

WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION

Form #3

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OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

**NOTICE OF AGENCY APPROVAL OF A PROPOSED RULE
AND
FILING WITH THE LEGISLATIVE RULE-MAKING REVIEW COMMITTEE**

AGENCY: Insurance Commissioner TITLE NUMBER: 114

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

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 NEW RULE BEING PROPOSED: 26

TITLE OF RULE BEING PROPOSED: Accident and Sickness Rate
Filing

THE ABOVE PROPOSED LEGISLATIVE RULE HAVING GONE TO A PUBLIC HEARING OR A PUBLIC COMMENT PERIOD IS HEREBY APPROVED BY THE PROMULGATING AGENCY FOR FILING WITH THE SECRETARY OF STATE AND THE LEGISLATIVE RULE MAKING REVIEW COMMITTEE FOR THEIR REVIEW.

B. Keith Huffman
General Counsel

FISCAL NOTE FOR PROPOSED RULES

Rule Title: Accident and Sickness Rate Filing (Series 26)

Type of Rule: Legislative Interpretive Procedural

Agency: Insurance Commissioner Address: 2019 Washington Street, East,
Charleston, West Virginia 25305

1. Effect of Proposed Rule	ANNUAL		FISCAL YEAR		
	Increase	Decrease	Current	Next	Thereafter
Estimated Total Cost			None		

Personal Services

Current Expense

Repairs & Alterations None

Equipment

Other

2. Explanation of above estimates:

Rule will have no fiscal impact on the Office of Insurance Commissioner or upon State Government.

3. Objectives of these rules:

These rules are designed to set out clearly the information which must be filed with the Insurance Commissioner when insurers make rate and/or rate adjustment filings and to set out the format in which information must be filed. This will provide standardization, promote efficiency and insure that the Commissioner has adequate information to make a reasoned decision as to whether insurance rates are commensurate with benefits provided and the risk undertaken by the insurer.

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.

None

Date: February 2, 1990

Signature of Agency Head or Authorized Representative

B. Keith Huffman, General Counsel

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE
FROM: OFFICE OF THE INSURANCE COMMISSIONER
DATE: February 2, 1990
LEGISLATIVE RULE TITLE: Accident and Sickness Rate Filing
(Series 26)

1. Authorizing statute(s) citation West Virginia Code
§§ 33-2-10, 33-6-9(e), 33-16B-2
2. a. Date filed in State Register with Notice of Hearing:
August 14, 1989
- b. What other notice, including advertising, did you give of the hearing?
None
- c. Date of hearing(s): Comment period ended on
September 18, 1989, at 4:30 p.m.
- d. Attach list of persons who appeared at hearing, comments received, amendments, reasons for amendments.
Attached _____ No comments received X
- e. Date you filed in State Register the agency approved proposed Legislative Rule following public hearing:
(be exact)
February 2, 1990
- f. Name and phone number of agency person to contact for additional information:
B. Keith Huffman
General Counsel
348-0401

3. If the statute under which you promulgated the submitted rules requires certain findings and determinations to be made as a condition precedent to their promulgation:

a. Give the date upon which you filed in the State Register a notice of the time and place of a hearing for the taking of evidence and a general description of the issues to be decided.

Not applicable

b. Date of hearing: Not applicable

c. On what date did you file in the State Register the findings and determinations required together with the reasons therefor?

Not applicable

d. Attach findings and determinations and reasons:

Attached Not applicable

TO: Legislative Rule-Making Review Committee
FROM: Office of the Insurance Commissioner
DATE: February 2, 1990
LEGISLATIVE RULE TITLE: Accident and Sickness Rate Filing
(Series 26)

DESCRIPTION OF RULE

West Virginia Code §33-6B-2 dictates that the Insurance Commissioner promulgate regulations to establish minimum accident and sickness ratemaking standards. The Insurance Commissioner has prior approval authority over all such insurance rates and policy forms which relate to such rates. This rule sets out the information an insurer must file and the format it must be filed in so as to justify rate filings made by insurers with the Commissioner. The rule provides clarity and standardization to such filings which makes such filings easier to handle for both insurers and the Commissioner's staff.

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

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

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:

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) _____

STATE OF WEST VIRGINIA



GASTON CAPERTON
GOVERNOR

HANLEY C. CLARK
INSURANCE COMMISSIONER

OFFICES OF THE
INSURANCE COMMISSIONER
2019 WASHINGTON STREET, EAST
CHARLESTON, WEST VIRGINIA 25305

LEGAL DIVISION
304) 348-0401

FACSIMILE
(304) 348-0412

February 2, 1990

HAND DELIVERED

Ms Judy Cooper
Office of Secretary of State
State Capitol
Charleston, WV 25305

Dear Ms Cooper:

Enclosed please find for filing the "Notice of Agency Approval of Proposed Rule and Filing with the Legislative Rule-Making Review Committee" and a copy of the proposed rule "Accident and Sickness Rate Filing" for Series 26, Title 114.

Sincerely,

B. Keith Huffman
B. Keith Huffman
General Counsel

BKH/iw
Enclosures