DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

Jim Poolman
Commissioner of Insurance

BULLETIN 2007-2

TO: All Property and Casualty Insurance Companies Licensed to do Business in North Dakota

FROM: Jim Poolman, Commissioner

DATE: July 17, 2007

SUBJECT: Rate Modernization Bill – Senate Bill No. 2296

The North Dakota Legislative Assembly enacted Senate Bill No. 2296 with the purpose of modernizing the rate filing process. The bill amended the current prior approval statutes (N.D. Cent. Code Chapter 26.1-25) by permitting rate change filings to be made using a use and file method in certain situations.

1. N.D. Cent. Code Chapter 26.1-25 requires the filing of rates on a prior approval basis.

2. Senate Bill No. 2296, effective August 1, 2007, creates exceptions to the prior approval requirement. They are:

   a. Competitive commercial markets (all commercial risk markets except for crop hail, farmowners and medical malpractice) may file any commercial rate changes on a use and file basis. The filing must be made to the Department no later than 30 days from implementation.

   b. Private passenger auto and homeowners rate change filings of less then 5% may file any such rate changes on a use and file basis. The filing must be made to the Department no later than 30 days from implementation.

3. New company and initial program rate filings continue to be subject to prior approval.

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4. Companies filing private passenger auto or homeowners rate filings, under the exception in No. 2(b), are permitted by statute to one such filing per calendar year. Note:

   a. An advisory organization filing of loss cost changes of less than 5% made under the use and file exception would be considered a filing for purposes of meeting the calendar year filing limitation if the company had authorized the advisory organization to file on their behalf, or had elected to have their loss costs automatically apply to future advisory organization loss cost filings.

   b. Companies may make more than one filing per calendar year; however, the second or third filing would be subject to the prior approval provisions of the statute.

5. The rate filing statute requires the filing of rate manuals, minimum class rates, rating schedules, rating plans, rating rules and modifications as rate filings. A commercial risk market rate filing that contained changes to any of these would be eligible to be submitted on a use and file basis. Similarly, a rate filing that contained changes to any of these for private passenger auto and homeowners with an impact to rates of less than 5% would also be eligible to be made on a use and file basis. Informational filings and filings of final printed pages would not constitute a rate change filing.

6. All filings, whether made under prior approval or under the use and file provisions of the code, must include documentation and support for the requested change.

7. Filings that are submitted under the "use and file" provisions of the statute should be clearly marked as such.

8. It is common for company groups to use different tiers/rating differentials between the sister companies and to make a filing for all companies in the group in one filing. Since the 5% cap for private passenger auto and homeowner rate change filings applies on a company basis (not on a group basis), any company in the group in which the change exceeds the 5% cap would need to file separately under the prior approval provisions.

9. The prior approval requirements in statute pertaining to the filing of forms were not impacted by Senate Bill No. 2296.

Questions should be directed to Larry Maslowski at lmaslows@nd.gov or (701) 328-4976.

JP/njb