



# Oregon

Theodore R. Kulongoski, Governor

## Department of Consumer and Business Services

Insurance Division  
350 Winter St. NE, Room 440  
PO Box 14480  
Salem, OR 97301-0405  
(503) 947-7980  
FAX (503) 378-4351  
TTY (503) 947-7280  
[www.oregoninsurance.org](http://www.oregoninsurance.org)

### OREGON INSURANCE DIVISION BULLETIN INS 2003-6

**DATE:** November 5, 2003

**TO:** All Property and Casualty Insurers

**SUBJECT:** **Prospective Loss Cost Filing Procedures for Property/Casualty Insurance (other than Workers Compensation) and Loss Cost Reference Filing Adoption Forms**

The Oregon Insurance Division requires rating organizations and participating companies to operate under a prospective loss cost system in Oregon as adopted by the National Association of Insurance Commissioners. This bulletin specifies the framework under which rating organizations and participating insurers in rating organizations operate in a loss cost system.

Rating organizations will develop and file advisory prospective loss costs and supporting actuarial and statistical data. Each insurer must individually determine and file the rates it will use as a result of its own independent decision-making process. The rating organizations will continue to develop and file rules, relativities and supplementary rating information on behalf of their participating insurers.

Rating organization filings of prospective loss costs and insurer filings must follow the filing requirement on the Rates and Forms Web site ([http://www.oregoninsurance.org/docs/serff/pc\\_rating.htm](http://www.oregoninsurance.org/docs/serff/pc_rating.htm)) and complete the required transmittal form, checklist of standards, and certificate of compliance. The filings are made under one of the following:

- ORS 737.205 - "file and use" - all lines and classes except those described in the next paragraph.
- ORS 737.207 and OAR 836-042-0501 to 836-042-0520 - "flex rating" - commercial liability insurance rate filings are implemented under "file and use" procedures, unless the change is an increase or decrease of more than 15% in which case they must be filed for approval.

#### SECTION I: Rules/Loss Costs

##### A. Rating Organization Action

- Rating organizations are to develop and file with the Insurance Division a “Reference Filing” containing advisory prospective loss costs and supporting actuarial and statistical data. Prospective loss costs are that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are based on historical aggregate losses and loss adjustment expenses adjusted through development to their ultimate value and projected through trending to a future point in time.
- “Reference Filings” will contain the advisory prospective loss costs and the underlying loss data and other supporting actuarial information for any calculations or assumptions underlying those loss costs.
- After a Reference Filing has been filed with the Insurance Division (and approved when necessary), the rating organization will provide its participating insurers with a copy of the Reference Filing.
- The rating organization may print and distribute manuals of prospective loss costs, as well as rules and other supplementary rating information described in Section II A.

#### B. Insurer Action

- Each insurer must individually determine the final rates it will file and the effective date of any rate changes. This will be the result of the independent company decision-making process unique to each insurer.
- If a participating insurer in the rating organization decides to use the prospective loss costs in the “Reference Filing” in support of its own filing, the insurer should make a filing under ORS 737.205 or ORS 737.207 following the requirements on the Web site using the Reference Filing Adoption Form (form 440-3613) and Summary of Supporting Information (form 440-3614). The insurer’s rates are the combination of the prospective loss costs and the loss cost adjustments contained in the Reference Filing Adoption Form.
- The insurer may request to have its loss cost adjustments remain on file and reference all subsequent prospective loss costs Reference Filings. Upon receipt of subsequent rating organization loss cost Reference Filings, the insurer’s rates are the combination of the prospective loss costs and the loss cost adjustments contained in the Reference Filing Adoption Form on file with the Insurance Division, and will apply to policies written on or after the effective date of the prospective loss costs. The insurer need not file anything further with the Insurance Division.
- If an insurer that has filed to have its loss cost adjustments remain on file with the Insurance Division intends to delay, modify, or not adopt a particular rating organization loss cost Reference Filing, the insurer must make an appropriate filing with the Insurance Division.
- The insurer’s filed loss cost adjustments will remain in effect until the insurer withdraws them or files a new Reference Filing Adoption Form.
- To the extent that an insurer’s final rates are determined solely by applying its loss cost adjustments, as presented in the Reference Filing Adoption Form, to the prospective loss costs contained in a rating organization’s Reference Filing and printed in the rating organization’s rating manual, the insurer need not develop or file its final rate pages with the Insurance Division. If an insurer chooses to print and distribute final rate pages for its own use, based solely upon the application of its filed loss cost adjustments to a rating organization’s prospective loss costs, the insurer need not file those pages with the Insurance

Division. If the rating organization does not print the loss costs in its rating manual, the insurer must submit its rates to the Insurance Division.

•  
C. Insurer Action When a Subsequent Rating Organization Reference Filing Is Filed:

| If...  | Then...  |
|--|--|
| 1. The insurer decides to use the revision of the prospective loss costs and effective date as filed                     | 1. The insurer does NOT file anything with the Insurance Division. Rates are the combination of the prospective loss costs and the on-file loss cost adjustments and become effective on the effective date of the loss costs. |
| 2. The insurer decides to use the prospective loss costs as filed BUT with a different effective date                    | 2. The insurer must notify the Insurance Division of its effective date before the effective date of the loss costs.   |
| 3. The insurer decides to use the revision of the prospective loss costs, but wishes to change its loss cost adjustments | 3. The insurer must file a revised Reference Filing Adoption Form (form 440-3614) to file under ORS 737.205 or ORS 737.207.  |
| 4. The insurer decides NOT to revise its rates using the prospective loss costs  | 4. The insurer must notify the Insurance Division before the effective date of the loss costs.   |

SECTION II: Rules, Relativities and Supplementary Rating Information

A. Rating Organization Action

- The rating organization will file under “file and use” or for approval, as applicable, with the Insurance Division filings containing a revision of rules, relativities and supplementary rating information. This includes policy-writing rules, rating plans, classification codes and descriptions, territory codes and descriptions and rules which include factors or relativities such as increased limits factors, classification relativities or similar factors.
- These filings are made by the rating organization on behalf of those insurers that have authorized the rating organization to file rules, relativities and supplementary rating information on their behalf.
- Rating organizations may print and distribute manuals of rules, relativities and supplementary rating information.

B. Insurer Action

- If an insurer has authorized rating organizations to file on its behalf, and a new filing of rules, relativities and supplementary rating information is filed, and

If...

1. The insurer decides to use the revisions and effective date as filed
2. The insurer decides to use the revisions as filed BUT with a different effective date
3. The insurer decides not to use the revision
4. The insurer decides to use the revision with modification

Then...

1. The insurer does NOT file anything with the Insurance Division.
2. The insurer must notify the Insurance Division of its effective date before the rating organization's effective date.
3. The insurer must notify the Insurance Division before the rating organization's effective date.
4. The insurer must file the modification with the Insurance Division under ORS 737.205 or ORS 737.207 specifying the basis for the modification.

If you have questions regarding the submission of loss cost filings, please contact the property/casualty actuary at 503-947-7211.

This bulletin is dated the 5th day of November 2003, at Salem, Oregon.

\_\_\_\_\_(Signed)\_\_\_\_\_  
**Joel Ario**, Insurance Administrator