



# South Carolina Department of Insurance

300 Arbor Lake Drive, Suite 1200  
Columbia, South Carolina 29223

MARK SANFORD  
Governor

ELEANOR KITZMAN  
Director of Insurance

Mailing Address:  
P.O. Box 100105, Columbia, S.C. 29202-3105  
Telephone: (803) 737-6160

## BULLETIN 2006-09

TO: Insurers Writing Property and Casualty Insurance in South Carolina

FROM: Eleanor Kitzman  
Director *EK*

RE: Personal Lines Automobile and Homeowner Rate Filings

DATE: August 17, 2006

### I. PURPOSE

The Property & Casualty Insurance Personal Lines Modernization Act of 2004 established a flex-band rating system for property coverage.<sup>1</sup> Under the flex-band rating system, filings of +/-7% may take effect without prior approval on a file and use basis not less than thirty days within the date of filing unless disapproved by the Director prior to that date.<sup>2</sup> Rate filings with an impact of more than 7% are still subject to prior approval under Sections 38-73-960 and 38-73-990. The purpose of this Bulletin is to describe the level of review the Department considers appropriate for both file and use and prior approval filings, and to outline the information required for automobile and homeowners rate filings.

### II. STANDARD OF REVIEW

Properly supported file and use rate filings will not generally receive the same scrutiny as filings that are subject to prior approval, but they are not exempt from review and must include all statistics necessary to support the rates to be used by the insurer including information that demonstrates that the proposed rate is not excessive, inadequate, or unfairly discriminatory. Rate change requests falling within the flex band may receive a more extensive review if: 1) the filing is incomplete; 2) the actuarial assumptions are inappropriate or do not support the rate change request; 3) the request includes a material change in product design,

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<sup>1</sup> See Section 38-73-220.

<sup>2</sup> See Section 38-73-910.

rating algorithm, rules or underwriting standards, or 4) the filing includes a material change in methodology or assumptions from the previous rate filings for the line of business or a coverage within a line of business. The Department is responsible for ensuring that rates are not inadequate, excessive or unfairly discriminatory, may request additional information in order to make that determination and may disapprove filings that are not in compliance with South Carolina law. For flex-band filings, the insurer may use the rates set forth in the filing unless the Department has disapproved such filing with the thirty day period. For prior approval filings, rates may not be used until approved by the Department.

### **III. FILING REQUIREMENTS AND RECOMMENDED EXHIBITS**

#### **Filings by Company, by Line**

A separate Form #2004 must be completed for each *Company* and for each *Line of Business*. Do not complete the form on a group basis. This form must be submitted in duplicate for each company filed.

#### **Cover Letter**

All filings must include a cover letter on the Company's letterhead. The cover letter should briefly explain the purpose and the background of the filing. The cover letter should also include a statement of the overall impact of the rate, rule or form filing.

#### **Actuarial Exhibits**

South Carolina Automobile Exhibits 1-8 and Homeowner Exhibits 1-9 attached to this Bulletin describe the composition of the rate change, its impact on policyholders and support for a change in the overall rate level, and display the information in a logical, easy to follow format. Insurers are free to modify the exhibit formats according to the company's available data, product design, and the content of the filing. However, use of the sample exhibits or substantially similar exhibits will expedite the review process.

Questions regarding the filing process or the content of this Bulletin should be directed to:

Carla Lachance, Manager, Forms and Rates  
South Carolina Department of Insurance  
300 Arbor Lake Drive, Suite 1200  
Columbia, South Carolina 29223  
Telephone: (803) 737-6230  
Fax: (803) 737-6233  
Email: [clachance@doi.sc.gov](mailto:clachance@doi.sc.gov)

**South Carolina Insurance Department  
Personal Lines Automobile Rate Filing**

**Auto-1**

**Underwriting Results**

Actual Direct:	2002	% of Prem	2003	% of Prem	2004	% of Prem
Earned Premium	32,000	1.00	40,000	1.00	41,000	1.00
Incurred Losses	27,300	0.85	25,000	0.63	32,000	0.78
Incurred LAE	3,000	0.09	3,000	0.08	5,000	0.12
Incurred U/W Expenses	7,500	0.23	7,500	0.19	7,500	0.18
U/W Results	(5,800)	-0.18	4,500	0.11	(3,500)	-0.09

Actual Net*	2002	% of Prem	2003	% of Prem	2004	% of Prem
Earned Premium	28,000	1.00	40,000	1.00	41,000	1.00
Incurred Losses	27,300	0.98	25,000	0.63	32,000	0.78
Incurred LAE	3,000	0.11	3,000	0.08	5,000	0.12
Incurred U/W Expenses	7,500	0.27	7,500	0.19	7,500	0.18
U/W Results	(9,800)	-0.35	4,500	0.11	(3,500)	-0.09

\* Net of reinsurance.

**South Carolina Insurance Department  
Personal Lines Automobile Rate Filing**

**Auto-2**

**Rate Level Change Exhibit**

Off-Balance Exhibit

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

**Component of Change**

*(list each component or variable changing,  
do not include variables not changing)*

	<b>Liability Coverages</b>	<b>Physical Damage Covg</b>
<b>Base Rate</b>	1.0%	0.8%
<b>Territory</b>	2.0%	1.5%
<b>Amount of Insurance Value</b>	3.0%	3.0%
<b>Deductible</b>	0.0%	1.0%
<b>Other _____</b>	n %	n %
<b>Other _____</b>	n %	n %

*(use as many lines as necessary)*

Overall change by Liab or Phys Dam 6.1%      6.4%

Premium or Exposure Weight by form 4,505,300      2,102,100

Overall change ALL coverages **6.2%**  
(must be within ±7% for file-and-use filing)

Actuarial and/or other explanation:

1. If multiple companies in a group are affected by a rate change, the insurer is to complete this form separately for each company.
2. Insurer is to list each component or rating variable with classifications and factors changing, and provide the average rate change due solely to the changes in that component or variable.
3. The combined impact of all component changes should match the overall change by form. Insurer may list changes by form in columns or on separate sheets, provided each exhibit is clearly labeled.

**Historical Experience Exhibit**

Insurance Company:  
 Effective Date:

Insert Company Name  
 MM-DD-YYYY

List all experience on a Direct basis (gross of reinsurance) for South Carolina for the 5 preceding years. Insurers with sufficient experience are encouraged to include accident-year rate level indications, incorporating trends, loss development, credibility and other ratemaking techniques, in a separate actuarial memorandum.

Coverage												
Year	Earned Premium	Present Level Factor	Premium Trend Factor	EP at Current Rate Level	Accident Year Incurred Losses	LAE Factor	Loss Development Factor	Loss Trend Factor	Cat Load	Projected Accident Year Incurred Losses	Loss Ratio	
Total 5 Yr												

Projected Loss Ratio	
Expense Ratio	
Permissible Loss Ratio	
Indicated Change	

Actuarial and/or other explanation:

**Ratemaking Expense Assumptions Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Expense Category	Expense Ratio (% Premium)		
	Fixed	Variable	Total
Commission	0.0%	12.0%	12.0%
Other Acquisition	4.5%	1.3%	5.8%
General Expense	1.2%	0.0%	1.2%
Reinsurance Costs	0.0%	3.0%	3.0%
Taxes, Licenses, Fees	0.0%	2.2%	2.2%
Other _____	0.0%	0.0%	0.0%
Profit and Contingency	0.0%	4.0%	4.0%
Total Expense and Profit Ratio	5.7%	22.5%	28.2%

Permissible Loss Ratio

**71.8%**

Actuarial and/or other explanation:

- 1- Insurer may select expense categories according to its accounting format.
- 2- Profit and contingency percentage **MUST** be included.
- 3- Split between fixed and variable expenses is optional according to the insurer's ratemaking methodology.

**South Carolina Insurance Department  
Personal Lines Automobile Rate Filing**

**Auto-5**

**Rating Variable Support Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Rating Variable: **Insert variable or component under consideration (Classification, symbol, etc.)**

Category	Exposure amount or percentage	Support for change	Current Factor	Proposed Factor	% Change
n1					
n2					
n3					
etc.					
etc.					
nn					
Total					

Actuarial and/or other explanation:

- 1- Complete this exhibit for each rating variable or rating component affected by the rate change.
- 2- For each rating variable included, list each category affected by the rate change.
- 3- "Support for change" should describe the insurer's process and justification for selecting proposed factors. Support could include South Carolina or countrywide loss ratios, frequency, severity, loss costs, competition or a combination. Insurer's with sufficient experience are encouraged to compute indicated factors with consideration for credibility. Use additional columns or sheets as necessary.
- 4- Insurers are encouraged to explain selected changes that are not apparently supported by the support information provided.
- 5- If categories are determined based on company codes that do not obviously describe the categories, include category definitions on this sheet or on a separate exhibit.

**Auto Annual Premiums by Territory**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**  
Form:: **Insert form type or number**

COMPARISON OF ANNUAL PREMIUMS

**DO NOT ADD OR DELETE ANY COVERAGE OR MAKE ANY CHANGES TO THIS EXAMPLE**

1. Premiums shown are for an automobile which is driven to or from work less than ten miles one way, no business use and there is no operator under 25 years of age.
2. The driver is a single, male, age 34.
3. Any safe driver discount applies.
4. The liability coverage is for \$25,000/\$50,000/\$25,000, with \$25,000/\$50,000/\$25,000 uninsured motorist.
5. The physical damage coverage coverage is for a \$500 deductible on comprehensive and a \$500 deductible on collision for the following automobile (and others in a similar price range) 2004 Ford Taurus.
6. For any rating tiers not provided, such as credit, points, etc., please provide a description of the base rate used.
7. Territories with multiple counties, please provide the highest premium rate applicable in the territory.

Please provide the name, title, address and phone number of the person who is to be contacted by this Department regarding this Form:

Name:  
Title:  
Address:  
Telephone #:

I certify that these premiums are the correct premiums for South Carolina in accordance with the above example.

SIGNATURE \_\_\_\_\_  
DATE \_\_\_\_\_  
TITLE \_\_\_\_\_



**Private Passenger Auto Rates**

Insurance Company: **Insert Company Name**  
 Effective Date: **MM-DD-YYYY**

	Coverage	Current Rate	Proposed Rate	\$ Change	% Change
Territory					
Abbeville					
Aiken					
Allendale					
Anderson					
Bamberg					
Barnwell					
Beaufort					
Calhoun					
Charleston					
Dorchester					
Berkeley					
Cherokee					
Chester					
Chesterfield					
Clarendon					
Colleton					
Darlington					
Dillon					
Edgefield					
Fairfield					
Florence					
Georgetown					
Greenville					
Greenwood					
Hampton					
Horry					
Jasper					
Kershaw					
Lancaster					
Laurens					
Lee					
Lexington					
Marion					
Marlboro					
McCormick					
Newberry					
Oconee					
Orangeburg					
Pickens					
Richland					
Saluda					
Spartanburg					
Sumter					
Union					
Williamsburg					
York					

Actuarial and/or other explanation:

**South Carolina Insurance Department  
Personal Lines Automobile Rate Filing**

**Auto-7**

**Rate Change by Interval Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Rate change Interval		% policies affected
from	to	
25.1%		xx.x%
15.1%	25.0%	xx.x%
10.1%	15.0%	xx.x%
5.1%	10.0%	xx.x%
0.1%	5.0%	xx.x%
no change		xx.x%
-5.0%	-0.1%	xx.x%
-10.0%	-50.1%	xx.x%
-15.0%	-10.1%	xx.x%
-25.0%	-15.1%	xx.x%
	-25.1%	xx.x%
Total		100%

Briefly describe how this exhibit was computed (actual re-rate of policies, re-rate of a sample of policies, estimate based on distributions, etc.)

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**South Carolina Insurance Department  
Personal Lines Automobile Rate Filing**

**Auto-8**

**Loss Triangle Exhibit\***

Accident Year	2000	2001	2002	2003	2004	2005	2006	Loss Development Factors	Ultimate
2000									
2001									
2002									
2003									
2004									
2005									
2006									
Total									

**Link Ratios**

Accident Year	1:2	2:3	3:4	4:5	5:6
2000					
2001					
2002					
2003					
2004					
2005					
2006					
Total					

Average					
Select					
Cumulative					

\* This exhibit is not required for filings of +/-7% unless your market share is greater than 10%.

**South Carolina Insurance Department  
Personal Lines Property Rate Filing**

**HO-1**

**Underwriting Results**

Latest three calendar years. If fiscal year ending on date other than 12/31, please specify end-date.

Actual Direct:	2003	% of Prem	2004	% of Prem	2005	% of Prem
Earned Premium	28,000	1.00	40,000	1.00	41,000	1.00
Incurred Losses	27,300	0.98	25,000	0.63	32,000	0.78
Incurred CAT Losses	500,000	17.86	-	0.00	-	0.00
Incurred LAE	3,000	0.11	3,000	0.08	5,000	0.12
Incurred CAT LAE	1,000	0.04	-	0.00	-	0.00
Incurred U/W Expenses	7,500	0.27	7,500	0.19	7,500	0.18
U/W Results	(9,800)	-0.35	4,500	0.11	(3,500)	-0.09

\* If a CAT Model was used, please indicate which model and version.

\*\*Please indicate the parameters used with CAT model.

Cat models will be used to project future losses, not to compute actual losses

Actual Net*	2003	% of Prem	2004	% of Prem	2005	% of Prem
Earned Premium	28,000	1.00	40,000	1.00	41,000	1.00
Incurred Losses	27,300	0.98	25,000	0.63	32,000	0.78
Incurred CAT Losses	500,000	17.86	-	0.00	-	0.00
Incurred LAE	3,000	0.11	3,000	0.08	5,000	0.12
Incurred CAT LAE	1,000	0.04	-	0.00	-	0.00
Incurred U/W Expenses	7,500	0.27	7,500	0.19	7,500	0.18
U/W Results	(9,800)	-0.35	4,500	0.11	(3,500)	-0.09

\* Net of reinsurance.

**South Carolina Insurance Department  
Personal Lines Property Rate Filing**

**HO-2**

**Rate Level Change Exhibit**

Off-Balance Exhibit

Insurance Company: **Insert Company Name**

Effective Date: **MM-DD-YYYY**

Component of Change	% Change by Form	
	<i>List form</i> <b>(ex. HO3)</b>	<i>List form</i> <b>(ex. DwIFire)</b>
<i>(list each component or variable changing, do not include variables not changing)</i>		
<b>Base Rate</b>	<b>1.0%</b>	<b>0.8%</b>
<b>Territory</b>	<b>2.0%</b>	<b>1.5%</b>
<b>Amount of Insurance Value</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Deductible</b>	<b>0.0%</b>	<b>1.0%</b>
<b>Other _____</b>	<b>n %</b>	<b>n %</b>
<b>Other _____</b>	<b>n %</b>	<b>n %</b>
<i>(use as many lines as necessary)</i>		
Overall change by form	<b>6.1%</b>	<b>6.4%</b>
Premium or Exposure Weight by form	<b>4,505,300</b>	<b>2,102,100</b>
Overall change ALL forms <i>(must be within ±7% for file-and-use filing)</i>		<b>6.2%</b>

**South Carolina Insurance Department  
Personal Lines Property Rate Filing**

**HO-3**

**Historical Experience Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Form: **Insert form number or type (HO-3, Dwelling, etc.)**

List all experience on a Direct basis (gross of reinsurance) for South Carolina for the 5 preceding years. Insurers with sufficient experience are encouraged to include accident-year rate level indications, incorporating trends, loss development, credibility and other ratemaking techniques, in a separate actuarial memorandum.

Coverage											
Year	Earned Premium	Present Level Factor	Premium Trend Factor	EP at Current Rate Level	Accident Year Incurred Losses	LAE Factor	Loss Development Factor	Loss Trend Factor	Cat Load	Projected AY Incurred Losses	Loss Ratio
Total 5 Yr											

Projected Loss Ratio	
Expense Ratio	
Permissible Loss Ratio	
Indicated Change	

Actuarial and/or other explanation:

**Ratemaking Expense Assumptions Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Form: **Insert form number or type (HO-3, Dwelling, etc.)**

Expense Category	Expense Ratio (% Premium)		
	Fixed	Variable	Total
<b>Commission</b>	<b>0.0%</b>	<b>12.0%</b>	<b>12.0%</b>
<b>Other Acquisition</b>	<b>4.5%</b>	<b>1.3%</b>	<b>5.8%</b>
<b>General Expense</b>	<b>1.2%</b>	<b>0.0%</b>	<b>1.2%</b>
<b>Reinsurance Costs</b>	<b>0.0%</b>	<b>3.0%</b>	<b>3.0%</b>
<b>Taxes, Licenses, Fees</b>	<b>0.0%</b>	<b>2.2%</b>	<b>2.2%</b>
<b>Other _____</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Profit and Contingency</b>	<b>0.0%</b>	<b>4.0%</b>	<b>4.0%</b>
<b>Total Expense and Profit Ratio</b>	<b>5.7%</b>	<b>22.5%</b>	<b>28.2%</b>

Permissible Loss Ratio

**71.8%**

Actuarial and/or other explanation:

- 1- Insurer may select expense categories according to its accounting format.
- 2- Profit and contingency percentage **MUST** be included.
- 3- Split between fixed and variable expenses is optional according to the insurer's ratemaking methodology.

**South Carolina Insurance Department  
Personal Lines Property Rate Filing**

**HO-5**

**Rating Variable Support Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Form: **Insert form number or type (HO-3, Dwelling, etc.)**

Rating Variable: **Insert variable or component under consideration (Protection Class, Construction type, territory, etc.)**

Category	Exposure amount or percentage	Support for change	Current Factor	Proposed Factor	% Change
n1					
n2					
n3					
etc.					
etc.					
nn					
Total					

Actuarial and/or other explanation:

- 1- Complete this exhibit for each rating variable or rating component affected by the rate change.
- 2- For each rating variable included, list each category affected by the rate change.
- 3 -"Exposure amount or percentage" should describe the proportion of business in each category. Possible values include Earned House Years, Policies in Force, or % Earned Premium.
- 4- "Support for change" should describe the insurer's process and justification for selecting proposed factors. Support could include South Carolina or countrywide loss ratios, frequency, severity, loss costs, competition or a combination. Insurer's with sufficient experience are encouraged to compute indicated factors with consideration for credibility. Use additional columns or sheets as necessary.
- 5- Insurers are encouraged to explain selected changes that are not apparently supported by the support information provided.
- 6- If categories are determined based on company codes that do not obviously describe the categories, include category definitions on this sheet or on a separate exhibit.



**Homeowners Annual Premiums by Territory**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**  
Form: **Insert form type or number**

COMPARISON OF ANNUAL PREMIUMS

**DO NOT ADD OR DELETE ANY COVERAGE OR MAKE ANY CHANGES TO THIS EXAMPLE**

1. Premiums shown are for a single family, owner occupied home with \$150,000 amount of insurance written on Form HO-3 or equivalent with full replacement costs. If coverage form is substantially different, please footnote.
2. Protection class = 5.
3. The loss history is 5 years claim-free.
4. Liability coverage = \$100,000 and Medical Payments = \$1000.
5. Deductible amount = \$500. If the company does not offer a deductible of \$500 for all perils, quote the closest to \$500 and footnote the actual deductible used for rating.
6. For the territories that are subdivided, enter the highest applicable premiums on the attached form.

Please provide the name, title, address and phone number of the person who is to be contacted by this Department regarding this Form:

Name:  
Title:  
Address:

Telephone #:

I certify that these premiums are the correct premiums for South Carolina in accordance with the above example.

SIGNATURE

\_\_\_\_\_

DATE

\_\_\_\_\_

TITLE

\_\_\_\_\_

**South Carolina Insurance Department  
Homeowners Annual Premiums by Territory**

Insurance Company: **insert Company Name**  
 Effective Date: **MM-DD-YYYY**  
 Form: **insert form number or type (HO-3, Dwelling, etc.)**

	Current Rate	Proposed Rate	\$ Change	% Change
Territory				
Abbeville				
Aiken				
Allendale				
Anderson				
Bamberg				
Barnwell				
Beaufort				
Calhoun				
Charleston				
Dorchester				
Berkeley				
Cherokee				
Chester				
Chesterfield				
Clarendon				
Colleton				
Darlington				
Dillon				
Edgefield				
Fairfield				
Florence				
Georgetown				
Greenville				
Greenwood				
Hampton				
Horry				
Jasper				
Kershaw				
Lancaster				
Laurens				
Lec				
Lexington				
Marion				
Marlboro				
McCormick				
Newberry				
Oconee				
Orangeburg				
Pickens				
Richland				
Saluda				
Spartanburg				
Sumter				
Union				
Williamsburg				
York				

Actuarial and/or other explanation:

**South Carolina Insurance Department  
Personal Lines Property Rate Filing**

**HO-7**

**Rate Change by Interval Exhibit**

Insurance Company: **Insert Company Name**  
Effective Date: **MM-DD-YYYY**

Rate change Interval		% policies affected
from	to	
25.1%		xx.x%
15.1%	25.0%	xx.x%
10.1%	15.0%	xx.x%
5.1%	10.0%	xx.x%
0.1%	5.0%	xx.x%
no change		xx.x%
-5.0%	-0.1%	xx.x%
-10.0%	-50.1%	xx.x%
-15.0%	-10.1%	xx.x%
-25.0%	-15.1%	xx.x%
	-25.1%	xx.x%
Total		100%

Briefly describe how this exhibit was computed (actual re-rate of policies, re-rate of a sample of policies, estimate based on distributions, etc.)

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Territorial Base Rate Exhibit

Insurance Company: **Insert Company Name**  
 Effective Date: **MM-DD-YYYY**

Form: **Insert form number or type (HO-3, Dwelling, etc.)**

Define Base Risk Characteristics:  
 (Example: \$100,000 Insured Amount, \$100,000 Liability, Frame, Protection Class 3, \$500 ded, etc.)

		Territorial Base Rate		
SCDI Index Zip Code	Description	Non-Cat Component	Cat Component	Total
29204	Columbia			

		Territorial Base Rate		
Insurer Rating Territory	Description	Non-Cat Component	Cat Component	Total
1				
2				
3				
n				
n				
n				

Relative to SCDI Index Zip Code		
Non-Cat Component	Cat Component	Total

- 1- Complete this form for each form or type affected by this rate change.
- 2- Define the Base Risk characteristics for the Insurer's base rate category.
- 3- All insurers must use zip code 29204 as the index zip for this exhibit, regardless of the insurer's actual base territory.
- 4- List all rating territories with a brief geographical description of each. Include complete territory definitions on a separate exhibit.
- 5- Compute "Relative to SCDI Index Zip Code" for each territory using the following formula:  
 (Insurer Territorial Base Rate for each territory) / (Insurer territorial Base Rate for 29204)
- 6- Do not include expense or policies fees not already included in base rates.

**South Carolina Insurance Department  
Personal Lines Property Rate Filing**

**HO-9**

**Loss Triangle Exhibit\***

Accident Year	2000	2001	2002	2003	2004	2005	2006	Loss Development Factor	Ultimate
2000									
2001									
2002									
2003									
2004									
2005									
2006									
Total									

**Link Ratios**

Accident Year	1:2	2:3	3:4	4:5	5:6
2000					
2001					
2002					
2003					
2004					
2005					
2006					
Total					

Average					
Select					
Cumulative					

\* This exhibit is not required for filings of +/-7% unless your market share is greater than 10%.

[Download Home Owner Exhibit Forms](#)

[Download Auto Exhibit Forms](#)