

VIRGINIA ACTS OF ASSEMBLY -- 1997 SESSION

CHAPTER 153

An Act to amend and reenact §§ 38.2-1901 and 38.2-1903 of the Code of Virginia, relating to insurance; retrospective rating plans; exemptions.

[H 2244]

Approved March 6, 1997

Be it enacted by the General Assembly of Virginia:

1. That §§ 38.2-1901 and 38.2-1903 of the Code of Virginia are amended and reenacted as follows:

§ 38.2-1901. Definitions.

As used in this chapter:

"Classification system" or "classification" means the plan, system, or arrangement for grouping risks with similar characteristics or a specified class of risk by recognizing differences in exposure to hazards.

"Experience rating" means a statistical procedure utilizing past risk experience to produce a prospective premium credit, debit, or unity modification.

"Market segment" means any line or class of insurance or, if it is described in general terms, any subdivision of insurance or any class of risks or combination of classes.

"Prospective loss costs" means historical aggregate losses and loss adjustment expenses projected through development to their ultimate value and through trending to a future point in time. Prospective loss costs do not include provisions for profit or expenses other than loss adjustment expenses.

"Rate service organization" means any entity, including its affiliates or subsidiaries, which either has two or more member insurers or is controlled either directly or indirectly by two or more insurers, other than a joint underwriting association under § 38.2-1915, which assists insurers in ratemaking or filing by (i) collecting, compiling, and furnishing loss statistics; (ii) recommending, making, or filing prospective loss costs or supplementary rate information; or (iii) advising about rate questions, except as an attorney giving legal advice. Two or more insurers having a common ownership or operating in this Commonwealth under common management or control constitute a single insurer for purposes of this definition.

"Retrospective rating plan" means a rating plan that adjusts the premium for the insurance to which it applies on the basis of losses incurred during the period covered by that insurance.

"Statistical plan" means the plan, system, or arrangement used in collecting data for rate making or other purposes.

"Supplementary rate information" includes any manual or plan of rates, experience rating plan, statistical plan, classification, rating schedule, minimum premium, or minimum premium rule, policy fee, rating rule, rate-related underwriting rule, and any other information not otherwise inconsistent with the purposes of this chapter required by the Commission.

"Supporting data" includes:

1. The experience and judgment of the filer and, to the extent the filer wishes or the Commission requires, the experience and judgment of other insurers or rate service organizations;

2. The filer's interpretation of any statistical data relied upon;

3. Descriptions of the actuarial and statistical methods employed in setting the rates; and

4. Any other relevant information required by the Commission.

§ 38.2-1903. Exemptions.

The Commission may by rule exempt any person, class of persons, or market segment from any or all of the provisions of this chapter to the extent that it finds their application unnecessary to achieve the purposes of this chapter. *Retrospective rating plans for large risks shall be exempt from the provisions of Chapter 19 (§ 38.2-1900 et seq.). Large risks are risks which generate total estimated standard premium for workers' compensation of at least \$500,000 annually (or less or in combination with other lines if approved by the Commission). Large risks may be retrospectively rated as mutually agreed upon by the insurer and the insured in writing. A copy of any large risk rating plan shall be made available to the Commission upon request. Notwithstanding the exemptions for retrospective rating plans for large risks, insurers' experience attributable to large risks shall be filed with the Commission in accordance with § 38.2-1919.*