

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.]