

November 18, 1992

SUBJECT: INSURANCE

Supplement No. 1 Circular Letter No. 19 (1992)
November 18, 1992

TO: ALL AUTHORIZED PROPERTY/CASUALTY INSURERS, INSURANCE PRODUCER ORGANIZATIONS
AND ADVISORY RATE SERVICE ORGANIZATIONS

RE: PROSPECTIVE LOSS COSTS AND NEW REPORTING FORMS

Following issuance of Circular Letter No. 19 (1992), we have learned that some copies of the annexed Forms 129-B and 129-C are not completely legible or otherwise unsuitable for duplication.

In order to facilitate duplication and use of these forms, clear hard copy originals may be obtained by sending a stamped, self-addressed 8 1/2 by 11 or larger envelope to the address listed below. In addition, the forms can be obtained in electronic media format as a LOTUS spreadsheet (.WK1 extension, with WYSIWYG formatting), by sending a formatted 3 1/2 inch or 5 1/4 inch diskette and a stamped, self-addressed return mailer.

Please send any requests for forms or spreadsheets to:

New York State Insurance Department
Property & Casualty Insurance Bureau
160 West Broadway
New York, New York 10013
Att: 129 Forms Request

Finally, an error came to our attention regarding the line references in the instructions for Part E, line (6), which appears on page 3 of the instructions. The correct instruction, which is contained within Part E itself, should read as follows:

(6) Divide line (4) by line (5).

A corrected copy of the affected instruction page is attached.

Very truly yours.

[SIGNATURE]

SALVATORE R. CURIALE

SUPERINTENDENT OF INSURANCE

ATTACHMENT

(3) If the answer to (2) is "No," indicate the rate effect of the change in modification only. For example,

if an insurer had been using a modification of -10% (.90) and was now changing to a modification of -5% (.95), the rate effect of this change alone is +5.56% (.95 divided by .90)

PART E ADOPTION OF PROSPECTIVE LOSS COSTS OF A RATE SERVICE ORGANIZATION

This Part is to be completed and attached whenever an insurer wishes to adopt, with or without modification, the prospective loss costs of an, RSO of which the insurer is a member or subscriber.

Please use the Reference Number of the RSO filing being adopted. This number is usually identified in the RSO's circular or bulletin as the number to use in identifying the filing to state regulators. **DO NOT USE THE CIRCULAR NUMBER, EDITION DATE, OR THE INSURER'S INTERNAL FILE NUMBER.**

A SEPARATE PART E MUST BE COMPLETED FOR EACH DIFFERENT MODIFICATION AND/OR EXPECTED LOSS RATIO THAT AN INSURER WISHES TO ADOPT.

For example, if an insurer wishes to adopt an RSO's Premises and Operations Prospective Loss Costs with a -15% modification for territories X, Y and Z, but without modification for the remainder of the State, two Part E forms would have to be completed, each identifying the territories to which they apply. Similar distinction must be made if the Expected Loss Ratios used to calculate the Loss Cost Multipliers will vary by class, territory, subline, program, etc.

(1) If the loss costs are being adopted without modification, check the appropriate box. If the insurer wishes to adopt the loss costs with a modification, indicate the percentage modification that will be used. If the modification indicated represents a change from the modification currently being used for this market, make sure that the rate effect of the change in modification is properly reflected in the insurer's response to questions (2) and (3) and Part B, question (6).

(2) Indicate whether the modification (or absence of same) indicated in (1) is the same as the modification currently in effect.

(3) If the answer to (2) is "No," indicate the rate effect of the change in modification only. For example, if an insurer had been using a modification of -10% (.90) and was now changing to a modification of -5% (.95), the rate effect of this change alone is +5.56% (.95 divided by .90)

(4) Express any Loss Cost Modification as a decimal factor. For example, if the Loss Cost Modification were the factor would be 0.850 (1. 0.150). If the Loss Modification were +10%, the factor would be 1.100 (1.000 + 0.100) If no modification is being used, the factor is 1.000.

(5) Indicate the Expected Loss Ratio as calculated on line (10) of Part F, which is included with the current filing, or which has been previously filed and applicable to this line, subline, etc.

(6) Divide line (4) by line (5).

(7) Indicate the selected Loss Cost Multiplier, and explain any differences between the Formula and Selected figures. Only minor adjustments for rounding and simplifying will be acceptable.

(8) Indicate whether the Expected Loss Ratio used in these calculations is the same as the one reflected in the insurer's current rates.

IF THE ANSWER TO QUESTION (8) IS "NO," PART F, CALCULATION OF EXPECTED LOSS RATIO, MUST BE COMPLETED AND SUBMITTED WITH THIS FILING

(9) If a new Expected Loss Ratio is being used, indicate the rate level effect of the change in Expected Loss Ratio only. For example, if the Expected Loss Ratio were changing from 0.667 to 0.648, the rate effect of that change (regardless of any other change in loss costs or loss cost modification) would be +2.90% (0.667 divided by 0.648).

(10) Indicate whether Part F - Calculation of Expected Loss Ratio, containing the supporting data for the ELR indicated in (5), has been previously filed with this Department for use with this line, sub-line, class, territory, etc., within the past 3 years.

IF THE ANSWER TO QUESTION (10) IS "NO," PART F, CALCULATION OF EXPECTED LOSS RATIO, MUST BE COMPLETED AND SUBMITTED WITH THIS FILING.

(11) Indicate whether any Expense Constant will be used in conjunction with the Loss Cost Multiplier to develop final rates. If "Yes", indicate the expense constant(s), and attach all supporting data and information.