



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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## PROPERTY AND CASUALTY RATE/RULE FILING PROCEDURES BULLETIN

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#### **Questions:**

Any questions that you have concerning property and casualty rate/rule filings may be addressed to Laura Iliff , telephone: (608) 266-3060, e-mail: [laura.iliff@oci.state.wi.us](mailto:laura.iliff@oci.state.wi.us)

## GENERAL FILING INSTRUCTIONS

### **1.1 When is a Rate/Rule Filing Required?**

Except as noted below, a rate/rule filing is required by every insurer within 30 days after new rates/rules become effective for all lines of property and casualty insurance.

Additions and changes to a filing that was submitted earlier must have a transmittal form. (See Section 1.4) This includes, change of effective date, correction of errors and filing final printed pages for an already filed rate change.

### **1.2 Exceptions to Rate/Rule Filing Requirements**

- (1) Insurers are not required to file rates for ocean marine or inland marine insurance. (Note that for rating purposes, endorsements are classified by the policy to which they are attached. Thus, for example, rates for an inland marine endorsement to a homeowners policy **do** need to be filed.)
- (2) An insurer who has discharged its rate filing obligations to a rate service organization (RSO) which files **rates** on its behalf and has met the requirements of s. 625.15 (2), Wis. Stat. is not required to file those rates and supplementary rate information.
- (3) A member/subscriber of a rate service organization (RSO) which files **loss costs** is not required to submit a filing when **both** of the following conditions are met:
  - a) Your company has previously filed Form OCI 26-122 (REFERENCE FILING ADOPTION FORM) and indicated that the multipliers are to remain on file and be applicable to future revisions made by the RSO; and
  - b) Your company is adopting the RSO's revision on the RSO's effective date and there is no change to your previously filed modifiers.

Please refer to the sections under the heading PROCEDURES FOR MEMBERS/SUBSCRIBERS OF A RATE SERVICE ORGANIZATION for more information.

### **1.3 Minimum Documentation**

The minimum documentation requirements for rate/rule filings are established by s. Ins 6.06, Wis. Adm. Code. These requirements apply to all lines of property and casualty insurance except title insurance, mortgage guaranty insurance, municipal bond insurance and worker's compensation insurance. In addition, town mutuals licensed under ch. 612, Wis. Stat. are exempt from these requirements.

Section Ins 6.06, Wis. Adm. Code requires that all rate filings include the following:

- (1) At least 3 years of both Wisconsin and country-wide experience showing:
  - a) Premiums earned;
  - b) Losses paid;
  - c) Separate reserves for reported but unpaid losses; and
  - d) Reserves for losses incurred but not reported.

- (2) An explanation of the rate-making procedures including at least one of the following:
- a) A description of any statistical data and actuarial methods utilized;
  - b) A statement of facts and other detailed information which explain judgments used; or
  - c) A statement as to how the rates of the filing company compare with those of the competition.

If you are filing a revision to your rating rules which does not change your rates or rating factors and does not have a significant impact on the overall rate level, then you may omit the experience described in (1) above.

Please refer to the copy of s. Ins 6.06, Wis. Adm. Code, which is included in this packet, for further details.

#### **1.4 What Forms Are Needed?**

All filings must include **RATE/RULE TRANSMITTAL FORM OCI 26-400**. This includes filings such as change in effective date, correction of errors, filing final printed pages for an already filed rate change and consent-to-rate filings.

**CERTIFICATE OF COMPLIANCE FORM OCI 26-17** is no longer required for rate/rule filings. Note that CERTIFICATE OF COMPLIANCE, Ins 6.05, Appendix A, Wis. Adm. Code is still required for form filings.

Section 2.1 If Your Rate Service Organization Files Loss Costs describes additional forms that must accompany rate filings which reference loss costs filed by a rate service organization.

#### **1.5 Mailing Instructions and Acknowledgment of Filings**

Filings should be sent to:

OFFICE OF THE COMMISSIONER OF INSURANCE  
PROPERTY AND CASUALTY RATE FILINGS  
121 E WILSON ST  
P O BOX 7873  
MADISON WI 53707-7873

There are no filing fees.

Please attach the Rate/Rule Transmittal Form (OCI Form 26-400) to the front of the filing. Filings that do not have a transmittal form will not be processed.

Please note that Wisconsin is a "Use and File State." Rate filings are not approved but rather their receipt is acknowledged. Only one complete filing is required for our files. An additional copy is only required if you would like us to return a copy bearing our stamp for your files. In the interest of saving paper and mailing expense, we recommend that you only send a copy of the cover letter or the transmittal form for this purpose. Please include a self-addressed, postage paid envelope.

Separate Filings for affiliated companies are no longer required. Simply list all of the companies on the transmittal form. Do not use the group name.

When filing rates and forms together, please bundle them separately. Each bundle should have its own cover letter, transmittal form and return envelope.

## **PROCEDURES FOR MEMBERS/SUBSCRIBERS OF A RATE SERVICE ORGANIZATION**

### **2.1 If Your Rate Service Organization Files Loss Costs**

If your rate service organization (RSO) has filed loss costs, then you must submit a filing at the time of any of the following:

- (1) Initial adoption of the loss costs; or
- (2) If you are changing any of your company modifiers.

In addition to the Rate/Rule Transmittal Form OCI 26-400, the following 2 forms must be completed:

#### **REFERENCE FILING ADOPTION FORM OCI 26-122**

#### **SUMMARY OF SUPPORTING INFORMATION FORM OCI 26-123**

**EXPENSE CONSTANT SUPPLEMENT FORM OCI 26-124** is required only if an expense constant is used to modify loss costs.

At the time that the RSO files a revision to its loss costs, the filing requirements of a member/subscriber vary according to whether you have chosen to have your company modifiers apply only to the current filing or automatically apply to future revisions (item 10 of your most recently filed Reference Adoption Form OCI 26-122) for that program/coverage.

When a company makes the initial adoption of the lost costs, the company must file an adoption form (OCI 26-122), its modifiers (Form OCI 26-123) along with any exceptions from the RSO rules.

At this time the company must choose one of the following:

- A. To have the modifiers remain on file and apply to any future revisions that the RSO may file. This indicates that you intend to adopt any RSO revisions on the effective date that the RSO selects.
- B. To have the modifiers apply only to the current RSO filing. This indicates that you will not automatically adopt any RSO revisions until you make a filing which incates the change.

The following chart describes what actions you are required to take at the time the RSO files its revisions to its loss costs:

If you have elected to keep your modifiers on file for future filings (choice A) and the RSO files a lost costs revision, you have the following four choices:

Choices	Action by Company
1. To adopt the revision with the same effective date as the RSO.	No action by the company.
2. To adopt the revision with a delayed effective date.	File a transmittal form and cover letter no later than 30 days after the RSO effective date.
3. To adopt the revision with the the same or delayed effective date but to change the company modifiers	File the modifiers, documentation, transmittal form (OCI 26-400), and the calculations for the modifiers (Form OCI 26-123) no later than 30 days after the RSO effective date.
4. To continue to use the RSO's previously filed loss costs.	File the transmittal form (OCI 26-400) and a cover letter no later than 30 days after the RSO effective date.

If you have elected to have your modifiers apply only to the filing they were filed with (choice B) and the RSO files a lost costs revision, you have the following 2 choices:

Choices	Action by Company
1. To continue to use the RSO's previously filed loss costs.	No action by the company.
2. To adopt the RSO revision with the same or delayed effective date.	File the transmittal form and cover letter no later than 30 days after the company effective date. Restate your multipliers if they have not changed. or include the calculations for the new modifiers (Form OCI 26-123).

## **2.2 If Your Rate Service Organization Files Rules**

If you have given the RSO authorization to file rules on your behalf, you must submit a filing at the time of any of the following:

- (1) Initial adoption of the rules; or
- (2) If you are adding or changing any exceptions to the rules.

The Rate/Rule Transmittal Form OCI 26-400 is the only form required with the above filings. If you are adding or changing any exceptions to the rules, please include an explanation for the exception.

## **2.3 If Your RSO Files Loss Costs Designated as "Refer to Company," "a" or "ELP"**

If your rate service organization has filed rates or loss costs that contain entries with a designation such as "refer to company," "a" or "ELP" (Estimated Loss Potential), then please refer to the section 3.1 Refer to Company, "a" Rates and ELP's under the heading SPECIAL SITUATIONS.

## **SPECIAL SITUATIONS**

### **3.0 Introduction**

Special requirements apply for rates which fall into one of the following categories:

- 3.1 Refer to Company, “a” Rates and EPL’s;
- 3.2 Special Deviations from Your Filed Rates;
- 3.3 Consent to Rate/Upward Deviations from Your Filed Rates;
- 3.4 Downward Deviations from Your Filed Rates;
- 3.5 Individual Risk Rates for New Lines or Classes of Business: and
- 3.6 Individual Risk Rating Modifications and Package Modifications.

In sections 3.2, 3.3 and 3.4, “deviations” refer to the pricing of individual risks. For information regarding the filing of deviations that modify the rates filed by your RSO please refer to the section 2.1 If Your Rate Service Organization Files Final Rates earlier in this bulletin.

Section 3.2 lists several specific situations in which you may deviate from your filed rates. Sections 3.3 and 3.4 pertain to more general circumstances in which you may deviate from your filed rates.

None of sections 3.2, 3.3 nor 3.4 refer to risks that have been rated using individual risk rating modifications (IRR’s) or package modifications which are in accordance with your company’s filed rules regarding rate modifications. These situations are addressed in section 3.6 Individual Risk Rating Modifications and Package Modifications.

### **3.1 Refer to Company, “a” Rates and ELP’s**

Section Ins 6.785, Wis. Adm. Code permits the omission of certain rates from your filed rate manual. The places for these rates have customarily been held by “refer to company” or “a.”

If you are filing your rates independently (that is, you do not reference the rates or loss costs filed by a rate service organization), you may file a rate for a line or class of business as “refer to company,” provided that the filing is accompanied by a certification by a qualified actuary that the rate cannot be objectively determined for at least one of the following reasons:

- a) The class generates insufficient loss experience to be reliably used in rating;
- b) The class loss experience is so volatile as to make it unreliable;
- c) Prospective losses for this class are likely to change rapidly and unpredictably; or
- d) Risks within the class are so dissimilar that a single rate would not be representative of all risks in the class.

An insurer using a rate subject to the filing exemption of s. Ins 6.785, Wis. Adm. Code is required to maintain records and documentation for a period of 3 years after the rate is no longer used. The documentation must include all details of the factors used in determining the rate for each individual risk. The insurer shall provide these records to the commissioner upon request.

If you are referencing rates or loss costs filed by a rate service organization which contain entries with a designation such as “refer to company,” “a” or “ELP” (Estimated Loss Potential), then your company’s only obligation is to maintain the records and documentation for the development of each individual rate for 3 years as described above and provide these records to the commissioner upon request.

### **3.2 Special Deviations from Your Filed Rates**

Section Ins 6.785 (4) (b) through (h), Wis. Adm. Code itemizes several specific situations for which it is permissible to deviate from your filed rates. Under this section, an insurer is exempt from filing these deviations with the commissioner provided that:

- a) The insurer (or RSO filing on the insurer's behalf) has filed rating rules pertaining to the situations described in s. Ins 6.785 (4) (b) through (h), Wis. Adm. Code (Please refer to s. Ins 6.785 (4), Wis. Adm. Code for details.); and,
- b) The insurer maintains records and documentation for a period of at least three years after the rate is no longer used. The documentation must include all details of the factors used in determining the rate for each individual risk and be provided to the commissioner upon request.

In addition, s. Ins 6.78, Wis. Adm. Code contains a provision for the line of title insurance which permits an insurer to charge a premium which is a downward deviation of a filed rate. Please refer to s. Ins 6.78 (4), Wis. Adm. Code for details.

### **3.3 Consent to Rate/Upward Deviations from Your Filed Rates**

Section 625.13 (2), Wis. Stat. permits an insurer to charge an individual risk a rate which is in excess of its filed rates. The insured must sign an application that contains:

- a) The reason for the excess rates, and
- b) A statement that the insured understands that the premium is in excess of the filed rates.

Included in this packet is an advisory form, **CONSENT TO RATE FORM OCI 26-020**. You are permitted to use a company developed form for this purpose. Section 625.13 (2), Wis. Stat. requires that these forms be filed with this office, however, s. Ins 6.78, Wis. Adm. Code exempts insurers from filing consent to rate forms provided that:

- a) The insurer has filed rating rules pertaining to its intentions to rate on a consent to rate basis, identifying the contemplated lines and classes of insurance; and,
- b) The insurer maintains records of the rate development along with the signed forms for a period of at least one year after expiration of the policy term.

### **3.4 Downward Deviations from Your Filed Rates**

Except for the situations described above in section 3.2 Special Deviations from Your Filed Rates, Wisconsin law does not currently address downward deviations from filed rates. The following is intended to clarify our policy on this issue.

If an individual risk is written at a premium that represents a downward deviation from the rates which you have on file, then you must submit a rate/rule filing according to the general rate/rule filing requirements. This filing will be treated as a rule revision. The minimum documentation requirements may be met by providing a description of why this risk does not fit into your current rating rules. It is expected that every other risk which meets this description will be rated using the same deviation. The Rate/Rule Transmittal Form OCI 26-400 is the only form required.

### **3.5 Individual Risk Rates for New Lines or Classes of Business**

Wisconsin law does not currently address individual risk rates for new lines or classes of business. The following is intended to clarify our policy on this issue.

An individual risk rate filing is required for insurance written in a line or class of insurance for which you have not previously filed rates nor have you designated such lines or classes with “a” or “refer to company.” These filings will be treated the same as ordinary rate/rule filings except that the minimum documentation requirements may be met by providing an explanation of how the individual rate was developed. The Rate/Rule Transmittal Form OCI 26-400 is the only form required.

Note that in order to write an individual risk, you must have an approved policy form on file or use a policy form that has been filed on your behalf by your rate service organization.

### **3.6 Individual Risk Rating Modifications and Package Modifications**

Individual risk rating modifications (IRR’s) refer to modifications made to your filed manual rates due to such factors as experience rating and scheduled rating. If your company uses IRR’s or package modifications in developing rates for commercial risks, then the factors (or range of factors) are considered part of your rating rules and should be filed by your company or rate service organization.

Wisconsin does not have any rules pertaining to maximum modifications.

### **Questions**

Any questions that you have concerning property and casualty rate/rule filings may be addressed to Laura Iliff, telephone: (608) 266-3060, e-mail: [laura.iliff@oci.state.wi.us](mailto:laura.iliff@oci.state.wi.us).

Thank you for your cooperation.

CLO:LI

Attachments:

- Section Ins 6.06, Wis. Adm. Code
- Rate/Rule Transmittal Form OCI 26-400 and Instructions
- Reference Filing Adoption Form OCI 26-122
- Summary of Supporting Information Form 26-123
- Expense Constant Supplement Form OCI 26-124
- Wisconsin Consent to Rate Form OCI 26-020