



Oklahoma INSURANCE Department
State of Oklahoma

BULLETIN NO. PC 2004-06

**TO: ALL PROPERTY AND CASUALTY INSURERS LICENSED IN OKLAHOMA
ALL RATING AND ADVISORY ORGANIZATIONS
ATTENTION: STATE FILING DIVISION**

FROM: OKLAHOMA INSURANCE DEPARTMENT

**RE: HB 2470 PROPERTY AND CASUALTY COMPETITIVE LOSS COST
RATING ACT**

DATE: October 21, 2004

PURPOSE OF THIS BULLETIN

On May 28, 2004, Governor Brad Henry signed into law House Bill 2470. As a result of HB 2470, the "Property and Casualty Competitive Loss Cost Rating Act" will become effective on November 1, 2004.

This Bulletin will serve as an aid to insurers on how this will affect their filings. Please be advised that this bulletin does not cover all the issues addressed in the act. We recommend you review the act in its entirety.

WHEN DOES THE ACT BECOME EFFECTIVE?

Any filing **originally received** on or after November 1, 2004 will fall under this act. Any outstanding filing received prior to November 1, 2004 must be amended to comply with the Property and Casualty Competitive Loss Cost Rating Act.

WHERE WILL THE ACT BE IN THE OKLAHOMA STATUTES?

The Act will be codified as 36 O.S. §§ 981, et seq.

WHAT LINES OF INSURANCE DOES THE ACT APPLY TO?

All personal lines and all commercial lines **other than** reinsurance, accident & health insurance, vessels or craft, their cargoes, marine builders' risks, marine protection and indemnity, or other risks commonly insured under marine, title, and workers' compensation. **Workers' compensation rates, loss costs, loss cost multipliers and manual rules** will still be under the jurisdiction of the Oklahoma State Board for Property and Casualty Rates. **Medical professional liability rates and loss costs multipliers** remain subject to prior approval under the jurisdiction of the Oklahoma Insurance Commissioner pursuant to 36 O.S. §§ 6821.

WHAT MUST THE INSURER FILE?

Filing forms, manual pages containing rate and or manual rules, supplementary rate information and the supporting documentation. The interactive filing forms consist of the following documents which are located on the Department website in the Property and Casualty Division's section, www.oid.state.ok.us.

1. PC TD-1 Property & Casualty Transmittal Document
2. PC RRFs-1 Rate/Rule Filing Schedule
3. Additional Pages for Rate/Rule Filing Schedule
4. OKLCF-1 Insurer Rate Filing - Adoption of Advisory Organization Prospective Loss Costs
5. Form A-2 Oklahoma Rate Exhibit
6. Form OKLCF-A-2 Oklahoma Loss Cost Rate Exhibit
7. Oklahoma Countrywide 5 Year Experience and Expense Exhibit

DOES THE INSURER HAVE TO WAIT FOR APPROVAL FROM THE INSURANCE COMMISSIONER?

If a competitive market exists, the system is "use and file". The filing must be filed no later than thirty days (30) after the effective date. (36 O.S. §§ 987)

In a non-competitive market, the system is "file and use". The filing must be filed at least thirty days (30) before the proposed effective date. (36 O.S. §§ 987)

WHAT IS A NON-COMPETITIVE MARKET?

A non-competitive market means a market for which there is a ruling in effect pursuant to Section 36 O.S. §§ 984 that a reasonable degree of competition does not exist. This can only be concluded after a hearing. Factors on whether or not a market is competitive include the number of insurers actively engaged in writing the coverage, market shares of the leading writers and the changes in market shares over a

reasonable period of time, existence of financial or economic barriers that could prevent new firms from entering the market, etc. To date, Oklahoma has not determined any market to be non-competitive. (36 O.S. §§ 984)

ARE ANY LINES EXEMPT FROM THE FILING AND REVIEW PROCESS OUTLINED IN THE PROPERTY AND CASUALTY LOSS COST RATING ACT?

Yes, certain categories are exempt from the filing and review process such as commercial inland marine and boiler and machinery. A complete list of the exempt commercial lines coverages is included in 36 O. S. §§ 997.

AS A FILER FOR MY COMPANY, WHAT DO I NEED TO DO DIFFERENTLY?

The first issue a filer must resolve is whether or not their filing is exempt. If the filing is exempt, no filing needs to be submitted to the Department. If not, the filing requirements are basically the same, including the fees and transmittal forms as previously listed. What is different is that the filer does not have to wait for the Property and Casualty Board to approve the filing before it can become effective.

HOW DOES THE ACT AFFECT FORMS?

The procedure for form filings is not changed by this act.

HOW DOES THE ACT AFFECT RATING ORGANIZATIONS AND/OR ADVISORY ORGANIZATIONS?

These organizations must first determine the lines of insurance for which they wish to be licensed. If the answer is workers' compensation **only**, a rating organization license is required, and the licensing process is outlined in 36 O.S. §§ 928 and 931. If the answer is all property and casualty lines of insurance **but** workers' compensation, an advisory organization license is required, and the licensing process is outlined in 36 O.S. §§ 991. If the answer is all property and casualty lines of insurance, **both licenses are required.**

Every advisory organization shall file with the Commissioner for approval every statistical plan, all prospective loss costs and all supplementary rating information and every change or amendment or modification of any of the foregoing at least thirty days (30) prior to its effective date. A competitive market is not a factor considered for advisory organizations.

Questions applicable to this bulletin should be directed to kathiestepp@insurance.state.ok.us of the Property and Casualty Division, or robertnoll@insurance.state.ok.us of the Legal Division of the Oklahoma Insurance Department, P. O. Box 53408, Oklahoma City, OK 73152-3408.

The Oklahoma Insurance Department encourages readers of this bulletin to periodically check the Department's web site (www.oid.state.ok.us) for news and updates to Bulletins, Board Position Letters, Board meeting dates, and other relevant material.