

**LOUISIANA**  
**DEPARTMENT OF INSURANCE**



**OFFICE OF PROPERTY AND CASUALTY**

**Rate and Rule Filing Handbook**

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## **PURPOSE**

This document is a consolidation of previously issued guidelines and instructions for rate and rule filings. It provides Property and Casualty (“P&C”) insurers with rate and/or rule filing requirements and outlines the review and/or acknowledgement process.

## **AUTHORITY**

Louisiana is a File and Use state. Every authorized insurer shall file with the commissioner all rates, supplementary rate information, and all supporting information for risks to be written by the insurer in this state. The rates and information submitted are deemed approved unless the insurer is notified otherwise by the commissioner within *thirty days* of the rate filing. Insurers negotiating with and insuring commercial entities, except with regard to workers' compensation and medical malpractice insurance, with at least \$10,000 in annual insurance premiums shall file insurance rates or rate changes for such entities with the commissioner for informational purposes only. The commissioner may by rule, regulation, or order reduce or eliminate the annual premium threshold for those entities. The statutes referenced below provide the basis of the Office of Property & Casualty’s (OPC) governing authority. Note that some pertinent statutes are not found in Louisiana Revised Statutes, Title 22 (the Louisiana Insurance Code). Nevertheless, those statutes are enforced by the OPC and/or the Louisiana Department of Insurance (LDI).

Chapter 4, Part 4, Subpart O of the Louisiana Insurance Code (La. R.S. 22:1 et seq.) establishes the authority of the commissioner of insurance to regulate rates and rules and provides for rate and rule regulation.

La. R.S. 22:1451 states that every authorized insurer shall file with the commissioner all rates, supplementary rate information, and all supporting information for risks to be written by the insurer in this state. The rates and information submitted pursuant to this Subpart are deemed approved unless the insurer is notified otherwise by the commissioner within 30 days of the rate filing.

La. R.S. 22:1452 states that the purpose of the commissioner of insurance in the regulation of rates and rules is to promote public welfare by regulating insurance rates so that the rates shall not be excessive, inadequate, or unfairly discriminatory.

La. R.S. 22:1456 sets forth the scope of the commissioner’s authority to regulate rates by line of business.

La. R.S. 22:1464 provides that insurers are subject to rate regulation and that insurers shall file and support every manual premium, minimum premium,

class rate, rating schedule, rating plan, rating rule, and every modification of any of the foregoing which the insurer proposes to use.

LDI Regulation 42 (Louisiana Administrative Code, Title 37, Part XIII, Chapter 11, Section 1113) provides that every workers' compensation group self-insurance fund shall adhere to a uniform classification system, uniform experience rating plan, and manual rules acknowledged by the commissioner of insurance. The commissioner has delegated approval authority to the Office of Property and Casualty.

## DEFINITIONS

### **A-Rates**

Rates that are not supported by loss experience statistics. The rates are based on the judgment of the underwriter on an individual risk basis. The rates can be written broadly (Example: "We intend to write this program on an "A" Rated basis") or with a guide that indicates specific premium for each coverage. If the company uses a guide, it must use the specific premium and cannot use a range of rates. Additionally, a company must actuarially support/justify the premiums indicated in the guide.

### **Abeyance**

Occurs when a submitted prior approval filing has been set aside until all information needed to complete the review is made available by the filer to OPC staff.

### **Act of Terrorism**

Those acts certified as such by the United States Secretary of the Treasury acting in consultation with the Secretary of Homeland Security and the Attorney General under the provisions of the Terrorism Risk Insurance Act of 2002. No act shall be certified by the Secretary as an act of terrorism if: (1) the act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to a coverage for workers' compensation; or (2) property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000.

<b>Action Letter</b>	A letter issued by the LDI that indicates the disposition of a filing (i.e., meets requirements, meets requirements contingent upon form approval, acknowledged, disapproved, withdrawn, etc.)
<b>Advisory Organization</b>	Every group, association, or other organization of insurers, whether located within or outside this state, which assists insurers with the submission of rate/rule filings by collecting and furnishing loss or expense statistics or by the submission of recommendations. An advisory organization does not make a rate filing on its behalf or on behalf of insurers.
<b>Agenda</b>	A report that can be generated from the Rate Filing Search tool located on the LDI website that reflects: 1) the filings pending to date, 2) the filings submitted the previous week or 3) the filings acted on in the previous week.
<b>Certificate of Authority</b>	The licenses issued by the LDI to an insurance company that allows it to conduct business in Louisiana.
<b>Classification of Risk</b>	The combining of risks into groups with the same general characteristics so that inherent differences in exposure to loss can be recognized for rating or underwriting purposes.
<b>Commissioner</b>	Commissioner of Insurance.
<b>Consent to Rate</b>	A procedure whereby a risk which is not acceptable at filed rates may be written at rates above those filed. The insurer must submit a written application to the commissioner of insurance that explains or provides justification for the use of a higher rate, along with a statement and/or signature of the insured person or entity whereby the insured person or entity acknowledges and agrees to the imposition of the higher rate.

<b>Effective Date</b>	The earliest date that an insurer proposes to implement a new rate or rule filing.
<b>File and Use</b>	Every authorized/licensed insurer must file all proposed rates, supplementary rate information, and supporting documentation for risks written in Louisiana with the commissioner of insurance. Once filed, these submissions are deemed approved unless the insurer is notified otherwise by the commissioner within 30 days of the rate filing.
<b>Filer</b>	An insurer or any other authorized entity that submits a filing for review and acknowledgement. With a letter of authority, an insurer can delegate its filing authority to a third party.
<b>Filing</b>	An application submitted to the LDI OPC for the purpose of requesting the implementation of a rate and/or rule. This includes the filing of initial rates and rules, changes to previously acknowledged rates and rules, and the withdrawal of acknowledged rates and rules.
<b>Form</b>	Policy contracts used by insurers to transact the business of insurance.
<b>Form Filing</b>	Application by a filer for OPC approval of a form. This includes the initial filing of forms, changes to previously approved forms and withdrawal of approved forms.
<b>Initial Filing</b>	A filing of rates and/or rules when no previous or similar filing has been acknowledged by the OPC/commissioner.



**Insured TRIA loss**

Any loss resulting from an act of terrorism that is covered by primary or excess property and casualty insurance issued by an insurer if such loss (1) occurs within the United States; or (2) occurs to an air carrier (as defined in 40102 of title 49, United States Code), or to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission. Such loss includes losses that would result in an act of war, in the case of workers' compensation.

**Individual Risk  
Premium Modification  
Plan**

A limited set of rules used to adjust a rate to reflect an insured's risk more accurately. An individual risk premium modification plan contains specific risk characteristics, based on quantified differences from the average risk contemplated in the manual rate, for which judgment is allowed to adjust the manual rate. The adjustments are in the form of debits and credits, within certain bounds. Also referred to as a "schedule rating plan."

**Installment Plan**

A billing or payment plan where an insured pays a premium in partial payments over the term of the policy. Often, an additional nominal fee is charged to cover processing costs.

**Judgment Rating Plan**

An underwriting methodology based on the best judgment of an underwriter to classify and rate a specific risk. This method of rating is not allowed in Louisiana for personal lines.

**LDI**

Louisiana Department of Insurance

**La. R.S.**

Louisiana Revised Statutes

**Modeling**

An actuarial tool used to create rating plans, create price points in a rating plan, or evaluate risk (such as hurricane risk).

<b>Multiple Rating Plan</b>	A rating scheme that provides different rate levels across multiple companies within a group of companies. There is no requirement that rate classification systems be identical across the companies. A multiple rating plan is not a tier rating plan. However, an individual company in a multiple company rating plan may also have a tier rating plan. [See tier rating plan].
<b>OPC</b>	The Office of Property and Casualty.
<b>Premium</b>	The amount assessed by an insurer as consideration for the purchase or continuance of insurance for a stated term; includes any assessment, membership, policy, survey, inspection, service or similar fee or charge. The determination of premium is based on OPC acknowledged rules applied to acknowledged rates.
<b>Rate</b>	The manual charge per unit of exposure used to determine premium. The manual charge includes (1) losses, (2) insurer's expenses, and (3) profits and contingencies provision.
<b>Rate Capping</b>	The process of tempering the premium charged to renewed individual policies so as to avoid large swings over time.
<b>Rate Search Tool</b>	An online LDI search mechanism that allows the public and insurers to search for filings and to track the status of submitted filings.
<b>Rate Revision</b>	A request to change, add to, or remove rates or rate calculations previously acknowledged by the OPC.
<b>Rating Plan</b>	The incorporation of classifications, manual rules and numerical factors used to develop a rate.
<b>Rating Organization</b>	A corporation, an unincorporated association, a partnership, or an individual, whether located within or outside this state, which applies to the OPC for licensure as an entity that is authorized to submit filings on behalf of its members.

<b>Receipt Stamp</b>	An ink stamp containing the text <i>RECEIVED (date) LA. OFFICE OF PROPERTY AND CASUALTY</i> . The date of this stamp is the date used by the OPC for time sensitive demarcations, such as deemed effective dates.
<b>Risk Purchasing Group</b>	A group of persons or entities with similar or related business interests that is authorized by the LDI to purchase liability insurance on a group basis for similar or related liability exposure.
<b>Risk Retention Group (RRG)</b>	Owner-controlled insurance companies authorized by the Federal Risk Retention Act of 1986. An RRG provides liability insurance to members who engage in similar or related business or activities for all or any portion of the exposures of group members, excluding first party coverages. RRGs are exempt from state filing requirements.
<b>Rule</b>	Instructions used to calculate premium for an insured risk, or to clarify coverage, or to establish other criteria the company requires to accept, process, or limit a risk. These instructions would not include any changes in premium for a policyholder.
<b>Rule Revision</b>	A request to change, add to, or remove rules previously acknowledged.
<b>Schedule Rating Plan</b>	A limited set of rules used to adjust a rate to accurately reflect an insured's risk. The plan contains specific risk characteristics based upon quantified differences from the average risk contemplated in the manual rate for which judgment of the company is allowed to adjust the manual rate. The adjustments are in the form of debits and credits, within certain bounds. [Also see Individual Risk Premium Modification Plan]
<b>Tier-Rating</b>	Two or more rate classification plans within a single company. The rating plans may or may not be identical. A tier-rating plan can be used and implemented between companies within a group of companies or within a single company. The OPC draws a clear distinction between the two types of tier rating plans. [Also see Multiple Rating Plan]

<b>Terrorism Risk Insurance Act (TRIA)</b>	The Terrorism Risk Insurance Act (TRIA) is a U.S. federal law that was enacted in 2002. TRIA was enacted in the wake of the terrorist attacks of September 11, 2001. The Act was created to enable commercial insurers to provide reasonable terrorism coverage to policyholders who are subjected to acts of terrorism. Originally, TRIA was to expire in December, 2005, but it has been extended four times since and now is set to expire in 2027.
<b>TRIA Certified Loss</b>	Loss resulting from a certified act of terrorism pursuant to the federal Terrorism Risk Insurance Reauthorization Act of 2019.
<b>TRIA Non-certified Act of Terrorism</b>	A violent act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion. Moreover, the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Reauthorization Act of 2019.
<b>TRIA Non-certified TRIA Loss</b>	A loss from what would otherwise be an act of terrorism except that it is not certified as such by the Secretary of the Treasury under the provisions of the Terrorism Risk Insurance Reauthorization Act of 2019.
<b>Workers' Compensation Group Self-Insurance Fund (WCGSIF)</b>	Workers' Compensation Group Self-Insurance Fund is an organized group of employers that forms an association for the purpose of providing workers' compensation insurance for all of its member employers.
<b>Wrap-Up</b>	An insurance policy that covers all liability exposure for a large group that has something in common. For example, wrap-up insurance can be written for all the various businesses working together on a special project, (i.e., a large construction project). The insurance policy written would provide coverage for losses arising out of that work only. Wrap-up includes owner-controlled insurance programs.

## **FILING PROCESSES**

### **Receipt of Filing**

Companies may submit filings to OPC via U. S. Mail or SERFF. Upon receipt of a paper filing, OPC staff will date stamp and return a copy of the filing's cover letter to the filer. The returned copy of the cover letter does not signify approval of the filing. The returned copy of the cover letter only notifies the filer that the filing has been received and is being processed in accordance with outlined procedures. A complete filing shall include a cover letter which states the intent to file under the file and use provision, and actuarial justification to support the request. Date-sensitive time frames shall be determined by the stamped receipt date on the returned copy, not the stamped receipt-acknowledged date.

Upon receipt of a filing submitted through SERFF, OPC staff will change the filing status to "Review Initiated." Once the SERFF filing is electronically date stamped, this act should serve as an indicator to the filer that the filing has been received and is being processed in accordance with outlined procedures. A complete filing submitted via SERFF shall include a detailed explanation in the filing description stating the insurer's intent to submit under the prior file and use provision and a thorough explanation of the filing, a completed rate/rule filing schedule and actuarial justification to support the request.

### **Filing Review**

Upon receipt of a rate/rule filing, the filing is assigned to an OPC examiner for review.

All filings are to be made on a per line of business (i.e., Private Passenger Automobile), per program (i.e., Motorcycle) basis.

All filings will be reviewed by the OPC staff on a date received (first come) basis.

If a filing is found to be incomplete, OPC staff will issue a disapproval letter outlining the missing components. If the filer wants to submit the filing again, the filing must be resubmitted in its entirety with a new company reference number and reference to the previous LDI Item Key filing number.

If there is an unresolved compliance issue or any actuarial issues, the filer will receive a written disapproval letter that details the compliance and/or actuarial issues. For any filing that is disapproved, the insurer may re-file at any time (with a new company reference number and reference to the previous LDI Item Key filing number) or the insurer may appeal the disapproval to the Nineteenth

Judicial District Court, Parish of East Baton Rouge (19<sup>th</sup> JDC) within 15 days from receipt of written notice of the disapproval pursuant to La. R.S. 22:1469(B).

### **Commercial Informational Filings**

Rates for commercial risks with at least \$10,000 in annual policy premium shall be submitted to the OPC/commissioner on an informational basis. This exception does not include workers' compensation or medical malpractice liability insurance (these lines must be filed with the commissioner for approval prior to implementation as outlined in La. R.S. 22:1451). The informational filing can be in the form of an entire program whose eligibility requirements meet or exceed the minimum \$10,000 policy premium or an individual qualifying policy. The informational filing shall include the following:

- A cover letter which clearly states whether the submission is for an entire program or individual policies.
- For a qualifying program, the cover letter should clearly indicate the filing is for the entire program and state the minimum premium for each policy issued by way of the program will be at least \$10,000.
- For qualifying policies, the informational filing should include a copy of the declaration page for each individual policyholder.

The OPC staff will acknowledge receipt of all informational filings found in compliance.

### **PUTTING THE RATE/RULE FILING TOGETHER**

This section defines a "complete filing" by including the minimum and general filing requirements, as well as detailed filing requirements for specific filing situations. The filing requirements are organized by type of filing and, where appropriate, by line of business. Unless a line or company type is explicitly identified, the requirements listed below apply to all lines of business and companies.

A Workers' Compensation Group Self-Insurance Fund ("WCGSIF") must submit a filing pursuant to LDI Bulletin 08-09 (formerly LDI Bulletin 95-06). All other filings must follow the guidelines set forth in this section.

#### **All Filings - Minimum Requirements**

The following filing requirements are required of all rate and rule filings submitted:

1. The filing must be submitted via the System for Electronic Rate and Form Filings (SERFF) or the United States mail.
2. A complete filing **must** include the following:
  - a. A cover letter that provides a brief statement as to the purpose of the filing. A cover letter must be provided for paper submissions. SERFF submissions must include a detailed explanation of the purpose of the filing in the filing description of the General Information section.
  - b. Explanatory Memorandum – The memorandum should include the information specified by the type of filing request.
  - c. Mandatory documents for the specified type of filing and line of business. See page 12 for detailed filing guidance.
  - d. Completed Statement of Compliance from the Product Filing Matrix (PFM) for the product (s) listed on the Transmittal Document. The Product Filing Matrix is available on the Department’s website: <http://ia.lld.state.la.us/productmatrix>.
  - e. A copy of the last action letter from the OPC/commissioner for the currently acknowledged rates for the referenced program.
  - f. Proposed manual pages should be attached to each filing at submission. If the filing is amended, the company should submit **only** the revised copies of the manual pages affected by the amendment.

Please note the following:

1. Expanded descriptions of exhibits and components to be included in filings can be found in the “Additional Useful Information” section of this handbook.
2. Should a company file a short rate cancellation method, it must provide its short rate table.
3. Prior to the submission of a rate filing, an insurance company should verify that it is licensed in Louisiana for the line of business stated in its filing(s).
4. Retroactive effective dates are **not** allowed.
5. When a company is adopting, delay-adopting, or non-adopting a rating organization filing, the company must be a member of and/or a subscriber of the particular rating organization. Additionally, an insurance company must have the necessary authority for the coverage line stated in the filing. The filing must, specifically, state the rating organization’s designation number(s) for the acknowledged rate/rule plans that will be adopted, delay adopted or nonadopted.
6. Rate and rule filings must be submitted independently of form filings.

## Rate Revision

A rate revision is a filer's request to change, add to, or remove rates previously acknowledged by the OPC/commissioner. An initial filing designed to accept (i.e., roll) an existing book of business should be filed as if it is a rate revision.

All rate revision filings should contain the following filing material:

1. **Explanatory Memorandum** - The filer should explain each requested rate revision contained in the filing. The impact of changes for the base premium, classification, territory, limits and deductible should be separately identified for each coverage type. All deviations contained in the filing, whether they involve deviations between companies, deviations from rating organization filings or otherwise should be separately identified.
2. **Exhibit A.1 – Louisiana Experience Underlying Revision**  
Exhibit A.1 should be completed regardless of how much business volume the filer has in Louisiana for the program affected by the filing. If no business has been written, place zeros in the appropriate lines of the exhibit. This worksheet shows historical experience for the program affected by the filing. The exhibit should reflect the most current five (5) years of experience. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.
3. **Actuarial Memorandum** – The Actuarial Memorandum should illustrate, from an actuarial standpoint, what rating factors are being amended in a proposed filing and what methodology is being used to develop the indicated and the selected rate impact.
4. **Exhibit A.2 – Countrywide Experience Underlying Revision**  
Exhibit A.2 is not required but may be requested by OPC staff. The exhibit should be completed regardless of how much business volume the filer has countrywide for the program affected by the filing. If no business has been written, place zeros in the appropriate lines of the exhibit. This worksheet shows historical experience for the program affected by the filing. The exhibit should reflect the most current five (5) years of experience. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.
5. **Exhibit B – Actuarial Checklist – Company Portion**  
Exhibit B is a tool used by both the insurer and regulatory staff to verify that the filing has all of the requisite actuarial supporting documents. This checklist is required to be submitted with all property & casualty personal lines rate filings in Louisiana. It is optional for other lines of business.



## 6. Justification for requested rate revision:

Actuarial Analysis - For all rate revision filings where the annual premium in the latest calendar year is greater than two hundred, fifty thousand dollars (\$250,000) an actuarial analysis in support of the rate revision must be included in the filing. Annual premium should be measured based on the insurance program affected by the proposed rate revision.

Statistical Analysis - For rate revision filings where the annual premium in the latest calendar year is less than two hundred, fifty thousand dollars (\$250,000) and an actuarial analysis is not available, a company may submit a statistical analysis. Annual premium should be measured based on the insurance program affected by the proposed rate revision.

Detailed Explanation - For rate revision filings where there is not enough historical data to support an actuarial or statistical analysis, a detailed explanation as to how the proposed revised rates were derived is required. Additional information may be requested by LDI actuarial staff.

## 7. Exhibit C - Louisiana Loss Cost Multiplier Worksheet for Lines Other Than Workers' Compensation

Exhibit C is a worksheet used in developing a loss cost multiplier relative to a rating organization's loss costs. This exhibit is **mandatory** for loss cost reference filings for lines other than workers' compensation.

## 8. Exhibit C-WC - Louisiana Loss Cost Multiplier Worksheet for Workers' Compensation

Exhibit C-WC is a worksheet used in developing a loss cost multiplier relative to a rating organization's loss costs. This exhibit is **mandatory** for loss cost reference filings for workers' compensation.

## 9. Exhibit D - Private Passenger Automobile Rating Examples and Exhibit D.1 - Private Passenger Automobile Rating Illustration

- Exhibit D compares rates for seven (7) risk classifications in fourteen (14) Louisiana cities.
- Exhibit D.1 shows the calculations underlying the rate for one of the ninety-eight (98) rating example situations shown in Exhibit D.
- For all private passenger automobile rate revision filings, Exhibits D and D.1 **must** be included.

## 10. Exhibit E - Homeowners Rating Examples and Exhibit E.1 - Homeowners Rating Illustration

- Exhibit E compares rates for twelve (12) risk classifications in thirty (30) Louisiana cities.
- Exhibit E.1 shows the calculations underlying the rate for one of the three hundred sixty (360) rating example situations shown in Exhibit E.
- For all homeowners rate revision filings, Exhibits E and E.1 **must** be included.

## 11. Exhibit F - Louisiana Operating Results

Exhibit F reflects an insurer's profit or loss on business written in Louisiana. The OPC **may** request Exhibit F when a company has Louisiana earned premium exceeding \$6 million, in aggregate, over the most recent three (3) calendar years. Exhibit F should reflect direct business only. Note that reinsurance **shall not** be included. This includes reinsurance with third parties, as well as inter-company pooling arrangements within a company group. Exhibit F premium and loss experience should only reflect business affected by the filing. If this is not feasible, the filer should provide Exhibit F experience for the closest line or sub-line available and note this fact on the exhibit. Exhibit F expense and income experience should reflect only the Louisiana business affected by the filing. If necessary, Louisiana expenses or income can be approximated from data aggregated at a higher level. Examples are: countrywide experience, group experience or annual statement line of business. If Louisiana expenses or income is approximated, it should be noted on the exhibit. Exhibit F must include the most current ten (10) years of information. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year. Annual premium should be based on the insurance program affected by the proposed rate revision.

## 12. Exhibit H – Louisiana Rate Revision Questionnaire (Not needed for new programs)

Exhibit H breaks down the overall statewide average rate revision, by filing, into a distribution of policyholders across percent change increments. For all private passenger automobile, homeowners and medical professional liability filings, Exhibit H **must** be included. For **all other lines of business**, it must be submitted **upon departmental request**.

13. Exhibit I – Louisiana Rate Revision Questionnaire by Territory (Not needed for new programs) – Exhibit I displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's territories. For all private passenger automobile and homeowners' filings, Exhibit I **must** be included. For all other lines of business, Exhibit I **must be submitted upon departmental request**.

## 14. Exhibit J – Louisiana Medical Malpractice Filing Questionnaire

Exhibit J displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's territories. For all medical professional liability filings, Exhibit J **must** be included.

## 15. Catastrophe Model Interrogatories (LDI Bulletin 2013-04)

The purpose of Bulletin No. 2013-04 is to provide assistance to all property

and casualty insurers using catastrophe models to support proposed rates filed with the LDI. While modeling specific to the hurricane peril is the focus of this bulletin, the guidance provided should be used for other perils where applicable. Completion and submission of the Catastrophe Model Interrogatories is mandatory when a personal lines rate filing relies on a catastrophe model(s) to support the proposed rates.

### **Information Related to the SERFF Rate/Rule Schedule Tab**

1. Written premium change for a program should be calculated as the written premium for the program, multiplied by the overall percent of rate impact.
2. When reporting the number of policyholders affected for this program, the following criteria should be followed:
  - Value should be no older than three months old (relative to the filing date).
  - Value should be on an in-force basis.
  - Value should reflect all policyholders in the program, not just the policyholders affected by rate change.
  - Value should reflect the number of policies, not the number of exposures.
3. When reporting written premium for a program, the following criteria should be applied:
  - Value should reflect 12 months of written premium.
  - Value should reflect the 12-month period ending no more than three months ago (relative to the filing date).
  - Value should include booked premium audit where applicable. (workers' compensation, etc.).

### **Monoline Revisions That Affect the Package Program**

When a company is making a rate revision to a monoline program and the rate revision also affects the package program, the filing should be made as a monoline filing and the overall percentage of increase/decrease for the monoline program should be provided as well as the overall percentage of increase/decrease for the package program.

### **Rate Capping**

The LDI generally does not favor individual policy rate-capping because it may lead to unfair discrimination when identical risks, one new and one renewing,

are charged different premiums. However, the OPC recognizes that tempering large increases in premium, even when the increases are actuarially sound, may be in the public's best interest.

Rate capping of individual premium changes at renewal, as addressed herein, should not be confused with capping actuarial selections within a rating plan.

The OPC finds acceptable an insurer judgmentally selecting internal rating plan relativities, e.g., tempered class or territory relativities, to limit the impact a proposed rate change would have on individual classes of business.

**Capping individual premium changes at renewal ("Rate Capping"):** The following capping rules set forth the OPC's guidance for the insurance industry. Please note that the commissioner may exempt an insurer from having to comply with the rate capping guidelines provided below if: 1.) an insurer submits a written request for exemption to the commissioner explaining how the rate capping guidance will result in undue hardship, impairment or insolvency and 2.) the commissioner determines that the requesting insurer's exemption from the guidelines has merit.

- a. There shall be no capping of premium changes caused by changes in coverage exposure, classification, or other policyholder characteristics.
- b. Rate capping on the up-side shall not limit individual policyholder premium increases to less than ten percent (+10%).
- c. There shall be no rate capping on the downside, i.e., if a policyholder is projected to receive a reduction in premium due to the implementation of a rate change, then that policyholder should receive the full reduction at the implementation of that rate change.
- d. The insurer shall place a rule in its rate manual detailing the application of rate capping. This rule shall be clearly worded and shall specify:
  - i. The up-side cap;
  - ii. That there is no down-side cap;
  - iii. The formula for the rate capping calculation;
  - iv. The duration of the rate capping procedure, e.g., start date and end date; (e.g., 6 semi - annual renewals or 3 annual renewals)
  - v. Explain how future rate changes will interact with the current rate change under the rate capping rule; and
  - vi. Other relevant information.
- e. All standard filing transmittal forms shall show the overall percentage and dollar rate impacts on an uncapped basis. This applies to any and all predetermined state-mandated forms required to be completed by the insurer and transmitted with the filing, (e.g., Rate/Rule Filing Schedule, SERFF Rate Information tab and Louisiana Exhibits C, C-WC, H, I, and J).

- f. The insurer shall disclose to OPC the impact of the proposed capped rate changes over future renewal periods until the capping process ends. The disclosure shall include projections of premiums, percentage changes, dollar changes, and number of policies impacted for each future renewal period. To perform this exercise, the insurer shall make the standard assumption that its current book of business is fully retained and renewed into the future, until the capping process ends.

As a simplified example, suppose a company wishes to impose a cap of +20% per renewal and currently has two semiannual policies:

<u>Policy #</u>	<u>Premium</u>	<u>% Change</u>	<u>\$ Change</u>
1	\$1,000	+ 5%	+ \$50
2	\$2,000	+ 50%	+ \$1,000
Total	\$3,000	+ 35%	+ \$1,050

Then the insurer shall show the following three tables (or Table 3 at a minimum) in its filing:

**UNCAPPED POLICIES (Table 1)**

(A)	(B)	(C)	(D)	(E)
Semiannual Renewal <u>Period</u>	Premium Subject to <u>Change</u>	<u>% Change</u>	<u>\$ Change</u>	Impacted Number of <u>Policies</u>
1	1,000	+ 5.0%	+ 50	1
2	1,050	+ 0.0%	+ 0	0
3	1,050	+ 0.0%	+ 0	0
4	1,050	+ 0.0%	+ 0	0
5	1,050	+ 0.0%	+ 0	0
6	1,050	+ 0.0%	+ 0	0
All Periods	1,000	+ 5.0%	+ 50	1

**CAPPED POLICIES (Table 2)**

(A)	(B)	(C)	(D)	(E)
Semiannual Renewal	Premium Subject to			Impacted Number of

<u>Period</u>	<u>Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>Policies</u>
1	2,000	+20.0%	+ 400	1
2	2,400	+20.0%	+ 480	1
3	2,880	+4.2%	+ 120	1
4	3,000	+0.0%	+ 0	0
5	3,000	+0.0%	+ 0	0
6	3,000	+0.0%	+ 0	0
All Periods	2,000	+50.0%	+1,000	1

**UNCAPPED + CAPPED POLICIES (Table 3)**

(A) Semiannual Renewal <u>Period</u>	(B) Premium Subject to <u>Change</u>	(C) <u>% Change</u>	(D) <u>\$ Change</u>	(E) Impacted Number of <u>Policies</u>
1	3,000	+ 15.0%	+ 450	2
2	3,450	+ 13.9%	+ 480	1
3	3,930	+ 3.1%	+ 120	1
4	4,050	+ 0.0%	+ 0	0
5	4,050	+ 0.0%	+ 0	0
6	4,050	+ 0.0%	+ 0	0
All Periods	3,000	+35.0%	+1,050	2

**NOTES**

(1) (C) = (D) / (B)

(2) For All Periods rows:

(B) = (B) for Semiannual Renewal Period 1

(C) = Multiplicative combination of (C) for all Semiannual Renewal Periods  
(e.g., in Table 2, +50.0% = 1.20 x 1.20 x 1.042 - 1.000)

(D) = Sum of (D) for all Semiannual Renewal Periods

(E) = (E) for Semiannual Renewal Period 1

(3) Table 3 = Table 1 + Table 2, except that note (1) above applies

- g. Any subsequent change to the rate capping rule shall be made by filing a rule change with the commissioner, as required by La. R.S. 22:1451 and 22:1464. The filing shall be consistent with items a. and f. above.
- h. If a company has an existing capping rule that is in conflict with the aforementioned guidelines, the company's capping rule should be amended and brought into compliance with the company's next rate and/or rule filing.

**Actuarial Note:** In a rate filing, when a rate capping rule has lowered historical premiums, the insurer's actuary shall ensure that the actuarial indication does not redundantly measure rate need. The actuarial method to adjust premium to current rate level shall first and explicitly adjust premium to remove the effects of rate capping, and then adjust the uncapped premiums to current levels.

As an illustration, in the example shown above (Table 3), after Semiannual Renewal Period 1 has elapsed, the effect of rate capping will have lowered the written premium for that period from \$4,050 to \$3,450. The proper value to use in the ratemaking formula will be the \$4,050 value and not the \$3,450 value.

### **Additional Rate Capping Guidelines ( 3/28/2025)**

- 1.) Downside rate capping can only be used to transition policies from one actuarially sound model or rating system to another actuarially sound model or rating system. Decreases due to a base rate revision (or an offset that produces the same effect as a base rate revision) cannot be capped.
- 2.) Any large change in a factor should be actuarially justified, credible, and reasonably stable going forward. Capping should not be used for stabilizing volatile or non-credible factors.
- 3.) All policies should move to indicated (uncapped) rates within 3 years.
- 4.) All rules and factors related to the capping should be described in detail in the rate filing such that a policyholder's premium could be audited by the LDI.
- 5.) The capping process should be simple. Complexity that would be perceived by constituents as a black-box is not allowed.
- 6.) Downside rate capping within the range of 0% to -10% is not allowed. The capping must unwind substantially at each renewal.
- 7.) Rate capping for the purpose of retaining an insured is not allowed as this could be considered a rate optimization practice.

### **Adoption of Rating Organization's Loss Costs**

For adoption of a rating organization's loss costs, an insurer must file to adopt each rating organization's loss costs independently. In other words, the rating organization does not file for and receive acknowledgement on behalf of its members and /or subscribers. Examples of this type of filing are the adoption of

ISO (Insurance Services Office,) or NCCI (National Council on Compensation Insurance) loss costs.

In Louisiana, loss cost multipliers (“LCM”) do not remain “on file” to be used with future loss costs revisions. Each insurer’s filing to adopt a rating organization’s LCM must include support for the proposed LCM even if the LCM does not change from a previous adoption.

The filing packet to adopt a rating organization’s loss costs should include the following items in addition to those listed above.

1. OPC Exhibit C – Louisiana Loss Cost Multiplier Worksheet for Lines Other Than Workers’ Compensation or OPC Exhibit C – WC – Louisiana Loss Cost Multiplier Worksheet for Workers’ Compensation.
  - In a more refined rating plan, multiple Exhibits C or C-WC may be filed, as appropriate. For example, the filer may want to recognize different expenses associated with each company in a group, different expenses underlying liability versus physical damage coverage, or different expense and underwriting standards associated with targeted niche-markets within a line of business. Note that with refined plans, support must be provided for each LCM.
2. The Explanatory Memorandum should reference all rating organization filing designations that are being adopted.

### **Non-Adoption of Rating Organization’s Loss Costs**

As with the adoption of loss costs, an insurer must file to non-adopt each rating organization’s loss costs independently. The Explanatory Memorandum should reference all rating organization filing designations that are being non-adopted.

### **Book Transfers**

A book transfer is a transaction in which one company enters into an agreement with another company to migrate or convert a book of business from it to an assuming company. For such situations, the rate capping rules in the previously mentioned section shall apply. However, should the assuming company find a need for additional rate capping flexibility, the commissioner/OPC would consider allowing an exception to the aforementioned rate capping rules, provided the assuming company can demonstrate adequate justification for such flexibility.

### **Private Passenger Automobile**

For a private passenger automobile rate revision, the filed material should include the following items in addition to those listed in the “All Filings - Minimum Requirements” section. These items are required whether the filing is an adoption or an independent filing.



1. Exhibit D – Private Passenger Automobile Rating Example and D.1 – Private Passenger Automobile Rating Illustration. (Needed for new and existing programs.)
2. Exhibit H – Louisiana Rate Revision Questionnaire. (Not needed for new program.)
3. Exhibit I – Louisiana Rate Revision Questionnaire by Territory. (Not needed for new program.)

### **Premium Increase Based on Age**

In acknowledging the provisions of La. R.S. 22:1286, the statute provides that “No insurer shall increase the premium charged for an automobile liability insurance policy to any insured solely on the grounds that the insured has attained the age of sixty-five or older.” The position of the LDI has always been that the use of the term “policy” encompasses the entire policy, not just a specific coverage (i.e., liability only, bodily injury, etc.).

### **Homeowners**

For all homeowner rate revisions, the filed material should include the following items in addition to those listed in the “All Filings - Minimum Requirements” section. These items are required whether the filing is an adoption or an independent filing.

1. Exhibit E – Homeowners Rating Example and E.1 – Homeowners Rating Illustration. (Needed for new and existing programs.)
2. Exhibit H – Louisiana Rate Revision Questionnaire. (Not needed for new program.)
3. Exhibit I – Louisiana Rate Revision Questionnaire by Territory. (Not needed for new program.)
4. If catastrophe modeling is used to support the selected catastrophe load, the Catastrophe Model Interrogatories must be included.

### **Medical Professional Liability**

For all medical malpractice liability revisions, the filed material should include the following items in addition to those listed in the “All Filings - Minimum Requirements” section. These items are required whether the filing is an adoption or an independent filing.

Exhibit H – Louisiana Rate Revision Questionnaire

Exhibit J – Louisiana Medical Malpractice Filing Questionnaire

## **Fire and Allied Lines**

Fire and allied lines companies must utilize the currently acknowledged rates of the Property Insurance Association of Louisiana (PIAL) unless the company files to deviate and that deviation is approved. No filing is required of a company that is using the current PIAL rates without deviation.

A company may deviate from PIAL rates as outlined in La. R.S. 22:1468 A. (1) and (2). The deviation application must include the following:

1. An Explanatory Memorandum that should explain and specify the basis for the requested deviation.
2. Justification for the deviation.

When PIAL receives acknowledgement to change its rates, the company may submit a rate filing to maintain or amend its deviation or to implement the new PIAL rates. When a company has received acknowledgement to deviate from PIAL's rates, the deviation, and the PIAL rates that the deviation applies to shall be permanent and will remain in effect until the company requests and receives acknowledgement for a new deviation and/or requests and receives acknowledgement to use the new PIAL rates with a deviation.

A company may file a uniform percentage deviation from PIAL's current rates. In this case, a company may explicitly state that the uniform percentage deviation is to apply to all future and acknowledged PIAL rates. Otherwise, the uniform percentage deviation and the PIAL rates that the uniform deviation applies to at the time of acknowledgement shall be permanent and will remain in effect until the company requests and receives acknowledgement for a new deviation and/or use of the new PIAL rates. Please refer to LDI Advisory Letter 2020-01 to provide further guidance.

## **Installment Plans**

Installment plans should be filed separately from rate or rule filings. For detailed filing guidance, see page 35.

## **Consent to Rate**

Consent-to-rate requests should be filed separately from rate or rule filings. For detailed filing guidance, see page 33 or LDI Regulation 111.

## **Rule Revision**

A rule revision is a filer's request to change, add to or remove rules previously acknowledged by the OPC/commissioner.

For all rule revision filings, the filed material should include the following exhibits for consideration. If not an initial filing, a filing to adopt a rating organization's rules is considered a rule revision for the purposes of this document.

The following information and documents shall be included in a complete filing packet for the identified filing situations:

1. Explanatory Memorandum

If applicable, provide an explanation indicating if the coverage is optional.

If applicable, provide explanations of the effects of the rule change on the policy.

If applicable, indicate whether there is a corresponding policy form change. If so, indicate the status of the form approval.

2. An explanation of each change must be provided.

3. If a rule revision results in a change in premium for any existing policyholder, the estimated percentage and dollar impact of this premium change, along with the number of policyholders must be provided.

4. If the rule revision results in a reduction or increase in coverage with no premium impact, the rate effect on the filer's existing book of business should be estimated.

5. The revised manual pages shall be marked such that the newly added language is underlined and deleted language is marked with ~~striketrough~~.

### **Rule-Based Change in Coverage**

Any rule (initial or revision) filing that results in a change in coverage or causes a change in policyholder premium (i.e., a minimum premium rule), should include the following items in addition to those listed above:

1. An explanatory memorandum that illustrates a comparison of the coverage before and after the proposed changes.
2. Exhibit A.1 – Louisiana Experience Underlying Revision
3. Exhibit A.2 – Countrywide Experience Underlying Revision
4. Exhibit B – Actuarial Checklist – Company Portion
5. Overall Percent Rate Revision for the Existing Louisiana Book of Business
6. Overall Premium Change for the Existing Louisiana Book of Business
7. Number of policyholders affected by the change in coverage.
8. Justification to support the rule changes.

### **Non-Adoption of Rating Organization's Rules**

Non-adoption of rules associated with a rating organization's loss costs always requires the submittal of a rule filing. To determine whether the rating organization's rule adoption is "automatic," the filer should refer to the service agreement between it and the rating organization.

If a rating organization's rules are automatically adopted (on the rating organization's proposed effective date), and an insurer chooses not to adopt or to delay implementation of the rules, the insurer must make a filing to decline or delay adoption of the rules.

If an insurer wants to adopt a different effective date from the effective date of a rating organization's acknowledged rules, a filing is required. Otherwise, the rating organization's effective date for the rules is assumed to be the effective date for the insurer.

The Explanatory Memorandum should reference all rating organization filing designations that are being non-adopted.

### **Delay Adoption of Rating Organization's Rules**

Delayed adoptions (adoptions with an effective date later than a rating organization's effective date) will be treated as regular adoptions. When a company is adopting, delay adopting, or non-adopting a rating organization's filing, that company must be a member and/or subscriber of the particular rating organization and have the necessary authority for the coverage line stated in the filing. The filing must specifically state the rating organization's designation number(s) that has been acknowledged for use in Louisiana and will be utilized with the company's filing. An action letter will be issued by the OPC/commissioner.

### **Initial Rate and Rule Filing**

A filing of rates or rules is an "initial" filing when no previous or similar filing has been acknowledged by the OPC/commissioner, for a Program.

Prior to submitting an initial filing, a company should be in possession of a Certificate of Authority that authorizes the marketing of products relative to the filing's specific line of coverage.

If a company withdraws a program from the market and then wishes to implement the program at a later date, a rate and rule filing must be made. This filing will be considered an initial filing (refer to the subsection on Insurer's Withdrawal from Market).

An initial filing designed to accept (i.e., roll) an existing book of business should be filed, as if it is a rate revision, following the guidelines of that subsection.

An initial filing cannot be submitted along with a rate revision.

All initial rate and rule filings must include the following items:

1. The explanatory memorandum that provides an explanation of:

How the proposed rates were determined.

If a filer intends to adopt the rates of another insurer, the filer must clearly state that the rates are based on rates acknowledged for Company X. The effective date of Company X's acknowledged rates must be provided. If the filer's rates differ from those acknowledged for Company X, an explanation must be provided.

If a filer has marketed the insurance program in other states, those states should be identified.

If a program contains any form of schedule rating, tiered rating program or use of policyholder credit history, such content must be clearly stated. The company should specify whether the filing is for a monoline program, a package program, or for both monoline and package programs. All filings are required to be submitted on a per program (monoline), per line of business basis. If the rates are different for the package program, then the company should file the program as a package. If the company will be using the same rates for both the monoline program and the package program, the company must submit a filing as monoline and state "this filing may also be used as a package program with the same rates and no modifications."

2. Exhibit A.2 – Countrywide Experience Underlying Revision
3. Proposed Effective Date if not stated elsewhere in the filing.
4. As appropriate, LDI OPC Exhibits B, C, C-WC, D, D.1 E or E.1.

### **Initial Adoption of a Rating Organization's Loss Costs**

An insurer must file to initially adopt a rating organization's loss costs independently of a rating organization's filing of its loss costs and the acknowledgement thereof. The insurer's adoption and acknowledgement of loss costs is done independently of a rating organization's acknowledgement of its loss costs. Examples of this type of filing include the adoption of ISO or NCCI loss costs.

In Louisiana, loss cost multipliers ("LCM") do not remain "on file" to be used with future loss costs revisions. Each insurer's filing to adopt a rating organization's loss costs must include support for the proposed LCM to be used with the new loss costs.

1. Exhibit C – Louisiana Loss Cost Multiplier Worksheet - Lines Other Than Workers’ Compensation or Exhibit C-WC - Louisiana Loss Cost Multiplier Worksheet –Workers’ Compensation.
  - One form should be filed for each company, sub-line, or coverage. Class deviations may be recognized by filing multiple forms or by filing a single form representing the base class or classes along with a separate sheet showing the class deviation factors by class code. For example, a filer may want to recognize different expenses associated with each company in a group, different expenses underlying liability versus physical damage coverage, or different expense and underwriting standards associated with targeted niche markets. Note that support must be provided for each LCM.
2. Three (3) years of expense experience as support for the underlying expense components should be used to calculate each filed LCM.
3. The Explanatory Memorandum should reference all rating organization filing designations that are being adopted.

### **Initial Fire or Allied Lines Filing**

For initial fire or allied lines rates the following must be considered.

Fire and allied lines filings must be in compliance with La. R.S. 22:1460 (I).

The PIAL has rates and rules, (not loss costs) acknowledged in Louisiana. La. R.S. 22:1468 allows a property carrier to deviate from PIAL rates, however the company must notify OPC/commissioner of the implementation of the initial deviation and of any change in the property deviation percentage.

### **Initial Installment Plan Filing**

Installment plans should not be included in an initial rate or rule filing. Installment plans should be filed separately. See page 35 for detailed filing guidance.

### **Initial Consent to Rate Filing**

Consent-to-rate requests should not be included in an initial rate or rule filing. Consent-to-rate requests should be filed separately. See page 33 for detailed filing guidance. Please refer to LDI Regulation 111 Consent to Rate for further information.

## **FILING ORGANIZATION REQUIREMENTS**

This subsection contains licensing information for filing organizations as outlined in La. R.S. 22:1466 and 22:1471. Special guidance is provided for the initial application of a license and the renewal of an existing license.

## **Advisory Organizations**

According to La. R.S. 22:1471, an advisory organization is defined as every group, or other organization of insurers, whether located within or outside this state, that assists insurers with rate and/or rule filings or rating organization or any division in rate making, by the collection and furnishing of loss or expense statistics or by the submission of recommendations. However, an advisory organization does not submit rate/rule filings on its own behalf pursuant to La. R.S. 22:1471.

Every advisory organization shall file the following information with the OPC:

1. A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules and regulations governing the conduct of its business.
2. A list of its members and subscribers.
3. The name and address of a resident of this state upon whom notices or orders of the commissioner or a division or process issued at the direction of the commissioner may be served.
4. An agreement stating that the commissioner of insurance may examine such advisory organization in accordance with the provisions outlined in Title 22, Chapter 4.

## **Initial Licensing of a Rating Organization**

According to La. R.S. 22:1466, a corporation, an unincorporated association, a partnership, or an individual, whether located within or outside this state, may make application to the commissioner for license as a rating organization for such kinds of insurance, or subdivision, or class of risk, or a part or combination thereof as specified in its application.

The rating organization shall file the following information:

1. A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business.
2. A list of its members and subscribers.
3. The name and address of a resident of this state upon whom notices or orders of the commissioner or a division or process affecting such rating organization may be served.
4. A statement of its qualifications as a rating organization.
5. A fee in the amount of \$2500.00, as indicated in La. R.S. 22:821.

Licenses issued pursuant to La. R.S. 22:1466 shall remain in effect for three (3) years unless sooner suspended or revoked by the commissioner. Licenses issued

pursuant to La. R.S. 22:1466 may be suspended or revoked by the commissioner after a hearing upon notice, in the event the rating organization ceases to meet the requirements outlined in La. R.S. 22:1466.

\* Note that every rating organization shall notify the commissioner/LDI promptly of every change in: (1) its constitution, its articles of agreement, or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business, (2) its list of members and subscribers, and (3) the name and address of a resident of this state upon whom notices or orders of the commissioner or a division or process affecting such rating organization may be served.

### **Renewal of License for a Rating Organization**

According to La. R.S. 22:1466, a rating organization's license shall remain in effect for no longer than three (3) years. Following the three (3) year period, the rating organization must then, renew its license by submitting the following information:

1. A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business.
2. A list of its members and subscribers.
3. The name and address of a resident of this state upon whom notices or orders of the Commissioner or a division or process affecting such rating organization may be served.
4. A statement of its qualifications as a rating organization.

## **WITHDRAWAL INSTRUCTIONS**

### **Insurer's Withdrawal from Market**

Notification from an insurer stating that it is "no longer writing" or is "withdrawing from a market" is not a filing. A notification of this type is referred to as a "withdrawal."

Note that an insurer's decision to withdraw from a market does not release the insurer from complying with OPC requests, any Louisiana statutory requirements or other responsibilities.

Although there is no statutory obligation, the OPC requests that an insurer with acknowledged rates or rules notify the OPC when it chooses to withdraw from the Louisiana insurance market. An insurer must advise the LDI that it has taken the following steps in initiating withdrawal:

1. Insurer has significantly limited its writing of new or renewal business.
2. Insurer has ceased to write new business but continues to service renewals.



3. Insurer has ceased to write new and renewal business.
4. Insurer is selling or in the process of transferring a book of business to another insurer.
5. Insurer has consolidated business from multiple companies into a lesser number of companies.

The OPC requests that notification be provided in writing before, or as soon as possible after, the effective date of the withdrawal. The insurer's letter should clearly state the following:

1. Reason for withdrawal.
2. Impact of withdrawal on new and renewal business.
3. The proposed effective date of the insurer's withdrawal.
4. The insurer's intent to withdraw all rates, rules, and forms.
5. If applicable, the name of the insurer assuming the book of business.

Upon receipt of a request to withdraw from the market, the OPC will send an acknowledgment to the withdrawing insurer. The acknowledgement may inform the insurer that it is still subject to the provisions of the Insurance Code, particularly those regarding non-renewal and cancellation. The letter may also inquire as to the insurer's intent to withdraw all rates, rules and forms. If the reason for the insurer's action is unknown, the letter may request more information regarding the insurer's future intent in Louisiana.

Even though a company may state that it is "no longer writing," policies/business, etc., currently acknowledged rates, rules and approved forms remain effective until a withdrawal of rates and rules is approved by the OPC. It should be understood that re-entry into the Louisiana insurance market would require the submission of an initial rate and rule filing for any previously withdrawn program.

### **Withdrawal of Rates and Rules**

A request to withdraw acknowledged rates and/or rules should not be confused with a request to withdraw from the Louisiana insurance market. Upon approval by the OPC, the insurer will no longer have any acknowledged rates and/or rules for the withdrawn program. If the rates and/or rules are withdrawn, this means the insurer cannot write new or renewal business under the withdrawn program. Also, the company will remain subject to all Louisiana statutes, regulations, rules and directives until all business is run off or moved.

### **Withdrawal of Filing that Meets Requirements Contingent upon Form Approval**

When the company wishes to withdraw a filing that meets requirements contingent upon form(s) approval because the forms have not been approved,

the company may make its request under the filing it wishes to withdraw by submitting a “Note to Reviewer” in SERFF. The “Note to Reviewer” must fully explain the reason for the withdrawal request. (Example: the corresponding forms have not been approved.) However, if the filing was submitted by U.S. Mail, then the correspondence requesting the withdrawal should reference the previously acknowledged filing.

## **MERGER, ACQUISITION OR COMPANY NAME CHANGE REQUIREMENTS**

### **Merger, Acquisition or Company Name Change**

If an insurer changes its name, is acquired by another insurer, or merges with another insurer, OPC notification of affected insurers is required. In a letter, the insurer should notify the OPC/commissioner of the corporate change. The letter should reference all OPC/commissioner acknowledged insurance programs affected by the transaction.

If the merger or acquisition results in the insurer’s withdrawal from a market for one of the affected companies, the guidance of the subsection on Insurer’s withdrawal from the market should be considered.

Note that an insurer’s decision to merge, acquire, be acquired, or change its name does not release the insurer from complying with OPC requests, any Louisiana statutory requirements, or other responsibilities.

## **SCHEDULE AND TIER RATING PLAN REQUIREMENTS**

### **Schedule Rating Plan (Individual Risk Premium Modification Plan)**

A schedule rating plan is a limited set of rules used to adjust a rate to reflect an insured’s risk more accurately. A schedule rating plan contains specific risk characteristics, based on quantified differences from the average risk contemplated in the manual rate for which judgment of the company is allowed to adjust the manual rate. The adjustments are in the form of debits and credits, within certain bounds.

For the purposes of this subsection, a schedule rating plan is a method of rating that uses charges and credits to modify a class rate based on the special characteristics of the risk. A schedule rating plan is based on experience that supports a direct relationship between certain physical characteristics and the possibility of loss.

In most cases, the use of schedule rating plans is limited to commercial products. However, there are some personal lines products where exceptions could be

made for special situations such as valuable collections or unique inland marine property risks (i.e., antique car collections, classic car collections, jewelry, etc.).

If a filing introduces a schedule rating plan, this fact must be clearly stated in the filing memorandum and actuarially supported.

Schedule rating plans can be filed within other rate and rule filings, or separately.

Guidelines for acceptable schedule rating plans can be found in Bulletin 2016-03, Schedule Rating Plans for Commercial Property and Casualty Insurers. This bulletin is located on the LDI website at <https://ldi.la.gov/docs/default-source/documents/legaldocs/Bulletins/Bul2016-03-Cur-ScheduleRatingPlansF>

### **Tier Rating Plan**

If a filing contains tier rating, it must be clearly stated in the filing memorandum. When tiers are defined within a single company, the tiers are considered part of that company's rate plan. As such, the criteria used to place an insured in a tier must be clearly defined and included in the company's rules. The following guidelines should be considered when filing a tier rating plan:

1. Criteria used to place an insured in a tier must be based on demonstrably different risk characteristics.
2. A tier rating plan must use rates and rules that are not unfairly discriminatory.
3. Risks with substantially similar risk characteristics must be placed in the same tier.
4. The relative difference in rate level between tiers must be clearly stated in the filing memorandum.
5. A tier rating plan where agent commission or credit scoring is the sole characteristic that differentiates rate level between tiers is not in the public's best interest.

### **Multiple Tier Rating Plan**

If a filing contains a multiple tier rating rule, it must be clearly stated in the filing memorandum. When multiple rate levels are defined within a company or across companies within a group, the criteria used to place an insured in a specific tier or company is considered underwriting. As such, underwriting criteria does not need to be included in the company's rules. However, the following guidelines should be considered when using multiple rate levels across companies in a group:

1. A multiple tier rating rule must not be unfairly discriminatory.
2. Risks with substantially similar risk characteristics must be placed in the same tier or company.
3. The relative difference in rate level between tiers and companies must be clearly stated in the filing memorandum.
4. A multiple tier rating plan where agent commission or credit scoring is the sole characteristic that differentiates rate level between tiers is not in the public's best interest.

## **INDIVIDUAL RISK, CONSENT-TO-RATE FILING REQUIREMENTS**

### **Individual Risk Filing**

An individual risk rating plan is comprised of rates and rules that are specific and unique to a given risk and are not contemplated by acknowledged manual rates and rules.

The following guidelines should assist a filer with individual risk filings:

An individual risk filing must be submitted to the OPC/commissioner.

Though no statutory time frame is defined, OPC/commissioner considers a submission within sixty (60) days after the effective date of the policy to be reasonable.

The individual risk filing packet should include the following:

1. A cover letter from the insurer, on company letterhead, submitting the individual risk filing to the OPC/commissioner.
2. A stamped, self-addressed return envelope.
3. The original of the individual risk letter must be submitted. The letter must be from the insurer to the OPC/Commissioner clearly stating why the policy is being rated in this manner.
4. The filing packet must include:
  - The filing cover letter;
  - The rating worksheet outlining the basis for the quoted premium;
  - The declaration page;

5. The individual risk letter must contain:
  - The name of the insured;
  - The name of the insurer writing the risk;
  - The line of business;
  - If applicable, the sub-line or program under which the policy is written;
  - The policy number;
  - The policy effective date;
  - The policy term;
  - The manual rating factors and premium;
  - The reason that the policy is individual risk rated.
6. For each individual risk policy, a copy of the premium worksheet must be included in the filing packet. The premium worksheet is for the manual rate that would have applied if the risk could be so rated. If the risk cannot be manually rated, the premium worksheet can be omitted.

### **Consent-to-Rate Filing**

Consent-to-rate is a procedure whereby a risk which is not acceptable at filed rates may be written at rates above those filed. Both the insured and the insurer are required to sign the consent-to-rate letter/statement. The insurer must provide justification for the use of the consent-to-rate procedure. The following guidelines should assist a filer with consent-to-rate filings:

All consent-to-rate filings must be submitted to and approved by the commissioner.

Although no statutory time frame is defined, the OPC/commissioner considers a submission within forty-five (45) days after the effective date of the policy to be reasonable.

The consent-to-rate filing packet should include the following:

1. A cover letter from the insurer, on company letterhead, submitting the consent-to-rate filing to the OPC/commissioner. A single filing packet can contain more than one consent-to-rate policy. In this case, the cover letter from the insurer must include a listing of policy numbers included in the filing packet;
2. A stamped, self-addressed return envelope;
3. For each consent-to-rate policy included in the filing packet, the original of the consent to rate application must be submitted. The consent to rate application must be from the insurer to the insured and clearly illustrate the consented rate. Both the insured and a representative of the insurance company must sign the consent-to-rate application. The consent-to-rate application can be on the insurer's letterhead or on a blank (i.e., no

letterhead) sheet of paper. The consent-to-rate application must not be on insured's letterhead.

4. For each consent-to-rate policy included in the filing packet, the consent-to-rate letter must contain:
  - The name of the insured;
  - The name of the insurer writing the risk;
  - The line of business;
  - If applicable, the sub-line or program under which the policy is written;
  - The policy number;
  - The policy effective date;
  - The policy term;
  - The manual premium;
  - The consented premium;
  - A written explanation as to why policy is consent rated.

If appropriate, any guidance as to how the risk might qualify for coverage under a program's acknowledged manual rates.

5. For each consent-to-rate policy included in the filing packet, a copy of the declaration page must be submitted, along with one signed consent-to-rate form with original signatures.
6. For each consent-to-rate policy included in the filing packet, a copy of the premium worksheet must be submitted. The premium worksheet should illustrate both the manual rate that would have applied if the risk could be so rated, as well as the actual rate that was charged. If the risk cannot be manually rated, the premium worksheet can be omitted. In this case, the consent-to-rate for that policy should state this as a reason.

If all of the above information is not furnished, OPC staff will send a letter requesting the missing information. The consent-to-rate filing will be placed in abeyance and will not be approved until the information is received. During this time, the insurer is subject to all applicable insurance laws regarding the use of acknowledged rates and rules.

All materials furnished in a consent-to-rate filing packet will be retained by the OPC. Please refer to LDI Regulation 111 Consent to Rate to provide further guidance.

## **MISCELLANEOUS FILING REQUIREMENTS**

### **A-Rated Programs**

A-Rates are rates that are not supported by loss experience statistics. The rates are based on the judgment of the underwriter on an individual risk basis. They

can be written broadly (Example: “We intend to write this program on an “A” Rated basis”) or with a guide that indicates specific premium for each coverage. If an insurer uses a guide, it must use a specific premium and cannot use a range of rates. An insurer must also actuarially support/justify the premiums indicated in the guide.

While rates need not be indicated, as they will be negotiated, the cover letter should explain that the entire program will be A-Rated. Manual pages should also be included with the filing when submitted.

### **Automatic Inflationary Trend**

The OPC will not accept automatic inflationary trend adjustments to rates, regardless of whether the trend is for future policy years or for the various policy months within a policy year. The OPC has concerns with this rating approach including, but not limited to, filing requirements set forth in La. R.S. 22:1451 et. seq., potential unfair discrimination and rate adequacy or excessiveness, and determination as to what the rate should be in the month following the completion of an inflationary trend adjustment cycle.

### **Installment Plan**

All installment plan filings are to be submitted separately. If the plans are included in another rate or rule filing, the filer will receive a letter from OPC staff asking that the filing be amended to exclude the installment plan and direct bill plan and to make such filing under separate cover.

The OPC has established the following installment plan guidelines for personal lines coverage. A filer can expedite the acknowledgement of an installment plan by adhering to these guidelines. To the extent that these guidelines are not met, the filer should be prepared to discuss with the OPC staff, in detail, the proposed plan and how exceptions to these guidelines will benefit the Louisiana consumer.

1. An initial filing or revision to an installment plan must provide adequate support for the proposed installment charge. Support can include statistical, actuarial or other experience in support of the proposed charge.
2. For personal lines, the OPC finds that a maximum of eleven (11) installment payments per 12-month period is reasonable. Further, the OPC finds that a maximum charge of \$6.00 per installment totaling \$66.00 annually is reasonable.
3. For commercial lines, the OPC finds that a maximum of eleven (11) installment payments per 12-month period is reasonable. Further, the OPC finds that a maximum charge of \$10.00 per installment totaling \$110.00 annually is reasonable.

4. The installment fee cannot be charged on the down payment as the down payment is considered initial premium and is supposed to take care of processing expenses and loss interest on delayed premiums.
5. The down payment and all installment payments must equal 100% for each plan.
6. Installment plans must comply with all Louisiana statutes.
7. Installment plans that are not structured according to the aforementioned guidelines may be subject to disapproval.

Please refer to LDI Bulletin 09-04 Installment Plan Guidelines to provide further guidance.

### **Risk Purchasing Group**

If a filing refers to a risk purchasing group, the following information should be included in the cover letter:

1. A statement that a risk purchasing group will use the rates and rules.
2. The name of the risk purchasing group that the filing is targeted towards.
3. A statement verifying that the proposed rates were discussed with, negotiated with or agreed to by the risk purchasing group.

\*Note that a purchasing group must be licensed in the state of Louisiana to do business before rate/rules are submitted to the Office of Property & Casualty.

### **Automobile Territory Rating**

The OPC will scrutinize geographic discontinuities in automobile territory factors. A single zip code which is rated as its own territory shall not be allowed unless supporting data is convincing.

### **Terrorism Filings**

As outlined in Bulletin 02-03 and Bulletin 08-07, if an insurer relies on an advisory organization to file loss costs and related rating systems on its behalf, no rate filing is required unless an insurer plans to use a different loss cost multiplier than the multiplier currently on file for coverage of certified losses. The rate filings should provide sufficient information for the reviewer to determine what price would be charged to a business seeking to cover certified losses. Louisiana will accept filings that contain a specified percentage of premium to provide coverage for certified losses. Insurers may also choose to use rating plans that consider other factors such as geography, building profile, proximity to target risks and other reasonable rating factors. The insurer should state in the filing the basis that it has for selection of the rates and the rating systems that it chooses to apply. The supporting documentation should be



sufficient for the reviewer to determine if the rates are excessive, inadequate or unfairly discriminatory. Terrorism filings can only be filed for commercial products.

### **Wrap Up Program Filings**

Wrap-Up insurance provides exposure coverage for a large group. Each member of the group is connected to other members by one or more common insuring characteristics. For example, a wrap-up policy can be written for all of the various businesses working together on a special project. Wrap-up insurance includes owner-controlled insurance programs.

Wrap-up insurance rates and rules must be filed with and acknowledged by the OPC/commissioner before they can be used in Louisiana. A wrap-up insurance filing must adhere to directives contained in all LDI/OPC Bulletins and must conform to all Louisiana statutes.

To avoid unnecessary delays in the approval process, a wrap-up filing must consider the following:

1. Louisiana Revised Statute 23:1174.1 prohibits a wrap-up insurance program which discriminates “based upon the contractor’s or subcontractor’s securing the employer’s workers’ compensation obligation by any method provided for in La. R.S. 23:1168.”
2. A wrap-up insurance program must neither take away nor reduce the right and ability for the individual contractor to choose the best method to insure the individual contractor’s risk.
3. A wrap-up insurance program must allow for coordination of coverages between the wrap-up policy and the individual contractor policies without placing a burden upon the individual contractor or the contractor’s chosen insurer. A burden can exist when the wrap-up policy results in duplicate coverages or higher costs to the individual contractor.

\* Note that the rates cannot include ongoing maintenance and must be filed for each different location. Each separate program must have its own beginning and ending date.

## **ADDITIONAL INFORMATION**

### **Title 22 Concordance Table**

Pursuant to Act 415, effective January 1, 2009, Title 22 of the Louisiana Revised Statutes was re-designated into a new format and number scheme. The Louisiana Department of Insurance’s Product Filing Matrix has been updated, as well as the LDI’s form letters. The new version of Title 22 of the Louisiana Revised Statutes is available on the Louisiana Legislative website at [www.legis.la.gov](http://www.legis.la.gov).

A Concordance Table has been developed and it can be accessed from the LDI website at [http://www.ldi.la.gov/industry/laws-and-bulletins/insurance-law-\(title-22\)](http://www.ldi.la.gov/industry/laws-and-bulletins/insurance-law-(title-22)).

### **Product Coding Matrix (PCM)**

The LDI uses SERFF's Product Coding Matrix (PCM) in SERFF. For detailed information on which Statement of Compliance to use from LDI's Product Filing Matrix (PFM) for each SERFF PCM product, please see the "P&C Products LDI PFM Match to SERFF PCM Current 2-13-09" spreadsheet in the following link (Excel version may be easier to read).

<http://ia.ldi.state.la.us/ProductMatrix/Help>.

This spreadsheet also provides information regarding filing requirements for both rates/rules and forms, exceptions, certified form products, and lines of authority needed for each product.

### **Public Records Requests**

Upon written request from the company, printed copies of approved/**acknowledged** rate/rule filings may be obtained at a charge of \$0.25 per page. Requests can also be made via the LDI's website ([www.ldi.la.gov](http://www.ldi.la.gov)) using the "Public Records Request" link. An invoice will be provided and printed copies must be paid for prior to mailing. Payment must be in the form of a check or money order payable to the Louisiana Department of Insurance within fifteen (15) days of receipt of the invoice. Cash and credit cards cannot be accepted.

Requests are handled on a first come first serve basis. A request for multiple filings and/or a large number of requests may delay an invoice. If you have not received an invoice within a week of your request, please contact the OPC at (225) 342-5203.

The requestor may ask for the copy request to be emailed to him/her. There will be no charge for copies provided via email.

Please be specific with your request and verify with OPC staff that the copies you are requesting are exactly what you need and that the amount you will be charged is acceptable.

Anyone wishing to review filings at the LDI should make an appointment by calling (225) 342-5203.

## **LDI/OPC EXHIBITS AND COMPONENTS**

This section provides a description of exhibits and components to be included in rate and rule filings. The following explanation and instructions are intended to assist a filer with compiling a filing packet and should expedite the acknowledgment process. However, the OPC realizes that a filer may need

assistance or require special consideration in order to provide the OPC with the requested information. Questions regarding content or format should be directed to OPC staff.

This section includes special OPC exhibits for personal lines that may be required to be included in a filing. Guidance as to whether to include these exhibits in a filing packet is found in the narrative of this document. Note that electronic versions of the data exhibits are available from the LDI's website at <http://www.lidi.la.gov/industry/form-and-rate-filing/p-c-rating-filing><http://www.lidi.la.gov/industry/form-and-rate-filing/p-c-rating-filing-exhibitsexhibits>.

## Cover Letter

The cover letter for paper submissions should be constructed as follows:

1. The cover letter should be sent to the attention of the deputy commissioner of the Office of Property and Casualty.
2. The letter must be on official company or company group letterhead that includes the return address.
3. The reference lines of the cover letter should include the following:

Filer (name of company or companies affected by the filing).

Line of Business (use annual statement, page 15, as a guide) or Louisiana Product Code

- a. It is advised that individual lines of business be filed separately. If multiple lines of business are included within a single filing, the OPC may request that they be separated.
- b. If an entire line of business is not affected by the filing, name the subprogram that the filing pertains to.
- c. If applicable, the risk purchasing group on whose behalf the filing is made.
- d. The company's filing reference number.

Note: It is advised that unrelated programs be filed separately.

4. The body of the cover letter should include:
  - a. A brief statement as to the purpose of the filing. If the filing has been submitted to replace an existing filing, changes to the previously approved/acknowledged program should be clearly documented in the filing memorandum.
  - b. The company should specify whether the filing is for a monoline program, a package program, or for both monoline and package programs. All filings are required to be submitted on a per program (monoline), per line of business basis. If the rates are different for the package program, then the company should file the program as a

package. If the company will be using the same rates for both the monoline program and the package program, the company must submit the filing as monoline and state “this filing may also be used as a package program with the same rates and no modifications.”

5. The signature section of the cover letter must include the contact person’s name, signature, phone number, fax number and email address.
  - Please note that a filing submitted via SERFF shall include a detailed explanation in the filing description which states that it is the company’s intent to file under the File and Use provision. A thorough explanation of the filing should also be provided.

### **Louisiana Experience Underlying Revision**

OPC Exhibit A.1 – A worksheet that illustrates the historical experience for the program affected by the filing.

- Exhibit A.1 should be completed, regardless of how much business volume the filer has in Louisiana for the program. If no business has been written, place zeros (0) on the appropriate lines of the exhibit.
- The exhibit should reflect the most current five (5) years of experience.
- When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.

### **Countrywide Experience Underlying Revision**

OPC Exhibit A.2 – A worksheet that shows historical experience for the program affected by the filing.

- Exhibit A.2 is not required but may be requested by OPC staff.
- Exhibit A.2 should be completed, regardless of how much business volume the filer has countrywide for the program. If no business has been written, place zeros (0) in the appropriate lines of the exhibit.
- The exhibit should reflect the most current five (5) years of experience.
- When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.

### **Actuarial Checklist – Company Portion**

OPC Exhibit B - A tool used by both the insurer and the regulatory staff to verify that the filing has all of the requisite actuarial supporting documents. This checklist is required to be submitted with all property & casualty personal lines rate filings in Louisiana. It is optional for all other lines of business.

## **Adoption of Loss Costs**

OPC Exhibit C – Louisiana Loss Costs Multiplier Worksheet – Lines Other Than Workers’ Compensation should be completed, for lines other than workers’ compensation, when a filer is adopting or modifying a rating organization’s loss cost filing and is using an LCM.

OPC Exhibit C-WC – Louisiana Loss Cost Multiplier Worksheet – Workers’ Compensation should be completed, only for a workers’ compensation rate filing, when a filer is adopting or modifying a rating organization’s workers’ compensation loss cost multipliers and/or factors and is using an LCM.

## **Private Passenger Automobile Rating Illustration**

OPC Exhibit D – Private Passenger Automobile Rating Examples provides the criteria the companies are to use to compare the rates for seven (7) risk classifications in fourteen (14) Louisiana cities.

OPC Exhibit D.1 – Private Passenger Automobile Rating Illustration provides the calculations for one of the ninety-eight (98) rates shown in Exhibit D.

The OPC requires Exhibit D.1 for all rate revisions for private passenger automobile coverage.

## **Homeowners Rating Illustration**

OPC Exhibit E – Homeowners Rating Examples provides the criteria the companies are to use to compare the rates for twelve (12) risk classifications in thirty (30) Louisiana cities.

OPC Exhibit E.1 – Homeowners Rating Illustration provides the calculations for one of the three hundred sixty (360) rates shown in Exhibit E.

The OPC requires Exhibit E.1 for all rate revisions for homeowner’s coverage.

## **Louisiana Operating Results**

OPC Exhibit F - Louisiana Operating Results is an operating exhibit. It reflects the insurer’s profit or loss on business written in Louisiana.

- The OPC **may** request Exhibit F when a company has Louisiana earned premium exceeding \$6 million, in aggregate, over the most recent three (3) calendar years.
- Exhibit F should reflect direct business only (i.e., not including any reinsurance). This includes reinsurance with third parties, as well as intercompany pooling arrangements within a company group.

- Exhibit F premium and loss experience should only reflect business affected by the filing. If this is not feasible, the filer should provide Exhibit F experience for the closest line or sub-line available and note this fact on the exhibit.
- Exhibit F expense and income experience should reflect only the Louisiana business affected by the filing. If necessary, Louisiana expenses or income can be approximated from data aggregated at a higher level. Examples are countrywide experience, group experience, or annual statement line of business. If Louisiana expenses or income is approximated, it should be noted on the exhibit.
- If more than one company is represented in the filing, Exhibit F should reflect the consolidated experience of all companies named in the filing. Though acceptable, Exhibit F can be submitted for each company individually as long as a consolidated Exhibit F is provided.
- Exhibit F must include the most current ten (10) years of information. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.

### **Louisiana Rate Revision Questionnaire**

OPC Exhibit H – Louisiana Rate Revision Questionnaire breaks down the overall statewide average rate revision, by filing, into a distribution of policyholders across percent change increments.

- Exhibit H **must** be submitted with all private passenger automobile, homeowner and medical professional liability rate revision filings.
- For **all other lines of business**, Exhibit H must be submitted **upon request** of LDI.
- Each increment represents the number of policyholders who would realize a change in premium within the incremental percentage range.
- The increments flow from the minimum realized change to the maximum realized change in 5-point ranges.
- When measuring the percent change on policyholder premiums, all proposed changes must be considered. This includes, but is not limited to, changes in base premiums, policy fees, limit tables, deductibles, etc.
- The distribution should reflect the filer's current book of business. If an accurate measure is not feasible, an estimate can be submitted. However, if estimates are used, the documentation should clearly reflect this fact.

## Louisiana Rate Revision Questionnaire by Territory

OPC Exhibit I – Louisiana Rate Revision Questionnaire by Territory displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's territories.

- Exhibit I **must** be completed for all private passenger automobile and homeowners' filings.
- For **all other lines of business**, Exhibit I must be submitted **upon departmental request**.
- Exhibit I **must** be completed for each company included in the filing.

## Louisiana Medical Malpractice Filing Questionnaire

OPC Exhibit J – Louisiana Medical Malpractice Filing Questionnaire displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's medical professional liability classifications.

## Catastrophe Model Interrogatories (LDI Bulletin 2013-04)

The purpose of Bulletin No. 2013-04 is to provide assistance to all property and casualty insurers using catastrophe models to support proposed rates filed with the Louisiana Department of Insurance. While modeling specific to the hurricane peril is the focus of this bulletin, the guidance provided should be used for other perils where applicable. Completion and submission of the Catastrophe Model Interrogatories is mandatory when a personal lines rate filing relies on a catastrophe model(s) to support the proposed rates.

Note that an electronic version of this bulletin and its corresponding exhibits can be found on the LDI website at

<https://www.ldi.la.gov/onlineservices/documentsearch/>