

STATE OF RHODE ISLAND

RATE PROCEDURAL INFORMATIONAL SUMMARY FOR ALL NEW (including start-ups)
AND REVISED RATE FILINGS

Insurers must provide a reply to the following interrogatories for all **new** (including start-ups) and **revised** rate filings in accordance with the instructions provided below. While the insurer may attach/link exhibits to respective interrogatories, referring the Department to other exhibits to "find" information is not proper protocol for form completion. Further, if a question is not applicable, please so indicate and provide the basis for such position. Wherever the word "proposed rate" appears, the requirements also apply to all new or revised rate filings where applicable.

1. Provide a general description of the filing; i.e., list all factors and proposed rates or proposed changes to rates and rating factors. In doing so, include the current and proposed territory base rates for each coverage for which a rate level change is being proposed, the current and proposed territory definitions for each rating territory for which a change in definition is being proposed, and the current and proposed rating factors for each set of rating factors for which a new factor or change is being proposed.

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2. Provide the indicated rate level changes (where applicable), proposed rate level changes, and premium weights using premiums adjusted to current rate level for each coverage (e.g. bodily injury, property damage), subline (e.g. liability, physical damage), and all coverages combined.

Coverage	Indicated Rate Level Change	Proposed Rate Level Change	Weights	Proposed Rate Level Change Components*			
				Base Rate Change			
				(a)	(b)	(c)	(d)
All Coverages Combines							

*Describe components of proposed change, e.g., class, increased limits, deductibles, age and symbols, territories, policy coverage, rules, etc.

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3. Provide actuarially based rate level indications to support the proposed rate or proposed rate level changes by coverage. In so doing, provide the underlying data, assumptions, and derivation of each of the following components of the indications:

- a) premiums adjusted to the current rate level;
- b) premium trend;
- c) losses and allocated loss adjustment expense (ALAE, which is now referred to as defense and cost containment expense) developed to an ultimate basis including the loss development triangles and the selected loss development factors;
- d) losses and ALAE adjusted to reflect prospective cost levels, including selected trend factors;
- e) any adjustments made for large, catastrophic, or weather related losses;
- f) any adjustments made to reflect the credibility of the experience;
- g) expense provisions – Support should include five years of expense history for each expense provision including unallocated loss adjustment expense (ULAE, which is now referred to as claim adjustment service) with an explanation if the expenses underlying the expected loss ratio or expense multiplier vary from the company’s historical expenses; recognition should be given to fixed and variable expense components; and
- h) profit & contingency provision – Support should include rationale for the target rate of return (if applicable), and an explanation (including underlying calculations, data, and assumptions) of how investment income was considered. Data used should be the most recent available to the company.

4. Provide actuarial support and any other considerations for any proposed factors or proposed changes in rating factors or class definitions; i.e., territory definitions or relativities, class plan definitions or relativities, increased limit factors, deductible factors, discounts, surcharges, etc. Actuarial support should reflect your company’s experience. If credit history is utilized in the rating or underwriting process, for homeowner’s insurance or personal motor vehicle insurance, the insurer must demonstrate the predictive nature of its insurance scoring process to the Department. Question 5 and 6 enumerates additional filing requirements to support the insurer’s use of credit. In addition, a) all motor vehicle filings must include the information requested in Question 14, b) all filings for territory changes must be supported and c) all property insurance filings must include the information requested in Question 15.

If you are proposing rates, rating factors, discounts/surcharges, class/territory definitions, etc. that are based on those currently in effect in Rhode Island for another insurance company(ies) or rating organization, provide the rates, rating factors, discounts/surcharges, class/territory definitions, etc. of that other company(ies), and explain how you have considered possible differences in coverage offered, underwriting standards, claim practices, expenses, etc. between your company and the referenced company(ies).

5. In order to demonstrate the predictive nature of insurance scoring, the insurer must provide an analysis that confirms the statistical correlation between insurance score and loss experience. The analysis should be performed in such a manner that adjusts for any potential distributional biases, such as among states (if multi-state data is used) with different levels of rate adequacy, or among vehicle use risk classes with different levels of rate adequacy. In addition:

- a) The source of the data must be identified, e.g., number of years of data; whether the data is by accident year or policy year; whether the data is from Rhode Island or other states; if a sample of states or a sample of risks is used, a description of how the data was collected, including data verification procedures; the percentage of the overall business that is used in the sample; etc.
- b) All data adjustments must be explained and supported, e.g., loss development; adjustments for the effect of large losses; how credibility was considered in the analysis; etc.
- c) The data underlying the analysis must be relatively recent.

6. Appropriate support for the rates/rating factors that reflect the use of insurance score should include an analysis that supports the appropriateness of each proposed rate/rating factor as opposed to any other rate/rating factor. As above, the source of the data must be identified, all data adjustments must be explained and supported, and the data underlying the analysis must be relatively recent.

In addition, in accordance with Insurance Regulations 16, 25 and 116:

- a) An explanation must be provided as to how risks with insufficient or no credit history will be treated.
- b) An explanation must be provided as to how risks that refuse to allow access to their credit score will be treated.
- c) The company's timing and procedure for updating credit scores must be provided, e.g., at each renewal; only on the customer's request; etc.
- d) The rationale behind any grouping of credit scores for rating or underwriting purposes must be provided i.e., how the beginning and end points of any ranges of insurance score were selected.

7. In providing the information in (3), (4), (5) and (6) above:

- a) Explain all differences from the ratemaking procedures employed in your last rate filing in Rhode Island.
- b) Clearly describe or label the type of information used; e.g., calendar year, policy year, or accident year; basic limits or total limits; Rhode Island or countrywide; by coverage or all coverages combined; etc.

8. Provide rationale for any proposed rate or proposed rate level change, by coverage or overall, that differs from your indicated change.

9. Provide the derivation of the estimated overall premium effect of any proposed rate or proposed changes to a rating factor or definition. Explain how you have considered each of these effects in calculating the overall proposed rate level change.

10. Provide any additional information that you feel may be helpful to the RI Insurance Division in its review of this filing. For example, if the company has undergone changes in its operations that affect its expense provision, then this information should be provided.

11. Provide the length of time the proposed rates are expected to remain in effect.

12. Provide a description of the risk that will receive the largest rate increase and a description of the risk that will receive the largest rate decrease as a result of the changes proposed in this filing. Include the amount of the rate change for each risk described.

13. Provide an estimate of the number and percent of exposures that will receive a rate increase in excess of 15% due to the changes proposed in this filing. Explain if any consideration was made to minimize the impact on current exposures such as a transition rule (phase-in and/or capping) to avoid rate shock and potential market dislocation.

14. For all motor vehicle filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company's rating manual that confirm that your company is in compliance with:

- a) RI Gen. Laws §27-9-53 & Insurance Regulation 25 (8), Motor Vehicle Insurance Rate Increases Relating to Violations and Accidents.
- b) RI Gen. Laws §27-9-4, Consideration in Making of Rates: (4)(a)(1)(i), (4)(d), (4)(e), and Section 45-19-17, Operation of Emergency Vehicles – Accidents.
- c) RI Gen. Laws §27-29-13, Payment of Premium – Cancellation
- d) Insurance Regulation 25(5)(6) and (7), Additive and Reductive Amounts for Policy Credits and Surcharges
- e) RI Gen. Laws §27-9-7.1, Premium Reduction for Completing a Motor Vehicle Accident Prevention Course

f) RI Gen. Laws §27-9-7.2, Premium Reduction for Anti-theft Devices, and Regulation 84

g) RI Gen. Laws §27-9-56, Use of Credit Rating, and Insurance Regulations 16, 25 and 116
Extraordinary Life Events and Insufficient Credit

h) Insurance Regulation 98, Rhode Island Automobile Insurance Plan

15. For all property insurance filings provide a copy of the relevant pages (and cite the manual page number and rule number) from your company's rating manual that confirm that your company is in compliance with:

a) RI Gen. Laws §27-6-53, and Bulletin 2002-16, Use of Credit , and Insurance Regulation 116-
Extraordinary Life Events and Insufficient Credit

b) RI Gen. Laws §27-29-4.3, Refusal to Issue or Increased Premium Due to Nonoccupancy.

c) RI Gen. Laws §27-29-4(7) (iii,iv,v,vi), Unfair Methods of Competition, and Insurance
Regulation 110 (8).

d) RI Gen. Laws §27-76 and Insurance Regulation 110, Property Insurance and Weather Related
Claims, Sections 4, 5, 6, 7, and 9.

e) RI Gen. Laws §27-6-8.2 requires all insurers to include a credit or discount in premiums for
commercial property insureds that install and maintain fire prevention and suppression equipment
and use of fire resistant building material.

16. For all Title Insurance Filings, insurers must confirm that it offers a reduced mortgage refinance rate based upon actuarially supported rates, filed and approved for use in RI.

17. For all filings, insurers must explain if Price Optimization techniques were used, and if so, a full explanation must be provided on the techniques used to decide on premiums being proposed.

18. Provide a statement signed by an actuary or an officer of the company to certify that the data submitted in the filing is accurate and reliable.

As of 4-11-2014