

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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Order R94-02

"(a) Rates" or "Refer to Company Rates"

Background

Alaska Statute 21.39.040(f) states in part that the director may issue an order suspending or modifying the filing requirements for kinds of insurance or classes of risks, the rates for which cannot practicably be filed before they are used.

Purpose

The purpose of this order is to clarify those situations in which AS 21.39.040(f) may be used for (a) rating or to allow refer to company rates.

The director hereby finds:

- A. An (a) rate is a rate which is determined individually for a specific risk and which is based upon underwriting judgment because
1. neither a rating organization nor the insurer has established a manual rate for the risk or class of risks; or
 2. the risk involves unique or unusual circumstances for which the applicable manual rate does not adequately reflect the exposure represented by the risk.
- B. An insurer may use (a) rating when individual risks in a given class are so different from each other that no single manual rate represents all risks in the class. If a rating organization or the insurer acquires sufficient experience to establish or if the insurer itself has a manual rate for such coverage, then such coverage shall no longer be considered eligible for (a) rating.
- C. The prior approval filing requirements for (a) rates are modified. Individual rates do not need to be filed. However, the insurer shall file for approval a manual page containing a rule stating when a given class of risks will be (a) rated, or providing conditions under which (a) rating will be used because an otherwise applicable classification or manual rate is inappropriate for a given risk. A risk may not be (a) rated until such a filing is approved.

- D. "Guide (a) rates" are suggested (a) rates developed by a rating organization or an insurer which are expected to be applied to more than one insured.
- E. Guide (a) rates must be filed with the Division of Insurance.
- F. When an insurer uses an (a) rate for a risk, the underwriting file must contain documentation explaining how the risk complies with the circumstances described in A and B. The file must also contain documentation showing how the (a) rate was developed. This documentation must include
- i. specific loss potential characteristics;
 - ii. reference to similar exposures;
 - iii. available loss frequency and severity data;
 - iv. any other relevant documentation.
- G. Rates which are specified as "refer to company" shall follow the same filing requirements as (a) rates.
- H. This order applies to all kinds of insurance for which filing requirements are regulated in AS 21.39.
- I. This order takes effect July 1, 1994.

Date: April 7, 1994



David J. Walsh, Director
Division Of Insurance