

11 NCAC 10 .1108 NONESSENTIAL LINES ADDITIONAL DATA

For those filings meeting one or more of the criteria described in Rule .1102(5) of this Section, the Commissioner may request, in addition to the Rate Filing Questionnaire described in Rule .1107 of this Section, that all or part of the information required by G.S. 58-41-50(e) shall be presented as follows:

Note: If the data required by this Rule are not being collected or are not readily available to insurers prior to January 1, 1990, the insurers shall commence collecting such data as of July 1, 1990. 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 below requests, more recent data of less than a full year are available, that data shall also be provided. If updates to the information requested below become available before a decision is reached on the filing, they shall also be provided. Such data are for ratemaking purposes only and should be collected only by those companies to whom this regulation will apply. If any part of the data requested is inapplicable to the review of a particular filing and is therefore excluded, an explanation for the exclusion shall be given. If the filing is being made by a rating organization using all or part of the data of its member or subscriber companies, the information provided shall be aggregate or industrywide information and the individual companies whose data is being used shall be identified. If the filing is being made by an individual company and is based on an approved filing made by a rating organization, that approved filing shall be identified and also the aspects that the company is incorporating in its own filing. It is not necessary to reproduce the data included in the rating organization's filing.

- (1) North Carolina premium, loss and loss adjustment experience:
 - (a) For each coverage, premium at present rates shall be calculated. Indicate how such calculations were produced and supply supporting documentation for a sample of such calculations and an explanation of any aggregate factors used.
 - (b) Information from the Annual Statement on losses and premiums shall be included. Provide such information separately from the latest five Annual Statements for the individual line(s) affected by the filing:
 - (i) North Carolina Page 14;
 - (ii) Part 2;
 - (iii) Part 2B;
 - (iv) Part 3A.
 - (c) The following information on overall rate level for individual coverages shall be calculated or estimated:
 - (i) The experience rating plan and schedule rating plan off-balance;
 - (ii) The average deviation from bureau rates;
 - (iii) The average dividend granted.

If the filing involves a rate change for a particular classification or territory, rather than an overall statewide rate change, the same information shall be calculated or estimated for that class or territory.

- (d) For each coverage and each year used in setting the overall rate level, the following information on dollars of incurred losses shall be provided:
 - (i) Paid losses;
 - (ii) Case basis reserves;
 - (iii) Loss development;
 - (iv) Incurred allocated loss adjustment expense (if collected separately from losses);
 - (v) Incurred unallocated (or combined allocated and unallocated) loss adjustment expense;
 - (vi) Applied trend factor;
 - (vii) Trended total incurred losses and LAE.
 - (e) Whenever North Carolina or countrywide losses are separated into excess (catastrophe) and nonexcess (noncatastrophe) losses, a clear description and explanation of the standard used to separate such losses shall be included. In determining an excess (catastrophe) loading, supply as many years of data as possible. 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.
 - (f) Territorial and class rate calculations shall include earned premiums, incurred losses, and the number of claims for each of the years used to determine relativities.
- (2) Credibility factor development and application. All relevant information related to the derivation of credibility factors contained in the filing shall be provided. Include the following information:

- (a) A description of all data reviewed and of all worksheets used;
 - (b) A complete description of the methodology used to derive the 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 one of the various methodologies for inclusion in a particular filing;
 - (e) Specific details regarding 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.
- (a) All relevant information related to the derivation of the loss development factors contained in the filing shall be provided. Include the following information:
 - (i) A description of all data reviewed and of all worksheets used;
 - (ii) A complete description of the methodology used to derive the 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 one of the various methodologies for inclusion in a particular filing;
 - (v) Specific details regarding 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) If accident, report, or notice year data is used in the rate filing, provide for each coverage sufficient total limits paid loss development data so that at least five loss development factors can be calculated for each interval for which there has been significant historical development. Also provide the corresponding loss development factors and five-year average factors derived from the data.
 - (c) The same information in Subparagraph (b) of this Paragraph for basic and total limits incurred losses.
 - (d) The same information in Subparagraph (b) of this Paragraph for number of paid claims.
 - (e) The same information in Subparagraph (b) of this Paragraph for number of outstanding claims.
 - (f) A statement regarding any strengthening or weakening of company reserves that has occurred in the last five years. (If the filing is by a rating organization, include statements from the ten largest writers of the coverage in North Carolina whose data has been included in the filing.)
- (4) Trending factor development and application:
- (a) Available trend data (both countrywide and for North Carolina) for the latest available five years shall be provided for all coverages.
 - (b) All relevant information related to the derivation of the trend factors contained in the filing should be provided. Include the following information:
 - (i) A description of all data reviewed and of all worksheets used;
 - (ii) A complete description of the methodology used to derive the 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 one of the various methodologies for inclusion in a particular filing;
 - (v) Specific details regarding 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.
- (5) Changes in premium base and exposures:
- (a) Data on the mix of policies by different policy terms shall be submitted. For the latest five years, include both the number of policies and the amount of earned premium for different policy terms.
 - (b) Data on changes in distribution of insureds by class and territory shall be submitted. Submit all information available on such groupings for the latest five years.

- (c) Data on changes in any inflation sensitive premium bases for the coverage during the latest five years shall also be included.
- (6) Limiting factor development and application. Information on the following items shall be provided:
 - (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 or subline;
 - (c) Limitations on the extent of territorial and class rate changes;
 - (d) Any other limitations applied.
- (7) Expenses:
 - (a) All relevant information related to the derivation of the expense factors contained in the filing should be provided. Include the following information:
 - (i) A description of all data reviewed and of all worksheets used;
 - (ii) A complete description of the methodology used to arrive at the selected loading;
 - (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 one of the various methodologies for inclusion in a particular filing;
 - (v) Specific details regarding 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) Earned premium and paid and incurred unallocated loss adjustment expenses for each of the latest five years shall be included. If available, provide such information by coverage.
 - (c) The number of paid and incurred claims and allocated loss adjustment expenses (if such are available separately from losses) for each of the last five years shall also be included. If available, provide such information by coverage.
 - (d) For all incurred (or paid) loss adjustment expense data contained in the filing, the related incurred (or paid) losses shall be shown.
 - (e) A statement regarding any company expense cutting activities undertaken in the last five years shall be provided. (If the filing is by a rating organization, include statements from the ten largest writers of the coverage in North Carolina whose data has been included in the filing.)
- (8) The percent rate change:
 - (a) The overall statewide rate change shall be estimated as well as the changes from the previous filing in each of the following: experience, annual trend factors, the expense provisions, the tax provision, and the underwriting profit and contingency provision. Also identify any recent law changes that have affected the calculation of the overall rate level and estimate their impact.
 - (b) The information described in Subparagraph (a) of this Paragraph shall also be estimated by coverage or subline.
- (9) Proposed rates:
 - (a) Proposed rates for each territory, classification, and coverage shall be provided. (In filings involving a large number of possible rates, information on rating factors and their application may be substituted for the actual rates.)
 - (b) An explanation of how territorial average rates and classification rates are determined shall be included. Also provide a sample calculation for each.
- (10) Investment earnings. Information on anticipated investment income is necessary to establish the provision for underwriting profit in the rates.
 - (a) Information on the amount of investment income earned on loss, loss expense, and unearned premium reserves in relation to earned premium for a particular line in North Carolina shall be calculated for the latest two years and estimated for the current year and all years during which the proposed rates will be in effect. Calculations shall be provided in detail including the amount of the reserves of each type at the beginning and end of each of the specified years.

- (b) Information on the payout pattern of North Carolina losses shall be included, including information on the estimated average length of time that elapses between the occurrence of an insured loss and the payment of a claim. The average shall be a weighted average based on size of claim payments. Indicate how the length has changed in recent years.
 - (c) To evaluate recent insurer profitability, provide the following information separately from the latest two Annual Statements: (If the filing is for more than one company, composite information shall be provided).
 - (i) Page 2 (Assets);
 - (ii) Page 3 (Liabilities, Surplus and Other Funds);
 - (iii) Page 4 (Underwriting and Investment Exhibit);
 - (iv) Exhibit I (Analysis of Assets).
- (11) Identification and Certification of Statistical Plans:
- (a) All statistical plans used or consulted in preparing this filing shall be identified. Also describe the data compiled by each plan.
 - (b) A certification that all the data utilized in the rate filing was collected in accordance with such plans and is a true and accurate representation on the company's experience to the best of its knowledge shall also be provided.
- (12) Investment Earnings on Capital and Surplus. Given the selected underwriting profit and contingencies loadings contained in the filing, indicate the resulting rate of return on equity capital, on total assets, and on assets assigned to insurance operations including consideration of investment income. Show the derivation of all factors used in producing the calculations. Provide justification that these rates of return are reasonable and fair.
- (13) Level of Capital/Surplus Needed:
- (a) Premium to surplus ratios for the latest five calendar years shall be shown.
 - (b) Estimates of comparable ratios for the years during which the rates will be in effect shall also be provided.
 - (c) Any methodology used to allocate surplus to individual lines or coverages shall be described.
- (14) Other Information. All relevant information related to the derivation of the profit and contingencies loading contained in the filing shall be provided. Include the following information:
- (a) A description of all data reviewed and of all worksheets used;
 - (b) A complete description of the methodology used to arrive at the selected loading;
 - (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 one of the various methodologies for inclusion in a particular filing;
 - (e) Specific details regarding 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.
- (15) Additional information. The Commissioner may require such other available information as he deems necessary for a proper review of the rate filing.

*History Note: Authority G.S. 58-2-40; 58-41-50(e);
 Eff. January 1, 1990;
 Amended Eff. April 8, 2002;
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*