

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.]