

WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION

Form #7

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OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

NOTICE OF AN EMERGENCY RULE

AGENCY: Insurance Commissioner TITLE NUMBER: 114

CITE AUTHORITY: West Virginia Code §33-16B-2, §33-6-9(e), §33-2-10

EMERGENCY AMENDMENT TO AN EXISTING RULE: YES , NO

IF YES, SERIES NUMBER OF RULE BEING AMENDED: _____

TITLE OF RULE BEING AMENDED: _____

IF NO, SERIES NUMBER OF RULE BEING FILED AS AN EMERGENCY: 26

TITLE OF RULE BEING FILED AS AN EMERGENCY: Accident and Sickness Rate
Filing

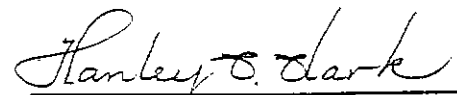
THE ABOVE RULE IS BEING FILED AS AN EMERGENCY RULE TO BECOME EFFECTIVE UPON FILING.

THE FACTS AND CIRCUMSTANCES CONSTITUTING THE EMERGENCY ARE AS FOLLOWS:

West Virginia Code §33-16B-2 dictates that the Insurance Commissioner promulgate regulations to establish minimum ratemaking standards. This act was effective July 4, 1989. West Virginia Code §29A-3-13 dictates that agencies promulgate legislative rules within sixty (60) days after the effective date of legislation which directs them to do so.

Therefore, this rule is promulgated as an emergency rule in order to meet the time limits set by the West Virginia Code as set forth above.

Use Additional Sheets If Necessary.


Hanley C. Clark
Insurance Commissioner



State of West Virginia
Department of Tax and Revenue

Charleston 25305

GASTON CAPERTON
GOVERNOR

CHARLES O. LORENSEN
SECRETARY

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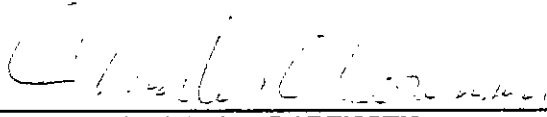
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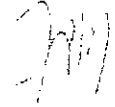
CONSENT TO PROPOSAL OF RULE

To Whom It May Concern:

Pursuant to West Virginia Code § 5F-2-2(a)(12), the undersigned hereby grants consent to the proposal of the following rule proposed by the Insurance Commissioner of the State of West Virginia: Chapter 33-16B; Series 26; Accident and Sickness Rate Filing.

Signed this 14th day of August, 1989.



CHARLES O. LORENSEN
Secretary of Tax and Revenue 

EMERGENCY

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

Chapter 33-16B
Series 26

ACCIDENT AND SICKNESS RATE FILING

- Section 1. General
- Section 2. Definitions
- Section 3. Rate Filing Requirements

EMERGENCY

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WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

Chapter 33-16B
Series 26

ACCIDENT AND SICKNESS RATE FILING

Section 114-26-1 General

1.1 Scope - This legislative 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 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 West Virginia 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 - West Virginia Code § 33-2-10, § 33-6-9(e) and § 33-16B-2.

1.3 Filing Date

1.4 Effective Date

Section 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 policy.

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

Section 114-26-3 - Rate Filing Requirements

3.1 General Requirements

(a) Every policy, rider or endorsement form which is submitted for approval shall be accompanied by a rate filing if such policy, rider, or endorsement form in any way involve 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.

(b) Each rate submission 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.

(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) which is set out as Appendix A, hereto.

3.2 Filing of Rates for a New Policy Form

(a) All new policy forms shall be accompanied by a rate submission which shall include:

(1) The policy form, application and any riders or endorsements that may be attached to the base form;

(2) The rate sheets which indicate the rate structures at various benefit levels for the proposed form;

(3) An actuarial memorandum containing the following information:

(A) A description of the type of policy and benefits, renewability, general marketing method and issue age limits;

(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;

(C) The anticipated loss ratio, a description of how it was calculated, and the minimum anticipated loss ratio presumed reasonable for this policy form.

(4) Any other information relevant to this filing.

3.3 Adjustments to Approved Rates

(a) All filings for adjustments to approved rates shall include:

(1) New rate sheets which provide a comparison of the revised premiums with the current premiums;

(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) 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;

(4) The proposed effective date for all rate adjustments;

(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;

(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, indicate the differences;

(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;

(8) A description of the purpose for the rate adjustment and any changes in the text of the policy forms;

(9) A breakdown of losses associated with vintage years of policies. Separate losses 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;

(10) A breakdown of earned premiums separated in the manner noted in item (9) above;

(11) A breakdown of written premium separated in the same manner noted in item (9) above;

(12) All calculations, formulas and variables that are used in the determination of the proposed rates;

(13) All data used in the formulation of trended losses;

(14) All assumptions, formulas and calculations that are used to formulate trended losses and earned premiums submitted in support of rate adjustments;

(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;

(16) 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;

(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;

(18) Disclosure of whether losses are reported on a policy year basis or a calendar year basis;

(19) Any consideration given to mitigating a requested increase through benefit restructuring;

(20) A breakdown as to the average age associated with the groups that are covered;

(21) A description of the embedded stop loss provisions of the policy;

(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 the 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 §§ 3.1 through 3.3 of this regulation.

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.

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 _____	_____	_____

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

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 delineation 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.
 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:
-

Insurance Commissioner
Leg. Rule 33-16B
Series 26
Emergency

Appendix A

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) _____

KEN HECHLER
Secretary of State

MARY P. RATLIFF
Deputy Secretary of State

ROBERT E. WILKINSON
Deputy Secretary of State

CATHERINE FREROTTE
Executive Assistant

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STATE OF WEST VIRGINIA

SECRETARY OF STATE

Charleston 25305

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Chief of Staff

RICHARD O. HARTMAN
Director, Administrative Law

DONALD R. WILKES
Director, Corporations

SHEREE COHEN
Special Assistant

(Plus all the volunteer
help we can get)

September 14, 1989

NOTICE OF EMERGENCY RULE DECISION BY THE SECRETARY OF STATE

AGENCY: Insurance Commissioner

RULE: New Rule, Series 26 Accident and Sickness Rate Filing

DATE FILED AS AN EMERGENCY RULE: August 14, 1989

DECISION NO. 19-89

Following review under WV Code 29A-3-15a, it is the decision of the Secretary of State that the above emergency rule be approved. A copy of the complete decision with required findings is available from this office.

A handwritten signature in cursive script that reads "Ken Hechler".

KEN HECHLER
Secretary of State

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SECRETARY OF STATE

KEN HECHLER
Secretary of State

MARY P. RATLIFF
Deputy Secretary of State

ROBERT E. WILKINSON
Deputy Secretary of State

CATHERINE FREROTTE
Executive Assistant

Telephone: (304) 345-4000
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STATE OF WEST VIRGINIA

SECRETARY OF STATE

Charleston 25305

WILLIAM H. HARRINGTON
Chief of Staff

RICHARD O. HARTMAN
Director, Administrative Law

DONALD R. WILKES
Director, Corporations

SHEREE COHEN
Special Assistant

(Plus all the volunteer
help we can get)

DECISION EMERGENCY RULE DECISION (ERD 19-89)

AGENCY: Insurance Commissioner
RULE: -- New Rule, Series 26, Accident and Sickness Rate Filing

FILED AS AN EMERGENCY RULE: August 14, 1989

- par. 1 The Insurance Commissioner has filed a new rule as an emergency.
- par. 2 West Virginia Code 29A-3-15A requires the Secretary of State to review all emergency rules filed after March 8, 1986. This review requires the Secretary of State to determine if the agency filing such emergency rule 1) has complied with the procedures for adopting an emergency rule; 2) exceeded the scope of its statutory authority in promulgating the emergency rule; or 3) can show that an emergency exists justifying the promulgation of an emergency rule.
- par. 3 Following review, the Secretary of State shall issue a decision as to whether or not such an emergency rule should be disapproved [29A-3-15a(a)].
- par. 4 (A) Procedural Compliance: WV Code 29A-3-15 permits an agency to adopt, amend or repeal, without hearing, any legislative rule by filing such rule, along with a statement of the circumstances constituting the emergency, with the Secretary of State and forthwith with the Legislative Rule-Making Review Committee (LRMRC).
- par. 5 If an agency has accomplished the above two required filings with the appropriate supporting documents by the time the ERD is issued or the expiration of the forty-two day review period, whichever is sooner, the Secretary of State shall rule in favor of procedural compliance.
- par. 6 The Insurance Commissioner has filed this emergency rule with supporting documents with the Secretary of State on August 14, 1989 and with the LRMRC on August 14, 1989.

par. 7 It is the determination of the Secretary of State that the Insurance Commissioner has complied with the procedural requirements of WV Code §29A-3-15 for adoption of an emergency rule.

par. 8 (B) Statutory Authority -- WV Code §33-16B-2 reads:

§33-16B-2. *Ratemaking Standards.*

Premium rates charged for any individual accident and health insurance policy or for any group accident and health insurance policy issued pursuant to this chapter shall be reasonable in relation to the benefits available under the policy. The commissioner shall promulgate rules pursuant to chapter twenty-nine-a (§29A-1-1 et seq.) to establish minimum ratemaking standards in accordance with accepted actuarial principles and practices.

par. 9 WV Code §33-6-9 and §33-6-9(e) further states:

The commissioner shall disapprove any such form of policy, application, rider, or endorsement, or withdraw any previous approval thereof:

(e) If the benefits provided therein are unreasonable in relation to the premium charged.

par. 10 WV Code states in §5F-2-1(f)(8):

(f) The following agencies and boards, including all of the allied, advisory, affiliated or related entities and funds associated with any such agency or board, are hereby transferred to and incorporated in and shall be administered as a part of the department of tax and revenue:

(8) Agency of insurance commissioner provided for in article two (§33-2-1 et seq.), chapter thirty-three of this code.

par. 11 §5F-2-2(a)(11) further states:

(11) Promulgate rules, as defined in section two, article one, chapter twenty-nine-a of this code, to implement and make effective the powers, authority and duties granted and imposed by the provisions of this chapter, such promulgation to be in accordance with the provisions of chapter twenty-nine-a of this code.

par. 12 It is the determination of the Secretary of State that the Insurance Commissioner has not exceeded its statutory authority in promulgating this emergency rule.

par. 13 (C) Emergency: WV Code 29A-3-15(g) defines "emergency" as follows:

(g) For the purposes of this section, an emergency exists when the promulgation of a rule is necessary for the immediate preservation of the public peace, health, safety or welfare or is necessary to comply with a time limitation established by this code or by a federal statute or regulation or to prevent substantial harm to the public interest.

par. 14 There are essentially three classes of emergency broadly presented with the above provision: 1) immediate preservation; 2) time limitation; and 3) substantial harm. An agency need only document to the satisfaction of the Secretary of State that there exists a nexus between the proposal and the circumstances creating at least one of the above three emergency categories.

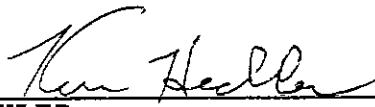
par. 15 The facts and circumstances as presented by the Insurance Commissioner are as follows:

West Virginia Code §33-16B-2 dictates that the Insurance Commissioner promulgate regulations to establish minimum ratemaking standards. This act was effective July 4, 1989. West Virginia Code §29A-3-13 dictates that agencies promulgate legislative rules within sixty (60) days after the effective date of legislation which directs them to do so.

Therefore, this rule is promulgated as an emergency rule in order to meet the time limits set by the West Virginia Code as set forth above.

par. 16 It is the determination of the Secretary of State that this proposal qualifies under the definition of an emergency.

par. 17 This decision shall be cited as Emergency Rule Decision 19-89 or ERD 19-89 and may be cited as precedent. This decision is available from the Secretary of State's office and has been filed with the Insurance Commissioner, the Attorney General and the Legislative Rule Making Review Committee.



KEN HECHLER
SECRETARY OF STATE

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