

WEST VIRGINIA
SECRETARY OF STATE
KEN HECHLER
ADMINISTRATIVE LAW DIVISION

Form #3

Do Not Mark In this Box

FILED
1991 AUG 12 PM 3:52
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 West Virginia Code §§ 33-6C-3, 33-2-10

AMENDMENT TO AN EXISTING RULE: YES ___ NO X

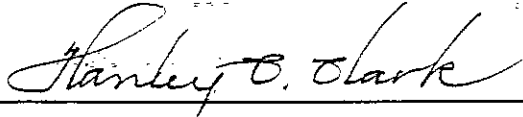
IF YES, SERIES NUMBER OF RULE BEING AMENDED: _____

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

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.



Hanley C. Clark
Insurance Commissioner



STATE OF WEST VIRGINIA
Offices of the Insurance Commissioner

Legal Division

GASTON CAPERTON
Governor

HANLEY C. CLARK
Insurance Commissioner

August 12, 1991

HAND DELIVERED

Ms. Judy Cooper, Director
Administrative Law Division
Office of Secretary of State
State Capitol
Charleston, WV 25305

FILED
1991 AUG 12 PM 3:52
OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

Dear Ms. Cooper:

Enclosed please find for filing "Notice of Agency Approval of a Proposed Rule and Filing with the Legislative Rule-Making Review Committee," "Description of Rule," "Legislative Rule-Making Review Committee Questionnaire" and a copy of the proposed rule entitled "Guaranteed Loss Ratios as Applied to Individual Accident and Sickness Insurance Policies" for Series 31, Title 114.

Very truly yours,

Linda Gay
Associate General Counsel

LG/iw
Enclosures

FILED

1991 AUG 12 PM 3:52

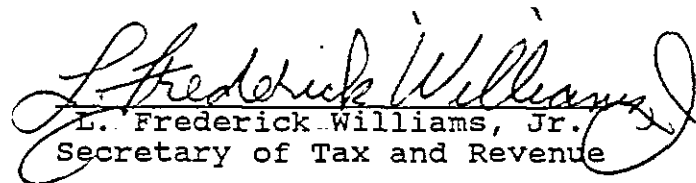
OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

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

FILED

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

1991 AUG 12 PM 3:52

FROM: OFFICE OF THE INSURANCE COMMISSIONER

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

DATE: August 12, 1991

LEGISLATIVE RULE TITLE: Guaranteed Loss Ratios as Applied to
Individual Accident and Sickness
Insurance Policies (Series 31)

DESCRIPTION OF RULE

This proposed rule implements the provisions of newly enacted Article 6C, Chapter 33 of the West Virginia Code. That article permits, but does not require, an insurer issuing individual sickness and accident insurance policies to operate on the basis of a guaranteed loss ratio. The Insurance Commissioner is to establish the loss ratio, which shall not 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

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

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					

1991 AUG 12 PM 3:52
 FILED
 OFFICE OF WEST VIRGINIA
 SECRETARY OF STATE

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.

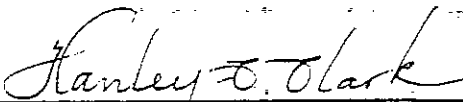
The fiscal effect on the insurance industry should be negligible. The cost of filing an application to operate on a guaranteed loss ratio basis should not exceed, and will perhaps be less than, the cost of filing periodic rate increase applications as otherwise required by law for an individual accident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

DATE: August 12, 1991

FILED

TO: LEGISLATIVE RULE-MAKING REVIEW COMMITTEE

1991 AUG 12 PM 3:52

FROM: OFFICE OF THE INSURANCE COMMISSIONER

OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

LEGISLATIVE RULE TITLE: Guaranteed Loss Ratios as Applied to
Individual Sickness and Accident Insurance Policies
(Series 31)

1. Authorizing statute(s) citation West Virginia Code
§§ 33-6C-3, 33-2-10

2. a. Date filed in State Register with Notice of Hearing:
July 9, 1991

- b. What other notice, including advertising, did you give
of the hearing?
None

- c. Date of hearing(s): The public comment period ended
on August 8, 1991 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)
August 9, 1991

- f. Name and phone number of agency person to contact for
additional information:
B. Keith Huffman
General Counsel
(304) 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 _____

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

CHAPTER 33-6C
SERIES 31

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

FILED
AUG 12 PM 3:52
1981
OFFICE OF WEST VIRGINIA
SECRETARY OF STATE

WEST VIRGINIA LEGISLATIVE RULE
INSURANCE COMMISSIONER

CHAPTER 33-6C
SERIES 31

FILED

1991 AUG 12 PM 3:52

OFFICE OF WEST VIRGINIA
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;

(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

Insurance Commissioner
Leg. Rule 33-6C
Series 31, Sec. 4

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;

Insurance Commissioner
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
Leg. Rule 33-6C
Series 31

APPENDIX A

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): _____