

**WEST VIRGINIA**  
**SECRETARY OF STATE**  
KEN HECHLER  
**ADMINISTRATIVE LAW DIVISION**

Form #2

Do Not Mark In this Box

PPA JUL 9 10 21

**NOTICE OF A COMMENT PERIOD ON A PROPOSED RULE**

AGENCY: Insurance Commissioner TITLE NUMBER: 114  
RULE TYPE: Legislative; CITE AUTHORITY West Virginia Code  
SS 33-6C-3, 33-2-10

AMENDMENT TO AN EXISTING RULE: YES \_\_\_ NO X

IF YES, SERIES NUMBER OF RULE BEING AMENDED: \_\_\_\_\_

TITLE OF RULE BEING AMENDED: \_\_\_\_\_

IF NO, SERIES NUMBER OF NEW RULE BEING PROPOSED: Series 31

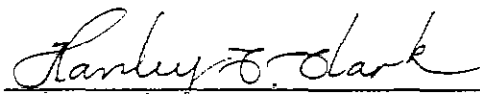
TITLE OF RULE BEING PROPOSED: Guaranteed Loss Ratios as Applied to  
Individual Sickness and Accident Insurance Policies

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 August 8, 1991 AT 4:30 P.M.

ONLY WRITTEN COMMENTS WILL BE ACCEPTED AND ARE TO BE MAILED TO THE FOLLOWING ADDRESS.

B. Keith Huffman  
General Counsel  
Office of the Insurance Commissioner  
2019 Washington Street, East  
Charleston, WV 25305

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



Hanley C. Clark  
Insurance Commissioner

ATTACH A **BRIEF** SUMMARY OF YOUR PROPOSAL

3.20

FILED

JUL 19 1991 4:21 PM

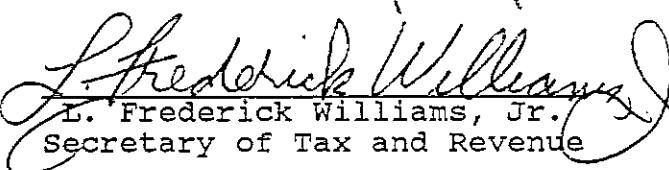
OFFICE OF WEST VIRGINIA  
SECRETARY OF STATE

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: Title 114, Series 31, relating to Guaranteed Loss Ratios as Applied to Individual Sickness and Accident Insurance Policies.

Signed this 2nd day of July, 1991.

  
L. Frederick Williams, Jr.  
Secretary of Tax and Revenue

Insurance Commissioner  
Leg. Rule 33-6C, Series 31  
Title 114

**GUARANTEED LOSS RATIOS AS APPLIED  
TO INDIVIDUAL SICKNESS AND ACCIDENT INSURANCE POLICIES**

Chapter 33-6C, Series 31

**BRIEF SUMMARY**

This proposed rule implements the provisions of newly enacted Article 6C, Chapter 33 of the West Virginia Code, which permits (but does not require) an insurer issuing individual sickness and accident insurance policies to operate on the basis of a guaranteed loss ratio established by the West Virginia Insurance Commissioner. In no event shall such guaranteed loss ratio be less than 55 percent. The rule prescribes the application form to be filed by an insurer seeking to operate under a guaranteed loss ratio. The Commissioner has discretion to approve or reject any such application. Approval exempts the applicant-insurer from filing rate increase requests as would otherwise be required by the Commissioner.

FISCAL NOTE FOR PROPOSED RULES

FILED  
 JUL -9 PM 4:21  
 DEPT. OF STATE

Rule Title: Guaranteed Loss Ratios as Applied to Individual Accident and Sickness Insurance Policies (Title 114, Series 31)

Type of Rule:  X  Legislative   Interpretive   Procedural

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

1. Effect of Proposed Rule	ANNUAL		Current	FISCAL YEAR	
	Increase	Decrease		Next	Thereafter

Estimated Total Cost	NONE				
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Personal Services

Current Expense

Repairs & Alterations	NONE				
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Equipment

Other

2. Explanation of above estimates:

The proposed rule will have no fiscal impact on state, local or federal government.

3. Objectives of these rules:

The objectives of the rule are to permit, but not to require, insurers issuing individual accident and sickness insurance policies to operate based on guaranteed loss ratios established by the Insurance Commissioner, and to exempt insurers that are approved to operate on such basis from filing rate increase applications as would otherwise be required by the Commissioner.

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.

The fiscal effect on the insurance industry should be negligible. The cost of filing an application to operate on a guaranteed loss ratio basis should not exceed, and will perhaps be less than, the cost of filing periodic rate increase applications as otherwise required by law for an individual accident and sickness insurer that does not apply to the Insurance Commissioner to operate under a guaranteed loss ratio.

C. Economic Impact on Citizens/Public at Large.

NONE

Date: July 9, 1991

Signature of Agency Head or Authorized Representative



Hanley C. Clark  
Insurance Commissioner

WEST VIRGINIA LEGISLATIVE RULE  
INSURANCE COMMISSIONER

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CHAPTER 33-6C  
SERIES 31

OFFICE OF THE CLERK OF THE HOUSE OF DELEGATES  
SECRETARY OF STATE

GUARANTEED LOSS RATIOS AS APPLIED  
TO INDIVIDUAL SICKNESS AND ACCIDENT INSURANCE POLICIES

Section

- 114-31-1. General
- 114-31-2. Application to Operate on a Guaranteed Loss Ratio Basis
- 114-31-3. Guaranteed Loss Ratio Filings
- 114-31-4. Annual Audit
- 114-31-5. Separability

WEST VIRGINIA LEGISLATIVE RULE  
INSURANCE COMMISSIONER

CHAPTER 33-6C  
SERIES 31

FILED  
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OFFICE OF THE SECRETARY OF STATE

GUARANTEED LOSS RATIOS AS APPLIED  
TO INDIVIDUAL SICKNESS AND ACCIDENT INSURANCE POLICIES

§ 114-31-1. General

1.1 Scope - This legislative rule implements the provisions of Article 6C, Chapter 33 of the West Virginia Code. That article permits, but does not require, an insurer offering individual sickness and accident insurance policies to operate on the basis of a guaranteed loss ratio established by the Insurance Commissioner. Any such insurer that is approved to operate on a guaranteed loss ratio basis shall be exempt from filing rate increase applications as would otherwise be required by the Commissioner.

1.2 Authority - West Virginia Code §§ 33-6C-3, 33-2-10.

1.3 Filing Date -

1.4 Effective Date -

§ 114-31-2. Application to Operate on a Guaranteed Loss Ratio Basis

2.1 In order to implement a guaranteed loss ratio as established by the Commissioner, an insurer offering individual sickness and accident insurance policies must make application to the Commissioner on the form described in Section 2.2 of this regulation. The Commissioner shall have the discretion to approve or reject any such application after reviewing the same. The application form is set forth in Appendix A to this regulation.

2.2 Each application filed with the Commissioner pursuant to this regulation must include a written loss ratio guarantee that at minimum contains the following information:

(A) policy form number;

(B) the anticipated lifetime and durational target loss ratios contained in the original actuarial memorandum filed with the policy form when it was originally approved;

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Series 31, Sec. 3

(C) a designation of the first calendar year in which the loss ratio guarantee is to be effective;

(D) a guarantee that the actual West Virginia loss ratios for each experience period shall meet or exceed the anticipated lifetime and durational target loss ratios contained in the original actuarial memorandum described in subsection (B);

(E) the source and dates of data used by the insurer in determining lifetime and durational target loss ratios and credibility data;

(F) a guarantee that the actual West Virginia, or, if applicable, national, loss ratio results for the experience period at issue will be independently audited as described more fully in Section 4 of this regulation;

(G) the name and qualifications of the independent auditor who will perform the annual audit described in Section 4 herein;

(H) a guarantee that if the actual loss ratio during an experience period is less than the anticipated loss ratio for that period, then West Virginia policyholders shall receive proportional refunds based on premium earned, which refunds shall be calculated and paid pursuant to West Virginia Code §33-6C-5;

(I) a sample calculation and illustration of the refund methodology used to comply with this regulation;

(J) a non-discrimination guarantee as required by West Virginia Code §33-6C-4(c)(5); and

(K) the signature of an officer of the insurer.

2.3 The Commissioner shall notify an insurer of the acceptance or rejection of an application to operate on a guaranteed loss ratio basis within sixty (60) days of the date that such an application is received.

### § 114-31-3. Guaranteed Loss Ratio Filings

3.1 The initial filing of a loss ratio guarantee must include the policy form, schedule of rates and an actuarial memorandum which shall include information prescribed in the National Association of Insurance Commissioners' rate filing

guidelines, durational and lifetime target loss ratios, and a projection of the actual loss ratio which shall include interest and lapse rates.

3.2 All rate increase filings shall include information prescribed in the National Association of Insurance Commissioners' rate filing guidelines, as well as the following:

- (A) an outline of coverage;
- (B) any change in rate relationships;
- (C) the experience by duration of the most recent calendar year;
- (D) the cumulative, to-date loss ratios; and
- (E) the projected lifetime loss ratios.

#### § 114-31-4. Annual Audit

4.1 An independent audit of the actual West Virginia, or, if applicable, national, loss ratio results for the experience period at issue shall be conducted and filed with the Commissioner on an annual basis. The audit must be conducted during the second quarter of the year following the end of the experience period and be filed with the Commissioner no later than June 30 of that year.

4.2 The audit must include at minimum:

- (A) a statement of the durational and lifetime loss ratio guarantees;
- (B) a statement of the earned premium and incurred claims for the audited experience period;
- (C) a statement of claim reserves included in incurred claims;
- (D) a statement that no active life reserves are included in the calculation of the actual loss ratio;
- (E) a statement that no reinsurance premiums are included in the calculation of the actual loss ratio;

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Leg. Rule 33-6C  
Series 31, Sec. 5

(F) a statement of refunds paid during any previous years; and

(G) a statement of any refunds due for the current experience period and the calculation of the refunds due.

**§ 114-31-5. Separability**

If any provision of this rule or the application thereof to any person or circumstance is for any reason held to be invalid, the remainder of the rule and the application of such provisions to other persons or circumstances shall not be affected thereby.

INSURANCE COMMISSIONER

STATE OF WEST VIRGINIA

GUARANTEED LOSS RATIOS  
INDIVIDUAL SICKNESS AND ACCIDENT INSURANCE POLICIES

INSTRUCTIONS: All questions must be answered; if no answer is applicable, enter the reason for such determination.

- I. Policy form number: \_\_\_\_\_
- II. Anticipated lifetime and durational target loss ratios contained in the original actuarial memorandum filed with the policy form when it was originally approved: \_\_\_\_\_  
\_\_\_\_\_
- III. First calendar year in which the loss ratio guarantee is to be effective: \_\_\_\_\_  
\_\_\_\_\_
- IV. Source and dates of data used in determining lifetime and durational target loss ratios and credibility data: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- V. Name and qualifications of the independent auditor who will perform the annual audit: \_\_\_\_\_  
\_\_\_\_\_
- VI. Attach a sample calculation and illustration of the refund methodology used to comply with the Insurance Commissioner's regulation (Title 114, Series 31) entitled "Guaranteed Loss Ratios as Applied to Individual Accident and Sickness Insurance Policies."
- VII. Guarantees:
  - (A) The actual West Virginia loss ratios for the experience period in which the new rates take effect, and for each experience period thereafter until new rates are filed, will meet or exceed the anticipated lifetime and durational target loss ratios contained in the original actuarial memorandum noted above.

- (B) The actual West Virginia, or, if applicable, national, loss ratio results for the experience period at issue will be independently audited, at this company's expense, as described more fully in Section 4 of the Insurance Commissioner's regulation in Title 114, Series 31.
- (C) If the actual loss ratio during an experience period is less than the anticipated loss ratio for that period, West Virginia policyholders shall receive proportional refunds based on premium earned, which refunds shall be calculated and paid pursuant to West Virginia Code §33-6C-5.
- (D) This company does not engage in any discriminatory practices prohibited by West Virginia Code §33-11-4 [part of the West Virginia Unfair Trade Practices Act], or any such practice which discriminates against any individual on the basis of his or her legal occupation, race, religion or residence.

I hereby certify that the information and guarantees contained in this application are true and correct to the best of my knowledge and belief.

Company Officer's Signature: \_\_\_\_\_

(TITLE): \_\_\_\_\_

(DATE): \_\_\_\_\_