STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE

PRIOR APPROVAL RATE FILING INSTRUCTIONS

Every insurer wishing to file new or change any rules, rates, forms, or introduce a new program must complete a **Prior Approval Rate Application** in compliance with Title 10, Chapter 5, Subchapter 4.8 of the California Code of Regulations (CCR) and file it with the Commissioner.

The application must include all data referred to in Section 1861.05(b) of the California Insurance Code (CIC), a justification of the rate and that the rate meets the applicable requirements of CIC Sections 1861.01 through 1861.16, CCR Sections 2641.1 through 2644.28 and any other detailed supporting statistics and information as the Commissioner may require.

Submit all Prior Approval Rate Applications via System for Electronic Rate and Form Filing (SERFF), or mail to:

CALIFORNIA DEPARTMENT OF INSURANCE
RATE REGULATION BRANCH
Rate Filing Bureau
Attn: Intake Unit
45 Fremont Street, 23rd Floor
San Francisco, CA 94105

Important note: Refer to the CDI website at http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/ for the most current rate templates and prior approval factors.

Do not submit any fee with this application. Each insurer will be billed an administrative fee.

This application applies only to prior approval (Prop. 103) rate filings. Separate applications for Class Plans, Advisory Organizations, Credit, Financial Guaranty, Title, and Workers' Compensation, including excess workers compensation, are available online at http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/rate-filing-applications.cfm

Rate filings may be submitted electronically using the NAIC's System for Electronic Rate and Form Filing (SERFF), by CD or by paper. CD's and electronic rate applications must be submitted in both Excel and PDF format. In addition, CDI rate template(s) for each ratemaking data section (application page 7) must be submitted in Excel format for electronic filings.

If the CD filing method is selected, one paper copy of the rate application and supporting documents must be submitted in addition to the CD.

If the paper filing method is selected, one (1) original and one (1) paper copy of the CDI application and supporting documents must be submitted.

Paper and CD filings must include a self-addressed, stamped envelope for acknowledgment. A copy of application page 1, and page 2 for group filings, will be sent to the filer as an

acknowledgment. Acknowledgment is automatically provided for filings submitted via SERFF.

I. GENERAL FILING INFORMATION

A. Application

Insurers must submit a completed prior approval rate application for new programs, rates, forms and rules (rating and underwriting) with rate impact. Each insurer must indicate the type of filing submitted for rate review and provide the corresponding rate application pages plus exhibits according to the requirements shown on rate application page 3.

A rate impact includes, but is not limited to, any changes in the rates, rating factors, rating and underwriting rules, and any contract language change(s) that affect the rate or cost of coverage due to the broadening or restricting of coverage.

The overall rate impact is measured by changes in the adjusted earned premium and rate application page 4 must be completed. Changes to any rating plan that result in a zero overall rate change must also be filed, however.

Filings for declaration pages, application forms and installment payment plans without a fee are considered attachments to the latest applicable filings. Separate approvals will not be issued to these attachments. However, installment payment plans that include fees, and application forms that are incorporated by reference, are subject to the prior approval filing requirements.

B. Filing by Line of Insurance

Filings should be made *per line of insurance*. Please select a Line Type (Personal/Commercial) and Line of Insurance from the pull down menu on Page 1 of the Excel Prior Approval Rate Application. It will also be necessary to select a Line Description from the pull down menu on Page 7 and/or the Rate Making Data page of alternate rate templates. Please note that these line descriptions may differ, in some cases, from the Uniform Product Coding Matrix Type of Insurance used in SERFF.

Please read the Template Instructions page of the rate application.

The rates, rules and forms for the same line of insurance may be combined in one filing. However, commercial automobile liability and physical damage must be combined in a single application with separate ratemaking data. Refer to Section III, Private Passenger Auto, for information specific to the same.

C. Program Filings

Filings per line of insurance may be made for individual programs within the line (such as a Commercial Automobile Auto Dealers). The filing must contain the rules, rates, and forms for each coverage and provide documentation to support the rates for each coverage.

D. Proposed Rate and Rule Manual Pages

For filings requesting changes in rates or rules, the current and proposed manual rate and rule pages must accompany the application. In the revised pages, include brackets for the deletions and underline the additions to identify the changes. Additionally, provide a clean copy of the proposed pages.

II. RATE FILE-TYPE INFORMATION

A. Filing Types

This application applies to the following various types of filings: New Programs, Rates, Forms, and Rules. Refer to rate application page 3 for specific information regarding the filing documents to be submitted for each type of filing.

For most kinds of insurance, the regulations prescribe a particular formula and factors to determine the maximum and minimum permitted premium. An exception exists for specialty insurance, where the only requirement is that the soundest actuarial method be used. Types of specialty insurance include policies with a premium over $75,000 or a deductible over $100,000. For a complete definition of specialty insurance, see CCR §2642.7(d).

B. Variance

The application provides for the submission of variance requests. A variance is a request that the maximum permitted earned premium or minimum permitted earned premium should be adjusted (Refer to CCR §2644.27(a)).

Requests for variance may be submitted at the same time as the prior approval rate application to which it applies or after the filing of the same. All requests for variance must identify and support the bases for the variance according to §2644.27, Variance Request. When a variance is requested, application page 11, Request for Variance, and Exhibit 13 must be completed.

C. New Programs

A new program is a new product without an existing rate manual, policy forms and underwriting rules. It is also a program that has not been previously written and its filing requires at least one year of projections. A rule filing differs from a new program filing in that rule filings are filings intended to either add, delete or limit specific coverages to an ***existing*** program. A new program filing must contain **all** rates, rating rules, forms and underwriting guidelines that pertain to the program.

For new program filings, enter the following projected data in the far right column (I) of ratemaking data, page 7: (1) written premium; (2) earned premium; (5) fees; (6) earned exposures; (7) projected losses; (8) projected DCCE; (15) excluded expenses; (16) ancillary income; (17) projected FIT on investments; (18) projected yield. [*For lines 15, 17 & 18 in the rate application, data will be populated from pages 13 & 14 of the application; for*

alternate templates, the data must be manually entered.]

For earthquake and certain medical malpractice with reinsurance, also enter: (19) direct commissions; (20) reinsurance premium; (21) reinsurance recoverables.

It is **not** necessary to enter the following data for new program filings: prior effective date; proposed effective date; (3) premium adjustment factor; (4) premium trend factor; (9) loss development factor; (10) DCCE development factor: (11) loss trend factor; (12) DCCE trend factor; (13) catastrophe adjustment factor; (14) credibility factor.

If relying upon the data from an affiliate within a group, submit the affiliate's historic data ***in addition*** to the projected figures. If the new program is based partly on a current or inactive program, data from that program, together with the rate impact to the affected policyholders, must be provided.

D. Rates

Any insurer proposing to change their base rates, rating factors and/or rate classification relativities must file a complete rate application.

In addition, supplemental rating plans that impact the rating process in a program must be filed with the Department using the rate application. These supplemental rating plans include, but are not limited to, merit rating plans, experience rating plans, loss rating plans, composite and retrospective rating plans, expense rating plans, and any other similar plans.

Underwriting guidelines must be submitted with all homeowners and private passenger auto rate filings.

E. Forms

When forms are being revised, both the current and proposed forms must be included in the filing. Application page 12(a) must be completed and an explanation of the rate or rate impact must also be included.

Forms that restrict or delete coverage require consideration of a rate offset and must provide the amount of prior losses incurred, if any. If the form proposes to restrict or exclude coverage the proposed rate for the remaining coverages must be justified.

If a form has a corresponding rule, the form and the rule must be submitted together. The Department will classify the filing type as a rule filing.

F. Rating and Underwriting Rules

When rating and underwriting rules with rate impact are being revised, Application page 12(b) must be completed, and the current and proposed rules must be attached to the filing and the overall rate impact must be justified. Mutually exclusive underwriting guidelines must be provided for programs with rating tiers. Underwriting guidelines must be submitted with all homeowners and private passenger auto rate filings. Refer to the

Program Filings instructions for additional information.

III. PRIVATE PASSENGER AUTO

In addition to the prior approval rate filing needed to support the rate level, private passenger automobile programs may require the submission of a class plan. The class plan application must indicate the rating factors to be applied, the relativities for each rating factor, the base rate, the good driver discount plan and the statistical analysis used to determine the classification variables in accordance with CCR Title 10, Chapter 5, Subchapter 4.7. Rate changes that do not involve changes to the rating factors do not require a class plan application. Refer to the Class Plan Application and Instructions for detailed information. (Note: Symbol Filings must be completed on the Class Plan Application per CCR §2632.3(b)).

When submitting a private passenger auto prior approval rate or new program application, leave ratemaking data application page 7 blank, and submit the alternate Prior Approval Rate Template for Private Passenger Auto. Rate making data pages must be completed by coverage (BI, PD, MP, UM, Comp. and Coll.), and data must be provided for each coverage offered, even if no change in the rate for that coverage is proposed.

Rate application page 8, statutory page 14 calendar year data reconciliation of direct earned premium data per program and rate application page 9, additional data required by statute, may be submitted separately for liability and physical damage or may be combined.

Personal automobile data must exclude assigned risk data. Assigned risk data must be excluded from ratemaking data, but included as a separate line on application page 8.

Rating tiers are *disallowed* in private passenger auto. However, insurers may have more than one private passenger auto program with different rates *if* the programs include significant and relevant coverage differences. If an insurer has more than one program with different rates the insurer must describe, in detail, the significant and relevant coverage differences by coverage and fully support the rate differentials between the programs. Keep in mind that every insurer that offers coverage difference programs must offer all programs to all applicants no matter what type of insurance producer or marketing system is used.

Group programs may also be offered under the authority of CIC §1861.12, which allows for the submission of group programs without restriction as to the purpose of the group, occupation or type of group.

Loss experience credibility is defined in CCR §2644.23. Standards for the recorded period to be used in developing a proposed rate are found in CCR §2642.6. The following points are intended to provide direction in the filing of group programs and coverage difference programs.

- Filings may be made on an individual program basis or on an all-program combined basis. If an all-program combined filing is made, a calculation reflecting each program's premium and loss ratio history shall be included in order to justify each individual program's rate level relative to the insurer's aggregate PPA rate level.

- For any filing which has less than 25% credibility over a maximum of six years, the insurer may use an alternative complementary loss and DCCE in lieu of the net trend method, provided the alternative is the most actuarially sound method.

Trend credibility is defined in CCR 2644.7. In most cases, when individual PPA programs are submitted, the aggregate all program combined premium and loss trend and loss development data will be used. Exceptions may occur in such situations as where limits and deductibles differ significantly among programs, where separate claim adjusting staffs are used, where the amount of data in a program significantly exceeds the published full credibility standard or where it has been the insurer's historical practice to use individual program data. This list is not intended to be exhaustive.

[Please refer to the instructions for Exhibit 15, below.]

IV. COMPLETING THE APPLICATION

The following information explains the application pages and the required supporting exhibits. A complete application is required in accordance with the provisions set forth in CIC §1861.05(b).

Rate Application Page 1 – Prior Approval Rate Application

Every insurer wishing to make a filing must complete application page 1. In addition to the company specific information, this page must provide information pertaining to: 1) the chosen filing method - SERFF, CD or Paper, 2) Variance, 3) group data, 4) whether the filing is a specialty filing (refer to CCR §2642.7(b)) and 5) the latest applicable CDI filing number that corresponds to the newly submitted filing.

The company must identify the line of insurance, the subline, and the program.

Rate Application Page 2 – Insurer Group Filing

This page applies to affiliated companies within an insurer group of companies. Page 2 must be completed when a group filing is submitted. Each company to which the filing applies must be identified on this page.

Group filings can be made for all filing types, including variance filings, if each company within a group uses the same rates, forms and/or rules (rating and underwriting).

Each company writing Private Passenger Auto must indicate whether they are operating under a Super Group corporate structure as defined in CIC §1861.16(c). If CIC §1861.16(c) applies to an insurer group, Exhibit 19, Super Group Corporate Structure Verification Exhibit, must also be completed.

Super Groups are insurers that have common ownership but whose California operations are separate per CIC 1861.16(c). Each Super Group insurer issuing a policy described in

CIC §660(a) must provide Exhibit 19 to verify compliance with CIC §1861.16(c).

Rate Application Page 3 – Property and Liability Filing Submission Data Sheet

When completing page 3, each company must identify the type of filing and submit the noted application pages and exhibits identified as *required*, according to the specific filing type. The various broad types of filing submissions are: Rate, Form, Rule, New Program and Variance. More than one filing type can apply to a single filing, except for New Program.

Rate Application Page 4 – Property and Liability Filing Submission Data Sheet - Continued

Page 4 of the application must be completed for every filing identified as having a rate impact. The earned premium must include all income derived from miscellaneous fees and other charges (refer to the instructions for completing exhibit 6 for more detailed information).

The adjusted earned premium is the historical earned premium for the most recent year adjusted to the current rate level and trended to the average date of loss of the proposed rating period.

Rate Application Page 5 – Filing Checklist

Page 5 of the application is provided to ensure that all necessary documents that are designated as *required* on page 3 are included in the submission.

This page includes additional attachment items that apply only in specific circumstances. If printed rate pages, rule pages, form and reinsurance agreements are included in the submission, these items should be marked as 'included' in the filing checklist.

If a receipt acknowledgement is requested, a self-addressed stamped envelope must be provided. Otherwise, an acknowledgment will not be mailed to the company.

Rate Application Page 6 – Supporting Data Exhibits

Application page 6 is provided to ensure that all necessary exhibits are included in the submission, according to the filing purpose and type(s) of filing.

Rate Application Page 7 - Ratemaking Data

Application page 7 or an alternate rate template must be completed for all filing types with rate impact. If more than the three years of data is needed for credibility purposes, expand the ratemaking data page, per instructions in the application and/or rate template.

Page 7 requires that the insurer provide the following information specific to the program under rate review:

- The Line Code, selected from the pull down menu, and the coverage to which the data corresponds. (*The CDI Line Code may differ from the NAIC Uniform Product Coding Matrix*)
- The prior effective date of the current rates.
- The proposed effective date of the proposed rates.
- The marketing system and the percentage volume of each distribution, weighted by earned premium.
- The statistical period used in the ratemaking process.
- Three years of data that directly corresponds to the program under rate review; subject to regulations pertaining to credibility (CCR §2642.6 and §2644.23).
- Trends (premium, loss and DCCE) must be expressed as an annual percentage, and entered in lines 4, 11 & 12 of column I in page 7 of the application.
- For new programs, the projected columns must be used and the written and earned premium should be the same.
- Residual market data must be removed.
- If submitting ratemaking data for earthquake and medical malpractice in line 19, provide the average direct commissions paid on premiums subject to these reinsurance agreements.
- For all rate filings received on or after June 1st, the data provided in the 'most recent year' column must be the data from the year immediately preceding the current year or more recent data.
- For filings where the data is less than 25% credible over a maximum of 6 years, if alternative loss and DCCE are used as pertaining to CCR §2644.23 (i), then the credibility-weighted projected ultimate loss and DCCE should be entered on lines 7 and 8 of page 7. The number 1.00 should be entered on lines 9 through 14. Detailed data and calculations supporting the development of the credibility-weighted projected ultimate loss and DCCE should be provided within the corresponding exhibits.

Page 7 vs. alternate rate templates: If only one rate template is required, simply complete Page 7 of the Rate Application. If more than one rate template is required, attach alternate template(s) and/or multi-coverage template(s) as needed. Any reference in these instructions to Page 7 of the Prior Approval Rate Application also refers to the rate making data pages of alternate rate templates.

Rate Application Page 8 Statutory and Page 14 Calendar Year Data Reconciliation of Direct Earned Premium Data Per Program

When completing application page 8, each insurer must provide calendar year direct earned premium data and itemize the data for each program/filing until all data is reconciled to the corresponding annual statement line of insurance (statutory page 14).

File numbers are not required for residual market data. Auto liability and physical damage data may be shown together on the same page.

Rate Application Page 9 – Additional Data Required by Statute

Data requested on application page 9 must be provided for the most recent calendar year. The data provided must correspond to the program/filing to which it applies and need not necessarily reflect the total annual statement line of insurance data.

Auto liability and physical damage data may be shown separately or combined.

Rate Application Page 10 – Miscellaneous Fees and Other Charges

Application page 10 requires that each insurer disclose all fees and the amounts charged to individual policies for new and renewal business. These fees include but are not limited to: policy fees, installment fees, endorsement fees, inspection fees, cancellation fees, reinstatement fees, non-sufficient funds (NSF) fees, SR-22 fees, late fees, membership dues, installment finance charges and any other similar fees.

All such fees, except NSF fees, membership dues, and installment finance charges are considered to be earned premium for ratemaking purposes and the aggregate earned premiums for each year of the recorded period must be included on page 7, line 2 (direct earned premium) **or** line 5 (miscellaneous fees and other charges). These data must be developed in exhibit 6, miscellaneous fees and other charges.

Rate Application Page 11 - Request for Variance

Application page 11, items 1 through 4, must be completed when requesting a variance. Page 11 provides a synopsis of the bases for variance and each insurer is required to identify the bases for variance in accordance with CCR §2644.27(f).

Exhibit 13 must be completed, along with Page 11, for every variance filing, whether filed together with the prior approval rate application to which it applies or after the same. When a variance filing is submitted, the filing must provide substantial, detailed support and justification for each variance request.

As part of the review process, in determining whether an insurer qualifies for a variance under CCR2644.27(f)(2)(A), for "Higher quality of service, as demonstrated by objective measures of consumer satisfaction," the Department may consider multiple sources of objective data. These sources may include surveys by nongovernmental organizations such as Consumers Union and J.D. Powers, designed to objectively measure the relative quality of service provided by multiple insurers in the relevant line of business. The Department may also consider governmental sources of objective data including, but not limited to, the Department's own consumer complaint records.

Multiple templates are required to measure the impact of each variance. Therefore, each variance filing must include:

- A template that shows the Maximum Permitted Rate Change excluding variance(s). *For programs that provide one coverage with an indivisible premium, please use the template contained in the Rate Application (Page 7) for this purpose. For multi-coverage programs, attach multi-coverage or PPA templates as needed.*

- A template that shows the Maximum Permitted Rate Change for each variance request. If multiple variances are requested, multiple, separate templates must be provided. Each template should clearly identify the corresponding variance to which it applies.
- Finally, a template that shows the cumulative Maximum Permitted Rate Change for all variances combined.

Rate Application Page 12 – Forms and Rules

Application page 12(a) requires that each insurer identify each form by title and form number, and describe all changes.

Insurers must declare whether the proposed form changes have rate impact and assess the value of the coverage change if a rate is not specifically charged for the form.

To the extent that coverage is affected by the restricting or broadening of coverage, rate impact is implied as a result of changes to the contract language.

Application Page 12(b) must be completed for all rule change filings. In addition to providing an explanation and a copy of the rule, the rate impact to the current book of business and support and justification for its premium development must be provided. Exhibit 20 may be used to provide the necessary information.

Rate Application Page 13 – Excluded Expense Factor

Application page 13 provides the format for submitting data needed for calculating the excluded expense factor, including the total and excess executive compensation for the five highest-paid policy making positions in the insurer group.

The format is available on the CDI website at www.insurance.ca.gov.

Pursuant to CCR §2644.10, provide a breakdown of expenses that are not permitted to be included for ratemaking purposes and indicate how the factor shown on application page 7, line 15 of the ratemaking data was derived. These expenses must be listed separately by type of expense and include the following:

- Political contributions and lobbying
- Total and excess executive compensation for the five highest-paid policymaking positions
- Bad faith judgments
- All costs attendant to the unsuccessful defense of discrimination claims
- Fines and penalties
- Institutional advertising expenses
- All payments to affiliates that exceed fair market rate

The efficiency standard will be reduced in order to affect the disallowance of the excluded expenses for ratemaking purposes.

Rate Application Pages 14 - Projected Yield and Federal Income Tax Rate on Investment Income

Application page 14 provides the format for calculating the projected yield and the federal income tax rate on investment income. This format is available on the CDI website at www.insurance.ca.gov.

Pursuant to CCR §2644.20 and §2644.18, provide the projected yield and the federal income tax rate on investment income on application page 7, lines 17 and 18 of the ratemaking data. The projected yield and FIT calculation specified in CCR §2644.20 and §2644.18 must be used.

When calculating the weighted average yield: 1) the weights used shall be based on the insurer's most recent consolidated statutory annual statement, 2) the yields for each asset class shall be based on the average of the most recent available three complete calendar months as of the date of the filing.

With reference to CCR 2644.16, Rate of Return, the decision to increase or decrease the rate of return is solely at the discretion of the Commissioner and not pursuant to an individual insurer's request.

Filing Memorandum

A filing memorandum must be attached to each filing indicating the purpose of the filing and providing a summary of proposed changes.

V. REQUIRED EXHIBITS

The following is a summary of exhibits that **must** be attached to the application to support the figures applied in the ratemaking data, application page 7. Indicate the appropriate exhibit number in the upper right hand corner of the page. In addition, number the pages in each exhibit in consecutive order. If the exhibit is not applicable, please explain why.

Exhibit 1 - Filing History

Provide a list of all previously approved CDI rate filing numbers that have been made for this line, subline, and program within the last three years. If there have been no rate filings in the last three years, provide the file number of the last approved rate file made for this line, subline, and program.

Exhibit 2 - Rate Level History

List all of the rate level changes for the last five years per coverage affected by this filing. Show the effective date of the rate change. The following is an example for Private Passenger Automobile Liability:

Effective Date	BI	PD	MP	UM	Combined

MM-DD-Y5	+10.0%	-5.0%	+1.0%	+4.0%	+8.0%
MM-DD-Y4	- 5.0	+2.0	0.0	0.0	-4.0
MM-DD-Y3	+ 8.5	0.0	0.00	-10.0	+8.3
MM-DD-Y2	+ 5.0	+1.0	0.00	+2.0	+4.7
MM-DD-Y1	- 5.0	-2.0	+5.00	0.0	-4.8

Exhibit 3 - Policy Term Distribution

Explain the policy term options that are available and provide the percentage of business written in each option.

Exhibit 4 - Premium Adjustment Factor

From the rate level changes in Exhibit 2-*Rate Level History*, show how the premium adjustment factors on application page 7, line 3 of the ratemaking data were derived to bring premiums to the current rate level.

Exhibit 5 - Premium Trend Factor

Indicate how the premium trend factors on application page 7, line 4 were developed. The premium trend factors shall be based on the exponential curve of best fit, using the most actuarially sound company-specific rolling calendar year premium per exposure data for the most recent 8, 12, 16, 20, or 24 quarters; a single data period must be used.

The exhibit must show the data for each of the most recent quarters, 8, 12, 16, 20 and 24, the calculated annual trend, and the trend period for each year in the recorded period. The trend period must extend from the average date of loss of the recorded year to the average date of loss of the rating period. The data period selection must be the same for the premium trend and the loss trend.

Exhibit 6 - Miscellaneous Fees and Other Charges

Provide the total amount of fees and other charges identified in application page 10, with the exception of installment finance charges, non-sufficient fund fees, and membership dues, for each year in the recorded period. These fees include but are not limited to: policy fees, installment fees, endorsement fees, inspection fees, cancellation fees, reinstatement fees, late fees, SR-22, and other similar charges.

The total amount of fees and other charges reported should derive from the collection of these individual policy level charges. The reported total fees should not be reduced by the associated expenses.

The reported total fees and other charges should be included on application page 7, line 2 - direct earned premium **or** line 5 - miscellaneous fees and other charges.

If included as earned premium on line 2, the premium adjustment factors on line 3 and the premium trend factors on line 4 would also apply to these fees. Therefore, the derivations

of premium adjustment factors and premium trend factors in exhibit 4 and 5 must include the reported total fees and other charges.

If included as miscellaneous fees and other charges on line 5, the premium adjustment factors on line 3 and the premium trend factors on line 4 do not apply to these fees. However, if there are fee changes between the recorded period and the proposed rating period, fees entered on application page 7, line 5, must be at the projected level. Exhibit 6 must show the actual historic fees and the adjustment to the prospective level.

Exhibit 7 - Loss and Defense and Cost Containment Expense (DCCE) Development Factors

Pursuant to CCR §2644.6 and §2644.8, indicate how the loss and DCCE development factors shown on ratemaking data, application page 7, lines 9 and 10, were developed. This exhibit must include the loss development triangle which is the basis of the dollar-weighted average of the ratios of losses for the three most recent accident years, policy years or report years available for a reporting interval.

Filings shall contain both paid losses and case-specific reserves, stated separately. Loss development shall employ either paid losses or the sum of paid losses and case-specific reserves, stated separately. The insurer shall submit both the factors and ultimate losses or claims for the paid and incurred loss and the reported and the paid claims development calculations. Loss development data shall exclude catastrophes.

DCCE may be added to losses for loss development and trend or may be developed using ratios of DCCE to losses. The insurer shall demonstrate that its selection is the most actuarially sound.

In accordance with CCR §2644.27(f)(7), a variance for loss development may be requested if CCR §2644.6 does not produce an actuarially sound result.

Exhibit 8 - Loss and DCCE Trend

Pursuant to CCR §2644.7, provide support for the loss and DCCE trend factors on application page 7, lines 11 and 12 of the ratemaking data.

The trend factors shall be based on the exponential curve of best fit, using the most actuarially sound company-specific rolling calendar year data, excluding catastrophes, for the most recent 8, 12, 16, 20, or 24 quarters; a single data period must apply. The frequency trend shall be calculated using reported or closed claims divided by exposures. The severity trend shall be calculated on paid losses divided by closed claims or total paid losses, including partial payments in previous calendar years, on closed claims divided by closed claims. The exhibit must contain the frequency and severity calculation on all bases, shall demonstrate that the selection is the most actuarially sound, and must explain the decision for the selection from among the entirety of the data presented.

The exhibit must show the data for each of the most recent quarters, 8, 12, 16, 20 and 24, the calculated annual trend, and the trend period for each year in the recorded period. The trend period must extend from the average date of loss of the recorded year to the average date of loss of the rating period. The data period selection must be the same for the premium trend and the loss trend.

The standard for full credibility for loss trend shall be 6,000 total claims over the selected single data period for each form for homeowners and each coverage for private passenger automobile.

For lines of insurance other than homeowners multiple peril and private passenger automobile, the standard for full credibility for loss trend shall be determined using the most actuarially sound method.

For all lines of insurance other than private passenger automobile, the standard for the complement of credibility for loss trend shall be determined using the most actuarially sound method; for private passenger auto, refer to CCR §2644.7(d).

DCCE may be added to losses for loss development and trend or may be developed using ratios of DCCE to losses. The insurer shall demonstrate that its selection is the most actuarially sound.

In accordance with CCR §2644.27(f)(8), a variance for loss trend may be requested if CCR §2644.7 does not produce an actuarially sound result.

Exhibit 9 - Catastrophe Adjustment

Pursuant to CCR §2644.5, support the catastrophe adjustment factors that are shown on ratemaking data application page 7, line 13. Show how the loading based on a multi-year, long-term average of catastrophe claims was derived. Provide the definition of catastrophic loss and show how the catastrophic losses were eliminated from the historic losses. Indicate the catastrophic reserves and the portion of the catastrophic losses paid.

For homeowners, no less than twenty years may be used. For private passenger auto physical damage, no less than ten years may be used. There shall be no catastrophe adjustment for private passenger auto liability. Include **ONLY** the California actual losses, a list of the causes of loss and the outstanding catastrophic reserves for large loss years.

Exhibit 10 - Credibility Adjustment

If the data has less than 25% credibility, additional years, not to exceed six years, shall be added to the recorded period until the data is at least 25% credible. Refer to CCR §2642.6. If after six years, the data remains less than 25% credible, alternative complementary loss and DCCE may be used, provided that the alternative is the most actuarially sound method. Refer to CCR §2644.23(i).

Pursuant to CCR §2644.23, if the data is not 100% credible, indicate how the loss and DCCE credibility factor on application page 7, line 14 of the ratemaking data, was determined. Provide the credibility formula or table that was used to derive the factor.

If alternative loss and DCCE are used as pertaining to CCR §2644.23(i), then the credibility-weighted projected ultimate loss and DCCE should be entered on lines 7 and 8 of page 7. The number 1.00 should be entered on lines 9 through 14. Detailed data and calculations supporting the development of the credibility-weighted projected ultimate loss and DCCE should be provided within the corresponding exhibits.

3,000 claims is the full credibility standard for each homeowners coverage form and for each coverage for private passenger auto and the calculation for partial credibility is the square root of the ratio of the actual number of incurred claims in the experience period divided by the full credibility standard. For other lines of insurance, the standard for full and partial credibility shall be calculated using the most actuarially sound method.

Exhibit 11 - Ancillary Income

Show the breakdown of the ancillary income by transaction type for the recent three years. Ancillary income is defined as income that was derived from operations directly related to insurance (non-sufficient funds fees, premium finance revenues, installment finance charges, and membership dues) but not insurance premium. **Expenses** associated with collecting ancillary income **must not be deducted** from the ancillary income. The ancillary income must be shown on application page 7 ratemaking data line 16.

Exhibit 12 - Reinsurance Premium and Recoverables

For medical malpractice with facultative reinsurance attachment points above one million dollars and earthquake, where the cost of reinsurance is included in the rate development, provide the basis for the reinsurance premium and recoverables data entered on application page 7, lines 20 and 21 of the ratemaking data for each year of the recorded period. Provide the average direct commissions paid on premiums subject to these reinsurance agreements on ratemaking data application page 7, line 19.

Copies of the reinsurance agreements must be provided. The reinsurance premium must be net of ceded and contingent commissions.

Ratemaking for all lines other than earthquake and medical malpractice must be on a direct basis, with no consideration for the cost or benefits of reinsurance.

Exhibit 13 - Request for Variance

This exhibit must identify, support and explain the bases for variance according to §2644.27, Variance Request. When a variance is requested, application page 11 must be completed and all information pertaining to the variance must be shown and fully supported within this exhibit.

Exhibit 14 - Insurer's Ratemaking Calculations

Provide the development of the insurer's calculations of the indicated rate change and the proposed overall rate change. If the components in this exhibit do not reconcile with application page 7, ratemaking data, provide a full explanation.

This exhibit is optional if the company is not filing a variance request and the company rate request falls within the maximum and minimum permitted premium range derived in accordance with all ratemaking parameters and methods prescribed in the regulation.

Exhibit 15 - Rate Distribution

Demonstrate how the proposed rate change will be distributed among the various programs, sublines, coverage forms, territories, etc. included in the filing. Provide loss experience to support the proposed rate change for each category.

The sample Exhibit 15 chart, below, provides one possible example of how an insurer can apply these instructions to demonstrate the distribution of the rate change and loss experience for each category. The insurer would also need to provide the detailed background data and calculations supporting the development of the loss experience for each category in the chart.

Purpose: Distribute an insurer's overall rate change of 5% to the respective programs.
For PPA, this worksheet would be done by coverage

	premium (1)	n-year loss ratio (2)	claim count (3)	credibility (4)	overall rate change (5)	rate change by program before credibility-weighting (6)	credibility-weighted rate change (7)	rate change adjusted for off-balance (8)
Program 1	25,000,000	68.0%	5,000	100%		5.6%	5.6%	5.5%
Program 2	5,000,000	65.0%	1,000	58%		0.9%	2.6%	2.5%
Program 3	500,000	75.0%	100	18%		16.5%	7.1%	7.0%
Combined	30,500,000	67.6%	6,100	100%	5.0%	5.0%	5.1%	5.0%
							off-balance: 0.9988	

Column (1): most recent year on-level earned premium.
Column (2): n is the minimum number of years required under 2642.6 for the smallest program to reach 25% credibility, not to exceed 6 years; n is the same for each program and the combined line.
Column (3): the number of claims for each program and the combined line for the entire n-years.
Column (4): credibility is calculated according to 2644.23.

(5)Combined, (6)Combined, and (8)Combined are always equal.
(6)Combined, (7)Combined, and (8)Combined are premium-weighted averages of respective column.

(6) = (2)/((2)Combined/(1+(5)Combined))-1
(7)=(4)*(6)+(1-(4))*(6)Combined
(7)Combined=weighted average of column (7)
(8)=(1+(7))*off-balance -1

off-balance = (1+(6)Combined)/(1+(7)Combined)

Exhibit 16 - Rate Classification Relativities

Provide loss experience to support the changes in all rate classification relativities. This exhibit must provide current, indicated and proposed relativities. (Note: Exhibit 16 applies to all lines other than private passenger automobile. For private passenger automobile, a separate classification plan filing must be submitted.)

For Private Passenger Auto, refer to CIC §1861.02 and Title 10, Chapter 5, Subchapter 4.7 of the California Code of Regulations, Sections 2632.1 through 2632.16.

Exhibit 17 - New Program

Explain the source used to develop the rates for the new program (such as an affiliated company or unaffiliated company). For new programs that are based upon the loss costs of an advisory organization, indicate the edition date and the CDI file number of the loss costs that are adopted by the insurer. The most recently approved loss costs should be used, if not, explain the reason.

Indicate whether the new program or a similar program has been written in any state by the

insurer or an affiliated company; if the same or similar program has been written in California, provide the CDI file number. Explain the reason for the new program development and the relationship and/or differences between the proposed rates, coverage, and underwriting requirements to any similar existing program(s).

If a new program is created and is based partly on a current or inactive program, data from that program, together with the rate impact to the affected policyholders, must be provided.

Exhibit 18 - Insurer Group Filing

A group filing may be submitted if each company within the group uses the same rates, forms and rules (rating and underwriting). Each company in the group must be identified on application page 2, insurer group filing.

Exhibit 19 – Super Group - Corporate Structure Verification Exhibit

This exhibit applies only to the Private Passenger Auto line of insurance. Super Group is a CDI term intended to apply to those insurers that have common ownership but whose California operations are separate in accordance with CIC §1861.16(c). Each insurer issuing a policy described in CIC §660(a) and asserting Super Group status must provide this exhibit to verify compliance with CIC §1861.16(c).

Refer to CIC §1861.16 for the full statutory text.

CIC §1861.16(b) states in part:
An agent or representative representing one or more insurers having common ownership or operating in California under common management or control shall offer, and the insurer shall sell, a good driver discount policy to a good driver from an insurer within that common ownership, management, or control group, which offers the lowest rates for that coverage.

CIC §1861.16 (c) (1) states:
Notwithstanding subdivision (b), ***insurers having common ownership and operating in California under common control*** are not required to sell good driver discount policies issued by other insurers within the common ownership group if the commissioner determines that the insurers satisfy ***each*** of the following conditions:

(A) The business operations of the insurers are independently managed and directed.
(B) The insurers do not jointly develop loss or expense statistics or other data used in ratemaking, or in the preparation of rating systems or rate filings.
(C) The insurers do not jointly maintain or share loss or expense statistics, or other data used in ratemaking or in the preparation of rating systems or rate filings. This condition shall not apply if the data is generally available to the industry through a nonaffiliated third party and is obtained from that third part.
(D) The insurers do not utilize each others' marketing, sales, or underwriting data.
(E) The insurers act independently of each other in determining, filing and applying base rates, factors, class plans, and underwriting rules, and in the making of insurance policy forms.

(F) The insurers' sales operations are separate.
(G) The insurers' marketing operations are separate.
(H) The insurers' policy service operations are separate.

Each insurer group writing Private Passenger Auto must comply with CIC §1861.16(b) unless the insurer group can demonstrate that CIC §1861.16(c) is applicable.

If CIC §1861.16(c) applies to this application:

1. Identify each insurer or group of insurers within the corporate structure that writes private passenger auto insurance in California with different rates and/or rating plans under CIC §1861.16(c) (commonly referred to as the "Super Group" exemption). Disregard rate differences due to group insurance plans pursuant to CIC §1861.12 (See "III. Private Passenger Auto," above).
2. Provide an organizational chart that illustrates the structure of every insurance company related to the applicant by common ownership and offering private passenger auto insurance in California. This chart must include:
    a. The name and position of each member of the executive staff of the entire group organization, and
    b. The name and position of each president and other department directors and officers of **each** insurance company within the Super Group.
3. Clearly explain how the sales, marketing, and policy service operations are completely separate among each insurer group/company operating autonomously under CIC §1861.16(c), addressing each item (A through H). Provide the locations of the sales, marketing and policy service operations.

Exhibit 20 - Rules

Provide the information requested in Application Page 12(b) according to the type of rule change requested: Introducing a new rule, Revising an existing rule, Adopting an AO rule, or Withdrawing an approved rule. For each rule type, this exhibit must include the rate impact to the current book of business. Detail showing the support and justification for the associated premium charge, rate and/or premium development method must also be provided.

Exhibit 21

This exhibit may be used to provide supplemental information that is not specific to any of the above listed exhibits.