

11 NCAC 10 .1104 NONFLEET PRIVATE PASSENGER AUTOMOBILE

The information required by N.C.G.S. 58-36-15(h) for nonfleet private passenger automobile rate filings shall be presented as follows:

Note: If data required by this Rule, other than that specified in Subparagraph (3)(c), are not being collected or reported, or are not readily available to insurers prior to January 1, 1991, then insurers shall commence as of that date prospectively collecting and reporting such data. The date for commencing prospectively collecting and reporting the data specified in Subparagraph (3)(c) is January 1, 1992. Thereafter, such required data as have accrued shall be included in each filing until enough data are available to fully satisfy this Rule. If in addition to the full years of data specified in any of the Subparagraphs below, more recent data of less than a full year are available, such data shall also be provided. If updates to the information specified in any of the Subparagraphs in this Rule become available before the close of evidence relating to the filing, they shall also be provided.

- (1) North Carolina earned premiums at the actual and current rate level; losses and loss adjustment expenses, each on paid and incurred bases without trending or other modification for the experience period, including the loss ratio anticipated at the times the rates were promulgated for the experience period:
 - (a) Include premium, loss, loss adjustment expense, expense, and exposure data from all companies writing North Carolina nonfleet private passenger automobile insurance. If the experience of any company that writes more than one percent of the North Carolina nonfleet private passenger automobile written premium has been excluded from any rate level, trend, loss development, or investment income calculation for any coverage, identify the coverage, the company and its market share and provide an explanation for its exclusion. Also estimate the aggregate market share of other companies whose experience is excluded from such calculations.
 - (b) Include data relating to increased limits factors and deductible credits if such factors have not been reviewed in the last two filings or reviews. Provide justification that the factors and credits contained in the filing are neither excessive, inadequate, nor unfairly discriminatory. Also provide all information related to their derivation, including the following:
 - (i) A description of all data reviewed and all worksheets used;
 - (ii) complete description of the methodology used to derive these factors and credits;
 - (iii) A description of alternative methodologies used or considered for use in the last three years;
 - (iv) A description of the criteria used to select a methodology;
 - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
 - (vi) Details on the application of the methodology to this filing.
 - (c) Clearly describe all adjustments to premiums, losses, loss adjustment expenses, and exposures included in the filing. Show the unadjusted amounts to which adjustments were made, identify the specific adjustments, provide details on the derivation and application of the adjustment factors, and describe all intermediate calculations. Where identical adjustments are applied to a set of similar data, an example of one of these adjustments is similar.
 - (d) For each coverage, include actual earned premiums and calculate earned premiums at present rates. Also indicate how such calculations were produced, supply supporting documentation for a sample of such calculations, and justify any aggregate factors used.
 - (e) Provide the latest written and earned premiums and market shares for the ten largest writers of North Carolina nonfleet private passenger automobile insurance.
 - (f) Provide composite loss and premium information from each of the latest two Annual Statements for the 50 largest writers of North Carolina nonfleet private passenger automobile insurance, including the following:
 - (i) Underwriting and Investment Exhibit, Part 2, Lines 19 and 21;
 - (ii) Underwriting and Investment Exhibit, Part 3, Lines 19 and 21;
 - (iii) North Carolina Page 14, Lines 19.1, 19.2, and 21.1.
 - (g) Except in filings made by the North Carolina Reinsurance Facility, provide to the extent possible the following information on companies deviating from the nonfleet private

passenger automobile rates of the North Carolina Rate Bureau for each of the latest five calendar years by line:

- (i) A list of all companies writing at deviated rates;
 - (ii) The estimated premium written at deviated rates;
 - (iii) The estimated percentage of statewide premium written at deviated rates;
 - (iv) The amount of deviations in dollars;
 - (v) The average percentage deviation for companies writing at deviated rates;
 - (vi) The average percentage deviation for all companies.
- (h) Except in filings made by the North Carolina Reinsurance Facility, provide the following information on companies issuing dividends on North Carolina nonfleet private passenger automobile policies for each of the latest five calendar years by line:
- (i) A list of all companies issuing dividends;
 - (ii) The estimated premium of companies issuing dividends;
 - (iii) The estimated percentage of statewide premium written by companies issuing dividends;
 - (iv) The amount of dividends in dollars;
 - (v) The average percentage dividend issued by all companies issuing dividends;
 - (vi) The average percentage dividend issued by all companies.
- (i) Provide the following information on losses and loss adjustment expenses:
- (i) A comparison of the undeveloped and untrended private passenger automobile liability and physical damage losses and premium contained in the latest three Annual Statements and those contained in the filing. Identify the causes of the differences and provide approximate quantification of the effects of each cause;
 - (ii) For each rate level implemented in the latest three calendar years, the expected loss ratios that were anticipated in the implemented rates, by coverage;
 - (iii) For each accident year included in the filing, paid losses, case basis reserves, loss development, incurred allocated loss adjustment expense (if collected separately from losses), estimated incurred unallocated (or combined allocated and unallocated) loss adjustment expense, applied trend factors, and trended incurred losses and loss adjustment expenses, by coverage.
- (j) Whenever North Carolina losses are separated into excess (catastrophe) and nonexcess (noncatastrophe) losses, provide a clear description and justification of the standard used to separate such losses. Include as many years of data as are available. If the number of years used differs from the number available, provide an explanation. Also provide an explanation if the data from which the excess loading is derived differs from that on which the rate level change is based.
- (k) Territorial rate calculations shall include earned premiums, incurred losses, and the number of claims by territory for each of the years used to determine the territorial relativities.
- (2) Credibility factor development and application. Provide all information related to the derivation of the credibility factors contained in the filing, including the following:
- (a) A description of all data reviewed and all worksheets used.
 - (b) A complete description of the methodology used to derive these factors.
 - (c) A description of alternative methodologies used or considered for use in the last three years.
 - (d) A description of the criteria used to select a methodology.
 - (e) Specific details on the application of these criteria in the selection of a methodology for this filing.
 - (f) Details on the application of the methodology to this filing.
- (3) Loss development factor development and application on both paid and incurred bases and in both numbers and dollars of claims:
- (a) Provide all information related to the derivation of all loss development factors contained in the filing, including the following:
 - (i) A description of all data reviewed and all worksheets used;
 - (ii) A complete description of the methodology used to derive these factors;

- (iii) A description of alternative methodologies used or considered for use in the last three years;
 - (iv) A description of the criteria used to select a methodology;
 - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
 - (vi) Details on the application of the methodology to this filing.
 - (b) Provide for each liability coverage, complete (including the upper left portion) total limits paid loss development triangles for the ten latest available accident years at all available development points for matching companies. Also provide the corresponding loss development factors and five-year average factors derivable from these triangles. Also provide estimated earned premium and exposures corresponding to each accident year.
 - (c) Provide the information in Subparagraph (3)(b) for basic limits paid losses.
 - (d) Provide the information in Subparagraph (3)(b) for total limits incurred losses.
 - (e) Provide the information in Subparagraph (3)(b) for basic limits incurred losses.
 - (f) Provide the information in Subparagraph (3)(b) for the number of paid claims.
 - (g) Provide the information in Subparagraph (3)(b) for the number of outstanding claims.
 - (h) Provide the information in Subparagraphs (3)(b), (3)(c), (3)(d), (3)(e), (3)(f), and (3)(g) separately for voluntary and ceded business.
 - (i) For each of the 15 largest writers of North Carolina nonfleet private passenger automobile insurance, provide a statement regarding any reserve strengthening or weakening that has occurred in the last five years.
- (4) Trending factor development and application:
- (a) Provide all information related to the derivation of all trend factors contained in the filing, including the following:
 - (i) A description of all data reviewed and all worksheets used;
 - (ii) A complete description of the methodology used to derive these factors;
 - (iii) A description of alternative methodologies used or considered for use in the last three years;
 - (iv) A description of the criteria used to select a methodology;
 - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
 - (vi) Details on the application of the methodology to this filing.
 - (b) Provide the following trend data for the latest available five calendar years by coverage:
 - (i) Fast-track loss data, both countrywide and for North Carolina (separately for frequency and severity);
 - (ii) All North Carolina internal loss trend data (separately for frequency and severity);
 - (iii) Countrywide external expense trend data;
 - (iv) North Carolina internal expense trend data from the Bureau Special Call for Expense Experience.
 - (c) For all trend data described in this Rule, calculate annual trend factors and coefficients of correlations as follows:
 - (i) Include calculations based on the latest six, nine, twelve and fifteen-point periods.
 - (ii) Include calculations using both exponential and straight line methods.
 - (d) Provide an assessment of the suitability of historical trends as predictors of future trends and examine changes in seat-belt usage, in the drinking age, in the price of gasoline, and in miles driven. If it is determined that such changes or any other legislative, regulatory, social, and economic factors affecting frequency and severity trends will materially impact anticipated losses and that such impact is not reflected by historical trend data, provide all analyses and data relied on to assess such impact and to incorporate it into the filing.
- (5) Changes in premium base resulting from rating exposure trends:
- (a) Provide all available exposure distributions by policy term for each of the latest five calendar years and estimate any changes to those distributions during the years in which

- the proposed rates are expected to be in effect. Also estimate for the same period the premium distribution by policy term.
- (b) Provide available data on changes in age and symbol distributions for physical damage coverages over the latest ten calendar years, calculate the trends in such distributions, and demonstrate how such trends have been included in the calculation of earned premiums at present rates.
- (6) Limiting factor development and application. Provide information on the following items:
- (a) Limitations on losses included in the statistical data used in the filing.
 - (b) Limitations on the extent of the rate level change by coverage.
 - (c) Limitations on the extent of territorial rate changes.
 - (d) Any other limitations applied.
- (7) Overhead expense development and application of commission and brokerage, other acquisition expenses, general expenses, taxes, license, and fees:
- (a) Provide all information related to the derivation of the expense provisions contained in the filing, including the following:
 - (i) A description of all data reviewed and all worksheets used;
 - (ii) A complete description of the methodology used to derive these provisions;
 - (iii) A description of alternative methodologies used or considered for use in the last three years;
 - (iv) A description of the criteria used to select a methodology;
 - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
 - (vi) Details on the application of the methodology to this filing.
 - (b) Provide earned premiums and unallocated loss adjustment expenses for each of the latest five calendar years by coverage or by groups of coverages.
 - (c) For each of ten largest writers of North Carolina nonfleet private passenger automobile insurance, provide statements regarding any activities affecting expense or service levels undertaken in the last five years.
- (8) Percent rate change.
- (a) Provide the overall statewide rate change by coverage and by deductible for physical damage coverages.
 - (b) If the proposed rate changes are dependent on the actual implementation date(s) of the new rates, indicate the number of days after the issuing of the Commissioner's order that are required for an orderly implementation of a change in rates. Also indicate all aspects of the rate filing that will vary with a change in the implementation date(s).
 - (c) If the rate changes eventually implemented differ from those provided in the filing, submit a supplement to the filing that describes the implemented changes and the modifications made to the filing to produce them. This supplement shall be submitted as soon as possible after a decision is reached to implement rates other than those that were originally filed and in any case no later than the first implementation date of the rates.
- (9) Final proposed rates:
- (a) Provide the proposed rates for each territory and coverage.
 - (b) If the rates eventually implemented differ from those provided in the filing, submit a supplement to the filing that describes the implemented rates and the modifications made to the filing to produce them. This supplement shall be submitted as soon as possible after a decision is reached to implement rates other than those that were originally filed and in any case no later than the first implementation date of the rates.
- (10) Investment earnings, consisting of investment income and realized plus unrealized capital gains, from loss, loss expense, and unearned premium reserves.
- (a) Calculate the amount of investment income earned on loss, loss expense, and unearned premium reserves (as a ratio to earned premium) from North Carolina nonfleet private passenger automobile policies for each of the latest five calendar years and estimate that income for the current year and for all years during which the proposed rates are expected to be in effect. Provide the details of such calculations, including the amount of the composite reserves of each type at the beginning and end of each of the latest five calendar years. Also describe and justify all assumptions used in such calculations.

- (b) Provide information on the estimated average length of time that elapses between the occurrence of a loss or accident in North Carolina and the payment of a claim on that loss or accident. The average shall be a weighted average based on the size of the claim payments. Estimate how the length has changed over the last ten years.
 - (c) Provide composite asset, liability, and income information from each of the latest two Annual Statements for which aggregate data are available for the 50 largest writers of North Carolina nonfleet private passenger automobile insurance, including the following (in the same format and detail as the exhibits in individual company statements):
 - (i) Page 2 (Assets);
 - (ii) Page 3 (Liabilities, Surplus and Other Funds);
 - (iii) Page 4 (Underwriting and Investment Exhibit);
 - (iv) Insurance Expense Exhibit, Part II, columns 19.1, 19.2 and 21.1.
- (11) Identification of applicable statistical plans and programs and a certification of compliance with them:
- (a) Identify all statistical plans used or consulted in preparing this filing and describe the data compiled by each plan.
 - (b) Provide a certification that there is no evidence known to the Bureau or to the statistical agencies involved that the data that were collected in accordance with such statistical plans and were used in the rate filing are not true and accurate representations of each company's experience to the best of that company's knowledge.
 - (c) Provide general descriptions of the editing procedures used to verify that the data were collected in accordance with the statistical plans, and concise summaries of the adjustments and corrections made to the consolidated ratemaking data.
- (12) Investment earnings on capital and surplus. Given the selected underwriting profit and contingencies provisions contained in the filing, calculate the resulting rates of return (including consideration of investment income) on equity capital, on statutory surplus, and on total assets. Show the derivation of all factors used in producing these calculations and justify the fairness and reasonableness of these rates of return.
- (13) Level of capital/surplus needed to support premium writings without endangering the solvency of member companies:
- (a) Provide aggregate premium to surplus ratios for the latest ten available calendar years for those companies writing North Carolina nonfleet private passenger automobile insurance during that entire period.
 - (b) Provide estimates of the comparable ratios for all companies writing North Carolina nonfleet private passenger automobile insurance for all years during which the proposed rates are expected to be in effect.
 - (c) Provide information on the amount of surplus needed to support the writing of North Carolina nonfleet private passenger automobile insurance, taking into consideration the riskiness of the lines, and describe the assumptions used in the derivation of that amount.
 - (d) Provide all information relating to any explicit or implicit allocation of surplus by state and by line undertaken in the filing, including the following:
 - (i) A description of all data reviewed and all worksheets used;
 - (ii) A complete description of the methodology used to produce this allocation;
 - (iii) A description of alternative methodologies used or considered for use in the last three years;
 - (iv) A description of the criteria used to select a methodology;
 - (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
 - (vi) Details on the application of the methodology to this filing.
- (14) Such other information that may be required by any rule adopted by the Commissioner:
- (a) Provide all information relating to the derivation of the underwriting profit and contingencies provisions contained in the filing, including the following:
 - (i) A description of all data reviewed and all worksheets used;
 - (ii) A complete description of the methodology used to derive these provisions;
 - (iii) A description of alternative methodologies used or considered for use in the last three years;

- (iv) A description of the criteria used to select a methodology;
- (v) Specific details on the application of these criteria in the selection of a methodology for this filing;
- (vi) Details on the application of the methodology to this filing.
- (b) Include copies of all agendas and minutes of meetings of the North Carolina Rate Bureau and the North Carolina Reinsurance Facility affecting the filing, as well as a list of all attendees at these meetings, their titles, and their affiliations.
- (c) Except in filings made by the North Carolina Reinsurance Facility, describe all payments made to all consultants (including lawyers, actuaries, and economists) related to this filing and the previous one on nonfleet private passenger automobile insurance. If payments can not be specifically identified as related to particular filings, estimate them.
- (d) Identify and describe all changes in methodologies from the previous North Carolina nonfleet private passenger automobile rate filing made by the same filer.

If any collected or reported data required by this Rule are provided within 30 days after the initial submission of a filing, that data shall be made a part of the filing, provided the initial submission acknowledges that it is incomplete and identifies specifically what further data are to be submitted within the time permitted. No filing otherwise complete shall be deemed proper until such time as all data required by this Rule have been submitted.

*History Note: Authority G.S. 58-2-40; 58-36-15(h);
Eff. June 1, 1989;
Amended Eff. October 1, 1990;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*