

## Annual Report on Property and Casualty Rate Reviews - 2016

Sections 2053.004(b) and 2251.107(b) of the Texas Insurance Code require the Texas Department of Insurance (TDI) to make available to the public information concerning TDI's general process and methodology for rate review, including factors that contribute to the disapproval of a rate. Information provided must be general in nature and may not reveal proprietary or trade secret information of any insurer. TDI must provide this information annually.

The information below outlines the steps TDI takes as it processes and reviews rate filings to determine compliance with the Insurance Code and relevant rules. The commissioner will disapprove a rate filing that does not comply with those standards.

### Step 1: Intake review.

TDI's Intake staff receives rate filings through the System for Electronic Rate and Form Filing (SERFF), mail, or hand delivery. Intake staff verifies basic information, such as the name and license status of each company; that the transmittal information is complete; and that the contents of the filing match the transmittal information. After finishing their review, Intake staff assigns the rate filings to the Property and Casualty Actuarial Office.

### Step 2: Actuarial review.

Staff actuaries review rate filings for compliance with statutory rate standards and other applicable statutes and rules, and correspond with companies as necessary to ensure that they are compliant and include any necessary supporting information. Insurance Code Chapter 2251 states that a rate may not be excessive, inadequate, unreasonable, or unfairly discriminatory for the risks to which the rate applies. For workers' compensation insurance rate filings subject to Chapter 2053, rates and premiums may not be excessive, inadequate, or unfairly discriminatory. When reviewing a rate filing, staff actuaries examine the actuarial support contained in the filing, such as the

- rate indications or other supporting documentation to support the rate changes
- relativity analysis or other supporting documentation to support changes in rating factors and relativities
- assumptions and supporting data used in selecting trends, loss development factors, and other provisions used to develop the rate indications
- information to confirm that disallowed expenses have not been included in the development of the rates or loss cost multipliers, and
- information regarding the credibility of the insurer's data.

If the reviewing actuary determines that the filing is complete and complies with statutory rate standards, and other applicable statutes and rules, the actuary proceeds to the final processing step.

If the reviewing actuary determines that the filing is incomplete, has concerns with the company's assumptions and methodologies, or needs clarification, the actuary contacts the company to request the information necessary to complete the actuarial review.

If the reviewing actuary thinks that a rate filing may not comply with the rate standards, the actuary communicates and works with the company to gain a complete understanding of the rates and how the

company developed them. If, after working with the company, the reviewing actuary finds that the rates do not comply with the rate standards, the actuary will ask the company to amend or withdraw the filing, or to submit a new filing; or will recommend that the commissioner disapprove the rates.

Step 3a: Final processing.

When the actuarial review is finished, the actuary enters a final disposition in TDI's system of record, SERFF.

Step 3b: Disapproval.

Under Insurance Code §2053.006, the commissioner shall disapprove a rate filing made under §2053.003 if the commissioner determines that the filing does not meet the standards established under Subchapter A, Chapter 2053. Under Insurance Code §2251.103, not later than the earlier of the date the rate takes effect or the 30th day after the date a rate is filed with TDI under §2251.101, the commissioner shall disapprove the rate if the commissioner determines that the rate does not comply with the requirements of Chapter 2251.

Under both §2053.006 and §2251.103, the commissioner's order disapproving the rate filing will specify in what respects the filing fails to meet the statutory requirements. If the commissioner disapproves a rate filing, the filer is entitled to request a hearing. The request must be in writing, and the filer must request the hearing within 30 days of the effective date of the disapproval order.

In 2016, TDI did not disapprove any rate filings subject to Texas Insurance Code Chapters 2053 and 2251.