

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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BULLETIN NUMBER 93-02

TO: ALL INSURANCE COMPANIES WRITING BUSINESS IN ALASKA

RE: IMPLEMENTATION OF ALASKA REGULATIONS 3 AAC 29.200 - 300

On August 6, 1992, Regulations in the Alaska Administrative Code, Sections 3 AAC 29.200 - 300 were signed by the Lieutenant Governor and subsequently became effective. These regulations specify the framework under which insurers shall file their rates under a prospective loss cost system. The purpose of this Bulletin is to:

- 1 explain the Division's intent regarding the continued use of rates approved before the introduction of loss costs, and to
- 2) make available a reference filing adoption form to be used by insurers that are adopting advisory prospective loss costs filed by an advisory organization.

Use of previously filed **rates**:

According to section 3 AAC 29.220 of the loss cost regulation,

"(a) An insurer that is a member or subscriber of a rating organization for a kind of insurance that has made a reference filing of prospective loss costs under 3 AAC 29.210 may

(1) develop and submit its own filing of prospective loss costs supported by statistical data, interpretation of the statistical data, relevant experience, or judgement, and other supporting information; or

(2) submit a reference filing adoption form provided by the department, adopting the approved reference filing of prospective loss costs made by the rating organization and its own loss cost adjustments.

(b) If an insurer that is a member or subscriber of a rating organization that has made a reference filing of prospective loss costs does not elect an option under (a) of this section, its existing rate filing will continue to be in effect."

It is the intent of the Division to, after a period of time, require documentation supporting the continued use of the rates existing before the approval of loss costs for a particular line of business.

For lines of business for which prospective loss cost filings were first filed by a rating organization and approved by the Division before January 1, 1993, the Director intends to call a hearing on or shortly after December 31, 1993. All companies which are members

or subscribers of the rating organization and are still using the rates in effect before the implementation of loss costs will be required to provide support for the continued use of those rates. Companies which have implemented loss costs for that line of business or which have already submitted (and had approved) support for the continued use of the prior rates will not be required to present any additional support for their rates.

For lines of business for which prospective loss cost filings are first filed by a rating organization and approved by the Division after January 1, 1993, the Director intends to call a hearing one year after the initial implementation of loss costs for that line of business. All companies which are members or subscribers of the rating organization and are still using the rates in effect before the implementation of loss costs will be required to provide support for the continued use of those rates. Companies which have implemented loss costs for that line of business or which have already submitted (and had approved) support for the continued use of the prior rates will not be required to present any additional support for their rates.

Reference Filing Adoption Form:

Attached to this bulletin is a copy of a reference filing adoption form to be used by participating insurers of rating organizations when adopting that rating organization's advisory prospective loss costs. Once an insurer has filed its initial loss cost adjustments with appropriate supporting material and the insurer decides to apply its approved loss cost adjustments to subsequent revisions of loss costs filed by the rating organizations, the insurer is subject to 3 AAC 29.240(c).

Any questions with respect to the requirements of 3 AAC 29.299 - 300 should be addressed to Barbara Thurston, Alaska Division of Insurance, P.O. Box 1 10805, Juneau, Alaska, 99811 (907) 465-2573.

Done this 27th day of January, 1993 at Juneau, Alaska.



David J. Walsh, Director
Division of Insurance