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Technical Advisory

TA 237

July 7, 2004

SUBJECT: New LIRC/LDI Commercial Property and Casualty Insurance Schedule Rating Rule

BACKGROUND: IIABL has been working closely with Insurance Commissioner Robert Wooley and the Louisiana Department of Insurance (LDI) to attract new insurance companies to Louisiana and increase the capacity of the Louisiana insurance market. During some of our discussions, several insurers indicated that the \$6,000 minimum premium rule for schedule rating limited their ability to be competitive and write small commercial insurance policies. IIABL urged Commissioner Wooley and the Louisiana Insurance Rating Commission to revise the schedule rating rule to allow insurers more flexibility. At the June 23, 2004 meeting, the Louisiana Insurance Rating Commission adopted a new rule for schedule rating plans.

MAIN POINTS: A copy of the new LDI/LIRC bulletin is attached for your convenience.

The LDI/LIRC will consider for approval all reasonable schedule rating plans. Insurers must provide credible data to support the plan and the plans may not produce inadequate, excessive, or unfairly discriminatory rates.

There will no longer be a specified minimum premium or number of scheduled characteristics. These must be reasonable for the risk classification and the overall impact on the plan. Limits of 10% maximum debit or credit per scheduled characteristic and an overall 25% maximum aggregate debit or credit across all scheduled characteristics shall continue to apply under the new rule.

If an insurer follows an approved rating organization's scheduled rating plan (such as ISO or NCCI) no additional support must be filed with LDI/LIRC.

The new rule provides broad flexibility to insurers as long as they can actuarially justify the overall rate impact of the plan.

IIABL would like to thank and commend Insurance Commissioner Robert Wooley for implementing yet another progressive insurance regulatory reform which will benefit consumers and make it easier for insurers to do business in Louisiana. The new

schedule rating rule shows continued improvement in the Louisiana regulatory system, which will encourage insurance companies to participate in the Louisiana insurance market.

NECESSARY ACTION: Circulate this technical advisory to all commercial insurance personnel in your agency. Share this technical advisory with insurance companies.

Louisiana Insurance Rating Commission



J. ROBERT WOOLEY
Commissioner of Insurance
Chairman

LOUISIANA
BULLETIN 04-01
June 24, 2004

LSA-R.S. 22:2
LSA-R.S. 22:1401
LSA-R.S. 22:1404
LSA-R.S. 22:1407

**NOTICE TO ALL PROPERTY & CASUALTY INSURERS
LICENSED AND/OR DOING BUSINESS IN LOUISIANA**

**RE: Schedule Rating Plans
Revision of LIRC Bulletin 93-01
Withdrawal of LIRC Bulletin 93-03**

Please be advised that the schedule rating section of *Bulletin LIRC 93-01* is hereby revised, and *LIRC Bulletin 93-03* is hereby withdrawn.

The purpose of this Bulletin is to inform all property and casualty insurers currently using an approved schedule rating plan or planning to file a schedule rating plan with the Louisiana Insurance Rating Commission ("the LIRC") that the LIRC has adopted new criteria it will use for reviewing such plans.

By law each insurer must file their schedule rating plan (See LSA-R.S. 22:1401 et seq.)¹

The LIRC will consider for approval all reasonable schedule rating plans. Please take note that proposed debits or credits must be adequately supported with credible data and must not produce inadequate, excessive, or unfairly discriminatory rates. (LSA-R.S. 22:1402 and 1404(3)(b).)

In determining whether a schedule rating plan is reasonable, the LIRC will give consideration to the following:

1. A minimum qualifying premium that is reasonable for the risk classification.
2. A reasonable number of scheduled characteristics.

¹ Information regarding filing options can be found in the Office of Property & Casualty's *Rate Filing Handbook* <http://www.ldi.state.la.us/Insurers/RateFilingHandbook0703.pdf>].

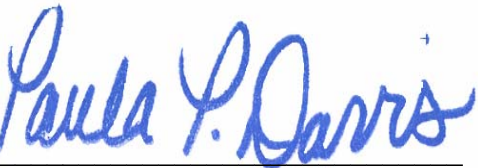
3. A 10% maximum debit or credit per scheduled characteristic.
4. A 25% maximum aggregate debit or credit across all scheduled characteristics.

If an insurer follows the guidance of a Louisiana approved rating organization's schedule rating plan, no additional support need be filed².

The LIRC reserves its right, as authorized by LSA-R.S. 22:1407, to request more specific information or to verify data in connection with any filing.

If there are questions regarding this Bulletin, contact Barita Morgan at 225-342-5213 or bmorgan@ldi.state.la.us.

LOUISIANA INSURANCE RATING COMMISSION

BY: 
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Office of Property & Casualty
Louisiana Department of Insurance

² An example of an approved rating organization's schedule rating plan would be the Insurance Services Offices's ("the ISO") Multi-State Schedule Rating Plan.