

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

April 29, 1993

ADMINISTRATIVE LETTER 1993-10

**TO: All Insurers Licensed for Property and Casualty
Lines of Insurance**

**RE: Use of Final Rates Filed by Rate Service Organizations
For Property and Casualty Lines of Insurance
Other Than Workers' Compensation Insurance**

Effective January 1, 1994, insurers will no longer be permitted to use final rates that were previously filed on their behalf by rate service organizations.

For policies effective on and after January 1, 1994, insurers must either file appropriate multipliers for use with loss costs filings of rate service organizations, or file independently-developed final rates.

Section 38.2-1908 of the Code of Virginia was amended effective July 1, 1990, to prohibit rate service organizations from filing final rates on behalf of their members and subscribers for lines of insurance then regulated under Chapter 19. The statute now permits rate service organizations to file only loss costs and certain supplementary rating information. Administrative Letter 1990-5 outlines the procedures to be followed by insurers in filing multipliers to be applied to such loss costs to produce final rates.

In order to avoid any market disruption, Administrative Letter 1990-5 did not require insurers to move immediately to the loss costs system or to refile rates previously implemented; however, the statute change has now been in effect for almost three years

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and many insurers are still using final rates filed on their behalf by rate service organizations prior to 1990. It has, therefore, become necessary to establish a date beyond which such rates may not remain in effect. The January 1, 1994, date allows ample time for rate service organizations and insurers to make the appropriate filings.

Questions regarding this Administrative Letter should be directed to the Bureau of Insurance, Property and Casualty Division, at (804) 371-9965.

Procedures for the transition to loss costs for workers' compensation insurance will be addressed in a separate administrative letter in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven T. Foster", written over the typed name.

Steven T. Foster
Commissioner of Insurance