

Speed to Market Tools for Rate Stability Rules

Purpose: Speed to Market (STM) Tools provide guidance for preparing a filing. Although using the information in this document may not be legally required and does not guarantee that your filing will be approved, it will expedite the review of your filing.

Who should use this document?

Property and casualty insurers that use rate stability rules, also called transition rules or premium capping rules.

Speed to Market Information

I General Information

I.A. Citation relevant to this subject: [WAC 284-24-130](#).

II STM – Rate Filing Information:

II.A. What to file and where

- (1) The rate stability rule itself. It should be part of your rating plan, attached to the Rate/Rule Schedule tab.
- (2) A description of the circumstances that make a rate stability rule necessary (such as a revision to a rating plan, acquisition of a book of business from an unaffiliated insurer, etc.). This should be attached to the Supporting Documentation tab and can be part of a cover letter or memo. Please note that insurers must not file rate stability rules for book transfers for individual agents or agencies. See WAC 284-24-130(1) and (6).
- (3) A histogram showing the disruption to the book of business in the absence of a rate stability rule. See Appendix B for an example.

II.B. Writing a rate stability rule

- (1) See Appendix A for examples of acceptable rate stability rules.

- (2) Specify a clear starting point and end point for your rate stability rule. You can specify the starting point as being when the filing takes effect, showing the filing number. For the end point, include a statement with a specific date after which the rule will no longer be used. We do not accept permanent rate capping rules. 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. See WAC 284-24-130(9).
- (3) Insurers must not revise an existing rate capping rule to extend its applicability. See WAC 284-24-130(5)(a).
- (4) Capping considerations
 - (a) In Appendix A, the +/- 10% cap for annual policies and +/- 5% cap for six-month policies are just the minimum caps required under WAC 284-24-130(10). In cases where disruption is great, it may be more appropriate to apply a higher cap so that policies do not experience a drastic change in premium after the rule expires. (For example, if an annual policy's manual premium increases by 80%, then the policyholder under the Appendix A rules would experience a 10% increase on each of the first three terms and a 35.2% increase on the fourth term. In this case, it may be more appropriate to increase the cap and bring policyholders to manual rate levels sooner.)
 - (b) Caps don't have to be symmetric. For example, a 10% cap for premium increases and a 15% cap for decreases would be acceptable.
 - (c) Rate capping rules that apply for less than three years are also acceptable.

II.C. Subsequent filings

- (1) Rate stability rules must not apply to premium changes resulting from subsequent rate changes by the insurer. If the insurer files a rate change before the rate stability rule expires, it must not use the rule to cap premium impacts due to this rate change. See WAC 284-24-130(8).
- (2) 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. See WAC 284-24-130(11).

III Appendix A – Sample Rate Stability Rules

III.A. These rules assume an effective date of 1/1/2019 for renewal business in filing ABCD-123456789.

III.B. Rate stability rule for changes in rating plan

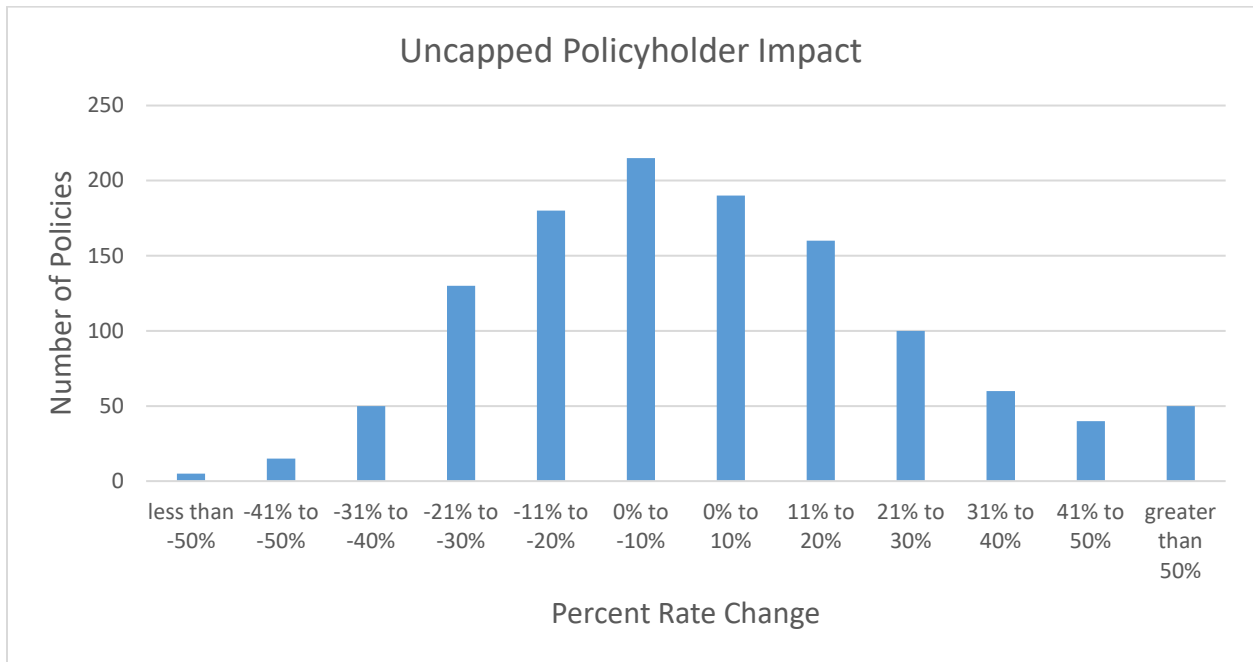
- (1) Capping will only apply to rate changes from SERFF filing number ABCD-123456789.
- (2) Capping will not apply to premium changes resulting from changes in coverage, exposure, or policyholder characteristics, or from subsequent rate/rule changes.

- (3) This rule is to be used in the determination of premiums for the first three renewals for annual policies and the first six renewals for six-month policies.
- (4) This rule will not continue to affect premiums for renewal policies with effective dates on or after 1/1/2022.
- (5) For the first three renewals for annual policies, premium changes will be capped at +/- 10%.
- (6) For the first six renewals for six-month policies, premium changes will be capped at +/- 5%.
- (7) After the third renewal for annual policies or after the sixth renewal for six-month policies, policies will be rated at 100% of the manual premium. No cap will apply.

III.C. Rate stability rule for a book transfer from an unaffiliated insurer

- (1) Capping will only apply to policies transferring from Company ABC from 1/1/2019 to 12/31/2019 for annual policies and from 1/1/2019 to 6/30/2019 for six-month policies.
- (2) Capping will not apply to premium changes resulting from changes in coverage, exposure, or policyholder characteristics, or from subsequent rate/rule changes.
- (3) This rule is to be used in the determination of premiums for the first term and the following two renewals for annual policies and the first term and the following five renewals for six-month policies.
- (4) This rule will not continue to affect premiums for renewal policies with effective dates on or after 1/1/2022.
- (5) For the first term and the following two renewals for annual policies, premium changes will be capped at +/- 10%.
- (6) For the first term and the following five renewals for six-month policies, premium changes will be capped at +/- 5%.
- (7) After the second renewal for annual policies or after the fifth renewal for six-month policies, policies will be rated at 100% of the manual premium. No cap will apply.

IV Appendix B – Sample Histogram of Policyholder Impacts



Contact Us

For filing related questions, feedback or suggestions contact the Rates & Forms Help Desk:

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