

Annual Report on Property and Casualty Rate Reviews

Sections 2053.004(b) and 2251.107(b) of the Texas Insurance Code require the Texas Department of Insurance to make available to the public information concerning the department'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. The department must provide this information annually.

General Process and Methodology for Rate Reviews

Step 1: Intake review.

TDI's Intake staff receives the rate filings through 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. Once Intake finishes their review, they assign the filing to the Property and Casualty Actuarial Office.

Step 2: Actuarial review.

Staff actuaries review the rate filings for compliance with rate standards, statutes, and rules, and correspond with companies as necessary to ensure that the rate filings are compliant and supporting information is included. The rate standards established by Texas law in Chapter 2251 state 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. Staff actuaries review the rate filings for compliance with rate standards by examining 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 has no concerns with it, then staff proceeds to the final processing step. If the reviewing actuary finds the filing to be incomplete, has concerns with the assumptions and methodologies used by the company, or needs clarification, he or she contacts the company to request the information to complete the actuarial review. If the reviewing actuary thinks that a rate filing may not comply with the rate standards, he or she communicates and works with the company to gain a complete understanding of the rates and their development. If the reviewing actuary still believes after working with the company that the rates do not comply with the rate standards, he or she will ask the company to amend or withdraw the filing, submit a new filing, or will take action to disapprove the rates.

Step 3: Final processing.

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

Disapprovals

Number of filings disapproved in 2015: zero

Factors that contribute to the disapproval of a rate: not applicable