



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin PC-36
December 20, 2000

Subject: Automobile Insurance Ratemaking Procedures

To: All Insurance Companies Authorized for Automobile Liability Insurance in Connecticut

Bulletin PC-36 updates and consolidates previous Connecticut Insurance Department bulletins regarding filing and ratemaking procedures for automobile insurance. This bulletin explains the minimum information that should be included in every automobile rate filing. Pursuant to Conn. Gen. Stat. §38a-389, base rates for bodily injury liability and uninsured and underinsured motorist coverage are subject to prior approval. This bulletin supersedes Insurance Department Bulletins PC-27, PC-14, NF 54, NF 55, NF 70, CIS-2, CIS-3, and CIS-4.

There are a number of changes from previous procedures which are intended to simplify the rate filing process, while at the same time providing the department with sufficient information to determine the insurer's compliance with statutory standards.

If an insurer files rates by reference to rates charged by another insurer, as permitted by Conn. Gen. Stat. §38a-688(a)(3), or an insurer files rates containing loss costs based on reference documents previously submitted by an advisory organization such as the Insurance Services Office, as permitted by Conn. Gen. Stat. §38a-688, then such insurers may limit the information they file to that described in Appendix 9. Filings may be submitted through the approved SERRF electronic filing system. Otherwise, a filing should include the following material.

- A. Two copies of a transmittal letter, and a stamped self-addressed envelope. If the Department approves the filing, it will stamp one copy "approved effective" or "recorded effective" and return it to the company. The company will be notified if the filing contains insufficient information.
- B. A complete set of revised manual rate pages and any manual rule pages being revised. All changes should be clearly indicated on a copy of the pages themselves or explained in an accompanying memorandum.
- C. An explanatory memorandum responding to the questions in Appendix 1. If the filing adopts or changes the classification plan, safe driver plan, territorial definitions, or rates for prior approval coverages, then you must submit complete supporting information.
- D. A set of exhibits as described below:
 - (1) An exhibit showing indicated and adopted statewide rate level changes as a percentage of current rates for each program by coverage. If an expense fee is treated as a separate rate, show changes for (a) variable rate, (b) fixed expense rate, and (c) combined rate. See Appendix 2.
 - (2) An exhibit showing adopted rate level changes for each territory by coverage as percentages of current rates. If the expenses fee is a separate rate, combine the effect of the variable rate portion and the expense fee portion. The format should follow that shown in Appendix 3.

- (3) Exhibits showing the company's statewide rate change indications broken down by accident year and coverage. The exhibits required under D.(3) may be in a format adapted to the company's own rate review process as long as they contain proper adjustments to the loss experience.
- (4) A set of exhibits, by coverage by territory, providing sufficient data to enable the Department to verify that the filing addresses the deficiencies described in the December 14, 1978 territorial decision. See PC-40, which is a re-issue of NF-54. These exhibits must reflect that:
 - (a) 100% of the expenses (general, other acquisition and miscellaneous licenses, taxes and fees) are reflected in the base rates as flat dollar amounts for all territories.
 - (b) Individual territorial loss cost data has been moderated with reference to statewide average loss costs by weighting the territorial indications with the statewide average 75%/25% (i.e. 75% being the maximum weight for the individual territorial loss cost data in calculating the territorial rate. Credibility procedures must be applied separately from the Department's 75% vs. 25% rule.

Credibility, as used in actuarial ratemaking for automobile rates, is a measure of predictability assigned to a body of loss experience. Credibility is a normal part of ratemaking. Its purpose is not to "temper" the cost of insurance in urban territories or any other territory. The stated purpose of the requirement of 75% vs. 25% weighting is to temper the rates in high rated urban areas. Companies may not substitute the 75% vs. 25% weighting in place of credibility formulas normally used in the ratemaking process. The weighting formulas must be used in addition to credibility, not instead of credibility.

- (5) An exhibit showing the premium dollar breakdown, identifying variable and fixed expense portions. See Appendix 4.
- (6) An exhibit showing investment income as a factor of the rates, how it was calculated and an explanation of how it was taken into consideration in the calculation of the newly filed rates.
- (7) An exhibit showing, by coverage, the annual trend factors used (frequency and severity, each separately) and the combined effect of these factors on each year of experience used in the filing. See Appendix 5.
- (8) An exhibit for each voluntary market program showing four sets of car year exposures by territory, preferably on an earned car year basis for the most recent one-year period, for (1) Bodily Injury, UM/UIM and Property Damage Liability coverages, (2) optional BRB or Medical Payments coverages (if both are sold, show separately), (3) Comprehensive coverage and (4) Collision coverage. Please note the year used on the exhibit, along with the name of the company and name of the program.
- (9) A set of examples which may be used by the Connecticut Insurance Department for Consumer Information. See Appendix 6 for a description of the examples. Premiums must be shown on an annual basis and in whole dollars.

See Appendix 7 for the format to be used in displaying the premiums for the examples. Please submit examples in a Microsoft Excel 97 or Workbook format.

Note: rate examples are not required if the Connecticut Other Private Passenger Automobile Liability direct premium written on line 19.2 on page 14 of the most recently filed individual company annual statement shows less than one million dollars (i.e. before rounding).

(10) Appendix 8 is reserved for future use.

(11) An exhibit showing the distribution by policy limits for Bodily Injury Liability, Combined Single Limit Liability and UM/UIM (separate Standard and Conversion) coverages.

E. Use of zip codes in territorial rating in Connecticut

1. Each rate territory is composed of one or more unique town codes. Companies may use zip codes to determine the territory of garaging for rating automobile insurance. Companies are not allowed to split a town or city into two territories. Company manuals must contain a rule that states if a street divides two rating territories or towns the rate used must be that of the lower of the two territories.
2. For private passenger non-fleet automobile insurance, the original filing of zip code conversion and any subsequent amendments to it are subject to prior approval. Before a company adopts a system which uses zip codes to determine rate territories, it must file a copy of the system with the Connecticut Insurance Department. The filing must include:
 - (a) A table of each zip code and its corresponding rate territory.
 - (b) A supplementary list of those zip codes which overlap two rate territories. Companies are not allowed to split a town or city into two territories. Company manuals must contain a rule that states that if a street divides two rating territories or towns the rate used must be that of the lower of the two territories.
 - (c) Explanations as to:
 - (1) how your system identifies the zip code of the place of garaging versus that of mailing address.
 - (2) how your system accounts for changes in zip codes as they occur.


Susan F. Cogswell
Insurance Commissioner

**CONNECTICUT INSURANCE DEPARTMENT
AUTOMOBILE RATE FILING SUMMARY FORM**

APPENDIX 1

1.	Insurer Name:			
	Address			
	City			
	ZIP Code			
2.	NAIC Group Number			
3.	NAIC Company Number			
4.	Proposed Filing Effective Date:			
5.	New Rates will be applied to policies:			
	a.	Next renewal	[]	
	b.	Policy anniversary (ie. Annually)	[]	
	c.	Other (explain)	[]	
6.	History of dividends or participating payment made during the past two years for the program(s) affected by this filing. Show the amount of dividend or participating payment as a percentage of earned premium.			
		Year	Percent of Premium	
7.	If program is a deviation of another program's rates, state factors:	Current Deviation	Revised Deviation	
8.	Are any of the following changed from the current filing:	Yes	No	
	a. Classification factors*			
	b. Increased limits factors			
	c. Bodily injury liability rates*			
	d. Uninsured motorist coverage rates			
	e. Merit rating*(e.g. SDIP)			
	f. Model year rating (APD)			
	g. Vehicle series rating (APD)			
	h. Age relativities			
	i. Symbol relativities (APD)			
	j. Deductible relativities (APD)			
	k. Territorial definitions*			
9.	State the percentage of distribution of policy terms by program:	Percent of Total Program		
	a. Annual			
	b. Semi-annual			
	c. Quarterly			
	d. Monthly			

10.	a. Is the source of data supporting the filing the same data file used to report statistics to your statistical agent?		Yes []	No []
	b. If not, are the two files reconciled periodically?		Yes []	No []
11.	Does the filing include any loading of any type for guaranty funds other than Connecticut?		Yes []	No []
12.	What portion of data consists of:			Percent
	a.	Actual case basis reserves, e.g. values based on individual claim adjuster's evaluation of the individual cases?		
	b.	Estimates of unreported or unrecorded claims?		
13.	Unreserved open claims are:			
	a.	Used in the filing and assigned reserves based on actuarial averages.	Yes []	No []
	b.	Not used in the filing.	Yes []	No []
	c.	Other- please describe		
* Changes in these items should be supported in the filing				

CONNECTICUT INSURANCE DEPARTMENT AUTOMOBILE RATE FILING FORM						
						APPENDIX 2
Company Name						
Program Name						
Effective Date						
		Statewide Rate Level Changes (Shown as Percentages)				
	Coverage	Indicated	Adopted	Earned Premium (1)	Variable Fee(2)	Combined Variable Fee(2)
1.	BI Liability (3)					
2.	PD Liability (3)					
3.	CSL Liability (3)					
4.	UM/UIM Standard (3)					
5.	UM/UIM Conversion (3)					
6.	Optional BRB					
7.	Optional med. Pay					
8.	Weighted Average of 1-7					
9.	Comprehensive					
10.	Collision					
11.	Weighted Average of 9-10					
12.	Overall Weighted Average of 8 & 11					
NOTES						
(1) At current rate level (000's omitted).						
(2) Complete this column only if fixed expenses fee is charged as a separate rate and not built into the base rates.						
(3) Based on total policy limits.						

		CONNECTICUT INSURANCE DEPARTMENT AUTOMOBILE RATE FILING FORM							
					APPENDIX 4				
Company Name									
Program Name									
Effective Date									
PRIVATE PASSENGER AUTO LIABILITY OPTIONAL BRB AND OPTIONAL MEDICAL PAYMENTS									
						TOTAL		FIXED	VARIABLE
	Item					Expense	Percent	Expense	Expense
						Provision	Fixed	Provision	Provision
						"t"		"f"	"v"
1A	Commission								
1B.	Other Acquisition								
1C	General Expense								
1D	Premium Tax								
1E	Miscellaneous Taxes Licenses and Fees								
1F	Underwriting Profit and Contingencies								
1G	Investment Income*								
1H	TOTAL								
Expected loss ratio, including loss adjustment expense:									
(1) as a factor of total premium rate, variable and fixed: 1.0 - 1H "t" =								_____	
(2) as a factor of variable premium rate: 1.0 - 1H "v" =								_____	
PHYSICAL DAMAGE									
						TOTAL		FIXED	VARIABLE
	Item					Expense	Percent	Expense	Expense
						Provision	Fixed	Provision	Provision
						"t"		"f"	"v"
2A	Commission								
2B.	Other Acquisition								
2C	General Expense								
2D	Premium Tax								
2E	Miscellaneous Taxes Licenses and Fees								
2F	Underwriting Profit and Contingencies								
2G	Investment Income*								
1H	TOTAL								
Expected loss ratio, including loss adjustment expense:									
(1) as a factor of total premium rate, variable and fixed: 1.0 - 1H "t" =								_____	
(2) as a factor of variable premium rate: 1.0 - 1H "v" =								_____	
*Only complete this item if you treat investment income as a negative expense. Leave this item blank if you reflect investment income as an offset to the otherwise indicated changes in rate level.									

CONNECTICUT INSURANCE DEPARTMENT
AUTOMOBILE RATE FILING FORM

APPENDIX 5

Company Name		
Program Name		
Effective Date		

CONNECTICUT AUTO INSURANCE PRIVATE PASSENGER
EFFECT OF TREND

		BI	PD	UM/UIM	MEDPAY	BRB	COMP	COLL
1	Annual Severity							
	Factor Selected							
2	Annual Frequency							
	Factor Selected							
3	Annual Pure Premium							
	Trend Factor							
4	Projected number of years from the experience period to the average loss date of __/__/__							
	(a) for period ending __/__/__	n=	n=	n=	n=	n=	n=	n=
	(b) for period ending __/__/__	n=	n=	n=	n=	n=	n=	n=

5	Effect of trend factor on experience for:							
	(a) period shown in 4(a)							
	(b) period shown in 4(b)							

	APPENDIX 6
COVERAGES	
Liability Package:	
Bodily Injury Liability	\$20,000/40,000 or \$50,000 limit
Property Damage	\$10,000
Standard UM/UIM	\$20,000/40,000 or \$40,000 limit
Physical Damage:	
Vehicle: Ford Taurus LX Model Year 1999	
Comprehensive ACV less \$50 deductible	
Collision ACV less \$200 deductible	
Operators:	
Example 1. Married male, age 40, pleasure use, license 3 or more years. No chargeable accidents/violations in the past 3 years. Annual mileage 10,000.	
Example 2. Married male, age 40, drive to work use, 7 miles one way, licensed 3 or more years. No chargeable accidents/violations in the past 3 years. Annual mileage 10,000.	
Example 3. Unmarried female, age 20, pleasure use, principal operator, licensed 3 or more years. No chargeable accidents/violations in the past 3 years, no good student, no driver training. Annual mileage 10,000.	
Example 4. Unmarried male, age 18, pleasure use, not owner or principal operator, licensed less than 3 years, no chargeable accidents/violations, no good student, no driver training. Annual mileage 10,000.	
Example 5. Unmarried male, age 20, principal operator, pleasure use, licensed 3 or more years, no chargeable accidents/violations in the past 3 years, no good student, no driver training. Annual mileage 10,000.	
Example 6. Married male, age 23, principal operator, drive to work use, licensed 3 or more years, no chargeable accidents/violations in the past 3 years, no good student. Annual mileage 10,000.	
Example 7. Two car risk. Car 1 - same vehicle as described above Operator same as in example 1. Car 2 is a 1996 Honda Accord DX. Operator same as in example 2 - same physical damage coverages as for car 1	

		Connecticut Insurance Department					APPENDIX 7	
COMPANY NAME								
PROGRAM NAME								
EFFECTIVE DATE								
LIABILITY LIMITS USED ARE:								
UM LIMITS USED ARE:								
Territory Code Coverage		Operator Example No.						
		1	2	3	4	5	6	7*
Liability Package								
Comprehensive								
Collision								
Total								
Territory Code Coverage		Operator Example No.						
		1	2	3	4	5	6	7*
Liability Package								
Comprehensive								
Collision								
Total								
*Show the combined cost of Two Vehicles								

	CONNECTICUT INSURANCE DEPARTMENT AUTOMOBILE RATE FILING FORM			
				APPENDIX 8
RESERVED FOR FUTURE USE				

APPENDIX 9

PERSONAL RISK INSURANCE FILING AUTOMOBILE COVERAGE SUBJECT TO PRIOR APPROVAL FILING REQUIREMENTS FOR TWO SPECIAL CASES

A. INSURERS FILING RATES BY REFERENCE, WITH OR WITHOUT DEVIATIONS, TO RATES FILED BY ANOTHER INSURER AND IN EFFECT, AS PERMITTED BY Conn. Gen. Stat. §38a-688(a)(3).

If an insurer meets the requirements outlined in Conn. Gen. Stat. §38a-688(a)(3), it may adopt the rates of another insurer if those rates were filed and are in effect at the time of adoption. THIS SECTION DOES NOT PERTAIN TO REFERENCE DOCUMENTS OF ADVISORY ORGANIZATIONS, such as the Insurance Services Office ("ISO"). If an insurer uses this option, then the filing requirements outlined in this Bulletin No. PC-36 apply as follows:

- (1) Insurer must comply with Sections A, B, C (only items 1- 4, 6 on Appendix 1), D(1)a, D(2)a, D(9)a, D(10) and D(11)
- (2) Insurer does not need to comply with C (items 5b, 7- 11 on Appendix 1) and D(3)-D(8).

B. REFERENCE DOCUMENTS FILED BY AN ADVISORY ORGANIZATION AS PERMITTED BY Conn. Gen. Stat. §§38a-688 and 38a-673(c), e.g., ISO.

If an insurer uses this option, then the filing requirements outlined in this Bulletin PC-36 apply as follows:

- (1) Insurer must comply with Sections A, B, C (items 1- 4, 5b, 6, 8 on Appendix 1), D(1), D(2)a, D(4)(a), D(5), D(6), D(8)c, D(9)a, D(10) and D(11).
- (2) Insurer does not need to comply with C (item Insurer does not need to comply with s 7, 9, 10, and 11 on Appendix 1), D(3), D(4)(b)d, and D(7)
 - (a) D(1), D(2) and D(9) need only be completed if the Connecticut OTHER PRIVATE PASSENGER AUTOMOBILE LIABILITY direct premiums written shown on line 19.2 on page 14 of the most recently filed individual company annual statement shows more than 1 million dollars (i.e., before rounding).
 - (b) C5 need not be complied with if the company is adopting the same rules, factors or rates used by the company it is copying. If there is any variation for any of these items from those used by the company it is copying, then the filing must identify those items and include an explanation and support for the adoption of those changes.
 - (c) If the number of earned car year exposures is extremely small, the Insurance Department will consider requests to waive this item.
 - (d) The filing requirement for item D(4)(b) need not be complied with if the company is adopting ISO reference document and is adopting the loss cost portion of that document which has in the past been referred to as "Option I". This option has already addressed loss cost moderation by adjusting them to reflect a 75/25 weighting of territorial loss cost with the statewide average loss cost.