WAC 284-34-220 What rates may an insurer use for its direct business? (1) An insurer may file rates that are equivalent to the prima facie rates in WAC 284-34-150 and 284-34-170 and use those rates without further proof of their reasonableness.

(2) An insurer must file rates and supporting actuarial documentation if it proposes:

(a) Policy provisions more restrictive than those allowed for prima facie rates; or

(b) Rates higher than those developed according to the standard case rating procedure.

(3) An insurer must file rates in a manner that permits public disclosure of the rates and their application as described in a supporting actuarial memorandum. If an insurer wants the commissioner to withhold experience and proprietary rate development methods from public disclosure to preserve trade secrets or prevent unfair competition, the insurer must:

(a) File that information in a separate actuarial memorandum; and

(b) Clearly identify the information that is confidential.

(4) Any filings that do not include all data and calculations required by this section will be disapproved and returned to the insurer.

(5) An insurer may file rates that are higher than the prima facie rates included in WAC 284-34-150 and 284-34-170. The rates must be adjusted under WAC 284-34-210 and result in benefits that are reasonable in relation to the premium charged. When evaluating deviations, the commissioner will:

(a) Evaluate the insurer's total consumer credit insurance business, including insurance written by affiliated insurers, for each type of consumer credit insurance for which a rate deviation is being filed.

(b) Consider whether the insurer can be reasonably expected to develop a sixty percent loss ratio.

(c) Evaluate the actuarial justification to see if it proves that the benefits will be reasonable in relation to premium charged. The insurer must submit actuarial justification that includes:

(i) All calculations and supporting data required for the standard case rating procedure set forth in WAC 284-34-220(10). The insurer must show the loss ratio the rates are expected to develop.

(ii) An actuarial memorandum that:

(A) Explains the calculations of all elements affecting earned premiums or incurred claims; and

(B) Projects experience from inception to equilibrium or termination.

(6) The insurer must specify the account or accounts to which the deviated rates apply.

(7) A deviated rate may be applied:

(a) Uniformly to all accounts of the insurer;

(b) Equitably to only one or more accounts of the insurer for which the experience has been less favorable than expected; or

(c) According to a case-rating procedure approved by the commissioner. The insurer must compare the rates developed by the proposed case-rating procedure to the rates developed by the standard case-rating procedure set forth in WAC 284-34-220(10).

(8) A deviated rate may be in effect for a period no longer than the experience period used to establish the rate (i.e., one-year, two-years or three-years). An insurer may file a new rate before the end

of a rate period, but no more than once during any twelve-month period.

(9) A deviated rate may be used only by the insurer that filed the rate. If an account changes insurers, the rates approved for the prior insurer may not be used by the succeeding insurer.

(10) Standard case rating procedure. An insurer may file rates calculated using this standard case rating procedure. If an insurer decides to use this procedure, the insurer must use it to rate all of its credit insurance in this state. Once an insurer selects this procedure, the insurer must continue to use it until a different procedure has been approved by the commissioner.

(a) Account case rate. The case rate for an account is determined as follows:

(i) If the account is a single account case or a multiple account case, the case rate must be determined by the formula in (b) of this subsection.

(ii) If the account is in a pooled account case, the case rate for each account must be determined by the formula set forth in (b) of this subsection.

(iii) If the account is new and the insurer has no experience in this state, the case rate for the account will be the prima facie rate under WAC 284-34-150 and 284-34-170.

(b) New case rate. The new case rate, NCR, is the sum of:

(i) The adjusted expense loading, AE; and

(ii) The prima facie rate, PFR, times the credibility adjusted case loss ratio at prima facie basis, CLR.

(iii) Formula: $NCR = AE + PFR \times CLR$.

(c) Definitions:

(i) NCR is equivalently redefined in (d) of this subsection.

(ii) ALR is the actual loss ratio for the case at prima facie rates.

(iii) ELR is the minimum loss ratio, equal to sixty percent.

(iv) Z is the credibility factor for the case.

(v) CLR is the sum of Z times ALR and (1-Z) times ELR.

(vi) E is the expense loading in the prima facie rate, equal to forty percent of the prima facie rate.

(d) Formulas:

(i) If CLR is less than ELR for credit life insurance or credit accident and health insurance, then $AE = E$, and $NCR = PFR[1 - (ELR - CLR)]$.

(ii) If CLR is greater than ELR for credit life insurance, $AE = E + .1(CLR - ELR)$, and $NCR = PFR[1 + 1.1(CLR - ELR)]$.

(iii) If CLR is greater than ELR for credit accident and health insurance, $AE = E + .2(CLR - ELR)$, and $NCR = PFR[1 +1.2(CLR - ELR)]$.

(e) The new case rate will be the current case rate if the new case rate, as defined above, does not differ by more than five percent of the prima facie rate from the current case rate.

(f) If an insurer has filed deviated rates or has elected to use the standard case rating procedure, the insurer must file a new schedule of rates after it submits the credit insurance experience exhibit.

(i) This filing must include an actuarial memorandum that proves the new rates are appropriate and explains any differences in the character of the claim reserves and liabilities as reported in its:

(A) Exhibit 6 (claim reserves) and Exhibit 8 (claim liabilities) of its annual statement;

(B) Credit insurance experience exhibits for this state; and

(C) Experience as filed for the total of the cases subject to the rate filing.

(ii) The new rates must be placed in effect on September 1 of that year unless:

(A) The commissioner approves a different effective date; or

(B) The commissioner disapproves the rates within thirty days after receipt of the filing or by July 1 of that year, whichever is later.

(11) An insurer may file lower rates at any time. The commissioner must approve those rates before they are used.

(12) These definitions apply to this section:

(a) **"Case"** includes either a **"single account case"** or a **"multiple account case"** or a **"pooled account case."**

(i) **"Single account case"** means an account that is at least as credible as the minimum level of credibility elected by the insurer for defining a single account case. A single account case must exclude all accounts which have been included in multiple account cases. If the insurer makes no written election, the minimum credibility factor will be one hundred percent.

(ii) **"Multiple account case"** means two or more accounts of the same insurer having similar underwriting characteristics that are combined by the insurer for premium rating purposes.

(A) A single account case may not be included in a multiple account case; and

(B) All accounts, when combined, must be at least as credible as the minimum level of credibility the insurer selects for single account cases; and

(C) The commissioner must approve the accounts put into a multiple case account.

(iii) **"Pooled account case"** means a combination of all the insurer's accounts of the same plan of insurance. The pooled account case must have experience in this state and exclude all single account cases and multiple account cases.

(b) **"Earned premium"** means the total gross premiums that become due to the insurer adjusted for the change in unearned premium reserve. The insurer may reduce earned premium only for refunds and adjustments due to termination of coverage. The unearned premium reserve is calculated according to the refund formula in WAC 284-34-190.

(c) **"Experience"** means:

(i) Written premiums;

(ii) Earned premiums;

(iii) Earned premiums at prima facie rates;

(iv) Paid claims;

(v) Incurred claims;

(vi) Incurred claim count; and

(vii) The number of life years insured during the experience period.

(d) **"Experience period"** means the most recent period of time for which experience is reported. The experience period may not exceed three full years.

(e) **"Incurred claims"** means total claims paid during the experience period adjusted for the change in claim reserves and liabilities.

(i) The commissioner considers a disability claim incurred on the date disability commenced.

(ii) The commissioner may disallow that part of any claim reserve or liability that cannot be supported by verifiable data.

(f) **"Incurred claim count"** means the number of claims incurred for the case during the experience period. An incurred claim count includes:

(i) The total number of claims reported during the experience period, whether paid or in the process of payment.

(ii) Any incurred but not reported (IBNR) at the end of the experience period less the number of IBNR claims at the beginning of the experience period.

(iii) If a debtor has been issued more than one certificate for the same plan of insurance, only one claim may be counted.

(iv) If a debtor receives disability benefits, only the initial claim payment for that period of disability may be counted.

(g) **"Average number of life years"** means the average number of group certificates or individual policies in force during the experience period (without regard to multiple coverage) times the number of years in the experience period, or an equivalent calculation.

(h) **"Credibility table"** for purposes of the standard case rating procedure means the following table:

Credit Life	Credit Accident and Health Plans Retroactive and Nonretroactive			Incurred Claim Count	Credibility Factor
	7-day	14-day	30-day		
1	1	1	1	1	0.00
1,800	95	141	209	9	0.25
2,400	126	188	279	12	0.30
3,000	158	234	349	15	0.35
3,600	189	281	419	18	0.40
4,600	242	359	535	23	0.45
5,600	295	438	651	28	0.50
6,600	347	516	767	33	0.55
7,600	400	594	884	38	0.60
9,600	505	750	1,116	48	0.65
11,600	611	906	1,349	58	0.70
14,600	768	1,141	1,698	73	0.75
17,600	926	1,375	2,047	88	0.80
20,600	1,084	1,609	2,395	103	0.85
25,600	1,347	2,000	2,977	128	0.90
30,600	1,611	2,391	3,558	153	0.95
40,000	2,106	3,125	4,651	200	1.00

(i) The integral numbers above represent the lower end of the bracket for each credibility factor "Z." The upper end is one less than the lower end for the next higher Z factor.

(ii) To use this table, find the credibility factor from the credibility table for the experience group.

(iii) If actual loss ratios are less than fifty percent, use the average number of life years for both life insurance and disability insurance. Otherwise, use either the average number of life years or the incurred claims count.

If either of these measures cannot be accurately determined, the commissioner may accept reasonable approximations.

[Statutory Authority: RCW 48.02.060, 48.30.010, 48.34.100, and 48.34.110. WSR 05-02-076 (Matter No. R 2002-02), § 284-34-220, filed 1/4/05, effective 4/1/05.]

Reviser's note: The brackets and enclosed material in the text of the above section occurred in the copy filed by the agency.