

11 NCAC 10 .1105 OTHER RATE BUREAU LINES

The information required by N.C.G.S. 58-36-15(h) for rate filings made by the North Carolina Rate Bureau affecting other than workers' compensation or nonfleet private passenger automobile policies shall be presented as follows:

Note: If the data required by this Rule are not currently being collected or reported, or are not currently readily available, the insurers shall commence prospectively collecting and reporting such data beginning on January 1, 1993. If certain data are not regularly collected through the statistical plan, a special call for such data to companies whose aggregate written premium is at least two-thirds of the total North Carolina written premium for the coverages affected by the filing may be substituted. Thereafter, such required data as have accrued shall be included in each filing until enough data are available to satisfy fully this Rule. If in addition to the full years of data specified in any of the Subparagraphs in this Rule, 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 time the rates were promulgated for the experience period.
 - (a) Include premium, loss, and loss adjustment expense, and expense data from all companies writing a coverage affected by the filing. In addition, if exposures are used in the calculation of premiums at present rates, provide all available exposure data from these companies. If the experience of any of the 50 largest writers (based on North Carolina written premium) of such insurance has been excluded from any rate level, trend, loss development, relativity, or investment income calculations for that coverage, identify 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) In filings producing an overall rate level change for farmowners policies, use only the experience from coverages under the jurisdiction of the North Carolina Rate Bureau when calculating that change. Indicate if and how non-Bureau data has been segregated and if and how such data has affected any aspect of the filing (e.g., trend, expense provisions, etc.).
 - (c) Clearly describe all adjustments to premiums, losses, loss adjustment expenses, 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 sufficient.
 - (d) 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 the calculations, and justify all aggregate factors used.
 - (e) Provide the latest written and earned premiums and market shares for the ten largest writers (based on North Carolina written premium) of the coverages affected by the filing.
 - (f) In filings producing an overall rate level change for either homeowners or farmowners policies, provide composite loss and premium information from each of the latest two Annual Statements for which aggregate data are available for the 50 largest writers (based on North Carolina written premium) of the coverages affected by the filing, including the following:
 - (i) Underwriting and Investment Exhibit, Part 2;
 - (ii) Underwriting and Investment Exhibit, Part 3A;
 - (iii) North Carolina Page 14 (for all such companies).

For homeowners filings, provide the information on line 4; for farmowners filings, the information on line 3.

- (g) In filings affecting either homeowners or farmowners policies, provide to the extent possible the following information on companies deviating from the homeowners or farmowners rates of the North Carolina Rate Bureau for each of the latest five calendar years:

- (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) In filings affecting either homeowners or farmowners policies, provide to the extent possible the following information on companies issuing dividends on North Carolina homeowners or farmowners policies for each of the latest five calendar years:
- (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 companies issuing dividends;
 - (vi) The average percentage dividend issued by all companies.
- (i) In filings producing an overall rate level change, provide the following information on losses and loss adjustment expenses, separately for liability and property losses, for each year of loss experience used in calculating that change:
- (i) Paid losses and number of paid claims;
 - (ii) Case basis reserves and number of outstanding claims;
 - (iii) Applied loss development factor;
 - (iv) Loss adjustment expense factor;
 - (v) Applied trend factor;
 - (vi) Trended incurred losses and loss adjustment expenses;
 - (vii) The expected loss ratios that were anticipated in the rates in effect during that year.
- (j) If data from monoline coverages is used in the determination of package rate levels or vice versa, provide to the extent possible the following information:
- (i) A clear description of the differences between the types of data;
 - (ii) A description of which causes of loss are included or excluded;
 - (iii) Information on whether any companies have been excluded from either monoline or package data;
 - (iv) Comparable loss data for all years included in the filing, if available. (For example, if monoline experience before a certain date supplements package experience after that date, also include the monoline experience after that date.)
- (k) 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 possible. If the number of years included differs from the number available, indicate the years excluded and 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.
- (l) In filings producing an overall rate level change, provide loss data by cause of loss in as much statistical detail as is available for each year used in calculating that change and describe any adjustment procedures or factors applied to the separated data.
- (2) Credibility factor development and application. Provide all information relating to the derivation of all 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 the filing.
 - (f) Details on the application of the methodology to the filing.

- (3) Loss development factor derivation and application on both paid and incurred bases and in both numbers and dollars of claims. In filings producing an overall rate level change for homeowners policies, provide the information requested in Subparagraphs (3)(a) through (3)(g). For farmowners policies that include losses on other than a calendar year basis, provide the information requested in Paragraphs (3)(a) and (3)(g).
- (a) All information relating 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 the filing;
 - (vi) Details on the application of the methodology to the filing.
 - (b) Complete (including the upper left portion) paid loss development triangles for matching companies, separately for property and liability losses, for the latest ten available years at all available development points and also the loss development factors and five-year average factors derivable from these triangles. Also provide the estimated earned premium and exposures corresponding to each year.
 - (c) The same information in Subparagraph (3)(b) for incurred losses.
 - (d) The same information in Subparagraph (3)(b) for the number of paid claims.
 - (e) The same information in Subparagraph (3)(b) for the number of outstanding claims.
 - (f) If available, the information in Subparagraphs (3)(b), (3)(c), (3)(d), and (3)(e) by cause of loss.
 - (g) Statements regarding any changes in reserve adequacy that have occurred in the latest five years from each of the ten largest writers (based on North Carolina written premium) of the line affected by the filing.
- (4) Trending factor development and application:
- (a) Provide all information relating to the derivation of all loss 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 the filing;
 - (vi) Details on the application of the methodology to the filing.
 - (b) If external indices are used for trending purposes, provide evidence that such indices are appropriate indicators of the selected cost changes. Include comparisons between the actual changes in loss costs and those estimated by the indices.
 - (c) In filings producing an overall rate change for either homeowners or farmowners policies, provide all available industry data for North Carolina on changes in loss frequency and severity, by cause of loss for each of the latest five calendar years.
- (5) Changes in premium base resulting from rating exposure trends.
- (a) Provide all information relating to the derivation of all premium 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 the filing;
 - (vi) Details on the application of the methodology to the filing.

- (b) In filings producing an overall rate level change for either homeowners or farmowners policies, provide all available exposure distributions by policy term for each of the latest five calendar years and estimate any changes to those distributions that are expected during the years during which the proposed rates are expected to be in effect. Also estimate for the same period the premium distribution by policy term.
- (6) Limiting factor development and application. Provide information on the following items:
 - (a) Limitations on the losses included in the statistical plans used in the filing.
 - (b) Limitations on the extent of the rate level change by coverage, by coverage amount, by form, by protection class, by construction, and by deductible.
 - (c) Limitations on the extent of territorial rate changes.
 - (d) Any other limitations.
- (7) Overhead expense development and application of commission and brokerage, other acquisition expenses, general expenses, taxes, licenses, and fees.
 - (a) Provide all information relating to the derivation of all 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 the filing;
 - (vi) Details on the application of the methodology to the filing.
 - (b) In filings producing an overall rate level change for either homeowners or farmowners policies, provide earned premium and unallocated loss adjustment expenses for each of the latest five available calendar years.
 - (c) In filings producing an overall rate level change for either homeowners or farmowners policies, provide statements regarding any activities affecting expense or service levels undertaken in the last five years by each of ten largest writers (based on North Carolina written premium) of the line affected by the filing.
- (8) Percent rate change.
 - (a) Provide the overall statewide rate change and also the changes by coverage, coverage amount, form, protection class, construction, and deductible.
 - (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 implementation date(s).
 - (c) If the rate changes eventually implemented differ from those included 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 average rates for each coverage, coverage amount, form, protection class, construction, and deductible. (In filings involving a large number of possible rates, information on rating factors and their application may be substituted for the actual rates.)
 - (b) If the rates eventually implemented differ from those included in the filing, submit a supplement to the filing that describes the implemented rates in the same detail as described in Subparagraph (9)(a). 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) In filings producing an overall rate level change, calculate the amount of investment income earned on loss, loss expense, and unearned premium reserves (as a ratio to earned premium) from North Carolina policies affected by the filing, for each of the latest five

available 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 at the end of each of the latest five available calendar years. Also describe and justify all assumptions used in such calculations.

- (b) In filings producing an overall rate change for either homeowners or farmowners policies, 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 latest ten available calendar years.
 - (c) In filings producing an overall rate change for either homeowners or farmowners policies, 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 the line affected by the filing (based on North Carolina written premium), 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, column 4 or column 3.
- (11) Identification of applicable statistical plans and programs and certification of compliance with them.
- (a) Identify all statistical plans used or consulted in preparing the 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 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 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. In filings producing an overall rate level change for either homeowners or farmowners policies, calculate the resulting rates of return (including consideration of investment income) on equity capital, on statutory surplus, and on total assets produced by the selected underwriting profit and contingencies provisions. Show the derivation of all factors used in 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. In filings producing an overall rate level change, include information on the needed level of capital/surplus, including the following:
- (a) Aggregate premium to surplus ratios for each of the latest ten available calendar years for those companies writing the coverages affected by the filing during that entire period.
 - (b) Estimates of the comparable ratios for all companies writing the coverages affected by the filing for the years during which the proposed rates are expected to be in effect.
 - (c) Information on the amount of surplus needed to support the writing of the particular coverages affected by the filing, taking into consideration the riskiness of such coverages and a description of the assumptions used in the derivation of that amount.
 - (d) 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 the filing;
 - (vi) Details on the application of the methodology to the filing.
- (14) Such other information that may be required by any rule adopted by the Commissioner.
- (a) Provide all information related to the derivation of the 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 the filing;
 - (vi) Details on the application of the methodology to the filing.
 - (b) In filings producing an overall rate level change for either homeowners or farmowners policies, include agendas and minutes of meetings of the North Carolina Rate Bureau affecting the filing and a list of all attendees at these meetings, their titles, and their affiliations.
 - (c) In filings producing an overall rate level change for either homeowners or farmowners policies, describe all payments to all consultants (including lawyers, actuaries, and economists) related to the current and previous filing of the same type. If payments cannot be specifically identified as relating to particular filings, estimate them.
 - (d) Identify and describe all changes in methodologies from any previous North Carolina filings affecting the same coverages made within the last five years.

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. October 1, 1990;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*