LOUISIANA INSURANCE
RATING COMMISSION

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COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

P.O. Box 94157
BATON ROUGE, LOUISIANA 70804-9157
(504) 342-5202

Bulletin LIRC 95-06

DATE: **September 5, 1995**

TO: **Group Self-Insurance Funds for Workers' Compensation**

RE: **Filing Procedure**

The following statutes and regulations are the basis of the Louisiana Department of Insurance's governing authority over Group Self-Insurance Funds for Workers' Compensation rates, rules and forms:

- R.S. 23§1197.C, §1199, and §1200.1 provide the Louisiana Department of Insurance with authority to request that Group Self-Insurance Funds for Workers' Compensation provide actuarial justification for existing or proposed rating plans.
- Section 8 of the Louisiana Department of Insurance Regulation 42 provides that every Group Self-Insurance Fund for Workers' Compensation shall adhere to a uniform classification system, uniform experience rating plan, and manual rules approved by the Commissioner of Insurance.

The Commissioner has delegated approval authority for Group Self-Insurance Funds for Workers' Compensation rates, rules, and forms to Louisiana Insurance Rating Commission (LIRC) staff.

Therefore, Group Self-Insurance Funds for Workers' Compensation are directed to file with LIRC staff all new or revised rates, rules, and forms following the guidelines set forth by statute and regulation above and in this Bulletin.

Further, Group Self-Insurance Funds for Workers' Compensation whose rates, rules, and forms are currently in use which have not previously been submitted to LIRC staff, are directed to file with LIRC staff and are directed to demonstrate that said rates, rules and forms comply with all applicable Louisiana statutes, regulations, and directives. This Filing must be received by LIRC staff no later than October 10, 1995.

If there are questions call LIRC staff at (504) 342-5202.

Chris Fasar, III
Deputy Commissioner/LIRC

DEFINITIONS

CLASSIFICATION refers to basic risk categorizations with demonstrably different loss characteristics.

COVERAGE refers to the specific written agreement which specifies perils insured against; i.e., the policy form and all related endorsements.

FILER refers to a Group Self-Insurance Fund for Workers' Compensation.

GROSS PREMIUM is standard premium excluding schedule rating modification.

FILING refers to the submission to LIRC staff by the Filer of specific rates, rules, forms, manuals, and rating plans, including individual risk rated policies.

FORM refers to policyholder and policy information sheets used by Filers which must be approved by the Department of Insurance, Forms Division.

INDIVIDUAL RISK RATE is the premium charged a single risk, and which does not meet the expected risk or expense characteristics underlying manual rates or rules.

MANUAL RATE is the premium for each classification shown after its code on the state rate pages. e.g. the premium charged per $100 payroll. The manual rate includes any other rate established by the Group Self-Insurance Fund and approved by the Department of Insurance.

RATE refers to the premium charged for products sold by a Group Self-Insurance Fund. A rate can be a manual rate or an individual risk rate.

RATE CHANGE refers to any revision to a manual rate or individual risk rate, rule, policy coverage, or other revision which effects a change in premium. A change in policy coverage with no change in premium charged is a rate change.

RULE refers to instructions used to calculate premiums, guidelines to underwrite risks, definitions of coverage, and general operating instructions of the Group Self-Insurance Funds. Rules are defined by the fund, and submitted to LIRC staff.

STANDARD PREMIUM refers to the policy premium determined on the basis of authorized rates, any experience rating modification, any applicable schedule rating modification, loss constants, and minimum premium. It does not include expense constants or any other discounts not listed above. It may be based upon estimated or actual payroll.

GENERAL FILING PROCEDURES

A. Filings

All Filings must be addressed to:

Mr. Chris Faser, III
Deputy Commissioner/LIRC
950 N. 5th Street
Post Office Box 94157
Baton Rouge, LA 70804-9157

Upon receipt, the forms portion of a Filing will be forwarded to the Department of Insurance's Forms Division for review. Approval notification will be issued by the Forms Division independently of LIRC staff rate/rule approval.

If the Filer is responding to a specific question asked by LIRC staff or the Forms Division, the response should be addressed to that person and a copy sent to the above Deputy Commissioner/LIRC's attention.

B. US Mail

All rules, rates, and any other documents required by law or voluntarily filed with LIRC staff, except as noted below, must be filed by depositing in the United States mail, postage prepaid.

Exceptions to deposit in the US mail are payment of any fees, and premium taxes.

Transmission of material by facsimile machine, private courier service, or hand delivery is permissible so long as the originals are deposited in the United States mail and received by the Department of Insurance on or before the twentieth day after receipt of the facsimile transmission, private courier delivery, or hand delivery.

C. Effective Date

Implementing a Filing on an effective date before the expiration of the deemer period may place the Filing in violation of Louisiana statutes. At the expiration date of a deemer period, the Filing is considered approved unless it has been disapproved or there is ongoing correspondence.

Neither the Department of Insurance nor LIRC can approve Filings retroactively. Hence, filings will be deemed approved and eligible for use 90-days after the "Receipt Acknowledged" date stamped provided all questions by staff are resolved within the 90-day period and the filing meets the statutory criteria.

D. Deemer Provision

In accordance with R.S. 23§1199, there is a ninety day deemer from the time that a rate/rule filing is received by the LIRC until action is taken. Material shall be considered received on the date staff "Receipt Acknowledged" the material, regardless of transmission method used. It

is the "Receipt Acknowledged" date upon which the deemer provisions of Louisiana statutes shall be contingent.

When additional information supporting a Filing is requested, the deemer period shall recommence as of the date a response is received. Until a response is received, the Filing is placed in abeyance.

E. Public Disclosure

Any approved or disapproved Filing becomes part of public record under Title 44 of the Louisiana Revised Statutes, except as noted under R.S. 44:4. Copies of Filings can be requested as allowed by R.S. 44:31. There is a charge of $.25 per page plus shipping.

INITIAL RATE AND RULE FILING INCLUSIONS

A. Each Filing must include a cover letter.

B. The subject line of the cover letter must contain the following information

1. The Fund name making the Filing.
2. The type of Filing (initial or revision Filing).
3. The line(s) of business to which the Filing applies.
4. The name of the program to which the Filing specifically applies.
5. The Fund's reference number for the Filing, if any.
6. The effective date desired for the Filing.

Below is an example of how the subject line should appear:

ABC Self Insurance Fund
Rate and Rule Revision
Workers Compensation
Preferred Employer Program
Fund Ref. # ABC-95-9876-LA
Requested Effective Date: 12/12/96

C. In the body of the cover letter the following must be included:

1. Name, telephone number, fax number and address (if not on letterhead) of the person to contact in case of questions regarding the Filing.
2. If the rate/rule and form Filing portions are interdependent, this fact must be noted.
3. A brief description of the Filing.

D. Each Filing must include an explanatory memorandum which includes, but is not limited by, the following information:

1. Actuarial justification for the requested rate, relativities, or factors must be provided. A signed actuarial opinion by a qualified member of the Casualty Actuarial Society regarding rate adequacy must accompany the Filing.
2. If NCCI loss costs are the basis of the proposed rates, the loss cost version must be stated.
3. If the filed rates or rules contain any form of discount pursuant to R.S. 23§1196.A.(6), other than applicable National Council on Compensation Insurance experience debits or credits, such discount is limited to a maximum of 15% of the gross premium of the fund member unless approved by the Louisiana Insurance Rating Commission staff.

   The term "discount" as used above includes schedule rating, flex rating, or any practice, method, or device by which a rate deviation or premium reduction is calculated for a particular fund member from the gross premium charged. The term "discount" does not include applicable National Council on Compensation Insurance experience debits or credits.

   If the Filing contains a discount as described above, it must be clearly stated and fully explained.
4. If the filed program contains any form of tier rating, it must be clearly stated.

E. Every Filer must provide LIRC staff with information regarding their activities, planned or otherwise, in the area of fraud prevention.

This information should include, but not be limited to:

1. A description of programs aimed at preventing fraud in which the Filer is currently or will be directly involved.
2. The current year's budget underlying programs aimed at preventing insurance fraud.
3. A contact who can provide additional information regarding the Filer's fraud programs.

F. A Filing shall include four copies of the cover letter, three copies of Filing materials and supporting documents, and two self-addressed, stamped envelopes.

1. Two copies of the cover letter, Filing materials and supporting documents will be available to LIRC staff and Actuary for review.
2. One copy of the Filing materials, supporting documents, and postmarked envelope will remain on permanent file with LIRC staff according to its retention schedule.
3. One copy of the cover letter will be date stamped with "Receipt Acknowledged" and returned to the Filer as evidence that the Filing was received by LIRC staff.
4. The second envelope will be used to transmit the LIRC staff action taken with respect to the Filing.

SUBSEQUENT RATE AND RULE FILING INCLUSIONS

All subsequent Filings which revise, correct, add to, delete from, or otherwise modify an existing and approved Filing must include the following information. This information is in addition to the information required in the initial submission section of this Bulletin.

A. Rule Change

A Filing which includes a rule change must include the following information:

1. An explanation of each change must be provided.
2. If a rule change results in an explicit or implicit rate change, the estimated percentage change and dollar impact on Fund members must be provided.
3. If there is a change in policy coverage, the estimated equivalent premium percentage change and dollar impact on Fund members must be provided.
4. If a Filing contains mandatory policy provisions which previously were optional to Fund members, these provisions must be explicitly identified and the estimated equivalent premium percentage change and dollar impact on Fund members must be provided.
5. If the Filing is a complete or partial replacement to a previous Filing pending action by LIRC staff, a statement to this effect is required. The prior Filing must be clearly identified. Obsolete and replaced rate or rule pages and forms should be listed to facilitate removal and replacement.

B. Rate Change

A Filing which includes a rate change, whether an overall increase, an overall decrease, or no overall change with balanced class or factor revisions, must include the following information:

1. Clearly state the percentage change by classification and overall dollar impact the requested rate change is expected to have on existing Fund member.
2. Five years of premium and loss experience must be provided using the format detailed in Exhibit A. Experience must be specific for the program affected by this Filing.
3. Three years of paid expense experience must be provided using the format detailed in Exhibit B. Experience must be specific for the program affected by this Filing.
4. The investment income consideration included in the underwriting profit provision underlying the proposed rates must be provided.
5. If applicable, the calculation of the loss cost multiplier must be provided (Exhibits C.1 and C.2).
6. Actuarial justification for the overall requested rate must be provided. A signed actuarial opinion by a qualified Actuary regarding rate adequacy must accompany the Filing.

7. Provide an explanation and experience which justifies any revision to one of these items:

   a. Individual class definitions, relativities, factors, or deviations
   b. Deductible definitions or relativities
   c. Policy fee schedules
   d. All other credits, debits, discounts, and surcharges.

LIRC STAFF APPROVAL PROCESS

A. Receipt

Upon arrival, one copy of the cover letter will be date stamped with "Receipt Acknowledged" and returned to the Filer as evidence that the Filing was received by LIRC staff.

Staff reviews all Filings received and determines if the guidelines and specific statutes are properly complied with.

B. Review

The Filing will be routed within the LIRC to appropriate staff for review. A Filing is found to be "incomplete" if it violates Louisiana statutes or does not meet LIRC guidelines regarding content or format of Filing materials.

If the Filing is found to be "incomplete" the Filer will be notified and information necessary to complete the Filing will be requested. The Filing will be placed in abeyance until a satisfactory response is received. If no response is received within ninety (90) days, the Filing will be considered disapproved.

Each response to a request for additional information will be handled in the following manner:

1. If the Filer is responding to a specific question asked by LIRC staff, the response should be addressed to that person.
2. The question being responded to should be clearly identified.
3. A response shall include four copies of the cover letter, three copies of supporting documents, and two self-addressed, stamped envelopes.

   a. Two copies of the cover letter, Filing materials and supporting documents will be available to LIRC staff and Actuary for review.
   b. One copy of the Filing materials, supporting documents, and postmarked envelope will remain on permanent file with LIRC staff according to its retention schedule.
   c. One copy of the cover letter will be date stamped with "Receipt Acknowledged" and returned to the Filer as evidence that the Filing was received by LIRC staff.

d. The second envelope will be used to transmit the LIRC staff action taken with respect to the Filing.

C. LIRC Action

The Filer can request that a Filing be withdrawn at any time.

The Filer can amend a Filing in writing at any time.

When LIRC staff has either approved, deferred, or disapproved a Filing, a letter from LIRC staff is sent to the Filer. This letter states the action taken and restates any amendments the action is contingent upon. This letter is placed on permanent file with the original Filing materials.

Note that Department action on forms will be sent under separate cover by the Forms Division.

FUND NAME_____ LINE OF BUSINESS_____

Exhibit A

EXPERIENCE UNDERLYING RATE REVISION FILING

LOUISIANA PY_____ AY_____ FY_____ as of _____

	19____	19____	19____	19____	19____	All Years Combined
1. Standard Written Premium						
2. Earned Premium						
3. Earned Premium Adjustment Factor						
4. Adjusted Earned Premium (2x3)						
5. Earned Premium Projection Factor						
6. Projected Earned Premium (4x5)						
7. Paid Loss + LAE						
8. Case + LAE Reserves						
9. Incurred Loss (7+8)						
10. Incurred Loss Ratio (8/2)						
11. Loss Development Factor						
12. Developed Loss (10 x 11)						
13. Developed Loss Ratio (12/2)						
14. Loss Projection Factor						
15. Projected Loss (12 x 14)						
16. Projected Loss Ratio (15/6)						

Where: Earned Premium Adjustment Factor (3) is a factor to adjust the year's earned premium to current manual and benefit levels.

Earned Premium Projection Factor (5) is a factor to project the adjusted earned premium to a level expected to be earned during the effective policy period covered by by this filing; this factor includes expected exposure or premium shifts.

Loss Development Factor (11) is a factor to adjust Incurred Loss (9) to an ultimate paid level.

Loss Projection Factor (14) is a factor to project Developed Loss (12) to a level expected to be paid if the losses occurred during the policy period covered by this rate filing, i.e., the period corresponding to Projected Earned Premium (6).

FUND NAME_____ LINE OF BUSINESS_____

Exhibit B

LOUISIANA EXPENSE EXPERIENCE

Calendar Year

	19____		19____		19____		All Years Combined	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Standard Written Premium								
2. Earned Premium								
3. Paid Commissions[1]								
4. Paid Contingent Commissions[1]								
5. Paid Other Acquisition[2]								
6. Paid General Expenses[2]								
7. Paid Taxes, Licenses, Fees[1]								
8. Paid Policyholder Dividends[1]								
9. Paid Underwriting Expense (3+4+5+6+7+8)								
10. Paid Losses								
11. Paid Allocated Loss Adjustment Expense[3]								
12. Paid Unallocated Loss Adjustment Expense[3]								
13. Paid Loss Adjustment Expense (8+9)[3]								

[1]As a percentage of standard written premium
[2]As a percentage of earned premium
[3]As a percentage of paid losses

FUND NAME: _____

EXHIBIT C.1

LOUISIANA

INSURER RATE FILING
ADOPTION OF LOSS COSTS
SUMMARY OF SUPPORTING INFORMATION FORM
CALCULATION OF COMPANY LOSS COST MULTIPLIER

1. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies:

_____

2. Loss Cost Modification:
   A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing: (Check One)

      ☐ Without modification. (factor = 1.000)

      ☐ With the following modification(s). (Cite the nature and percent modification, and attach support data and/or ration: for the modification.)

      _____

   B. Loss Cost Modification expressed as a factor (see examples below): _____

NOTE: IF EXPENSE CONSTANTS ARE UTILIZED, ATTACH "EXPENSE CONSTANT SUPPLEMENT" (Exhibit C.2) OI OTHER SUPPORTING INFORMATION. DO NOT COMPLETE ITEMS 3-7 BELOW.

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

		Selected Provisions
A.	Commission and Brokerage Expense:	_____ %
B.	Other Acquisition Expense:	_____ %
C.	General Expense:	_____ %
D.	Taxes, Licenses & Fees:	_____ %
E.	Underwriting Profit & Contingencies:	_____ %
F.	Investment Income Offset:	(_____) %
G.	Other (explain):	_____ %
H.	TOTAL:	_____ %
4. A.	Expected Loss Ratio (ELR) (100% - 3H):	_____ %
B.	ELR in decimal form (4A ÷ 100):	_____
5.	Company Formula Loss Cost Multiplier (2B ÷ 4B):	_____
6.	Company Selected Loss Cost Multiplier:	_____
	Explain any differences between 5 and 6:	_____

_____

7. Rate level change for the coverages to which this page applies _____ %

Loss Cost modification factor: If your company's loss cost modification is -10%, a factor of .90 (1.00 - .10) should be used. If your company's loss cost modificatic +15%, a factor of 1.15 (1.00 + .15) should be used.

FUND NAME: _____

EXHIBIT C.2

LOUISIANA

INSURER RATE FILING
ADOPTION OF LOSS COSTS
SUMMARY OF SUPPORTING INFORMATION FORM
EXPENSE CONSTANT SUPPLEMENT

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data and/or other supporting information.)

	Overall	Selected Provisions: Variable	Selected Provisions: Fixed
A. Commission & Brokerage:	_____ %	_____ %	_____ %
B. Other Acquisition:	_____ %	_____ %	_____ %
C. General Expense:	_____ %	_____ %	_____ %
D. Taxes, Licenses & Fees:	_____ %	_____ %	_____ %
E. U/W Profit & Contingencies:	_____ %	_____ %	_____ %
F. Investment Income Offset:	(_____)%	(_____)%	(_____)%
G. Other (explain):	_____ %	_____ %	_____ %
H. TOTAL:	_____ %	_____ %	_____ %

4. A. Expected Loss Ratio (ELR) (100% - Overall 3H): _____ %
   B. ELR expressed in decimal form (4A ÷ 100): _____
   C. Variable Expected Loss Ratio (VELR) (100% - Variable 3H): _____ %
   D. VELR in decimal form (4C ÷ 100): _____
   E. Average Underlying Loss Cost: $_____

5. A. Formula Expense Constant [(1.00 ÷ 4B) - (1.00 ÷ 4D)] x 4E: $_____
   B. Formula Variable Loss Cost Multiplier (2B ÷ 4D): $_____

6. A. Selected Expense Constant: _____
   B. Selected Variable Loss Cost Multiplier: $_____

7. Explain any differences between 5A and 6A or 5B and 6B:

_____

_____

8. Rate level change for the coverages to which this page applies: _____ %