

NOTICE OF
PROPOSED RULE AMENDMENT

- The agency identified below in box 1 provides notice of proposed rule change pursuant to Utah Code Section 63G-3-301 and Subsection 53C-1-201(3)(c).
- Please address questions regarding information on this notice to the agency.
- The full text of all rule filings is published in the Utah State Bulletin unless excluded because of space constraints.
- The full text of all rule filings may also be inspected at the Office of Administrative Rules.

Agency Information

1. Agency: Insurance - Administration
 Room no.: 3110
 Building: STATE OFFICE BLDG
 Street address 1: 450 N MAIN ST
 Street address 2:
 City, state, zip: SALT LAKE CITY UT 84114-1201
 Mailing address 1: PO BOX 146901
 Mailing address 2:
 City, state, zip: SALT LAKE CITY UT 84114-6901

Contact person(s):

Name:	Phone:	Fax:	E-mail:
Steve Gooch	801-538-3803	801-538-3829	sgooch@utah.gov

(Interested persons may inspect this filing at the above address or at DAR during business hours)

Rule Information

DAR file no: 42215 Date filed: 10/13/2017 02:51 PM
 State Admin Rule Filing Key: 159508
 Utah Admin. Code ref. (R no.): R 590 - 225 -
 Changed to Admin. Code ref. (R no.): - -

Title

2. Title of rule or section (catchline):
 Submission of Property and Casualty Rate and Form Filings

Notice Type

3. Type of notice: Amendment

Rule Purpose

4. Purpose of the rule or reason for the change:

The rule is being changed because insurer rate filings have evolved to include increasingly complicated algorithms for rates. The department does not have the budget for a property and casualty actuary to certify that filings are not excessive, inadequate, or unfairly discriminatory. To give the state confidence that filings meet those criteria, the department worked with the industry to find a solution. The rule represents that solution, and is approved by both the department and industry.

Response Information

5. This change is a response to comments by the Administrative Rules Review Committee.

No

Rule Summary

6. Summary of the rule or change:

This rule gives property and casualty insurance filers instructions on how to file rate and form filings with the department. The main change to the rule specifies that an actuary must certify that private passenger auto, homeowners, and worker compensation rates are not excessive, inadequate, or unfairly discriminatory. Other changes remove outdated sections, add clarifying comment, and make minor editorial corrections.

Aggregate Cost Information

7. Aggregate anticipated cost or savings to:

A) State budget:

Affected: No

There is no anticipated cost or savings to the state budget. The rule requires that insurers submit certifications by actuaries, but such submissions will likely be electronic and will not require storage or any other costs.

B) Local government:

Affected: No

There is no anticipated cost or savings to local government because provisions of the rule only apply to insurers.

C) Small businesses:

Affected: No

("small business" means a business employing fewer than 50 persons)

There is no anticipated cost or savings to small businesses because provisions of the rule only apply to insurers, none of which are small businesses.

D) Persons other than small businesses, businesses, or local government entities:

Affected: Yes

("person" means any individual, partnership, corporation, association, governmental entity, or public or private organization of any character other than an agency)

There may be a small cost for insurers if they do not already utilize the services of an actuary. In these cases, insurers would need to contract with an actuary to certify their rate filings. The department has no way of knowing what the costs of such contracts would be, because such matters are negotiated between actuary and client.

Compliance Cost Information

8. Compliance costs for affected persons:

All insurers in Utah are currently required by Section 31A-19a-201 to file rates that are not excessive, inadequate, or unfairly discriminatory, and most currently use the services of an actuary to develop the rates used. Those that do not currently use the services of an actuary would have to negotiate a contract for services. Because such negotiations are solely between actuary and client, the department would have no way of determining what the fiscal impact would be.

Department Head Comments

9. A) Comments by the department head on the fiscal impact the rule may have on businesses:

I. WHETHER A FISCAL IMPACT TO BUSINESS IS EXPECTED AS A RESULT OF THE PROPOSED RULE AND, IF SO, A DESCRIPTION OF WHY: All insurers in Utah are currently required by Section 31A-19a-201 to file rates that are not excessive, inadequate, or unfairly discriminatory, and most currently use the services of an actuary to develop the rates used. Those that do not currently use the services of an actuary would have to negotiate a contract for services. Because such negotiations are solely between actuary and client, the department would have no way of determining what the fiscal impact would be. II. AN ESTIMATE OF THE TOTAL NUMBER OF BUSINESS ESTABLISHMENTS IN UTAH EXPECTED TO BE IMPACTED: There are currently 1,289 licensed property and casualty insurance companies doing business in Utah. While this rule covers all property and casualty insurers, the requirement for the actuarial certification will only apply to those insurers that offer private passenger auto, homeowners, and worker compensation. There are currently 625 insurers that have the authorized line of auto liability, 767 with the authorized line of property, and 563 with the authorized line of worker compensation. III. AN ESTIMATE OF THE SMALL BUSINESS ESTABLISHMENTS IN UTAH EXPECTED TO BE IMPACTED: No small businesses in Utah will be impacted. Aside from one local company, all insurers that operate in Utah are national firms that would be comfortably classified as large employers. While not as large as the national companies, even the single local insurer would be classed as a mid-to-large employer. IV. A DESCRIPTION OF THE SOURCES OF COST OR SAVINGS AS WELL AS THE EXPECTED NET SAVINGS OR COST TO BUSINESS ESTABLISHMENTS AND SMALL BUSINESS ESTABLISHMENTS AS A RESULT OF THE PROPOSED RULE OVER A ONE-YEAR PERIOD, IDENTIFYING ONE-TIME AND ONGOING COSTS: The cost incurred as a result of the the proposed rule will be the fee paid to an actuary for their services in certifying a company's rates. Because most insurers already utilize the services of an actuary, the department believes the effect of this rule will not be widespread. The department has no way of determining the one-time and ongoing costs that result from the rule because insurers will negotiate the price with their actuary, and such costs will necessarily vary. V. DEPARTMENT HEAD'S COMMENTS ON THE ANALYSIS: The above analysis represents the Insurance Department's best analysis of the fiscal impact of this rule change. Most insurers use the services of an actuary, so the effects of the rule will be minimal. In some cases, insurers may need to negotiate a price with an actuary for their services. In these cases, we expect that the insurers will attempt to get the best price possible in an attempt to keep their costs low.

B) Name and title of department head commenting on the fiscal impacts:

Todd E. Kiser, Insurance Commissioner

Citation Information

10. This rule change is authorized or mandated by state law, and implements or interprets the following state and federal laws.

State code or constitution citations (required) (e.g., Section 63G-3-402; Subsection 63G-3-601(3); Article IV) :
Section 31A-19a-203

Section 31A-2-201.1

Subsection 31A-2-202(2)

Subsection 31A-2-201(3)

Incorporated Materials

11. This rule adds, updates, or removes the following title of materials incorporated by reference (a copy of materials incorporated by reference must be submitted to DAR; if none, leave blank) :

Official Title of Materials Incorporated (from title page): Publisher: Date Issued: Issue, or version: ISBN Number: ISSN Number: Cost of Incorporated Reference: Adds, updates, removes:

Comments

12. The public may submit written or oral comments to the agency identified in box 1. (The public may also request a hearing by submitting a written request to the agency. The agency is required to hold a hearing if it receives requests from ten interested persons or from an association having not fewer than ten members. Additionally, the request must be received by the agency not more than 15 days after the publication of this rule in the Utah State Bulletin. See Section 63G-3-302 and Rule R15-1 for more information.)

A) Comments will be accepted until 5:00 p.m. on (mm/dd/yyyy) : 12/01/2017

B) A public hearing (optional) will be held:

On (mm/dd/yyyy): 11/15/2017 At (hh:mm AM/PM): 10:00 AM At (place): 3112 State Office Building, Salt Lake City, UT 84114

Proposed Effective Date

13. This rule change may become effective on (mm/dd/yyyy): 12/08/2017

NOTE: The date above is the date on which this rule MAY become effective. It is NOT the effective date. After a minimum of seven days following the date designated in Box 12(A) above, the agency must submit a Notice of Effective Date to the Office of Administrative Rules to make this rule effective. Failure to submit a Notice of Effective Date will result in this rule lapsing and will require the agency to start the rulemaking process over.

Indexing Information

14. Indexing information - keywords (maximum of four, in lower case, except for acronyms (e.g., "GRAMA") or proper nouns (e.g., "Medicaid")):
property casualty
insurance filing

File Information

15. Attach an RTF document containing the text of this rule change (filename):
There is a document associated with this rule filing.

To the Agency

Information requested on this form is required by Sections 63G-3-301, 302, 303, and 402. Incomplete forms will be returned to the agency for completion, possibly delaying publication in the Utah State Bulletin, and delaying the first possible effective date.

Agency Authorization

Agency head or designee, and title:	Steve Gooch Information Specialist	Date (mm/dd/yyyy): 10/13/2017
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