

August 14, 1987

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 16 (1987)

TO: All Licensed Property/Casualty Companies

All P/C Insurer & Producer Trade Organizations

RE: Rating Abuse Telephone Exchange System

The flexible rating system (flex-rating) is a cornerstone of omnibus legislation enacted last year by the New York State Legislature to address availability and affordability problems precipitated by the liability insurance crisis and property/casualty capacity crunch. Flex-rating and other omnibus measures have been carefully designed to promote fair competition, stimulate voluntary markets, restore market stability, and eliminate excesses arising from markets that might otherwise become hard or soft in the extremes.

Aided by sustained efforts of the Insurance Department together with responsible insurers and producers, these comprehensive, coordinated actions have successfully yielded improving insurance market conditions in New York State. However, it is clear that energies must be applied in policing not only the upside in hardening markets but, equally important, the downside in softening markets. The Department is receiving complaints about unwarranted rate undercutting and unfair competitive practices, in violation of governing rules and regulations, including the flex-rating system as articulated by Regulation 129. Among the lessons learned from the crisis from which we have emerged are that cash flow underwriting abuses and cut-throat competition cannot be tolerated.

In order to assist the Department in maximizing compliance with flex-rating and other applicable standards, we encourage concerned consumers, insurers and producers to promptly report to the Department, for appropriate review and action (including targeted market conduct examinations), any apparent violations, whether in the nature of misrating, misclassifying or otherwise mistreating risks. A special unit has been established within the Department's Property & Casualty Insurance Bureau to handle such matters and, in order to avoid potential reprisals, all contacts with this special unit will be treated on a confidential basis. To lodge a confidential complaint, please call the Rating Abuse Telephone Exchange System (RATES) hotline (212-602-0344), or send written complaints to:

RATES Unit/Property & Casualty Insurance Bureau

New York State Insurance Department

160 West Broadway

New York, New York 10013

Thank you for your cooperation and assistance.

Very truly yours,

JAMES P. CORCORAN

SUPERINTENDENT OF INSURANCE