

Rules of
Department of Insurance
Division 500—Property and Casualty
Chapter 4—Rating Laws

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**Title 20—DEPARTMENT OF
INSURANCE**

**Division 500—Property and Casualty
Chapter 4—Rating Laws**

**20 CSR 500-4.100 Rate Regulatory Law
Interpretations**

PURPOSE: This rule provides procedures for filing or furnishing rates and other information with the Missouri Department of Insurance.

(1) The requirements for filing classifications, rates, rating plans, manual rules, policies and forms with the Department of Insurance are as follows:

(A) Commercial Property Insurance. Submission shall be made within ten (10) calendar days after the effective date;

(B) Casualty & Surety Insurance, Except Commercial Casualty Insurance. Submission shall be made within ten (10) calendar days after the effective date; and

(C) Commercial Casualty Insurance. Submission shall be made no later than ten (10) calendar days after the effective date which is requested within the filing, unless the filing produces an increase or decrease exceeding twenty-five percent (25%) annually from changes in the base rate, rating basis, rating plan, manual rules, territorial definitions or combination of these rating system components, in which case the submission shall be made sixty (60) days prior to the effective date within the filing for prior approval.

(2) Definitions

(A) “Commercial casualty insurance” means “commercial casualty insurance” as that term is defined in section 379.882(1), RSMo. In addition, “commercial casualty insurance” means casualty insurance for business or nonprofit interests, including policies providing liability insurance in—*a*) multiperil policies, *b*) farm policies, except farm policies issued in conjunction with or which include fire and extended coverages on owner-occupied habitational property not exceeding two (2) families, *c*) commercial automobile policies, *d*) aircraft insurance and *e*) any other business or commercial type policy.

(B) “Expense reduction plan” means any rating plan or system whereby a base rate for property or liability insurance is reduced based upon a reduction in acquisition, underwriting or loss adjustment expense associated with the risk.

(C) “Experience rating plan” means any rating plan or system whereby a base rate for

commercial insurance is adjusted or modified based on the actual past loss experience of the insured.

(D) “Individual risk premium modification plan” or “IRPM plan” means any rating plan or system whereby a base rate for commercial insurance is adjusted or modified based upon a schedule of debits and credits reflecting observable rating characteristics, not reflected in the base rate itself, expected to affect an individual insured’s future loss exposure.

(E) “Schedule rating plan” means any rating plan or system whereby a base rate for commercial insurance is adjusted or modified based upon a schedule of debits and credits reflecting observable rating characteristics, not reflected in the base rate itself, expected to affect an individual insured’s future loss exposure.

(3) The use of schedule rating plans or individual risk premium modification plans in a manner which would effectively circumvent the intent of the commercial casualty rating law, sections 379.882, 379.883, 379.884, 379.885, 379.886, 379.888, 379.889, 379.890, 379.893 and 379.895, RSMo, shall be construed to be improper and subject to the disapproval authority set forth in the law.

(4) Licensed rating organizations which submit filings on behalf of their members and subscribers must comply with these provisions. Neither reference filings nor adherence to rating organization filings or deviations shall circumvent the commercial casualty insurance rating law.

(5) If distributed to an insurer, rating organizations are required to submit a copy of the following to the Department of Insurance: manuals of classifications, rules, underwriting rules and rates, rating plans, their modifications and the forms to which these rates are applicable. Rating organization circulars which pertain to future rate, rule or form filings are to be submitted to the department for informational purposes at the same time such information is sent to the member insurers.

(A) A member or subscriber of a rating organization may elect in advance, by letter to the Department of Insurance, to adopt all submissions, or the rates, rules or forms for any specific lines or sublines of insurance, of a rating organization containing a proposed effective date on that effective date. The insurer may then give notice to the Department of Insurance that it will not adhere to any specific submission if it does so within ten (10) calendar days after the rating organization’s proposed effective date.

(B) Members and subscribers of a rating organization may notify the Department of Insurance by letter of their election to adopt by reference a specific submission or reference document of the rating organization. This election shall be received within ten (10) calendar days after the insurer’s effective date.

(6) Any insurer which elects to use its own rates is required to submit to the Department of Insurance every manual and classification, rule, underwriting rules and rates, every rating plan and every modification of them which it uses and the policies and forms to which these rates are applicable. This submission shall be made as provided by section (1) of this rule.

(7) Commercial Individual Risk Premium Modification Plans and Schedule Rating Plans.

(A) Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense or both. Rating plans may not allow a total credit or debit of more than twenty-five percent (25%) based on risk characteristics and not more than ten percent (10%) additional credit based on reduction of expenses.

(B) Subsection (7)(A) does not apply to experience rating plans.

(C) It shall be impermissible for affiliated insurers within a group under common management or control to shift insurance accounts among the affiliated insurers in order to circumvent the restrictions on schedule rating provided in subsection (7)(A).

(D) All debits and all credits based on individual risk characteristics, and all additional credits based on reduction of expenses shall be based on evidence that is contained in the file of the insurer at the time the debit or credit is applied.

1. Evidence supporting the basis for any rating credit or debit shall be retained by the insurer for the policy term plus two (2) calendar years, in accordance with section 374.205, RSMo.

2. Any renewal notice of a commercial casualty insurance policy as defined in section 379.882, RSMo, for any Missouri risk or portion thereof which would have the effect of increasing the premium charged to the insured due to a change in any schedule rating factor applied to the policy during the previous policy period shall contain or be accompanied by a notice to the insured containing information that any inquiry by the insured concerning the increased premium

may be directed to the insurer or the insurer's insurance producer.

3. Upon receipt of a request as described in paragraph (7)(D)2. above, the insurer, directly or through the insurer's insurance producer, shall inform the insured in writing in terms sufficiently clear and specific of the basis for any reduction in a schedule rating credit or increase in a schedule rating debit which is applied to the policy. This response must be provided to the insured within ten (10) calendar days of the insurer or the insurer's insurance producer receiving the request. A copy of the request from the insured and the written notice to the insured shall be contained in the file of the insurer, remaining there for not less than the duration of the policy term plus two (2) calendar years in accordance with section 374.205, RSMo.

(E) This rule does not require the filing of individual risk policies by insurance companies when those policies are rated in accordance with subdivision (1) of subsection 1 of section 379.888, RSMo.

AUTHORITY: sections 374.045 and 379.893, RSMo 2000. This rule was previously filed as 4 CSR 190-16.040. This version of rule filed Dec. 5, 1969, effective Dec. 15, 1969. Amended: Filed June 20, 1970, effective July 1, 1970. Amended: Filed Dec. 20, 1974, effective Dec. 30, 1974. Rescinded and re-adopted: Filed Aug. 4, 1987, effective Feb. 1, 1988. Amended: Filed Oct. 13, 1989, effective Feb. 1, 1990. Amended: Filed July 13, 1990, effective March 14, 1991. Amended: Filed June 24, 1999, effective Feb. 29, 2000. Amended: Filed July 12, 2002, effective Jan. 30, 2003.*

**Original authority: 374.045, RSMo 1967, amended 1993, 1995; and 379.893, RSMo 1987, amended 1993, 1995.*

20 CSR 500-4.200 Rate and Supplementary Rates Information Filings

PURPOSE: Under the Missouri Insurance Code, rate filings made by individual insurers may include the experience of rating organizations. This experience includes the statistical data, prospective loss costs and supporting information as defined in this regulation. This rule sets forth rules and procedural requirements which the director deems necessary to carry out the provisions of sections 379.321 and 379.888.2., RSMo, as to rate and supporting information filings of property and casualty insurers that refer to and incorporate in whole or in part filings made by rating organizations.

(1) Applicability and Scope. This rule applies to the types of insurance described in sections 379.316 and 379.882, RSMo and to insurers making filings under sections 379.321 and 379.888.2., RSMo.

(2) Definitions.

(A) Expenses means that portion of a rate attributable to acquisition, field supervision, collection expenses, general expenses, taxes, licenses and fees.

(B) The term prospective loss costs means that portion of a rate that does not include provisions for expenses (other than loss adjustment expenses) or profit, and are 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.

(C) Rate means the cost of insurance per exposure unit, whether expressed as a single number or as prospective loss cost and an adjustment to account for the treatment of expenses, profit and variations in loss experience, prior to any application of individual risk variations based on loss or expense considerations, and does not include minimum premiums.

(D) Rating organization is an organization licensed pursuant to sections 379.323 and 379.440, RSMo.

(E) Supplementary rating information means any manual, minimum premium, rating schedule or plan of policy writing rules, rating rules, classification system, territory codes and descriptions, rating plans and any other similar information needed to determine the applicable premium for an insured. Supplementary rating information includes factors and relativities, such as increased limits factors, classification relativities, deductible relativities or similar factors.

(F) Supporting information means information, including supporting actuarial data, which includes: i) the experience and judgment of the insurer and the experience or data of other insurers or rating organizations relied upon by the insurer, ii) the interpretation of any statistical data relied upon by the insurer, iii) descriptions of methods used in making the rates and iv) actuarial, technical or other services made available by a rating organization, or other similar information required to be filed by the director.

(3) Rating Organization Reference Filings of Advisory Prospective Loss Costs.

(A) Rating organizations may develop and make reference filings containing advisory prospective loss costs. These filings shall contain the statistical data and supporting information for any calculations or assump-

tions underlying those prospective loss costs. The reference filings shall be filed and made effective in accordance with the provisions of sections 379.321 and 379.888.2., RSMo.

(B) An insurer may satisfy its obligation to make rate filings by—i) becoming a participating insurer of a licensed rating organization which makes reference filings of advisory prospective loss costs, ii) filing with the director the information required in section (4) and iii) authorizing the director to accept the reference filing(s) on its behalf. The insurer's rates shall be the prospective loss costs filed by the rating organization which have been put into effect in accordance with the provisions of subsection (3)(A), combined with the loss cost adjustments which are filed in accordance with section (4) and are in effect for the insurer.

(C) The insurer's loss cost adjustment filing shall become effective in accordance with the provisions of sections 379.321 and 379.888.2., RSMo that apply to the filing and effective date of rates.

(4) Required Filing Documents. All insurer filings which refer to a rating organization prospective loss costs reference filing shall include, in the order listed, the following documents:

(A) Reference Filing Adoption Form (Exhibit A);

(B) Summary of Supporting Information Form (Exhibit B);

(C) Expense Constant Supplement Form (Exhibit C, if needed); and

(D) To the extent that an insurer's final rates are determined solely by applying its loss cost adjustments, as presented in the Reference Filing Adoption Form, to the prospective loss costs contained in a rating organization's reference filing and printed in the rating organization's rating manual, the insurer need not develop or file its final rate pages with the director. If an insurer chooses to print and distribute final rate pages for its own use, based solely upon the application of its filed loss cost adjustments to a rating organization's prospective loss costs, the insurer need not file those pages with the director. If the rating organization does not print the loss costs in its rating manual, the insurer must submit its rates to the director.

(5) Rating Organization Filings of Advisory Supplementary Rating Information.

(A) Rating organizations may develop and make filings of supplementary rating information. These filings shall be made in accordance with sections 379.321 and 379.888.2., RSMo.

(B) Any insurer may satisfy its obligations to make filings of supplementary rating information by becoming a participating insurer of a licensed rating organization and by authorizing the director to accept these filings on its behalf. The insurer's supplementary rating information shall be that filed by the rating organization, subject to any modifications filed by the insurer.

(6) Existing Rates and Deviations Remain in Effect Until Disapproved, Replaced and Modified. Nothing in these procedures shall be construed to require rating organizations or their participating insurers to immediately refile rates in effect. Any participating insurer of a rating organization is authorized to continue to use all rates and deviations in effect until the rates are disapproved or until the insurer makes its own filing to change its rates, either by making an independent filing or by filing a reference filing form adopting the rating organization's prospective loss costs or modification of those costs.

AUTHORITY: sections 374.045, 379.316 and 379.321, RSMo 1986 and 379.882 and 379.888, RSMo Supp. 1990. This rule was previously filed as 4 CSR 190-16.045. Original rule filed Jan. 17, 1990, effective May 1, 1990.*

**Original authority: 374.045, RSMo 1967; 379.316 and 379.321, RSMo 1972; and 379.882 and 379.888, RSMo 1987.*



Exhibit A

Date: _____

Space Reserved for Insurance Department Use

**Insurer Rate Filing
Adoption Of Advisory Organization
Prospective Loss Costs
Reference Filing Adoption Form**

1. INSURER NAME & ADDRESS _____

PERSON RESPONSIBLE FOR FILING _____

TITLE _____ TELEPHONE # _____

2. INSURER NAIC # _____

3. LINE OF INSURANCE _____

4. ADVISORY ORGANIZATION _____

5. ADVISORY ORGANIZATION REFERENCE FILING # _____

6. The above insurer hereby declares that it is a member, subscriber or service purchaser of the named advisory organization for this line of insurance. The insurer hereby files to be deemed to have independently submitted as its own filing the prospective loss costs in the captioned Reference Filing.

The insurer's rates will be the combination of the prospective loss costs and the loss cost multipliers and, if utilized, the expense constants specified in the attachments.

7. PROPOSED RATE LEVEL CHANGE _____ % EFFECTIVE DATE _____

8. PRIOR RATE LEVEL CHANGE _____ % EFFECTIVE DATE _____

9. ATTACH "SUMMARY OF SUPPORTING INFORMATION FORM"

(Use a separate Summary for each insurer—selected loss cost multiplier)

10. CHECK ONE OF THE FOLLOWING:

The insurer hereby files to have its loss cost multipliers and, if utilized, expense constants be applicable to future revisions of the advisory organization's prospective loss costs for this line of insurance. The insurer's rates will be the combination of the advisory organization's prospective loss costs and the insurer's loss cost multipliers and, if utilized, expense constants specified in the attachments. The rates will apply to policies written on or after the effective date of the advisory organization's prospective loss costs. This authorization is effective until disapproved by the Director, or amended or withdrawn by the insurer.

The insurer hereby files to have its loss costs multipliers and, if utilized, expense constants be applicable only to the above Advisory Organization Reference Filing.

11. Attach \$50 filing fee. Section 374.230(6), RSMo.

Exhibit B

Date: _____

Insurer Name: _____
 NAIC Number: _____

**Insurer Rate Filing
 Adoption Of Advisory Organization Prospective Loss Costs
 Summary Of Supporting Information Form**

Calculation of Company Loss Cost Multiplier

1. Line, Subline, Coverage, Territory, Class, etc. combination to which this page applies:

2. Lost Cost Modification:

A. The insurer hereby files to adopt the prospective loss costs in the captioned reference filing:
 (CHECK ONE)

Without modification. (factor = 1.000)

With the following modification(s). (Cite the nature and percent modification, and attach supporting data, rationale, or both, for the modification.)

B. Loss Cost Modification Expressed as a Factor:
 (See examples below.)

NOTE: If Expense Constants Are Utilized, Attach "Expense Constants Are Utilized, Attach Constant Supplement" Or Other Supporting Information. Do Not Complete Items 3-7 Below.

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data or other supporting information or both.)

Selected Provisions

A. Total Production Expense	_____ %
B. General Expense	_____ %
C. Taxes, Licenses & Fees	_____ %
D. Underwriting Profit & Contingencies	_____ %
E. Other (explain)	_____ %
F. TOTAL	_____ %

4A. Expected Loss Ratio: $ELR = 100\% - 3F =$ _____ %

4B. ELR in decimal form = _____

5. Company Formula Loss Cost Multiplier: $(2B \div 4B) =$ _____

6. Company Selected Loss Cost Multiplier = _____
 Explain any differences between 5 and 6:

7. Rate level change for the coverages to which this page applies _____ %

Example 1: Loss Cost modification factor: If your company's loss cost modification is -10%, a factor of .90 (1.000 - .100) should be used.

Example 2: Loss Cost modification factor: If your company's loss cost modification is +15%, a factor of 1.15 (1.000 + .150) should be used.



Exhibit C

Insurer Name: _____

Date: _____

NAIC Number: _____

Expense Constant Supplement

Calculation of Company Loss Cost Multiplier With Expense Constants

3. Development of Expected Loss Ratio. (Attach exhibit detailing insurer expense data, or other supporting information, or both.

	Overall	Selected Provisions Variable	Fixed
A. Total Production Expense	_____	_____	_____
B. General Expense	_____	_____	_____
C. Taxes, License & Fees	_____	_____	_____
D. Underwriting Profit & Contingencies	_____	_____	_____
E. Other (explain)	_____	_____	_____
F. TOTAL	_____	_____	_____

4. A. Expected Loss Ratio: $ELR = 100\% - \text{Overall } 3F =$	_____		
B. ELR expressed in decimal form =	_____		
C. Variable Expected Loss Ratio $VELR = 100\% - \text{Variable } 3F =$	=	_____	
D. VELR in decimal form	=	_____	

5. Formula Expense Constant:
 $[(1.00 \div 4B) - (1.00 \div 4D)] \times \text{Average Underlying Loss Cost} =$ _____

Formula Variable Loss Cost Multiplier: $(2B \div 4D) =$ _____

6. Selected Expense Constant = _____

Selected Variable Loss Cost Multiplier = _____

7. Explain any differences between 5 and 6:

8. Rate level change for the coverages to which this page applies _____%

20 CSR 500-4.300 Rate Variations (Consent Rate) Prerequisites

PURPOSE: This rule provides requirements for use and record keeping for insurance companies or reciprocal interinsurance exchanges using rate variations (consent to rate). This rule was adopted pursuant to the provisions of section 374.045, RSMo and implements sections 375.031, 375.136, 379.318.2., 379.321.3. and 379.470.6., RSMo.

(1) Standards for the Use of Consent to Rate.

(A) No insurance company or reciprocal interinsurance exchange using rates subject to section 379.318 or 379.470, RSMo shall effect a policy of insurance or a renewal at a rate varying from the rate properly filed for its use on that specific risk unless the form contained as Exhibit A or one (1) substantially similar is completed by the insured.

(B) Reasons for any individual modifications in rate for private passenger automobile or homeowners or occupied residential dwelling fire policies must be entered in Exhibit A and must—

1. Be highly unusual and have a documentably probable effect upon losses, stating specifically why the proposed insured is not within a reasonable class or classification system;

2. Be clearly and specifically stated as to each specific risk factor (such general statements as “Risk does not meet normal rates” are not acceptable);

3. Not be based solely upon the actions of another insurer toward that insured or that person’s age, residence, race, sex, color, creed, national origin, ancestry or lawful occupation; and

4. The following statement must be a part of each form 20 CSR 500-4.300 Exhibit A and signed by the insured: “I, _____, declare that I have been unable to obtain this insurance from other companies and hereby consent to pay the higher rates which I am being charged for this insurance. I understand that any deductible amount stated in my policy will be deducted from each claim I may make under the policy issued me.”

(C) Schedule experience rated policies, or both, approved and filed by the Missouri Department of Insurance (MDI) are exempt from this rule.

(D) Policies rated on any substandard dwelling schedule or rating plan filed with the MDI are considered special rating policies for the purposes of the record requirements of section (2) of this rule.

(2) Record Keeping Requirements.

(A) All insurance companies subject to this rule shall—

1. Complete and execute monthly, with the signature of a person authorized by the company to do so, Exhibit B;

2. File and preserve the original completed Exhibits A and B in the company’s policy file and a duplicate copy of each in the company’s Missouri records file; and

3. Transmit to the Department of Insurance a completed signed copy of Exhibit B before the end of the next monthly period.

(B) Exhibits A and B, included herein, or forms substantially similar may be prepared by each company concerned.



EXHIBIT A
State of Missouri Department of Insurance
(Complete in duplicate)

NAME OF COMPANY _____

INDICATE LINE OF BUSINESS

For Audit & Examination Use Only

Automobile _____

Audit Information: []

Fire _____

Liability _____

1. Name of Insured _____

Mailing Address _____

2. Property or other risk insured _____

Location (if fixed) _____

3. Coverage involved and Code or Classification _____

4. Specific Reasons for Special Rating (Use reverse, if necessary)

5. Standard Filed Rates Proposed New Rates (or filed if substandard)

6. Policy Effective Date _____

Policy Expiration Date _____

7. Policy Number _____

8. (I understand that rates charged are not standard and accept this cost).

Insured's Signature _____

Date _____

9. Insurance Producer's Signature _____

Date _____

10. Company Officer's Signature _____

Date _____

(Company officer certifies that company and insurance producer are licensed for business written)



EXHIBIT B
State of Missouri Department of Insurance
(Complete in duplicate)

NAME OF COMPANY _____

Total Special Rating Policies _____, _____
Month Year Total

Total Special Rating Policies (By line of business) in _____, _____:
Month Year

Automobile _____

Fire _____

Liability _____

Individual Listing of Policy Number by Line of Business:
(Attach extra page if necessary)



AUTHORITY: sections 374.045, 379.318(2) and 379.470(6), RSMo 2000; 375.031 and 375.136, RSMo Supp 2001; and 379.321(3) RSMo 2002.* This rule was previously filed as 4 CSR 190-16.080. Original rule filed Dec. 20, 1974, effective Dec. 30, 1974. Amended: Filed April 23, 1999, effective Nov. 30, 1999. Amended: Filed July 12, 2002, effective Jan. 30, 2003.

**Original authority:* 374.045, RSMo 1967, amended 1993, 1995; 375.031, RSMo 1979, amended 1985, 1986, 2001; 375.136, RSMo 1967, amended 1977, 2001; 379.318, RSMo 1972; and 379.321, RSMo 1972, 2002; and 379.470, RSMo 1947.

20 CSR 500-4.400 Fee Charges for Procurement of Property and Casualty, Automobile and Excess Insurance
(Rescinded January 30, 2003)

AUTHORITY: sections 374.045, 375.031, 375.116, 379.318, 379.356 and 379.470, RSMo 1986 and 375.041, RSMo Supp. 1992. This rule was previously filed as 4 CSR 190-16.130. Original rule filed Aug. 12, 1974, effective Aug. 22, 1974. Amended: Filed July 10, 1990, effective March 14, 1991. Rescinded: Filed July 12, 2002, effective Jan. 30, 2003.