

114CSR26

**WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER**

**SERIES 26
ACCIDENT AND SICKNESS RATE FILING**

Section

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INSURANCE COMMISSIONER

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SERIES 26
ACCIDENT AND SICKNESS RATE FILING

OFFICE WEST VIRGINIA
SECRETARY OF STATE

§114-26-1. General.

1.1. Scope. -- This legislative ~~regulation~~ rule 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~~ rule 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~~ rule 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~~ rule 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.

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

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

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

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

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

~~3.2.1.c.2.~~ 2. 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.~~ 3. 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.~~ d. Any other information relevant to the filing.

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3.3. Adjustments to Approved Rates.

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

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

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

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

~~3.3.1.i.~~ i. 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.~~ j. A breakdown of earned premiums separated in the manner noted in ~~item 3.3.1.i~~ subdivision i of this subsection;

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

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

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

3.3.1.n. n. 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. o. 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. p. 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. q. 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. r. A disclosure of whether losses are reported on a policy year basis or a calendar year basis;

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

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

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

3.3.1.v. v. 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

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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 subsections 3.1 through 3.3. of this regulation rule.

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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)

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~~_____ 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.~~

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~~_____ 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 _____	_____	_____

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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		

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	Effective Date	Percentage Adjustment
b. Countrywide		
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				

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COUNTRYWIDE

<u>Policy Age</u>	<u>Written Premium</u>	<u>Earned Premium</u>	<u>Incurred Losses</u>	<u>Trended Developed Incurred Losses</u>
Over 4 years	_____	_____	_____	_____
3 Years	_____	_____	_____	_____
2 Years	_____	_____	_____	_____
1 Year	_____	_____	_____	_____

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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 delimitation of the method used to calculate the indicated rate level.

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~~— (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.~~

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~~— 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: _____~~

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CERTIFICATION: I hereby certify that the information contained in this Rate Filing Abstract is true and correct to the best of my knowledge and belief, and that a true and complete copy of this entire filing has been submitted to the West Virginia Health Care Cost Review Authority as stated herein.

(Signed) _____

(Title) _____

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