

**Chapter 284-24 WAC
RATES**

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WAC

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DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

284-24-010 Statistical plans—Reporting loss and expense experience. [General Bulletin, filed 3/22/60.] Repealed by WSR 82-06-036 (Order R 82-1), filed 3/1/82. Statutory Authority: RCW 48.02.060.

284-24-015 Statistical plans and designation of statistical agents. [Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-015, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060, 48.19.080 and 48.19.370. WSR 90-13-041 (Order R 90-5), § 284-24-015, filed 6/14/90, effective 7/15/90. Statutory Authority: RCW 48.02.060. WSR 82-06-036 (Order R 82-1), § 284-24-015, filed 3/1/82.] Repealed by WSR 06-13-035 (Matter No. R 2005-02), filed 6/15/06, effective 7/16/06. Statutory Authority: RCW 48.02.060, 48.19.370.

284-24-020 Organizations designated as statistical agents. [General Bulletin, filed 3/22/60.] Repealed by WSR 82-06-036 (Order R 82-1), filed 3/1/82. Statutory Authority: RCW 48.02.060.

284-24-030 Nonsubscribing and nonmember carriers—Duties. [General Bulletin, filed 3/22/60.] Repealed by WSR 82-06-036 (Order R 82-1), filed 3/1/82. Statutory Authority: RCW 48.02.060.

284-24-035 Exempt insurance carriers. [General Bulletin of 5/1/49, filed 3/22/60.] Repealed by WSR 82-06-036 (Order R 82-1), filed 3/1/82. Statutory Authority: RCW 48.02.060.

284-24-040 Allocating indivisible premiums—"Homeowners policies." [Rule made 11/30/55, filed 3/22/60.] Repealed by WSR 82-06-036 (Order R 82-1), filed 3/1/82. Statutory Authority: RCW 48.02.060.

284-24-050 Catastrophe coverage. [Rule made 7/23/51, filed 3/22/60.] Repealed by WSR 82-06-036 (Order R 82-1), filed 3/1/82. Statutory Authority: RCW 48.02.060.

284-24-055 Fifteen-month refiling requirement. [Statutory Authority: RCW 48.02.060, 48.19.080 and 48.19.370. WSR 90-13-041 (Order R 90-5), § 284-24-055, filed 6/14/90, effective 7/15/90.] Repealed by WSR 94-20-059, filed 9/30/94, effective 10/30/94. Statutory Authority: RCW 48.02.060.

WAC 284-24-001 Definitions that apply to this chapter. Unless otherwise specified in rule, the definitions in this section apply throughout this chapter:

(1) "Advisory organization" means an entity not licensed under RCW 48.19.180 that files advisory rates with the commissioner.

(2) "Complete filing" means a package of information containing rates, supporting information, documents and exhibits submitted to the commissioner electronically using the System for Electronic Rate and Form Filing (SERFF).

(3) "Date filed" means the date a complete filing has been received and accepted by the commissioner.

(4) "Filer" means a person, organization or other entity that files insurance rates with the commissioner for an insurer.

(5) "Insurance" means the same as in RCW 48.01.040.

(6) "Insurer" means an insurer defined in RCW 48.01.050 to which the commissioner has issued a certificate of authority under chapter 48.05 RCW.

(7) "Member" or "subscriber" means an insurer that has paid a rating organization for services under RCW 48.19.050, and includes service purchasers.

(8) "NAIC" means the National Association of Insurance Commissioners.

(9) "Objection letter" means correspondence created in SERFF and sent by the commissioner to the filer that:

(a) Requests clarification, documentation or other information;

(b) Explains errors or omissions in the filing; or

(c) Disapproves the filing under RCW 48.19.100.

(10) "Property and casualty insurance" means these types of insurance:

(a) Property insurance defined in RCW 48.11.040;

(b) Marine and transportation insurance defined in RCW 48.11.050;

(c) Vehicle insurance defined in RCW 48.11.060;

(d) General casualty insurance defined in RCW 48.11.070; and

(e) Surety insurance defined in RCW 48.11.080.

(11) "Rate" or "rates" means all classification manuals, loss costs, rate or rule manuals, rating plans, rating schedules, minimum rates, class rates, and rating rules that insurers must file under RCW 48.19.040 and 48.19.043.

(12) "Rating organization" or "bureau" means an entity licensed under RCW 48.19.180 that files rates on behalf of its members, subscribers, or service purchasers.

(13) "SERFF" means the System for Electronic Rate and Form Filing. SERFF is a proprietary NAIC computer-based application that allows insurers and other entities to create and submit rate, rule and form filings electronically to the commissioner.

(14) "Type of insurance" means a specific type of insurance listed in the *Uniform Property and Casualty Product Coding Matrix* published by the NAIC and available at www.naic.org.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-001, filed 10/15/08, effective 2/1/09.]

WAC 284-24-005 Purpose and scope of this chapter. The purpose of this chapter is to adopt processes and procedures for insurers and filers to use when they submit property and casualty insurance rates and rules with the commissioner under chapter 48.19 RCW. This chapter:

(1) Applies to insurers, advisory organizations and rating organizations that file property or casualty insurance rates under RCW 48.19.040 and 48.19.043; and

(2) Does not apply to insurers or insurance scoring model vendors that file insurance scoring models under RCW 48.19.035 and chapter 284-24A WAC.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-005, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-005, filed 10/7/98, effective 11/7/98.]

WAC 284-24-007 Filing documents incorporated by reference into this chapter. SERFF is a dynamic application that the NAIC will revise and enhance over time. To be consistent with NAIC filing standards and provide timely instructions to filers, the commissioner will incorporate documents posted on the SERFF web site into this chapter. By reference, the commissioner incorporates these documents into this chapter:

- (1) The *SERFF Industry Manual* posted on the SERFF web site (www.serff.com); and
- (2) The *Washington State SERFF Property and Casualty Rate Filing General Instructions* posted on the commissioner's web site (www.insurance.wa.gov).

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-007, filed 10/15/08, effective 2/1/09.]

WAC 284-24-011 General rate filing rules. Effective February 1, 2009, filers must submit complete rate filings that comply with the *SERFF Industry Manual* posted on the SERFF web site (www.serff.com) and the *Washington State SERFF Property and Casualty Rate Filing General Instructions* posted on the commissioner's web site (www.insurance.wa.gov). All rate filings must comply with these rules:

- (1) Filers must submit all rate filings and related documents to the commissioner electronically using SERFF.
- (2) Filers must send all written correspondence related to a rate filing in SERFF.
- (3) Each rate filing must be:
 - (a) Accurate and internally consistent; and
 - (b) Submitted separately by type of insurance.
- (4) Filers must not submit combined rate and form filings.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-011, filed 10/15/08, effective 2/1/09.]

WAC 284-24-016 The commissioner may reject filings. (1) The commissioner may reject and close any filing that does not comply with WAC 284-24-011. If the commissioner rejects a filing, the insurer has not filed rates with the commissioner.

(2) If the commissioner rejects a filing and the filer resubmits it as a new filing, the date filed will be the date the commissioner receives and accepts the new filing.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-016, filed 10/15/08, effective 2/1/09.]

WAC 284-24-021 Rules for rejected rate filings made under RCW 48.19.043. RCW 48.19.043(2) says an insurer must file rates within thirty days after the date the insurer first uses them. If the commissioner rejects a filing under WAC 284-24-016, the insurer has not filed rates with the commissioner. If the commissioner rejects a filing submitted under RCW 48.19.043, the:

- (1) Filer must promptly send a new rate filing to the commissioner within the original thirty-day use and file period in RCW 48.19.043(2); or

(2) Insurer must stop using the rates sent with the rejected filing and amend policies using approved rates.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-021, filed 10/15/08, effective 2/1/09.]

WAC 284-24-041 Filing authorization rules. An insurer may authorize a rating organization or third-party filer to file rates on its behalf. For the purposes of this section, a "third-party filer" means a person or entity in the business of providing insurance regulatory compliance services.

(1) If an insurer delegates filing authority to a third-party filer, each filing must include a letter as supporting documentation signed by an officer of the insurer authorizing the third-party filer to make filings on behalf of the insurer.

(2) The insurer may not delegate responsibility for the content of a filing to a third-party filer. The commissioner considers errors and omissions made by the third-party filer to be errors and omissions of the insurer.

(3) If a third-party filer has a pattern of making filings that do not comply with this chapter, the commissioner may reject a delegation of filing authority from the insurer.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-041, filed 10/15/08, effective 2/1/09.]

WAC 284-24-046 Rating organization "bureau" rules. Under RCW 48.19.050, an insurer may authorize a bureau to file rates on its behalf. This section applies to members or subscribers that have granted filing authority to a bureau.

(1) Bureau members or subscribers must follow instructions provided by the bureau when they implement, delay or nonadopt a bureau rate filing that has been approved by the commissioner.

(2) If the insurer has authorized the rating organization to make filings on its behalf, the insurer is not required to file new bureau rates with the commissioner, except as provided under WAC 284-24-062.

(3) The insurer must make a filing with the commissioner if an insurer delays the effective date, nonadopts or changes a filing in any way. The filing must:

(a) Include a statement of the changes proposed by the insurer;

(b) Provide the filing number used by the bureau when it filed rates with the commissioner; and

(c) Be received by the commissioner in a timely manner.

(4) Under this section, "timely" means:

(a) Before the bureau effective date if the filing is made under RCW 48.19.040; or

(b) Thirty days after the bureau effective date if the filing is made under RCW 48.19.043.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-046, filed 10/15/08, effective 2/1/09.]

WAC 284-24-049 Rules that apply to advisory organizations. (1) Advisory organizations may file rates with the commissioner. The com-

missioner will review the advisory rates using the same standards that apply to insurers and rating organizations. If the rates comply with chapter 48.19 RCW, the commissioner will approve the rates on an advisory basis.

(2) If an insurer wants to use approved advisory rates, the insurer must make a rate filing that includes:

(a) A statement by the insurer of its intent to use the advisory rates;

(b) The filing number used by the advisory organization when it submitted the filing; and

(c) Statistical and actuarial support for each component of the rate filing that is not part of the advisory filing.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-049, filed 10/15/08, effective 2/1/09.]

WAC 284-24-051 Rules for responding to objection letters. If the commissioner disapproves a filing under RCW 48.19.100, the objection letter will state the reason(s) for disapproval, including relevant law and administrative rules. Filers must:

(1) Provide a complete response to an objection letter. A complete response includes:

(a) A separate response to each objection; and

(b) If appropriate, revised exhibits and supporting documentation.

(2) Respond to the commissioner in a timely manner.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-051, filed 10/15/08, effective 2/1/09.]

WAC 284-24-060 Suspension of filing requirements for surplus lines insurance. Under RCW 48.19.080, the rate filing requirements in chapter 48.19 RCW are suspended for surplus line coverages. Insurers are not required to file rates for surplus line insurance policies placed in this state under chapter 48.15 RCW.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-060, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-060, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060. WSR 94-20-059, § 284-24-060, filed 9/30/94, effective 10/31/94. Statutory Authority: RCW 48.02.060, 48.19.080 and 48.19.370. WSR 90-13-041 (Order R 90-5), § 284-24-060, filed 6/14/90, effective 7/15/90. Statutory Authority: RCW 48.02.060 (3)(e). WSR 86-24-043 (Order R 86-7), § 284-24-060, filed 11/26/86. Statutory Authority: RCW 48.02.060. WSR 82-06-036 (Order R 82-1), § 284-24-060, filed 3/1/82.]

WAC 284-24-062 Loss cost filing rule. (1) The following definitions apply to this rule:

(a) "Prospective loss cost" means that portion of a rate that:

(i) Provides only for losses and loss adjustment expenses;

(ii) Does not provide for expenses or profit; and

(iii) 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.

(b) "Loss cost adjustment" means a factor by which prospective loss costs are multiplied to obtain final rates. A loss cost adjustment must take into account:

- (i) Operating expenses;
- (ii) Underwriting profit (or loss) and contingencies;
- (iii) Investment income;
- (iv) Dividends, savings, or unabsorbed premium deposits allowed or returned to policyholders, members, or subscribers;
- (v) Variations in loss experience unique to the insurer making the filing; and
- (vi) Other relevant factors, if any.

(c) "Rate" means the cost of insurance per exposure unit, whether expressed as a single number or separately as prospective loss cost and loss cost adjustment, before application of individual risk variations permitted under WAC 284-24-100. Under this definition, a rate does not include minimum premiums or supplementary rating information.

(d) "Supplementary rating information":

- (i) Means any manual or plan of policy writing rules, rating rules, classification system, territory codes and descriptions, rating plans, or any other similar information needed to determine the premium that applies to an insured; and
- (ii) Includes factors and relativities, such as increased limits factors, package modification factors, classification relativities, and deductible relativities.

(2) Under RCW 48.19.080, the commissioner may modify the rate filing requirements in chapter 48.19 RCW. This rule modifies the rate filing requirements to permit rating and advisory organizations to make reference filings of prospective loss costs.

(a) Prospective loss costs filings must contain statistical data and supporting information for all calculations and assumptions underlying the prospective loss costs, but do not need to provide the information required by RCW 48.19.040 (2)(b) and (c). Prospective loss costs filings must be approved by the commissioner before use by any insurer as a reference document.

(b) To use rates based on loss costs, a member or subscriber must make a loss cost adjustment filing, under the applicable provisions of RCW 48.19.040 or 48.19.043. The filer must attach completed copies of these forms to the supporting documentation tab:

- (i) A Washington Reference Filing Adoption Form;
- (ii) A Washington Summary of Supporting Information Form for each loss cost adjustment factor; and
- (iii) For each loss cost adjustment with which an expense constant is used, a Washington Expense Constant Supplement.

(c) A member or subscriber may use rates based on the bureau's or advisory organization's prospective loss costs without complying with the requirements of RCW 48.19.040 and 48.19.043 if the:

- (i) Commissioner has approved the loss cost reference document;
- (ii) Insurer has an approved loss cost adjustment on file with the commissioner and proposes no changes to it; and
- (iii) Insurer will begin using the prospective loss costs on the date proposed by the rating organization and approved by the commissioner.

(d) After the commissioner has approved a loss cost reference document filing for an advisory organization or bureau and the filing

has become effective, the new prospective loss costs supersede all earlier loss cost filings by that organization. Insurers must not make loss cost adjustment filings using prospective loss costs that have been superseded.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-062, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-062, filed 10/7/98, effective 11/7/98.]

WAC 284-24-065 Demonstration that rates satisfy the requirements of RCW 48.19.020.

(1) When an insurer or rating organization files rates with the commissioner, it must demonstrate that the proposed rates satisfy the requirements of chapter 48.19 RCW. RCW 48.19.020 requires that premium rates for insurance are not excessive, inadequate, or unfairly discriminatory. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer. Such costs include claims, claim settlement expenses, operational and administrative expenses, and the cost of capital.

(2) For the purposes of this section, "operating ratio" means the sum of after-tax underwriting profit (or loss) and after-tax investment income on assets corresponding to unearned premium reserves and loss and loss adjustment expense reserves, divided by premium.

(3) For liability insurance, if the increased limits factors include risk loads, the proportion of the expected premium (net of expenses) arising from the risk loads for all policy limits must be included in the expected underwriting profit or loss.

(4) The commissioner will not consider rates excessive if the expected operating ratio corresponding to the proposed rate level is less than or equal to five percent.

(5) The commissioner will not consider rates inadequate if the expected operating ratio corresponding to the proposed rate level is greater than or equal to zero.

(6) When an insurer, advisory organization, or rating organization files rates for which the expected operating ratio corresponding to the proposed rate level is less than zero or greater than five percent, it must demonstrate that the proposed rates are consistent with the principles stated in subsection (1) of this section. In other words, the insurer or rating organization must show how it has accounted for all expected costs, including claims, claim settlement expenses, operational and administrative expenses, and the cost of capital.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-065, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.020, 48.19.080. WSR 05-22-061 (Matter No. R 2003-05), § 284-24-065, filed 10/31/05, effective 1/1/06. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-065, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060 and 48.19.080. WSR 91-01-073 (Order R 90-13), § 284-24-065, filed 12/17/90, effective 1/17/91.]

WAC 284-24-070 Rules for risks if there are no rate manuals.

(1) Under RCW 48.19.080, the commissioner may waive insurance rate filing requirements in chapter 48.19 RCW. Except as described in subsection (2) of this section, the commissioner will waive rate filing requirements for individual risks or classes of insurance for which the insurer has no classification plan, rate, guide rate, range of rates or rating rule. This section applies to these classes of insurance:

(a) A class in which risks are so different from each other that no rate or range of rates could be representative of all;

(b) A class that does not develop enough loss experience to warrant any credibility for ratemaking purposes; or

(c) Policies involving a new product or coverage for which there is no appropriate analogy to similar exposures for ratemaking purposes.

(2) A rating rule for the classes of insurance described in subsection (1) of this section must be filed with the commissioner. The rating rule must display the symbol "(a)" or include a statement that risks in the class must be submitted to the insurer for rating.

(3) The insurer's rating of a refer-to-company risk must be based on a documented underwriting analysis of:

(a) Specific characteristics related to potential for loss;

(b) Analogy to similar exposures; and

(c) Available loss frequency and severity data.

(4) Examples of unclassified risks for which "(a)" or refer-to-company rating is appropriate risks include but are not limited to:

(a) Manufacturing and construction risks, such as:

(i) Ammunition manufacturing;

(ii) Dam construction;

(iii) Irrigation works operation; and

(iv) Logging railroad—operation and maintenance.

(b) Owners, landlord and tenants risks, such as:

(i) Amusement devices, designed for small children only, not otherwise classified (NOC);

(ii) Christmas tree lots—open air;

(iii) Bleachers or grandstands;

(iv) Dude ranches;

(v) Firing ranges—indoor;

(vi) Parks or playgrounds; and

(vii) Zoos.

(c) Product risks, such as:

(i) Aircraft or aircraft parts manufacturing;

(ii) Ball or roller bearing manufacturing;

(iii) Chemical manufacturing—household—NOC;

(iv) Discontinued operations—products;

(v) Electronic component manufacturing;

(vi) Firearms manufacturing—over .50 caliber;

(vii) Instrument manufacturing—NOC;

(viii) Levee construction;

(ix) Machinery or machinery parts manufacturing;

(x) Pharmaceutical or surgical goods manufacturing;

(xi) Products—NOC;

(xii) Sign manufacturing—NOC;

(xiii) Tank manufacturing—metal—not pressurized;

(xiv) Textile coating or impregnating;

(xv) Tool manufacturing—hand type—powered;

- (xvi) Valves manufacturing;
- (xvii) Wheels manufacturing;
- (xviii) Wire goods manufacturing—NOC; and
- (xix) Wood products manufacturing—NOC.

(5) Insurers writing risks subject to this section must keep separate documentation, including loss experience, on each risk written and must provide the documentation to the commissioner upon request.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-070, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-070, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060. WSR 82-06-036 (Order R 82-1), § 284-24-070, filed 3/1/82.]

WAC 284-24-080 Rate filings rule for inland marine risks. Under RCW 48.19.030 and 48.19.070, insurers are not required to file rates with the commissioner for certain inland marine risks that are not written according to manual rates or rating plans. The following inland marine classes of risks, which are characterized by large numbers of insureds and homogeneous loss exposure, are written according to manual rates or rating plans and must be filed under chapter 48.19 RCW. Manual rates, classification or rating plans that apply to the following types of risks must be filed with the commissioner:

- (1) Accounts receivable coverage;
- (2) Agricultural machinery, farm equipment and livestock coverage;
- (3) Bicycle floater;
- (4) Boatowners' insurance or coverage for pleasure boats twenty-six feet and under in length;
- (5) Camera floater;
- (6) Camera and musical instrument dealers;
- (7) Commercial articles coverage (photographic equipment and musical instruments);
- (8) Equipment dealers coverage;
- (9) Film coverage form;
- (10) Fine arts private collections;
- (11) Floor plan merchandise coverage;
- (12) Fur dealers;
- (13) Hardware dealers;
- (14) Implement dealers;
- (15) Garment contractors;
- (16) Golfer's equipment floater;
- (17) Jewelry dealers;
- (18) Mail coverage;
- (19) Personal articles floater;
- (20) Personal effects floater;
- (21) Personal furs or fur floater;
- (22) Personal jewelry or jewelry floater;
- (23) Personal property floater;
- (24) Physicians' and surgeons' equipment coverage;
- (25) Portable electronics as defined in RCW 48.120.005;
- (26) Signs coverage;
- (27) Silverware floater;
- (28) Stamp and coin collection floater;

- (29) Travel coverage other than accident and sickness;
- (30) Valuable papers and records; and
- (31) Wedding presents.

[Statutory Authority: RCW 48.02.060 and 48.120.050. WSR 13-14-099 (Matter No. R 2013-07), § 284-24-080, filed 7/2/13, effective 8/2/13. Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-080, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-080, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060 (3)(e). WSR 86-24-043 (Order R 86-7), § 284-24-080, filed 11/26/86. Statutory Authority: RCW 48.02.060. WSR 82-06-036 (Order R 82-1), § 284-24-080, filed 3/1/82.]

WAC 284-24-100 Schedule rating plan rules. (1) An insurer may file a schedule rating plan for the following monoline or packaged types or subtypes of insurance:

- (a) Commercial automobile;
- (b) Commercial crime;
- (c) Commercial fidelity and surety;
- (d) Commercial general liability;
- (e) Commercial inland marine;
- (f) Commercial multiperil; and
- (g) Commercial property.

(2) A schedule rating plan must provide for no more than a twenty-five percent credit (reduction) or debit (charge). A schedule rating plan must not be combined with other rating plans or rating rules in such a way that the schedule rating affects the premium by more than twenty-five percent.

(3) If an expense modification rule does not prescribe specific credits or debits for particular situations the commissioner will consider it similar to schedule rating. In this case, the combined effect of schedule and expense modifications must not exceed twenty-five percent.

(4) If an expense modification plan prescribes specific credits for particular situations, such as various premium size ranges or commission levels, the insurer is not required to include these credits or debits in the twenty-five percent schedule rating maximum.

(5) A schedule rating plan must provide for an objective analysis or risk by the insurer and be based on specific information that support the rating decision. An insurer may consider these types of risk factors:

- (a) Management capacity for loss control and risk improvement, including financial and operating performance.
- (b) Condition and upkeep of premises and equipment.
- (c) Location of risk and suitability of occupancy.
- (d) Quality of fire and police protection.
- (e) Employee training, selection, supervision, or similar elements.
- (f) Type of equipment.
- (g) Safety programming.
- (h) Construction features and maintenance.
- (i) Classification variances, including differences from average hazards.

(6) If a risk is rated below average (debited) under a schedule rating plan, the insurer must advise an insured or applicant, upon

timely request, of the factors that led to the adverse rating so that the insured or applicant can take appropriate corrective action.

(7) The insurer must administer each schedule rating plan equitably and apply it fairly to every eligible applicant or insured.

(8) The insurer must keep documentation that supports the development of individual risk modifications for the later of three years or the end of the next regular examination conducted by its home state insurance regulator.

(a) The insurer must make these documents available for examination by the commissioner upon request.

(b) The records must include copies of all documentation used in the development of each individual risk modification, even if a credit or debit does not result.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-100, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-100, filed 10/7/98, effective 11/7/98. Statutory Authority: RCW 48.02.060, 48.19.080 and 48.19.370. WSR 90-13-041 (Order R 90-5), § 284-24-100, filed 6/14/90, effective 7/15/90. Statutory Authority: RCW 48.02.060. WSR 85-23-031 (Order R 85-4), § 284-24-100, filed 11/14/85.]

WAC 284-24-110 An insurer must make a rate filing to change zip code boundaries. (1) An insurer must not change an insured's rates solely because the insured's zip code has been changed by the United States Postal Service. This section does not prohibit insurers from using zip codes to define rating territories.

(2) The zip code boundaries approved by the commissioner determine the physical boundaries of each territory. The insurer must make a new rate filing to change the physical boundaries of a rating territory.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-110, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060, 48.19.080, 48.19.370 and 48.19.020. WSR 98-20-102 (Matter No. R 98-4), § 284-24-110, filed 10/7/98, effective 11/7/98.]

WAC 284-24-115 Effective date rules. (1) Filers must include a common effective date for all rates submitted in a filing. If a filer includes a request in the filing, an insurer may use a different effective date for renewal policies, subject to a maximum interval of sixty days.

(2) The proposed effective date must be a specific date.

(a) Vague statements, such as one that says the insurer will implement a filing thirty days after approval is not specific, and does not comply with this section.

(b) If an insurer is filing a new program or optional coverage, the filer may request an effective date concurrent with the commissioner's approval.

(3) The proposed effective date must be consistent with Washington law. Rates filed under RCW 48.19.043 must propose an effective date no more than thirty days before the date filed.

(4) If an insurer revises the effective date of a filing, the commissioner must receive the request in SERFF before the original effective date of the filing.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-115, filed 10/15/08, effective 2/1/09.]

WAC 284-24-120 Rate filing requirements are suspended for large commercial accounts. (1) Under RCW 48.19.080, the commissioner will suspend the rate filing requirements in chapter 48.19 RCW for large commercial property and casualty accounts.

(2) For purposes of this section, "large commercial property and casualty account" means property and casualty insurance as defined in WAC 284-24-001(10) that is purchased by a business, not-for-profit organization, or public entity with enough insurance buying experience to negotiate with insurers in a largely unregulated environment and that meets any two of the following criteria:

(a) Annual premiums of one hundred thousand dollars or more, excluding workers compensation insurance issued by the department of labor and industries and types of insurance listed in subsection (6) of this section;

(b) Net revenues or sales in excess of one hundred million dollars;

(c) More than two hundred employees;

(d) Net worth over fifty million dollars;

(e) Is a not-for-profit organization or public entity with an annual budget or assets of at least forty-five million dollars;

(f) Is a municipality with a population over fifty thousand.

(3) Before an insurer issues coverage under this section, the insurer or its insurance producer must notify the insured in writing that the rates have not been and will not be filed with the commissioner for approval.

(4) The Washington Insurance Examining Bureau will not audit rates used on large commercial property casualty accounts under WAC 284-20-006.

(5) The commissioner may examine rates used for pricing large commercial property and casualty accounts to determine if they meet the requirements of chapter 48.19 RCW and Title 284-24 WAC. If an insurer relies on this section to issue a policy, the insurer must keep supporting documentation for the underlying rates and final premium determination for a minimum of three years after the policy is issued and make it available to the commissioner upon request.

(6) Subsection (1) of this section does not apply to:

(a) Professional liability insurance, including all types of malpractice and errors and omissions insurance;

(b) Reimbursement insurance policies that indemnity service contract providers or protection product guarantee providers for contractual obligations assumed under a service contract or protection product guarantee; and

(c) Master policies under which certificates of coverage are issued to individual consumers, households, businesses, or other organizations.

[Statutory Authority: RCW 48.02.060, 48.110.150. WSR 08-21-091 (Matter No. 2007-11), § 284-24-120, filed 10/15/08, effective 2/1/09. Statutory Authority: RCW 48.02.060 and 48.19.080. WSR 07-09-085 (Matter No. R

2006-12), § 284-24-120, filed 4/17/07, effective 5/18/07. Statutory Authority: RCW 48.02.060, 48.18.100(6), and 48.19.080. WSR 04-01-175 (Matter No. R 2003-04), § 284-24-120, filed 12/23/03, effective 1/23/04. Statutory Authority: RCW 48.02.060, 48.18.100, 48.19.080. WSR 02-02-068 (Order R 2001-09), § 284-24-120, filed 12/28/01, effective 12/31/01. Statutory Authority: RCW 48.02.060 and 48.19.080. WSR 99-23-068 (Matter No. R 99-5), § 284-24-120, filed 11/15/99, effective 12/16/99.]

WAC 284-24-130 Rate stability rules. (1) This section prescribes standards that apply to insurers' rate stability rules, which are also sometimes called "transition rules" or "premium-capping rules." For the purposes of this section, a "rate stability rule" means a rating rule created by an insurer to limit premium changes experienced by policyholders due to the insurer's:

- (a) Revision of its own rating plan;
 - (b) Acquisition or planned acquisition of a book of business from an unaffiliated insurer; or
 - (c) Moving or receiving business from an affiliated insurer.
- (2) Insurers must file rate stability rules with the commissioner under RCW 48.19.040(1) and 48.19.043(2). If an insurer has a rate stability rule, it must be included in its filed manual of rates and rules.

(3) Subsections (4) through (11) of this section apply only to personal lines of property and casualty insurance and only to rate stability rules filed on or after the effective date of this section.

(4) In the rate filing review process, rate stability rules that do not satisfy the requirements of this section will be considered to be unfairly discriminatory and in violation of RCW 48.19.020.

(5) Insurers must not use rate stability rules as:

- (a) A means of extending the applicability of a previously filed rate stability rule; or
- (b) A substitute for multiple filings of base rate changes or other rate changes that have similar premium effects on all policyholders. For example, if an insurer desires a twenty-one percent rate increase across the board, it cannot file a rate stability rule that has the effect of implementing two ten percent changes one year apart.

(6) In each rate filing that proposes a rate stability rule the insurer must describe the circumstances, under subsection (1) of this section, that make a rate stability rule necessary.

(7) Each rate stability rule must specify the class or classes of risks to which it applies. Only policyholders affected by one of the situations described in subsection (1) of this section may be subject to a rate stability rule.

(8) Each rate stability rule must apply only to that portion of the premium change that results from one of the situations described in subsection (1) of this section. A rate stability rule must not apply to premium changes resulting from changes in coverage, exposure, or policyholder characteristics, or from subsequent rate changes by the insurer.

(9) Each rate stability rule must state the date or number of renewals after which the rule will no longer be in effect. A rate stability rule may not continue to affect premiums for new or renewal policies having effective dates that are more than three years after the effective date of the rate stability rule.

(10) A rate stability rule must affect only policyholders who would otherwise experience a premium change of more than ten percent for an annual policy, or five percent for a six-month policy, due to one of the situations described in subsection (1) of this section. The rate stability rule must not limit the policyholder's premium change to less than ten percent for an annual policy, or five percent for a six-month policy, at each renewal.

(11) In each rate filing after the implementation of a rate stability rule, the insurer must take into consideration, in an actuarially sound manner, the effect of the rate stability rule on the indicated rate level.

[Statutory Authority: RCW 48.02.060, 48.19.370, and 48.19.080. WSR 12-22-021 (Matter No. R 2011-17), § 284-24-130, filed 10/29/12, effective 1/1/13.]

WAC 284-24-140 Updating insurance scores. (1) This section applies to insurers using insurance scores for rating of personal insurance under the provisions of RCW 48.19.035.

(2) If an insurer uses insurance scores to calculate renewal premiums, the insurer must:

(a) Update each policyholder's insurance score no less often than once every three years; and

(b) Calculate premiums for each policy using the insurer's most recently determined insurance score for the policy.

(3) For the purposes of this section, if an insurance score is used to assign a policy to a particular rating class or rating tier, then it is considered using an insurance score to calculate renewal premiums if the insurer:

(a) Leaves that policy in the same rating class or rating tier upon renewal; or

(b) Assigns the policy to a rating class or rating tier that depends on the prior insurance-score-based rating class or rating tier.

(4) When an insurer updates an insurance score, it must update all information necessary to determine the insurance score, rather than partially update the score. This process must include updating credit information on policyholders who were previously classified as "no hit" or "no score," as defined in WAC 284-24A-055(2).

(5) An insurer's filed manual of rates and rules should specify the conditions under which insurance scores will be updated and how updated insurance scores will be used in the calculation of renewal premiums. If, however, an insurer uses insurance scores to calculate renewal premiums and its filed manual of rates and rules does not specify the conditions under which insurance scores will be updated, the insurer must update each policyholder's insurance score at each renewal.

(6) In the rate filing process, rates and rating rules that do not satisfy the requirements of this section will be considered to be unfairly discriminatory and in violation of RCW 48.19.020.

(7) Nothing in this section prohibits an insurer from:

(a) Updating insurance scores more frequently than once every three years, including updating insurance score upon policyholder request; or

(b) Using a rating system that includes insurance scores in the rating of new business but not in the rating of renewal business.

(8) This section applies to rates and rating rules in effect on and after January 1, 2017.

[Statutory Authority: RCW 48.02.060, 48.19.035, and 48.19.080. WSR 16-18-047 (Matter No. R 2015-15), § 284-24-140, filed 8/31/16, effective 10/1/16.]