year or policy year basis?~~

~~12. Describe the stop loss provisions of the policy affected by this filing.~~

~~ASA-R-89-4~~

~~13. The amount of Annual Earned Premium entered in Question III 6 of this Rate Filing Abstract accounts for what proportion of the total annual written premium on a countrywide basis for this particular policy/contract? Please be specific in both total dollars and percentage-proportions in West Virginia:~~

~~14. Has this proposed premium rate adjustment filing been submitted to any other state insurance departments? If "yes", give specific information as to which states, when filed, each state's proportionate share of the total annual written premium for this particular policy/contract, the status of said filing in each state, and any other pertinent information which may be helpful in our review. Please attach additional sheets if more space is needed.~~

~~15. Section 16-29B-24(b) of the Code of West Virginia of 1931, as amended, requires that a copy of any rate and/or coverage filing must be submitted to the West Virginia Health Care Cost Review Authority, West Virginia Department of Health, on or before such filing is submitted to the Insurance Commissioner. Please enter the date on which a copy of this filing was submitted to said Authority:_____~~