

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

AT RICHMOND, FEBRUARY 9, 2004
ADMINISTRATIVE ORDER NO. 11626

APPLICATION OF

AUTOMOBILE INSURANCE PLANS SERVICE OFFICE

For amendment to the Virginia Automobile Insurance Plan Manual of rules, classifications, territories, rates and additional charges for writing insurance upon applicants assigned by the Plan.

BY LETTER(S) DATED January 21, 2004, came the applicant, on behalf of the subscribers to the Virginia Automobile Insurance Plan, and filed with and requested the approval of the Commissioner of Insurance of the following filing containing amendments to the Virginia Automobile Insurance Plan Manual of rules, classifications, territories, rates and additional charges for writing insurance upon applicants assigned by the Plan:

Filing No. VA 04-03 Amendments to Preamble and the Introduction of
Section 31. Additional Premium Reporting Time Limit

as set forth in the letters referred to above.

AND IT APPEARING to the Commissioner that a hearing should not be held thereon, there is no objection otherwise and that publication of notice of the filing is not necessary.

NOW, ON THIS DAY the Commissioner having considered the filing herein is of the opinion, finds and orders:

(1) THAT THE PROPOSED amendment to the Virginia Automobile Insurance Plan Manual of rules, classifications, territories, rates and additional charges, to provide for writing insurance upon applicants assigned by the Virginia Automobile Insurance Plan, are reasonable and will not produce rates and premiums for writing such coverage in this Commonwealth which are excessive, inadequate, or unfairly discriminatory, and should be, and hereby are, approved for use in this Commonwealth by the subscribers to the Virginia Automobile Insurance Plan, to become effective April 1, 2004 on new business and April 1, 2004 on renewal business. Such effective date is based on policy effective dates; and

(2) THAT AN ATTESTED COPY hereof shall be sent to the Automobile Insurance Plans Service Office, 302 Central Avenue, Johnston, Rhode Island 02919-5095; to E. E. Connell, III, Manager, Virginia Automobile Insurance Plan, P.O. Box 4830, Glen Allen, Virginia 23058-4830; and to Mary M. Bannister, Deputy Commissioner of Insurance.

Request for Administrative Order Approval
Property and Casualty Division
Commercial Casualty Rates and Forms Section

Date: February 9, 2004

Company Name: AIPSO

Administrative Order No.: Administrative Order 11626

Order approving (check all that apply):

Rates Forms Rules

Line of insurance: Commercial Automobile

Program/product name: VAIP (Auto Plan)

Explanation of the material to be approved:

The amendments submitted by AIPSO will require servicing carriers to obtain pre-approval before reporting any additional premium of \$5,000 or greater, if the reporting date is more than three years following the policy termination date.

In the past it has been a practice among some servicing carriers to report additional written/earned premium well after the policy year has closed. Large, late reported, additional premium transactions are often associated with a fraud case being investigated by a servicing carrier. Fraud related premium is unique because the premium is sometimes discovered many years after the policy has expired. When discovered, the premium is often estimated based upon external data compiled from sources other than the named insured's business records. While the data is useful as an indicator of additional rating exposures, it allows for a broad range of interpretations from which there can be multiple premium estimates developed. To assure reasonable premium estimations, upon which the pooling mechanism will be obligated to pay premium driven expenses, such as servicing carrier fees, premium tax and guaranty funds assessments, prior approval of the estimate is necessary.

The filing should encourage timely reporting and reasonable premium estimations. It should also be of assistance in controlling expenses paid by the Plan.

Actuarial Report Attached: yes no

Actuarial Review Performed: yes no

Explanation to justify decision to waive an actuarial analysis:
The filing will not impact rates.

_____ Approving Supervisor – Pat Worley 371-9668

_____ Approving Deputy Commissioner – Mary Bannister

Examiner: Sandra Mawyer - 371-9197