

## CHAPTER 10 - PROPERTY AND CASUALTY DIVISION

### SECTION .0100 - GENERAL PROVISIONS

<b>11 NCAC 10 .0101</b>	<b>PURPOSE OF DIVISION</b>
<b>11 NCAC 10 .0102</b>	<b>DEPUTY COMMISSIONER</b>
<b>11 NCAC 10 .0103</b>	<b>DIVISION PERSONNEL</b>

*History Note:* Authority G.S. 58-7.2; 58-7.3; 58-9; 58-54; 58-124.17; 58-124.28; 58-131.34; 58-131.60; 58-155.48; 58-176; 58-248.32; 58-248.37;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. July 1, 1988.

#### **11 NCAC 10 .0104 REFUSAL TO INSURE**

No insurer shall refuse to write any insurance solely because coverage was terminated by another insurer or because the risk was previously insured in a residual market plan.

*History Note:* Authority G.S. 58-2-40; 58-3-25; 58-3-120; 58-36-1; 58-36-10; 58-37-60; 58-63-15;  
Eff. July 11, 1978;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

#### **11 NCAC 10 .0105 MANUSCRIPT OR INDIVIDUAL RISK FILINGS**

(a) Within 60 days after the inception date of a manuscript or individual risk policy, the insurer shall submit to the Department's Property and Casualty Division:

- (1) Any form or endorsement not previously filed with the Department and approved for use.
- (2) A statement explaining why a manuscript or individual risk policy was needed.

(b) Continuous policies are not permitted.

(c) A copy of the approved filing shall be retained by the filer in accordance with 11 NCAC 19 .0102 through 11 NCAC 19 .0105.

(d) If the rates have been determined by an unfiled "(a) rating" or "individual risk rating", the insurer shall submit the following:

- (1) A statement describing how the rates were calculated.
- (2) A certification that the rates are not excessive, inadequate, or unfairly discriminatory.

*History Note:* Authority G.S. 58-2-40; 58-6-5; 58-41-50; 58-43-5;  
Eff. April 1, 1992;  
Amended Eff. August 1, 1998; February 1, 1996;  
Temporary Amendment Eff. December 1, 1999;  
Amended Eff. July 1, 2000;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

### SECTION .0200 - RATES AND FORMS SECTION

#### **11 NCAC 10 .0201 GENERAL INFORMATION**

*History Note:* Authority G.S. 58-9; 58-54; 58-124.17; 58-124.28; 58-173.1 to 58-180.2;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Repealed Eff. July 1, 1988.

#### **11 NCAC 10 .0202 POLICY FORM FILINGS**

*History Note:* Authority G.S. 58-9; 58-54; 58-131.56; 58-131.41;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. January 1, 1989.

**11 NCAC 10 .0203 RATE FILINGS**  
**11 NCAC 10 .0204 REQUIREMENT OF SUPPORTING FILING DATA**  
**11 NCAC 10 .0205 REPLY FORMS**  
**11 NCAC 10 .0206 LONG FORM**  
**11 NCAC 10 .0207 ORGANIZATION DATA FORM**  
**11 NCAC 10 .0208 BUREAU AND STATISTICAL AGENT IDENTIFICATION**  
**11 NCAC 10 .0209 NO POLICY FORM DEVIATIONS**

*History Note:* Authority G.S. 58-9; 58-25; 58-25.1; 58-26;  
58-54; 58-124.17 to 58-124.28; 58-131.34; 58-131.36;  
58-131.37; 58-131.38; 58-131.39; 58-131.41; 58-131.43;  
58-131.44; 58-131.45; 58-131.56; 58-131.60;  
Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. January 1, 1989.

#### **SECTION .0300 - RULES AND INTERPRETATIONS**

**11 NCAC 10 .0301 LETTER OF TRANSMITTAL**  
**11 NCAC 10 .0302 CONTENTS OF FILING**  
**11 NCAC 10 .0303 FILING ARRANGEMENT**  
**11 NCAC 10 .0304 PROHIBITED POLICY PROVISIONS**

*History Note:* Filed as a Temporary Amendment Eff. January 19, 1987 For a Period of 120 Days to Expire on May 18, 1987;  
Filed as a Temporary Amendment Eff. September 2, 1986 For a Period of 120 Days to Expire on December 31, 1986;  
Statutory Authority G.S. 58-9; 58-30; 58-30.1; 58-54; 58-72; 58-124.17; 58-124.28;  
58-131.34; 58-131.60; 58-138; 58-148; 58-156; 58-157; 58-173; 58-173.1;  
58-173.16; 58-173.33; 58-174; 58-180.2; 58-181; 58-248.2; 58-248.26; 58-248.40; 58-480;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. March 1, 1987; July 1, 1986.  
Repealed Eff. January 1, 1989.

#### **11 NCAC 10 .0305 EMPLOYEES: CARS: NOT INSURED IN EMPLOYER'S FLEET POLICY**

It is the policy of the N.C. Department of Insurance that the insuring of employees' automobiles in fleet policies of their employer at lower rates than those which apply to other owners of private automobiles is unfair discrimination and is not permitted, whether or not the employees' private cars are operated part of the time in the interest of the employer. This applies to all forms of automobile insurance. The inclusion of a privately owned car in a fleet or group policy will be construed as prima facie evidence of unfair discrimination.

*History Note:* Authority G.S. 58-2-40; 58-3-120;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

**11 NCAC 10 .0306 DIVIDEND PAYMENT REQUIREMENTS**

Dividends are to be paid from company surplus uniformly. Dividends are to be paid upon termination of policy year or term from surplus in excess of any minimum surplus required of the company. Advance payment of dividends is not permitted nor can they be guaranteed.

*History Note:* Authority G.S. 58-8-25; 58-36-60; 58-40-120;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. January 1, 1989; July 1, 1986;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

#### **11 NCAC 10 .0307 NATION-WIDE MARINE DEFINITION ADOPTED**

The nation-wide marine definition as adopted by the National Association of Insurance Commissioners in December of 1976 which sets forth the type and kinds of insurance that are to be regarded as marine insurance is adopted by the North Carolina Department of Insurance. However, in no case shall a kind or type of insurance be offered in North Carolina as inland marine insurance unless it has been so designated by the Commissioner of Insurance in his approval of rates and forms.

*History Note:* Authority G.S. 58-2-40; 58-3-150; 58-7-15; 58-40-15; 58-40-40;  
Eff. February 1, 1976;  
Amended Eff. June 23, 1977;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

#### **11 NCAC 10 .0308 PREPAID LEGAL EXPENSE PROVISIONS**

*History Note:* Authority G.S. 58-9; 84-23.1;  
Eff. July 11, 1978;  
Amended Eff. January 1, 1989;  
Repealed Eff. May 1, 1994.

#### **11 NCAC 10 .0309 INVESTMENT INCOME DATA-CERTIFICATION TO COMMISSIONER 11 NCAC 10 .0310 AUDITED DATA: AUTO-CERTIFICATION TO COMMISSIONER**

*History Note:* Authority G.S. 58-9; 58-25.1; 58-124.18(d); 58-124.20;  
Eff. July 27, 1981;  
Repealed Eff. September 1, 1989.

#### **11 NCAC 10 .0311 AUDITED DATA: HOMEOWNERS AND WORKERS' COMPENSATION**

*History Note:* Authority G.S. 58-9; 58-25.1; 58-124.18(d); 58-124.20;  
Eff. September 3, 1981;  
Repealed Eff. September 1, 1989.

#### **11 NCAC 10 .0312 ADDITIONAL INFORMATION**

*History Note:* Filed as a Temporary Rule Eff. January 19, 1987 for a Period of 120 Days to Expire on May 18, 1987;  
Filed as a Temporary Rule Eff. September 2, 1986 for a Period of 120 Days to Expire on December 31, 1986;  
Statutory Authority G.S. 58-480(e)(14); 58-9;  
Eff. March 1, 1987;  
Repealed Eff. January 1, 1989.

#### **11 NCAC 10 .0313 ENDORSEMENTS TO BUREAU RESIDENTIAL PROGRAMS**

(a) For the purposes of G.S. 58-41-10(a), a "residential risk" is a risk covered under any of the following North Carolina Rate Bureau residential programs: Homeowners Program, Dwelling Fire and Extended Coverage Program, Mobile Home Owner (C) Program, and Mobile-Homeowners (F) Program.

(b) When an insurance company, joint underwriting association, advisory organization, or rating organization files an endorsement to attach to a North Carolina Rate Bureau residential program, which endorsement provides coverage that is not subject to the jurisdiction of the Bureau and is exempt from Article 41 of Chapter 58 of the General Statutes by virtue of G.S. 58-41-10(a), the filing entity shall:

- (1) provide a copy of the filing to the North Carolina Rate Bureau;
- (2) utilize a statistical code for reporting premiums and losses and advise on what line on page 14 of the annual statement this data will be reported;
- (3) complete a forms questionnaire; and
- (4) submit the rates separately without a rate questionnaire.

*History Note:* Authority G.S. 58-2-40; 58-3-150; 58-40-30;  
Eff. December 1, 1994;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

## **SECTION .0400 - FIRE AND CASUALTY RATING ORGANIZATIONS**

### **11 NCAC 10 .0401 GENERAL PROVISIONS**

*History Note:* Authority G.S. 58-9; 58-125; 58-131.35; 58-131.43;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Repealed Eff. July 1, 1988.

### **11 NCAC 10 .0402 RATE BUREAU: ESSENTIAL COVERAGES**

### **11 NCAC 10 .0403 RATING ORGANIZATIONS: NON-ESSENTIAL COVERAGES**

*History Note:* Authority G.S. 58-9; 58-54; 58-131.41; 58-124.17; 58-131.56;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. January 1, 1989; July 1, 1986;  
Repealed Eff. April 1, 1992.

### **11 NCAC 10 .0404 FILINGS FOR ESSENTIAL COVERAGES**

### **11 NCAC 10 .0405 FILINGS FOR NON-ESSENTIAL COVERAGES**

*History Note:* Authority G.S. 58-9; 58-54; 58-124.11; 58-124.20;  
58-124.21; 58-131.37 to 58-131.42; 58-131.45; 58-131.46;  
58-131.48; 58-131.52; 58-131.56; 58-148;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. January 1, 1989.

### **11 NCAC 10 .0406 INSURER'S REPORT ON RATING ORGANIZATIONS**

Every insurer shall keep the commissioner currently informed of any and all rating, underwriting, advisory and cooperative organizations to which it belongs or subscribes and of the lines of insurance for which it relies upon each such organization.

*History Note:* Authority G.S. 58-9; 58-131.41;  
Eff. July 11, 1978;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

## **SECTION .0500 - DEVIATION IN RATES FOR FIRE AND CASUALTY INSURANCE**

<b>11 NCAC 10 .0501</b>	<b>GENERAL INFORMATION</b>
<b>11 NCAC 10 .0502</b>	<b>DEVIATION EXHIBITS INSTRUCTION FORM</b>
<b>11 NCAC 10 .0503</b>	<b>FORM D-1 FINANCIAL STATEMENT: COUNTRYWIDE</b>
<b>11 NCAC 10 .0504</b>	<b>FORM D-2 OPERATING STATEMENT: COUNTRYWIDE</b>
<b>11 NCAC 10 .0505</b>	<b>FORM D-3 OPERATING STATEMENT: NORTH CAROLINA</b>

*History Note:* Authority G.S. 58-9(1); 58-124.23; 58-131.37;  
58-131.38; 58-131.39; 58-131.41;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. January 1, 1989.

### **SECTION .0600 - CONSENT TO RATE**

#### **11 NCAC 10 .0601 GENERAL INFORMATION**

*History Note:* Authority G.S. 58-124.23(b); 58-131.39(c);  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. January 1, 1989;  
Repealed Eff. July 1, 1992.

#### **11 NCAC 10 .0602 CONSENT TO RATE PROCEDURES: RATE BUREAU COVERAGES**

(a) This Rule applies to automobile physical damage, excess motor vehicle liability coverage and residential property with not more than four housing units. Insurers may charge a premium in excess of that promulgated by the North Carolina Rate Bureau by instituting a consent to rate procedure that meets the requirements of G.S. 58-36-30(b), (b1) and this Rule.

(b) Residential Property With Not More than Four Housing Units:

- (1) The premium to be charged against loss to residential property with not more than four housing units shall be presumed reasonable if it does not exceed 250 percent of the premium based upon the approved rates in North Carolina.
- (2) Any proposed premium in excess of 250 percent of the premium based upon the approved rates in North Carolina shall be filed with the Commissioner for his or her review and approval in accordance with the procedures set forth in G.S. 58-36-30(a).

(c) Workers' Compensation and Employers' Liability Insurance. An initial (first time) application to effect consent to rate, pursuant to G.S. 58-36-30(c), for workers' compensation or employers' liability insurance in excess of the rate promulgated by the North Carolina Rate Bureau, shall contain the following:

- (1) a description of the insurance proposed, including primary and excess limits, the amount of coverage, the deductible, and any other factor used for rating, where applicable;
- (2) the rate and premium that would be charged without application of consent to rate;
- (3) the proposed rate and premium;
- (4) the percent increase. The rate to be charged shall be presumed reasonable if it does not exceed 250 percent of the rate that would be charged without application of consent to rate. Any proposed rate in excess of 250 percent shall be explained and shall be subject to review and approval of the Commissioner;
- (5) the names and addresses of the insurer, the writing agent, and the insured;
- (6) the effective date of the proposed rate;
- (7) the policy period;
- (8) the policy number; and
- (9) a letter signed by the insured acknowledging and consenting to the proposed rate. If coverage for the specific risk written on consent to rate is available through a residual market, North Carolina Workers Compensation Insurance Plan, a statement signed by the insured acknowledging that fact shall also be executed. This letter shall be retained in the insurer's office and be made available to the Commissioner upon request.

The insurer is not required to obtain the written consent of the insured on any renewal of or endorsement to the policy if the policy renewal or endorsement states that the rates are greater than those rates that are applicable in the State of North Carolina.

(d) All records generated under G.S. 58-36-30(b), (b1), (c), and this Rule shall be maintained in accordance with the requirements of 11 NCAC 19 .0100.

*History Note: Authority G.S. 58-2-40(1); 58-36-30(b);  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. August 3, 1992; February 1, 1990; January 1, 1989;  
Temporary Amendment Eff. November 8, 1996;  
Amended Eff. July 1, 1998;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest January 3, 2017;  
Amended Eff. April 1, 2020; December 1, 2018.*

### **11 NCAC 10 .0603 CONSENT TO RATE PROCEDURES: COMMERCIAL COVERAGES**

(a) An initial (first time) application to effect consent to rate on a specific risk of coverage subject to Article 40 of G.S. 58, in excess of the rate promulgated by a licensed rating organization or filed by a company on its own behalf shall contain the following:

- (1) a description of the insurance proposed, including primary and excess limits, the amount of coverage, the property insured, the deductible, and any other factor used for rating, where applicable;
- (2) the rate and premium that would be charged without application of consent to rate;
- (3) the proposed rate and premium;
- (4) the percent increase. The rate to be charged shall be presumed reasonable if it does not exceed 250 percent of the rate that would be charged without application of consent to rate. Any proposed rate in excess of 250 percent is subject to review and approval by the Commissioner pursuant to G.S. 58-40-30(c);
- (5) the names and addresses of the insurer, the writing agent, and the insured;
- (6) the effective date of the proposed rate;
- (7) the policy period;
- (8) the policy number; and
- (9) a letter signed by the insured acknowledging and consenting to the proposed rate. If coverage for the specific risk written on consent to rate is available through a residual market (FAIR Plan, Beach Plan, North Carolina Reinsurance Facility, North Carolina Workers Compensation Insurance Plan), a statement signed by the insured acknowledging that fact must also be executed.

(b) If a policy for which the insured had consented to pay a higher premium rate is reinstated after a lapse, the insurer shall not have to obtain a signed statement from the insured under this Rule for the reinstatement.

(c) After a signed application is obtained by an insurer under this Rule for a policy, all subsequent changes in the policy shall be endorsements for the purposes of G.S. 58-40-30(c).

(d) If a particular kind of coverage is added to a policy by endorsement during the term of the policy and the added coverage is written at a higher rate under G.S. 58-40-30(c) and under this Rule, the insurer shall obtain the signature of the insured under this Rule no later than the next renewal of the policy.

(e) If an insured consents to pay a higher premium rate under G.S. 58-40-30(c) and this Rule, consent to rate is subsequently terminated, and the insured and insurer later enter into another consent to rate agreement, the insurer shall not be required to obtain the signature of the insured unless three years have elapsed since the termination of the original consent to rate agreement.

(f) All records generated under G.S. 58-40-30(c) and this Rule shall be maintained in accordance with the requirements of 11 NCAC 19 .0100.

*History Note: Authority G.S. 58-2-40(1); 58-40-30(c);  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. August 3, 1992; January 1, 1989;  
Temporary Amendment Eff. November 8, 1996;  
Amended Eff. July 1, 1998;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017;*

*Amended Eff. December 1, 2018.*

**11 NCAC 10 .0604      AUTOMOBILE LIABILITY: NON-ESSENTIAL COVERAGES**

*History Note:      Authority G.S. 58-131.39(c);  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. January 1, 1989.*

**11 NCAC 10 .0605      CONSENT TO RATE AUTO LIABILITY COVERAGE**

When the consent to rate procedures under G.S. 58-36-30(b) are used to provide motor vehicle liability coverage at higher liability limits as required by an excess liability insurer, the required consent to rate notice shall read as follows:

**NOTICE: THE PREMIUM THAT WE ARE CHARGING FOR HIGHER LIABILITY LIMITS ON AUTOMOBILE LIABILITY COVERAGE FOR YOUR COVERED VEHICLE(S) EXCEEDS THE PREMIUM BASED UPON THE APPROVED RATES IN NORTH CAROLINA, IN ACCORDANCE WITH G.S. 58-36-30(b).**

*History Note:      Authority G.S. 58-2-40(1); 58-36-30(b);  
Eff. February 1, 1996;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017;  
Amended Eff. December 1, 2018.*

**11 NCAC 10 .0606      CONSENT TO RATE PROCEDURES**

*History Note:      Authority G.S. 58-2-40(1); 58-36-30(b); 58-40-30(c);  
Temporary Adoption Eff. November 8, 1996;  
Eff. July 1, 1998;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017;  
Repealed Eff. December 1, 2018.*

**SECTION .0700 - INSURANCE IN UNLICENSED FOREIGN AND ALIEN COMPANIES**

**11 NCAC 10 .0701      GENERAL INFORMATION**

Citizens who are unable to procure insurance on risks in this state in companies licensed to write insurance in this state may procure policies of insurance in unlicensed foreign and alien companies if the procedures set forth hereafter are strictly adhered to. All the forms described hereafter relating to such insurance, which is known as non-admitted or surplus lines of insurance, are to be sent to the Commissioner of Insurance, Attention: Surplus Lines Coordinator, Property and Casualty Division, P.O. Box 26387, Raleigh, North Carolina 27611.

*History Note:      Authority G.S. 58-21-15; 58-21-35;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. February 1, 1991; January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

**11 NCAC 10 .0702      PROCEDURE FOR PROCURING INSURANCE IN UNLICENSED COMPANIES**

*History Note:      Authority G.S. 58-21-15; 58-423;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. April 1, 2001.*

**11 NCAC 10 .0703      APPROVAL OF INSURANCE IN NON-ADMITTED INSURANCE COMPANIES**

Approval of insurance written by a non-admitted insurance company will be granted only if the non-admitted company:

- (1) has established satisfactory evidence of good repute and financial integrity;
- (2) meets the minimum capital and surplus requirements in the Insurance Law;
- (3) furnishes to the Commissioner its most current financial statement; and
- (4) appears on the department's monthly list of non-admitted companies eligible for the placement of surplus lines business.

*History Note:* Authority G.S. 58-2-40; 58-21-20;  
 Eff. February 1, 1976;  
 Readopted Eff. July 11, 1978;  
 Amended Eff. January 1, 1989; July 1, 1986;  
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

**11 NCAC 10 .0704 FORM SL: REPRESENT A SURPLUS LINES INSURER**  
**11 NCAC 10 .0705 FORM SL-1: LICENSE RENEWAL APPL./LICENSE REPRSNT/SURPLUS LINES CO.**  
**11 NCAC 10 .0706 FORM B: BOND**  
**11 NCAC 10 .0707 AGENTS LICENSE FORM**

*History Note:* Authority G.S. 58-53.1 through 58-53.3; 58-433; 58-480;  
 Eff. February 1, 1976;  
 Readopted Eff. July 11, 1978;  
 Amended Eff. January 1, 1989; July 1, 1986;  
 Repealed Eff. April 1, 1992.

**11 NCAC 10 .0708 FORM C**  
**11 NCAC 10 .0709 FORM C-1**  
**11 NCAC 10 .0710 FORM D**

*History Note:* Authority G.S. 58-53.1 through 58-53.3;  
 Eff. February 1, 1976;  
 Readopted Eff. July 11, 1978;  
 Repealed Eff. July 1, 1986.

**11 NCAC 10 .0711 FORM F**

*History Note:* Authority G.S. 58-2-40(1); 58-21-35;  
 Eff. February 1, 1976;  
 Readopted Eff. July 11, 1978;  
 Amended Eff. July 1, 1986;  
 Repealed Eff. December 1, 2007.

**11 NCAC 10 .0712 FORM E**

*History Note:* Authority G.S. 58-436; 58-437; 58-438;  
 Eff. February 1, 1976;  
 Readopted Eff. July 11, 1978;  
 Amended Eff. July 1, 1986;  
 Repealed Eff. April 1, 2001.

**11 NCAC 10 .0713 FORM E-1**

Form E-1, "Tax Refund on Insurance Placed in Surplus Lines Insurers", must be filed in conjunction with Form E if any refund is being claimed as a result of cancellations on policies previously reported on Form E. This form is to cover only cancellations for policies previously reported and taxes paid on the reported premium. The information required shall include, but not be limited to, the name of the insured, the name of the insurance company, the policy number, the policy period, the gross premium, the return premium, and the tax refund.



*History Note:* Authority G.S. 58-2-40; 58-21-80; 58-21-85; 58-21-90;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

**11 NCAC 10 .0714 FORM: INSTRUCTIONS/REQUIREMENTS/SURPLUS LINES COMPANY**

*History Note:* Authority G.S. 58-2-40; 58-21-65;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repeal Eff. July 1, 2012.

**11 NCAC 10 .0715 ADJUSTMENT OF LOSSES FOR UNAUTHORIZED COMPANY**

*History Note:* Authority G.S. 58-51;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. July 1, 1986;  
Repealed Eff. April 1, 1992.

**11 NCAC 10 .0716 FORM SL-3: CORPORATE LICENSE APPLICATION**

*History Note:* Authority G.S. 58-433;  
Eff. July 1, 1986;  
Repealed Eff. April 1, 1992.

**11 NCAC 10 .0717 SURPLUS LICENSEE REPORT**

In addition to the information specified in G.S. 58-21-35(a), the report required by G.S. 58-21-35(a) shall contain the kind of insurance placed by the licensee, the zip code of the location of the risk, and the amount of any additional or return premium.

*History Note:* Authority G.S. 58-2-40; 58-21-35;  
Eff. April 1, 2001;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

**11 NCAC 10 .0718 "FORM F" REPORT**

*History Note:* Authority G.S. 58-2-40; 58-21-35;  
Eff. April 1, 2001;  
Amended Eff. December 1, 2007;  
Expired Eff. February 1, 2017 pursuant to G.S. 150B-21.3A.

**SECTION .0800 - LICENSING OF RATING ORGANIZATIONS**

- 11 NCAC 10 .0801 GENERAL INFORMATION**
- 11 NCAC 10 .0802 PROCEDURE FOR APPLICATION FOR NEW LICENSE**
- 11 NCAC 10 .0803 RENEWAL LICENSE FEE FOR RATING ORGANIZATIONS**
- 11 NCAC 10 .0804 FORM: LICENSE CERTIFICATE**

*History Note:* Authority G.S. 58-2-40; 58-2-45; 58-6-7; 58-40-1(2); 58-40-5(5); 58-40-50;  
Eff. February 1, 1976;  
Readopted Eff. July 11, 1978;  
Amended Eff. April 8, 2002; February 1, 1991; January 1, 1989; July 1, 1986;  
Repealed Eff. October 1, 2006.

**11 NCAC 10 .0805          PPNF AUTO INSURANCE STATISTICAL AGENTS - REPORTS**

*History Note:*    Authority G.S. 58-9; 58-25.1; 58-124.18(d); 58-131.50;  
                         Eff. September 30, 1981;  
                         Repealed Eff. January 1, 1989.

**11 NCAC 10 .0806          CHANGES IN FILED INFORMATION**

*History Note:*    Authority G.S. 58-2-40; 58-40-55; 58-40-60;  
                         Eff. January 1, 1989;  
                         Repealed Eff. October 1, 2006.

**SECTION .0900 - LICENSING OF ADVISORY ORGANIZATIONS**

**11 NCAC 10 .0901          GENERAL INFORMATION**  
**11 NCAC 10 .0902          PROCEDURE FOR APPLICATION OF NEW LICENSE**  
**11 NCAC 10 .0903          CHANGES IN FILED INFORMATION**

*History Note:*    Authority G.S. 58-2-40; 58-40-55;  
                         Eff. July 11, 1978;  
                         Amended Eff. April 8, 2002; February 1, 1991; January 1, 1989;  
                         Repealed Eff. October 1, 2006.

**11 NCAC 10 .0904          PROHIBITED PRACTICES**

*History Note:*    Authority G.S. 58-9; 58-131.44;  
                         Eff. July 11, 1978;  
                         Repealed Eff. July 1, 1988.

**11 NCAC 10 .0905          INSURER'S REPORT ON INSURANCE ADVISORY ORGANIZATIONS**

*History Note:*    Authority G.S. 58-9; 58-131.41; 58-131.44;  
                         Eff. July 11, 1978;  
                         Repealed Eff. January 1, 1989.

**11 NCAC 10 .0906          FORM: LICENSE CERTIFICATE**  
**11 NCAC 10 .0907          RENEWAL LICENSE FEE FOR LICENSED ORGANIZATIONS**

*History Note:*    Authority G.S. 58-2-40; 58-40-55;  
                         Eff. January 1, 1989;  
                         Amended Eff. April 8, 2002;  
                         Repealed Eff. October 1, 2006.

**SECTION .1000 - LICENSING OF JOINT UNDERWRITING ORGANIZATIONS**

**11 NCAC 10 .1001          GENERAL INFORMATION**

Every joint underwriting organization or joint reinsurance organization, as a prerequisite to conducting its operations in this state, shall obtain either a monoline or multi-line license and make a filing to the commissioner. Applications for new or renewal licenses should be submitted to the Commissioner of Insurance, Attention: Deputy Commissioner, Property and Casualty Division, P.O. Box 26387, Raleigh, North Carolina 27611.

*History Note:*    Authority G.S. 58-2-40; 58-40-60;  
                         Eff. July 11, 1978;  
                         Amended Eff. February 1, 1991; January 1, 1989;

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

#### **11 NCAC 10 .1002 PROCEDURE FOR APPLICATION OF NEW LICENSE**

Joint underwriting organizations and joint reinsurance organizations not previously licensed shall submit the fee set forth in G.S. 58-6-7 and an application, including, but not limited to:

- (1) the name and address of the organization;
- (2) a copy of:
  - (a) its constitution, charter, or articles of incorporation, association, or agreement;
  - (b) its bylaws, plan of operation, or other rules governing its business duly certified by the custodian of the original thereof;
  - (c) any other rules or regulations governing the conduct of its business.
- (3) a list of the insurers who are members or subscribers;
- (4) list of the states where the organization is licensed;
- (5) a list of the lines of insurance involved;
- (6) the names and addresses of all officers and managers;
- (7) the name and address of one or more residents of this state appointed to receive notices, process, or orders;
- (8) a statement demonstrating its technical qualifications;
- (9) a check in payment of the organization license fee;
- (10) such other information as the commissioner may require.

*History Note: Authority G.S. 58-2-40; 58-40-60;  
Eff. July 11, 1978;  
Amended Eff. April 8, 2002; January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1003 CHANGES IN FILED INFORMATION**

Any change in or amendment to any document described in Rules .1002 or .1007 of this Section shall be promptly filed with the commissioner.

*History Note: Authority G.S. 58-2-40; 58-40-60;  
Eff. July 11, 1978;  
Amended Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1004 PROHIBITED PRACTICES**

No joint underwriting organization shall engage in any unfair or unreasonable practices.

*History Note: Authority G.S. 58-2-40; 58-40-60;  
Eff. July 11, 1978;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1005 INSURER'S REPORT ON UNDERWRITING ORGANIZATIONS**

*History Note: Authority G.S. 58-9; 58-131.45;  
Eff. July 11, 1978;  
Repealed Eff. January 1, 1989.*

#### **11 NCAC 10 .1006 FORM: LICENSE CERTIFICATE**

The license certificate form is issued over the signature of the commissioner certifying the organization has been licensed.

*History Note: Authority G.S. 58-2-40; 58-40-60  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1007 RENEWAL LICENSE FEE FOR LICENSED ORGANIZATIONS**

The renewal license fee set forth in G.S. 58-6-7 shall be paid annually to the commissioner before March 1 of each year. The renewal license application shall include, but not be limited to:

- (1) the name and address of the organization,
- (2) the lines of insurance in which the organization engages,
- (3) a description of pertinent changes in its services or activities since the previous renewal license was granted.

*History Note: Authority G.S. 58-2-40; 58-40-60;  
Eff. January 1, 1989;  
Amended Eff. April 8, 2002;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

## **SECTION .1100 - RATE FILINGS**

### **11 NCAC 10 .1101 PURPOSE**

The purposes of this Section are the following:

- (1) To expedite the review of rate filings so that statutory time limits can be met;
- (2) To avoid the time and expense of unnecessary and duplicative data requests;
- (3) To provide for the adequacy of each filing's contents for public inspection.

*History Note: Authority G.S. 58-2-40;  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **11 NCAC 10 .1102 APPLICABILITY**

The following Subparagraphs indicate which Rules of this Section apply to a particular filing. All rate filings must be submitted separately and under independent cover from form filings.

- (1) Rule .1111 applies to all workers' compensation insurance rate filings made by the North Carolina Rate Bureau.
- (2) Rule .1104 applies to all nonfleet private passenger automobile insurance rate filings made by the North Carolina Rate Bureau or the North Carolina Reinsurance Facility.
- (3) Rule .1105 applies to all rate filings made by the North Carolina Rate Bureau other than those involving workers' compensation insurance or nonfleet private passenger automobile insurance.
- (4) Rule .1106 applies to all filings for deviations from the rates of the North Carolina Rate Bureau.
- (5) Rule .1107 applies to all rate filings (including those filings derived from filings of licensed rating organizations), other than those involving:
  - (a) Lines of insurance under the jurisdiction of the North Carolina Rate Bureau.
  - (b) Nonfleet private passenger automobile insurance rates for the North Carolina Reinsurance Facility.
- (6) Rule .1108 applies to all rate filings described in Subparagraph (5) of this Rule that meet either or both of the following criteria:
  - (a) A filing for a coverage that involves an increase in one year greater than ten percent or a decrease greater than 20 percent.
  - (b) A filing for a coverage by a company whose market share is greater than ten percent.
- (7) In Subparagraph (6) coverage shall mean one of the following:
  - (a) Accountants' professional liability;
  - (b) Architects' and engineers' professional liability;
  - (c) Child care liability (other than such coverage sold incidental to another coverage, e.g., in homeowners' or commercial multiperil policies);
  - (d) Dentists' professional liability;
  - (e) Directors', officers', and trustees' liability;
  - (f) Errors and omissions liability;
  - (g) Hospital premises liability;
  - (h) Hospital professional liability;

- (i) Lawyers' professional liability;
  - (j) Liquor law liability;
  - (k) Municipal liability;
  - (l) Nurses' professional liability;
  - (m) Owners', landlords', and tenants' liability;
  - (n) Physicians' and surgeons' professional liability;
  - (o) Police professional liability;
  - (p) Pollution and environmental impairment liability;
  - (q) Products and completed operations liability;
  - (r) Public official liability;
  - (s) Public school liability;
  - (t) Recreational liability;
  - (u) Other health care specialties' professional liability;
  - (v) If not one of Subparagraphs (7)(a) through (7)(u) of this Rule, one of the lines listed on Page 14 of the Annual Statement.
- (8) Rule .1109 applies to all licensed rating organizations participating in a filing made by the North Carolina Rate Bureau or the North Carolina Reinsurance Facility.
- (9) Rate filings are not required for the following lines of insurance:
- (a) Aviation physical damage;
  - (b) Mortgage guaranty;
  - (c) Ocean marine.
- (10) Rate filings are not required for the following types of policies:
- (a) Those written pursuant to the Surplus Lines Act;
  - (b) Those written under the Fair Access to Insurance Requirements (FAIR) Plan that include coverages other than crime insurance;
  - (c) Those written by the North Carolina Insurance Underwriting Association (the Beach Plan) that include coverages other than windstorm and hail only or crime insurance;
  - (d) Those written in North Carolina covering multistate insureds except in respect to coverages applicable to North Carolina locations;
  - (e) Those written by a town or county farmers' mutual fire insurance association restricting its operations to not more than six adjacent counties in this State;
  - (f) Those that contain assessment provisions and that are written by domestic insurance companies, associations, orders, or fraternal benefit societies that are not reciprocals.
- (11) All inland marine manual rates and rating plans must be filed.
- (a) This Subparagraph applies to the manual rates and rating plans of both companies and rating organizations.
  - (b) Rates and rating plans that are not contained in or derived from a manual need not be filed.
- (12) Rate filings are required for all rates whether advisory, suggested, or manual, except for those lines, policies, and rates specifically excluded in Subparagraphs (9), (10), and (11) of this Rule.
- (a) Rates applicable to only one particular risk must be filed.
  - (b) Rates may be filed either as manual rates or as ranges of rates from which the rates for individual insureds are determined.
  - (c) Rates based on loss cost filings must be filed in accordance with all the requirements of Rules .1107 and .1108 including the one that requires a comparison of current and proposed rates.
- (13) Rules .1107 and .1108 also apply to loss cost filings. In cases where a rating organization files prospective loss costs, the same requirements as for rate filings apply, with the exception of those dealing with expense and profit provisions.
- (14) The rates contained in all filings approved prior to January 1, 1990, other than those made by the North Carolina Rate Bureau or the North Carolina Reinsurance Facility, shall have an expiration date of January 1, 1992. Such rates may, subject to the Department's approval, be automatically renewed by a letter to the Department, specifying the Department's file number and the original approval date. Thereafter, they remain in effect until superseded, withdrawn, or modified by a subsequent filing.
- (15) Loss costs, rates, or multipliers for workers' compensation and employers' liability that are based upon prospective loss costs filings of the North Carolina Rate Bureau shall be submitted in accordance with Rule .1110 of this Section.

*History Note:* Authority G.S. 58-2-40; 58-36-15; 58-36-30; 58-36-100; 58-40-30; 58-40-40; 58-41-50; 58-45-35; 58-46-15;  
Eff. January 1, 1989;  
Amended Eff. February 1, 1996; April 1, 1992; July 1, 1990; January 1, 1990;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

## **11 NCAC 10 .1103 WORKERS' COMPENSATION**

*History Note:* Authority G.S. 58-2-40; 58-36-15(h);  
Eff. January 1, 1989;  
Amended Eff. October 1, 1990;  
Repealed Eff. February 1, 1996.

## **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 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.*

#### **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.

- (1) 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.*

## **11 NCAC 10 .1106 DEVIATIONS FROM RATES OF THE NORTH CAROLINA RATE BUREAU**

### **(a) Definitions:**

- (1) Rate deviation refers to the entire collection of differences from the Rate Bureau rates and rating plan that a company has implemented or proposes to implement. Deviation and aggregate deviation are used synonymously. A company shall have only one rate deviation from each Rate Bureau filing and rating plan.
- (2) Deviation component refers to any individual part of the aggregate deviation. A deviation component may involve a coverage difference, a different territorial relativity, a different class relativity, a different rate for a particular type of insured, etc. Proposed differences in territorial and class relativities (and other similarly related sets of rating factors) shall be treated as one deviation component.



- (3) Introduction of a deviation means that a company has no current rate deviation on file for the particular line but is proposing to implement one.
  - (4) Modification of a deviation means that a company has a current rate deviation on file for the particular line and that the company proposes to add, change, or eliminate one of the components of the deviation.
  - (5) Withdrawal of a deviation means that a company has a rate deviation on file that it proposes to withdraw in its entirety.
- (b) Filing Guidelines:
- (1) All rate deviation filings must be made in triplicate.
    - (A) The original and one copy shall be sent to the Department.
    - (B) The second copy shall be sent to the North Carolina Rate Bureau.
  - (2) A rate deviation shall be introduced, modified, or withdrawn on an individual company basis even if the company is part of a group.
  - (3) All proposed rate deviations shall be expressed in terms of North Carolina Rate Bureau rates, either as percentages or as dollar amounts.
  - (4) Filing requirements differ by type of deviation action:
    - (A) To introduce a deviation, see Paragraph (d) of this Rule.
    - (B) To modify a deviation, see Paragraph (e) of this Rule.
    - (C) To withdraw a deviation, see Paragraph (f) of this Rule.
- (c) Application of Deviations:
- (1) On approval of the introduction, modification, or withdrawal of one or more rate deviations, the department shall transmit to the company a letter of approval listing all the components in effect for that line and company.
  - (2) All deviation components listed shall be applied to all eligible insureds and deviation components not listed shall not be applied to any insured.
  - (3) Rate deviations remain in effect until modified or withdrawn.
  - (4) Modifications of existing rate deviations are permitted at any time.
  - (5) An unmodified rate deviation may be withdrawn only if both of the following conditions have been met:
    - (A) The deviation has been in effect for at least six months.
    - (B) Application for withdrawal is submitted to the department 15 days before the proposed withdrawal date.
  - (6) A modified rate deviation may be withdrawn only if both of the following conditions have been met:
    - (A) The deviation has been in effect for at least six months since the date of the last modification.
    - (B) Application for withdrawal is submitted to the department 15 days before the proposed withdrawal date.
- (d) Filings to introduce rate deviations shall contain only the following information:
- (1) A cover letter containing the following:
    - (A) Company name;
    - (B) Company's Federal Employer's Number;
    - (C) Line of business involved.
  - (2) A completed deviation questionnaire obtained from the Property and Casualty Division.
- (e) Filings to modify rate deviations shall contain only the following information:
- (1) A cover letter containing the following:
    - (A) Company name;
    - (B) Company's Federal Employer's Number;
    - (C) Line of business involved;
    - (D) Department file number.
  - (2) A completed deviation questionnaire obtained from the Property and Casualty Division.
- (f) Filing letters for withdrawals of rate deviations. Filing letters for withdrawal shall contain only the following information:
- (1) A cover letter including the following information:
    - (A) Company name;
    - (B) Company's Federal Employer's Number;
    - (C) Line of business involved;
    - (D) Department file number.
  - (2) A statement that the deviation has been in effect for at least six months.
- (g) Deviation questionnaires shall contain the following information (if applicable):

- (1) Company Name;
- (2) Company's Federal Employer's Number;
- (3) Company's file number;
- (4) Line of insurance;
- (5) Subline/Program title;
- (6) Previous Department file number, if applicable;
- (7) Proposed effective date and rules of implementation;
- (8) Company's N.C. volume of business;
- (9) Company's N.C. market share;
- (10) Company's countrywide volume of business;
- (11) Number of N.C. insureds affected;
- (12) Percentage of N.C. insureds affected;
- (13) Total dollar amount of premiums that will not be collected on an annual basis as a result of this deviation;
- (14) Average dollar difference per exposure from manual rates;
- (15) Maximum deviation;
- (16) If the deviation produces a premium greater than manual for an individual insured, explain;
- (17) List of individual deviation components and the proposed action;
- (18) Certification by a company officer or filings department head; and
- (19) Actuarial certification.

*History Note: Authority G.S. 58-2-190; 58-36-30(a) and (c);  
 Eff. January 1, 1989;  
 Amended Eff. October 1, 2004; April 1, 2003; February 1, 1991; January 1, 1990;  
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1107 COMMERCIAL LINES QUESTIONNAIRE**

The information required by G.S. 58-41-50 for those lines of business described in 11 NCAC 10 .1102 (5) shall be submitted by the completion of a Rate/Loss Cost Filing Questionnaire and the necessary supplementary exhibits to which the questionnaire refers.

- (1) The Rate/Loss Cost Filing Questionnaire may contain the following information:
  - (a) Name of company/Licensed rating organization;
  - (b) Filer's Federal Employer's number;
  - (c) Filer's file number;
  - (d) Type of filing;
  - (e) Line(s) of insurance, as shown on Page 14 of the Annual Statement;
  - (f) Subline/Program title;
  - (g) Type of policies involved;
  - (h) Reasons for the filing;
  - (i) Proposed effective date and rules of implementation;
  - (j) Filer's approximate market share of North Carolina written premium for the line(s) involved;
  - (k) Percentage rate change proposed;
  - (l) Estimated total dollar impact of the filing upon North Carolina policyholders;
  - (m) Whether the filing will increase the premium of any North Carolina policyholder;
  - (n) Type of premium data included;
  - (o) Exposure unit used;
  - (p) Type of loss data included;
  - (q) Permissible loss ratio, permissible loss and LAE ratio, or permissible loss, LAE, and fixed expense ratio;
  - (r) Whether any expenses are treated as fixed;
  - (s) Credibility information;
  - (t) Loss development information;
  - (u) Trend information;
  - (v) Underwriting profit information;
  - (w) Changes in methodologies;
  - (x) Certification of accuracy.

- (2) Also submit supplementary exhibits containing the following information:
  - (a) The effect of the proposed filing on active filings affecting the line or subline;
  - (b) A comparison of current and proposed rates;
  - (c) Five-year rate filing history;
  - (d) Premium and loss data (North Carolina and countrywide);
  - (e) Expense data (North Carolina and countrywide);
- (3) In filings derived from a rate filing made by a licensed rating organization and in filings that incorporate without modification loss costs that have been filed by a licensed rating organization, substitute a supplementary exhibit for the items in the questionnaire containing the information described in Subparagraphs (1)(n) through (1)(v).
  - (a) For both these types of filings, this exhibit shall contain the following information:
    - (i) The name of the licensed rating organization;
    - (ii) The relationship of the company to the licensed rating organization;
    - (iii) The applicable licensed rating organization filing;
    - (iv) The type of licensed rating organization filing;
    - (v) Eligibility requirements and restrictions applicable to the company's filing.
  - (b) In cases where the licensed rating organization files final rates, this exhibit shall also identify the basis for the differences between the company's proposed rates and those filed by the rating organization.
  - (c) In cases where the licensed rating organization files loss costs, this exhibit shall also contain the following information:
    - (i) Permissible loss ratio, permissible loss and LAE ratio, or permissible loss, LAE, and fixed expense ratio;
    - (ii) Whether any expenses are treated as fixed;
    - (iii) An explanation of the derivation of the expense provisions and of their incorporation into the final rates;
    - (iv) Underwriting profit information.
- (4) For loss cost filings made by licensed rating organizations, the following modifications apply to the requirements in this Rule:
  - (a) Substitute percentage loss cost change proposed in Subparagraph (1)(k).
  - (b) Omit the information described in Subparagraphs (1)(j) through (1)(n), (1)(q), (1)(r), and (1)(v) and the items in Subparagraph (1)(u) relating to premium trend.
  - (c) In the exhibit described in Subparagraph (2)(b), compare current and proposed loss costs.
  - (d) In the exhibit described in Subparagraph (2)(c), provide a five-year loss cost filing history.
  - (e) In the exhibit described in Subparagraph (2)(d), omit those items relating to premium.
  - (f) Omit the exhibit described in Subparagraph (2)(e).
- (5) For installment premium payment plan filings, substitute a different questionnaire, containing the following information:
  - (a) Name of Company/Licensed rating organization;
  - (b) Filer's Federal Employer Number;
  - (c) Filer's file number;
  - (d) Type of filing;
  - (e) Line(s) of insurance;
  - (f) Reasons for the filing;
  - (g) Proposed effective date and rules of implementation;
  - (h) Filer's approximate market share of North Carolina written premium for the line(s) involved;
  - (i) Percentage rate change proposed;
  - (j) Estimated total dollar impact of the filing upon North Carolina policyholders;
  - (k) A comparison of the current and proposed installment fees;
  - (l) Filer's distribution of number of policies and premium by installment payment options;
  - (m) Certification of accuracy.

*History Note:* Authority G.S. 58-2-40; 58-41-50;  
 Eff. January 1, 1990;  
 Amended Eff. April 1, 1992; December 1, 1990;

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

**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.*

## **11 NCAC 10 .1109 RATING ORGANIZATIONS**

All rating organizations participating in a filing submitted by the North Carolina Rate Bureau or the North Carolina Reinsurance Facility shall provide the following items to the Department within 30 days after the filing has been made:

- (1) General information. A description of all agendas and minutes of meetings of the rating organization affecting the filing explicitly, or implicitly through the adoption of a countrywide procedure.
- (2) Selection of methodologies. The following information regarding credibility factors, loss development factors, trending factors, overhead expenses, and profitability shall be provided whenever the rating organization derives these factors for the Rate Bureau: (If the filing itself contains the information requested in all or some of the lettered sections, reference to the location of that information is sufficient).
  - (a) A description of all data reviewed and worksheets used;
  - (b) A complete description of the methodology used to arrive at the selected loading;
  - (c) A description of alternative methodologies used or explicitly considered for use by the rating organization in other states 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) Profit and contingency loading. Information shall also be provided on the underwriting profit and contingencies loading of all filings in which the rating organization has participated within the last five years in other states. For all such filings, list the state, the underwriting profit and contingencies loading submitted, any explicit loading approved, and the effective date of the rates.

*History Note: Authority G.S. 58-2-40; 58-2-190;  
Eff. January 1, 1990;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1110 WORKERS' COMPENSATION LOSS COSTS QUESTIONNAIRE**

For those filings made in accordance with 11 NCAC 10 .1102(15), supporting information shall be presented as follows:

- (1) Reference Filing Adoption Form:
  - (a) Insurer's name.
  - (b) Contact person for filing.
  - (c) Title of contact person.
  - (d) Phone number.
  - (e) Insurer's FEIN.
  - (f) Insurer's file number.
  - (g) Department file number.
  - (h) NCRB reference filing number.
  - (i) Effective date.
  - (j) Insurer's proposed effective date (if different from NCRB effective date).
  - (k) Insurer's approximate market share of North Carolina written premium.
  - (l) Whether the multiplier is applicable to this filing only or to subsequent reference filings.
  - (m) Statement of accuracy of information.
  - (n) Signature of company official.
  - (o) Date signed.
- (2) Summary of Supporting Data Form:
  - (a) Statement of whether the filing applies uniformly to all workers' compensation classes.
  - (b) Loss costs modification:
    - (i) Without modification (factor equals 1.000).
    - (ii) With modification (supporting documentation required).
  - (c) Loss costs modification factor.
  - (d) Selected expenses (attach Expense Provision Exhibit):
    - (i) Commission and brokerage.
    - (ii) Other acquisition.
    - (iii) General expenses.
    - (iv) Taxes, licenses, fees, loss based assessments.
    - (v) Profit, contingencies, credit for investment income.
    - (vi) Other.
    - (vii) Total (i+ii+iii+iv+v+vi).
  - (e) Development of Expected Loss and Loss Adjustment Expense (Target Cost) Ratio: Expressed in decimal form:  $1.000 - (d)(vii)$ .
  - (f) Overall effect of expense constant and minimum premiums: Expressed in decimal form, i.e., 1.2% overall effect would be 0.988.
  - (g) Overall effect of size-of-risk discounts plus expense gradation recognition in retrospective rating: Expressed in decimal form, i.e., 8.6% average discount would be 0.914.
  - (h) Provision for loss based assessments: See NCRB Reference Filing, Exhibit II.
  - (i) Company formula loss costs multiplier  $(b)(ii) \times (1.000 - h) / [(g) - (d)(vii)] \times (f)$ .
  - (j) Company selected loss costs multiplier. Explain any differences between (i) and (j).
  - (k) Rate level changes for the coverages to which this page applies.
  - (l) Statement of whether the insurer is amending the minimum premium formula.
  - (m) Statement of whether the insurer is amending the expense constant(s).
  - (n) Statement of whether the insurer is changing the premium discount schedules.



- (o) If the answer to (l), (m), or (n) is yes, documentation is required.
- (3) Expense Provisions Exhibit: For the following items, the insurer shall provide the three most recent years, the average, industry average, and the selected:
  - (a) Commissions and brokerage.
  - (b) Other acquisition.
  - (c) General expenses.
  - (d) Taxes, licenses, fees, and loss based assessments.
  - (e) Profit, contingencies, and investment income:
    - (i) Profit and contingencies.
    - (ii) Credit for investment income.
  - (f) Other.
  - (g) Total (a+b+c+d+e+f).

The insurer shall indicate if the insurer's actual expense ratios are North Carolina, countrywide, or other (explain); and if the insurer's actual expense ratios are a percent of standard premium, percent of net premium, or other (explain). The insurer shall explain if the selected provisions differ from the average for reasons other than rounding.

*History Note: Authority G.S. 58-2-40; 58-36-15; 58-36-100; Eff. February 1, 1996; Temporary Amendment Eff. December 1, 1999; Amended Eff. July 1, 2000; Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1111 WORKERS' COMPENSATION**

The following information is required pursuant to G.S. 58-36-15(h) for those filings made under G.S. 58-36-100:

- (1) North Carolina losses and loss adjustment expenses, each on paid and incurred bases without trending or other modification for the experience period.
  - (a) The filer shall include loss and loss adjustment expense data from all companies writing North Carolina workers' compensation insurance. In addition, if exposures are used in the calculation of premiums at present rates, the filer shall provide all available exposure data from these companies. If the experience of any company that writes more than one percent of the North Carolina workers' compensation written premium has been excluded from any trend or loss development calculations, the filer shall identify the company and its market share and provide an explanation for its exclusion. The filer shall also estimate the aggregate market share of other companies whose experience is excluded from such calculations.
  - (b) If any identifiable group of policies is excluded from the calculation of classification differentials, the filer shall describe those policies, indicate their market share, and provide an explanation for their exclusion.
  - (c) The filer shall clearly describe all adjustments to losses, loss adjustment expenses, expenses as defined in G.S. 58-36-100(c), and exposures included in the filing.
  - (d) The filer shall provide the latest available written and earned premiums and market shares for the 10 largest writers of North Carolina workers' compensation insurance.
  - (e) The filer shall provide the following information on losses and loss adjustment expenses:
    - (i) For each of the latest three available accident and calendar years, undeveloped and untrended losses and loss adjustment expenses;
    - (ii) For each accident and policy year included in the filing, paid losses, case basis reserves, loss development, incurred allocated loss adjustment expenses (if collected separately from losses), incurred unallocated (or combined allocated and unallocated) loss adjustment expenses, applied trend factors, and trended incurred losses and loss adjustment expenses.
- (2) Credibility factor development and application. The filer shall provide all information related to the derivation of all credibility factors contained in the filing, including the following:
  - (a) A description of all data reviewed;
  - (b) A complete description of the methodology used to derive these factors;
  - (c) A description of alternative methodologies used 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) The filer shall 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;
    - (ii) A complete description of the methodology used to derive these factors;
    - (iii) A description of alternative methodologies used 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) The filer shall provide at least the latest five available years of the aggregate loss data described in Sub-items (3)(b)(i) through (iii) of this Rule for matching companies for all pairs of successive evaluation dates. The filer shall also provide the corresponding loss development factors and five-year average factors derivable from the data:
    - (i) Data on both a policy year and an accident year basis;
    - (ii) Data separated into indemnity and medical portions, as well as combined data;
    - (iii) Data separated into paid, case incurred and incurred but not reported portions, as well as combined data;
  - (c) The filer shall provide for each of the loss amounts in Sub-item (3)(b) of this Rule, paid claim counts, incurred claim counts, and outstanding claim counts.
  - (d) The filer shall provide at least the latest 10 available policy years of the incurred loss data described in Sub-items (3)(d)(i) through (ii) of this Rule from the Unit Statistical Plan for matching policies for all pairs of successive evaluation dates. The filer shall also provide the corresponding loss development factors and five-year average factors derivable from the data:
    - (i) Losses separated into indemnity and medical portions, as well as combined data;
    - (ii) Losses separated into deaths, permanent totals, major permanent partials, minor permanent partials, temporary totals, and medicals only.
  - (e) The filer shall provide for each of the loss amounts in Sub-item (3)(d) of this Rule the corresponding incurred claim counts and for each of the policy years in Sub-item (3)(d) of this Rule the aggregate earned exposures. Where small claims are reported in bulk, the filer shall provide such information as accurately as possible, given the imprecision inherent in such aggregate data.
  - (f) The filer shall provide for each of the policy periods in Sub-items (3)(b) and (3)(d) of this Rule the law amendment factors for adjusting past losses to current benefit levels.
  - (g) The filer shall include a description of the reasons for the differences between the policy year data provided in response to Sub-items (3)(b) and (3)(c) of this Rule and those provided in response to Sub-items (3)(d) and (3)(e) of this Rule.
- (4) Trending factor development and application:
- (a) The filer shall 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;
    - (ii) A complete description of the methodology used to derive these factors;
    - (iii) A description of alternative methodologies used 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) The filer shall calculate the following trend factors:
    - (i) Indemnity and medical trend factors based on the latest eight available policy years and accident years of North Carolina paid and paid plus case data;
    - (ii) Indemnity and medical trend factors based on the latest eight available accident years and policy years of multi-state paid and paid plus case data;

- (5) Changes in premium base and exposures. The filer shall provide or estimate the following information on exposure trends:
  - (a) The statewide average weekly wage for the latest five available calendar years;
  - (b) The statewide average weekly wage for the latest 10 available policy years without the application of a payroll limitation;
  - (c) The statewide average weekly wage for the latest 10 available policy years after the application of payroll limitation; and
  - (d) The estimated statewide average weekly wage for the calendar and policy years during which the rates will be in effect.
- (6) Limiting factor development and application. The filer shall 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 or loss costs level change;
  - (c) Limitations on the extent of classification rate or loss costs changes; and
  - (d) Any other limitations applied.
- (7) The percent rate or loss costs change:
  - (a) The filer shall provide the overall statewide rate or loss costs change, as well as the amount of the change attributable to each of the following: loss experience, a modification of the trend factor, law amendments, a change in the loss based assessment provision, and any other factors.
  - (b) The filer shall provide the rate or loss costs changes for each industry group and for each classification.
- (8) For assigned risks rate filings, the filer shall include support for reasonable margin for underwriting profit and contingencies and investment income, including realized capital gains.
- (9) For assigned risk rate filings, the filer shall provide investment earnings on capital and surplus. Given the selected underwriting profit and contingencies provision contained in the filing, the filer shall indicate the resulting rates of return (including consideration of investment income) on equity capital, on statutory surplus, and on total assets. The filer shall show the derivation of all factors used in producing these calculations and justify the fairness and reasonableness of these rates of return.
- (10) As required by G.S. 58-36-15, the filer shall:
  - (a) Provide information on the following aspects of workers' compensation individual risk rating plans, including an explanation of their purpose and a detailed description of their derivation:
    - (i) For experience rating plans, the table of expected loss rate and discount ratios and table of weighting and ballast values.
    - (ii) For retrospective rating plans, table of insurance charges, multipliers (including the derivation of any assigned risk subsidy), and table of excess loss factors.
  - (b) Describe all payments made to all consultants (including lawyers, actuaries, and economists) related to this filing and the previous one on workers' compensation insurance. If payments cannot be specifically identified as related to particular filings, the filer shall estimate them.
  - (c) Identify and describe all changes in methodologies from the previous North Carolina workers' compensation rate filing. If any collected or reported data required by this Rule are provided within 30 days after the initial submittal of a filing, that data shall be made a part of the filing, provided the initial submittal 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 to be proper until such time that all data required by this Rule have been submitted.

*History Note:* Authority G.S. 58-2-40; 58-36-15(h);  
 Eff. February 1, 1996;  
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

#### **11 NCAC 10 .1112 ACTUARIAL CERTIFICATION**

Each rate deviation filing made under G.S. 58-36-30 shall be accompanied by an actuarial certification that the deviation is based on sound actuarial principles.

*History Note:* Authority G.S. 58-2-40; 58-36-30;  
 Eff. July 18, 2002;  
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

### **11 NCAC 10 .1113 REFERENCE FILINGS**

With the exception of flood insurance written in accordance with Federal Emergency Management Agency requirements, or with the requirements of any successor agency, rate filings, including loss costs multipliers, by reference are not permitted. Adoption of rates and loss costs that have been promulgated by a licensed bureau, licensed rating organization, licensed advisory organization, licensed joint underwriting association, or licensed reinsurance organization, of which the insurer is a member, subscriber, or service purchaser, are not deemed to be reference filings.

*History Note:* Authority G.S. 58-2-40; 58-36-15; 58-36-65; 58-36-70; 58-36-100; 58-40-30; 58-41-50;  
Eff. August 1, 2002;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

### **11 NCAC 10 .1114 TRANSMITTAL HEADER**

All rate filings shall be accompanied by a transmittal header, which shall include the company name, company state of domicile, NAIC number, company filer contact information, and filing information. The transmittal header is available at the Department's Internet web site (www.ncdoi.com), by writing the N.C. Department of Insurance, Property & Casualty Division, 3200 Beechleaf Court, 1201 Mail Service Center, Raleigh, NC 27699-1201, or by calling the Division at (919) 807-6075.

*History Note:* Authority G.S. 58-2-40; 58-40-30; 58-41-50;  
Eff. August 1, 2002;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017;  
Amended Eff. February 1, 2024; January 1, 2018.

## **SECTION .1200 - FORMS FILINGS**

### **11 NCAC 10 .1201 GENERAL REQUIREMENTS**

- (a) Insurers, licensed advisory organizations, joint underwriting associations, and reinsurance organizations shall submit form filings under independent cover separate from rate and rule filings, which shall be made under 11 NCAC 10 .1100. Forms intended for use in this state shall be filed with the Commissioner for approval prior to their use.
- (b) Each insurer, licensed advisory organization, joint underwriting organization and reinsurance organization shall display a unique identifier on each form filed that differentiates that form from all other forms filed with the Commissioner by that insurer, licensed advisory organization, joint underwriting association, or reinsurance organization.
- (c) Applications or declarations pages that are used with policy forms shall be submitted to and approved by the Commissioner.

*History Note:* Authority G.S. 58-2-40; 58-3-150; 58-6-5; 58-36-55; 58-37-35; 58-41-50; 58-44-15; 58-45-45; 58-46-55;  
Eff. January 1, 1989;  
Amended Eff. May 1, 1994;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

### **11 NCAC 10 .1202 REFERENCE FILINGS**

With the exception of Flood Insurance written in accordance with Federal Emergency Management Agency (FEMA) requirements, form filings by reference are not permitted. If an insurer adopts a form that has been promulgated by a licensed bureau, licensed advisory organizations, licensed joint underwriting association, or licensed reinsurance organization of which the insurer is a member, subscriber or service purchaser, the adoption of that form is not deemed to be a reference filing.

*History Note:* Authority G.S. 58-2-40; 58-3-150; 58-36-55; 58-37-35; 58-41-50; 58-44-15; 58-45-45; 58-46-55;  
Eff. January 1, 1989;  
Amended Eff. May 1, 1994;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

### **11 NCAC 10 .1203 LETTER OF TRANSMITTAL**

*History Note:* Authority G.S. 58-9; 58-54; 58-124.17; 58-124.28; 58-131.34; 58-131.60; 58-148; 58-157; 58-180.2; 58-248.2; 58-248.40;

*Eff. January 1, 1989;*  
*Repealed Eff. August 1, 2002.*

#### **11 NCAC 10 .1204 PROHIBITED POLICY PROVISIONS**

Policy forms will be disapproved if they contain any of the following kind of policy provisions:

- (1) a provisions that the application is a consideration of coverage; unless the application is physically attached to the policy;
- (2) a provision that the rules or bylaws of the company are a part of the contract; unless such rules or bylaws are actually written into or physically attached to the policy;
- (3) a provision that a portion of the premium becomes due and payable only after the occurrence of a loss, for example, a premium retention policy;
- (4) a provision in a liability policy that relieves the company of liability on account of insolvency of the insured;
- (5) a provision that knowledge of the agent is not binding on the company;
- (6) a provision purporting to limit to less than three years any suit on the contract by the policyholder.

*History Note: Authority G.S. 58-2-40; 58-3-10; 58-3-15; 58-7-15;*  
*Eff. January 1, 1989;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1205 ESSENTIAL LINES - N.C. RATE BUREAU (BUREAU)**

- (a) All policy forms used by members of the North Carolina Rate Bureau shall be filed by the bureau and approved by the commissioner prior to their use.
- (b) When the bureau is filing a modification to an existing form, it will provide a "side-by-side" comparison of the old and proposed form(s) and explain all broadenings and restrictions of coverage.
- (c) The bureau will provide the following information either in the letter of transmittal or as a filing memorandum:
  - (1) the subject of the filing by name, identification number or both;
  - (2) the purpose of the filing;
  - (3) the proposed effective date and rule of implementation;
  - (4) summary of the changes proposed by the filing;
  - (5) statement that the filing meets statutory requirements.
- (d) Any dividend or participating endorsement to be used with a workers' compensation policy should be filed directly with this department in accordance with G.S. 58-3-150.

*History Note: Authority G.S. 58-2-40; 58-3-150; 58-36-55; 58-36-60;*  
*Eff. January 1, 1989;*  
*Amended Eff. April 8, 2002;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1206 COMMERCIAL LINES**

All licensed insurance companies or any other licensed entity filing forms for coverages governed by G.S. 58, Articles 40 and 41 shall:

- (1) complete a transmittal header as prescribed in 11 NCAC 10 .1209;
- (2) complete the Questionnaire as prescribed in 11 NCAC 10 .1207;
- (3) provide a side-by-side comparison of the existing and modified forms and explain all broadenings and restrictions of coverage if the filing is a modification of an existing form; and
- (4) provide an index of forms contained in the filing.

*History Note: Authority G.S. 58-2-40; 58-3-150; 58-41-50;*  
*Eff. January 1, 1989;*  
*Amended Eff. August 1, 2002; July 18, 2002; May 1, 1994;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1207 FORM(S) QUESTIONNAIRE**

All Property and Casualty Insurance Companies shall submit the following information with all forms filings on a form prescribed by the commissioner:

- (1) name of the filer;
- (2) Federal Employer's 11 Digit Number;
- (3) filer's file number;
- (4) program title;
- (5) line(s) of insurance;
- (6) how many new forms and/or revised forms are being filed;
- (7) list all old form(s) being withdrawn and department file number(s);
- (8) explain the purpose(s) of this filing;
- (9) list the states where this filing has been made;
- (10) action taken by domiciliary state if form has been filed in that state;
- (11) list the states that have approved this filing;
- (12) list the states that disapproved this filing and reason(s) for disapproval;
- (13) copies of all required modifications referred to in Paragraph (12) of this Rule;
- (14) if the filing is similar or identical to a filing made with the N.C. Department of Insurance by a licensed bureau or licensed rating organization, complete the following:
  - (a) name of affiliated bureau or rating organization;
  - (b) name of bureau or rating organization program;
  - (c) identification number of bureau of rating organization program;
  - (d) are you a member, subscriber or service purchaser.
- (15) if the filing is similar or identical to a filing made with the N.C. Department of Insurance by a licensed insurance company in North Carolina, give the N.C. Insurance Department file number and approval date. Also, describe the difference(s) if any, between your form(s) and those of the previously approved program;
- (16) computer printed declarations pages should be completed in "John Doe" fashion;
- (17) proposed effective date and rule of implementation;
- (18) a certification of the accuracy of the filing by an officer of the company or head of the filings department.

*History Note:* Authority G.S. 58-2-40; 58-2-190; 58-3-150; 58-41-50;  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

#### **11 NCAC 10 .1208 HEALTH CARE PROVIDER DEFINED; CGL POLICIES**

As used in G.S. 54-40-140, "health care provider" includes any person who, under G.S. 90 is licensed, registered, or certified to engage in the practice of or performs duties associated with any of the following: medicine, surgery, dentistry, pharmacy, optometry, midwifery, osteopathy, podiatry, chiropractic, radiology, nursing, physiotherapy, pathology, anesthesiology, anesthesia, laboratory analysis, rendering assistance to a physician, dental hygiene, psychiatry, psychology; or a hospital as defined by G.S. 131E-76(3); or a nursing home as defined by G.S. 131E-101(6).

*History Note:* Authority G.S. 58-2-40; 58-40-140;  
Filed as a Temporary Adoption Eff. October 11, 1993 for a period of 180 days or until the permanent rule becomes effective, whichever is sooner;  
Eff. February 1, 1994;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

#### **11 NCAC 10 .1209 TRANSMITTAL HEADER**

All form filings shall be accompanied by a transmittal header, which shall include the company name, company state of domicile, NAIC number, company filer contact information, and filing information. The transmittal header is available at the Department's Internet web site ([www.ncdoi.com](http://www.ncdoi.com)), by writing the N.C. Department of Insurance, Property & Casualty Division, 3200 Beechleaf Court, 1201 Mail Service Center, Raleigh, NC 27699-1201, or by calling the Division at (919) 807-6075.

*History Note:* Authority G.S. 58-2-40; 58-3-150; 58-36-55; 58-45-45; 58-46-55;  
Eff. August 1, 2002;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017;

*Amended Eff. February 1, 2024; January 1, 2018.*

## **SECTION .1300 - NORTH CAROLINA JOINT UNDERWRITING ASSOCIATION**

### **11 NCAC 10 .1301 RATES: RATING PLANS: RATING RULES AND FORMS APPLICABLE**

Unless otherwise approved by the commissioner, the rates, rating plans, rating rules and forms applicable shall be in accordance with the most recent manual rates, rating plans, rating rules and forms promulgated by either the North Carolina Rate Bureau or the Insurance Services Office, Inc. and approved for usage in North Carolina.

*History Note: Authority G.S. 58-2-40; 58-46-1; 58-46-15; 58-46-20; 58-46-55;  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **11 NCAC 10 .1302 CHANGE TO RATES: RATING PLANS: RATING RULES: FORMS APPLICABLE**

Unless otherwise approved by the commissioner, any changes to the manual rates, rating plans, rating rules and forms promulgated by either the North Carolina Rate Bureau or the Insurance Services Office, Inc. and approved for usage in North Carolina shall be implemented no later than 30 days after the earliest permitted date.

*History Note: Authority G.S. 58-2-40; 58-46-1; 58-46-15; 58-46-20; 58-46-55;  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **11 NCAC 10 .1303 LOSS COST RATE FILINGS**

If the North Carolina Rate Bureau or the ISO Commercial Risk Services, Inc. makes a loss cost rate filing that requires the N.C. Joint Underwriting Association to make a filing in order to have final rates, the Association must make its filing within 60 days after the loss cost filing is a proper filing, as defined in G.S. 58-41-50(b) and (c), and is announced as available for use by the respective rating organization.

*History Note: Authority G.S. 58-2-40; 58-46-55;  
Eff. May 1, 1994;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

## **SECTION .1400 - NORTH CAROLINA INSURANCE UNDERWRITING ASSOCIATION**

### **11 NCAC 10 .1401 RATES: RATING PLANS: RATING RULES AND FORMS APPLICABLE**

Unless otherwise approved by the commissioner, the rates, rating plans, rating rules and forms applicable shall be in accordance with the most recent manual rates, rating plans, rating rules and forms promulgated by either the North Carolina Rate Bureau or the Insurance Services Office, Inc. and approved for usage in North Carolina.

*History Note: Authority G.S. 58-2-40; 58-45-5; 58-45-30; 58-45-35; 58-45-45; 58-45-75;  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **11 NCAC 10 .1402 CHANGES TO RATES: RATING PLANS: RATING RULES: FORMS APPLICABLE**

Unless otherwise approved by the commissioner, any change to the manual rates, rating plans, rating rules and forms promulgated by either the North Carolina Rate Bureau or the Insurance Services Office, Inc. and approved for usage in North Carolina shall be implemented no later than 30 days after the earliest permitted date.

*History Note: Authority G.S. 58-2-40; 58-45-5; 58-45-30; 58-45-35; 58-45-45; 58-45-75;  
Eff. January 1, 1989;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **11 NCAC 10 .1403 LOSS COST RATE FILINGS**

If the North Carolina Rate Bureau or ISO Commercial Risk Services, Inc. makes a loss cost rate filing that requires the N.C. Insurance Underwriting Association to make a filing in order to have final rates, the Association must make its filing within 60

days after the loss cost filing is a proper filing, as defined in G.S. 58-41-50(b) and (c), and is announced as available for use by the respective rating organization.

*History Note:* Authority G.S. 58-2-40; 58-45-45;  
Eff. May 1, 1994;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.

## **SECTION .1500 - MARKET CONDUCT EXAMINATION SECTION**

### **11 NCAC 10 .1501      FUNCTION OF SECTION 11 NCAC 10 .1502      REPORT AND COLLECTION PROCEDURES**

*History Note:* Filed as an Emergency Repeal Eff. April 25, 1979, for a Period of 120 Days to be Reinstated on August 23, 1979;  
Statutory Authority G.S. 57-10; 57A-18; 58-7.3; 58-9; 58-9.2; 58-18;  
58-25; 58-16; 58-16.2; 58-63; 58-25.1; 58-26; 58-27; 58-296;  
Eff. February 1, 1976;  
Readopted Eff. March 16, 1979;  
Repealed Eff. August 23, 1979;  
Transferred from T11.04 .0200 Eff. August 14, 1986;  
Transferred from T11.11G Eff. July 25, 1989.

### **11 NCAC 10 .1503      MAINTENANCE OF RECORDS 11 NCAC 10 .1504      COMPLAINT RECORDS**

*History Note:* Filed as an Emergency Repeal Eff. April 25, 1979, for a Period of 120 Days to be Reinstated on August 23, 1979;  
Statutory Authority G.S. 57-10; 58-9; 58-9.2; 58-15; 58-16; 58-25; 58-25.1; 58-26; 58-27;  
Eff. March 16, 1979;  
Repealed Eff. August 23, 1979;  
Transferred from T11.04 .0200 Eff. August 14, 1986;  
Transferred from T11.11G Eff. July 25, 1989.

### **11 NCAC 10 .1505      FUNCTION OF SECTION**

*History Note:* Authority G.S. 57-10; 57A-18; 58-7.3; 58-9; 58-9.2; 58-16; 58-25;  
58-25.1; 58-26; 58-27; 58-296;  
Eff. December 15, 1979;  
Transferred from T11.04 .0200 Eff. August 14, 1986;  
Repealed Eff. July 1, 1988;  
Transferred from T11.11G Eff. July 25, 1989.

### **11 NCAC 10 .1506      REPORT AND COLLECTION PROCEDURES 11 NCAC 10 .1507      MAINTENANCE OF RECORDS 11 NCAC 10 .1508      COMPLAINT RECORDS**

*History Note:* Authority G.S. 57-10; 58-9; 58-9.2; 58-15; 58-16; 58-16.2; 58-18; 58-25; 58-25.1;  
58-26; 58-27; 58-63;  
Eff. December 15, 1979;  
T11.10 .1506 transferred from T11.04 .0200 Eff. August 14, 1986;  
T11.10 .1506 transferred from T11.11G Eff. July 25, 1989;  
T11.10 .1507 transferred from T11.04 .0200 Eff. August 14, 1986;  
T11.10 .1507 transferred from T11.11G Eff. July 25, 1989;  
T11.10 .1508 transferred from T11.04 .0200 Eff. August 14, 1986;  
T11.10 .1508 transferred from T11.11G Eff. July 25, 1989;



*Repealed Eff. March 1, 1993.*

## **SECTION .1600 - PROSPECTIVE LOSS COSTS FILINGS**

### **11 NCAC 10 .1601 PURPOSE; SCOPE; APPLICABILITY**

(a) This Section specifies the system under which rating organizations and their participating insurers that elect to adopt a prospective loss cost system will operate. Under this system, rating organizations shall not develop or file advisory final rates, but shall develop and file advisory prospective loss costs and supporting actuarial and statistical data. Each insurer must independently and individually determine and file the rates it will use. Rating organizations will continue to develop and file rules, relativities, and supplementary rating information on behalf of their participating insurers.

(b) 11 NCAC 10 .1603 applies when a rating organization files advisory prospective loss costs. 11 NCAC 10 .1604 applies when a rating organization files supplementary rating information. 11 NCAC 10 .1603 and 11 NCAC 10 .1604 both apply when a rating organization files both advisory prospective loss costs and supplementary rating information. Each of these submittals shall be treated separately because different procedures will apply.

(c) Nothing in this Section requires rating organizations to cease filing advisory rates or prevents their participating insurers from adopting such rates. Rating organizations that desire to file rates shall complete a rate filing questionnaire according to 11 NCAC 10 .1107.

(d) This Section does not apply to nonfleet private passenger motor vehicle, homeowners, or dwelling fire insurance.

*History Note: Authority G.S. 58-2-40; 58-36-15; 58-37-35; 58-40-30; 58-41-50; 58-45-45; 58-46-55; Eff. February 1, 1991; Amended Eff. July 1, 1992; Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **11 NCAC 10 .1602 DEFINITIONS**

As used in this Section:

- (1) "Developed losses" means losses (including loss adjustment expenses) adjusted, using standard actuarial techniques, to eliminate the effect of differences between current payment or reserve estimates and those needed to provide actual ultimate loss (including loss adjustment expenses) payments.
- (2) "Expenses" means that portion of a rate attributable to acquisition, field supervision, and collection expenses; general expenses; and taxes, licenses, and fees.
- (3) "Loss cost multipliers" means provisions for expenses, profit, and variations in loss experience added by an individual insurer to prospective loss costs in order to produce final rates.
- (4) "Loss trending" means any procedure for projecting developed losses to the average date of loss for the period during which the policies are to be effective.
- (5) "Prospective loss costs" means that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit; and that is based on historical aggregate losses and loss adjustment expenses adjusted through development to their ultimate value and projected through trending to a future point in time.
- (6) "Rate" means the cost of insurance per exposure unit, whether expressed as a single number or as a prospective loss cost with loadings for expenses, profit, and variations in loss experience; prior to any application of individual risk variations based on loss or expense considerations. "Rate" does not include minimum premiums.
- (7) "Rating organization" includes a joint underwriting organization or a joint reinsurance organization.
- (8) "Supplementary rating information" includes any rating information other than rates by territory and by class; including but not limited to classification and territory definitions, various rating rules, increased limits factors, experience rating plans, and minimum premiums.

*History Note: Authority G.S. 58-2-40; 58-36-15; 58-37-35; 58-40-30; 58-41-50; 58-45-45; 58-46-55; Eff. February 1, 1991; Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

## **11 NCAC 10 .1603 RATE AND LOSS COSTS**

(a) A rating organization may develop and file a reference filing with the Department, which filing shall contain the advisory prospective loss costs, the underlying loss data, and other supporting statistical and actuarial information for any calculations or assumptions underlying those loss costs.

(b) After a reference filing has been made with the Department and determined by the Commissioner to be proper, the rating organization shall provide its participating insurers with a copy of the reference filing.

(c) A rating organization may print and distribute manuals of prospective loss costs, as well as supplementary rating information as described in 11 NCAC 10 .1604. After an initial prospective loss costs reference filing has been made by a rating organization and has been determined by the Commissioner to be proper, that rating organization shall no longer file any minimum premiums in this State.

(d) Each insurer must individually determine the final rates it will file and the effective date of any rate changes through an independent company decision-making process.

(e) If an insurer that is a member, subscriber, or service purchaser of a rating organization decides to use the prospective loss costs in a proper reference filing in support of its own filing, the insurer must submit a proper rate filing in accordance with 11 NCAC 10 .1107. In that filing, the insurer shall provide justification for the loss cost multipliers used in producing the final rates. The insurer's rates are the combination of the prospective loss costs and the insurer's loss cost multipliers.

(f) If an insurer files a modification of the prospective loss costs in a proper reference filing based on its own anticipated experience, supporting documentation shall be required.

(g) An insurer may vary expense loads by individual classification, grouping or subline of insurance. An insurer may use variable or fixed expense loadings or a combination of these to establish its expense loadings.

(h) If an insurer wishes to use a minimum premium of any type, a proper rate filing must be submitted to the Department.

(i) An insurer may file such other information that it deems to be relevant and shall provide such other information that is requested by the Department.

(j) An insurer may have its loss costs multiplier remain on file with the Department and reference all subsequent prospective loss costs reference filings. Upon receipt of subsequent rating organization reference filings, the insurer's rates shall be the combination of the prospective loss costs and the loss cost multiplier on file with the Department, and will be effective on or after the effective date of the prospective loss costs. The insurer need not file anything further with the Department.

(k) If an insurer that has filed to have its loss costs multiplier remain on file with the Department intends to delay, modify, or not adopt a particular rating organization's reference filing, the insurer must make a filing with the Department before the effective date of the reference filing.

(l) To the extent that an insurer's final rates are determined solely by applying its loss costs multiplier to the prospective loss costs contained in a rating organization's reference filing and printed in the rating organization's manual, the insurer need not develop or file its final rate pages with the Department.

(m) If an insurer has filed to have its loss cost multiplier remain on file, applicable to subsequent reference filings, and a new proper reference filing is filed:

- (1) If the insurer decides to use the prospective loss costs and effective date as filed, the insurer shall not file anything with the Department. The insurer's rates shall be the combination of the prospective loss costs and the on-file loss cost multiplier. The new rates shall become effective on the effective date of the loss costs.
- (2) If the insurer decides to use the prospective loss costs as filed, but with a different effective date, the insurer must notify the Department of its effective date before the effective date of the loss costs.
- (3) If the insurer decides to use the prospective loss costs, but wishes to change its loss cost multiplier, the insurer must make another filing in accordance with Paragraphs (d) through (f) of this Rule before the effective date of the loss costs.
- (4) If the insurer decides not to revise its rates using the prospective loss costs, the insurer must notify the Department before the effective date of the loss costs.

(n) If the insurer has not elected to have its loss cost multiplier remain on file, applicable to the future prospective loss cost reference filings, and a new proper reference filing shall be filed:

- (1) If the insurer decides to use the prospective loss costs to revise its rates, the insurer must file with the Department a rate filing in accordance with Paragraphs (d) through (f) of this Rule, including the effective date of the rates.
- (2) If an insurer decides not to use the revisions, the insurer is not required to make any filing with the Department.

*History Note:* Authority G.S. 58-2-40; 58-36-15; 58-37-35; 58-40-30; 58-41-50; 58-45-45; 58-46-55;

*Eff. February 1, 1991;*  
*Amended Eff. February 1, 1996;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1604 SUPPLEMENTARY RATING INFORMATION**

(a) A rating organization may submit a proper rate filing to the Department containing a revision of rules, relativities, or other supplementary rating information, on behalf of those insurers that have authorized the rating organization to make such submittal on their behalves. A rating organization may print and distribute manuals of rules, relativities, and other supplementary rating information, excluding minimum premiums.

(b) When an insurer has authorized a rating organization to file on its behalf, and a new filing of rules, relativities, and other supplementary rating information is filed and determined to be proper:

- (1) If the insurer decides to use the revisions and effective date as filed, the insurer is not required to make a filing with the Department.
- (2) If the insurer decides to use the revisions as filed but with a different effective date, the insurer must notify the Department before the rating organization's effective date.
- (3) If the insurer decides to use the revisions with modifications, the insurer must file supporting data for the changes with the Department for review and specify the basis for the modifications. This must be done before the rating organization's effective date.
- (4) If the insurer decides not to use the revisions, the insurer must notify the Department before the rating organization's effective date.

*History Note: Authority G.S. 58-2-40; 58-36-15; 58-37-35; 58-40-30; 58-40-40; 58-41-50; 58-45-45;*  
*58-46-55;*  
*Eff. February 1, 1991;*  
*Amended Eff. April 1, 1992;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

### **SECTION .1700 - LICENSING OF STATISTICAL ORGANIZATIONS**

#### **11 NCAC 10 .1701 GENERAL REQUIREMENTS**

Licenses issued under G.S. 58-36-4 and G.S. 58-40-50 shall be either monoline or multiline licenses. Applications for licenses shall be submitted to the North Carolina Department of Insurance, Attention: Deputy Commissioner, Property and Casualty Division, 1201 Mail Service Center, Raleigh, N.C. 27699-1201.

*History Note: Authority G.S. 58-2-40; 58-36-4; 58-40-50;*  
*Eff. October 1, 2006;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*

#### **11 NCAC 10 .1702 PROCEDURE FOR APPLICATION OF NEW LICENSE**

In addition to the information required under G.S. 58-36-4 and G.S. 58-40-50, the following information shall accompany all license applications:

- (1) The name and address of the statistical organization;
- (2) A list of the insurers who are service purchasers;
- (3) A list of the states where the organization is licensed;
- (4) A list of the lines of insurance involved; and
- (5) The names and addresses of all officers and managers.

*History Note: Authority G.S. 58-2-40; 58-36-4; 58-40-50;*  
*Eff. October 1, 2006;*  
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. January 3, 2017.*