

The Department is specifically seeking comment on the following key issues:

1) The definition of premium stabilization practices.

In previous Bulletin 11-02 Premium stabilization was defined as *“a rule in a rating/underwriting plan that reduces premium changes of renewal business on an exposure-by-exposure or a policy-by-policy basis where such premium changes are caused by changes in the rating or risk classification of the exposure or changes in the carrier’s rating plan, or both.”* We are comfortable with this definition and the fact that this definition is limited to renewal business.

2) The extent to which premium stabilization practices comply with Missouri rating laws that generally provide that rates shall not be “excessive, inadequate or unfairly discriminatory.”

Premium stabilization practices are compliant with Missouri rating laws as they do not violate any of these three areas. Rate changes may be capped or premiums stabilized in order to make smooth transitions over time. Actuarial science and insurance rate making is not an exact science and some professional judgement must be used. As long as the premium stabilization factors are applied fairly and evenly to the same renewal book or block then adherence to the rating laws are met.

3) The circumstances under which premium stabilization practices are appropriate and permissible.

Premium stabilization plans are appropriate where the plan is applied fairly and uniformly to all similarly situated policies. We are also supportive of a requirement that premiums should eventually move to their filed premium rate within a certain period of time or certain number of renewals.

4) The circumstances under which premium stabilization practices are not appropriate, if any.

As long as the premium stabilization practices meet the guidelines discussed here and do not violate the Missouri rating laws, they should be permitted.

5) Those lines of insurance to which premium stabilization practices should be permitted.

As long as the premium stabilization practices meet the guidelines discussed here and do not violate the Missouri rating laws, they should be permitted.

6) The appropriate duration of premium stabilization practices (e.g., by renewal cycle).

We prefer not to have a prescribed time limit for the number of years/renewals we are allowed to stabilize premiums. Each company should be allowed to make that determination based on their evaluation of the impact.

7) Any limitations on the practice of premium stabilization (e.g., percentage limitations).

We do not believe there should be a percentage limitation on the practice of premium stabilization. Bulletin 11-02 did not include this limitation and any restriction such as this should be left to the individual company.

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8) The extent to which different consideration should be given to the two types of premium stabilization practices described herein – large internal rate changes versus the acquisition of new blocks of business.

We believe the same guidelines regarding premium stabilization practices should be applied in both instances.

9) The extent to which it should be permissible for insurers to modify premiums for a policyholder, i.e., to minimize the rate change a policyholder experiences they are switched from one insurer to another through a merger, acquisition or inter-affiliate transfer.

Certainly premium stabilization practices should be allowed in this type of situation and the allowable rules or guidelines should be written to allow companies flexibility to address these different areas.

10) Whether multiple premium stabilization practices should be permitted to be applied (simultaneously or subsequently) within the same book of business.

As long as the premium stabilization practices are being applied consistently, insurers should have the flexibility to be able to implement this practice in both simultaneous and subsequent ways. It may make sense to apply different premium stabilization practices to individual factors within a rate filing and it may make sense and be to the benefit of the insured to have premium stabilization practices apply over time in subsequent filings as long as these practices are applied consistently and within the established guidelines.

11) Filing requirements and supporting documentation for the transparent disclosure of premium stabilization practices within rate filings submitted to the Department.

We are supportive of the filing requirements established by the MO DIPF and set out in Bulletin 11-02.

12) Filing requirements for corresponding rules detailing premium stabilization practices and Methodologies.

We agree that companies can include the use of premium stabilization or rate capping in the applicable rate filing, however we do not think it necessary to including the caps, formula or methodology for the rate-capping calculation in the rate manual.

13) Filing requirements regarding the detailed implementation of any planned premium stabilization practices.

We are supportive of the filing requirements established by the MO DIPF and set out in Bulletin 11-02.

14) The extent to which information may be trade secret or proprietary.

At this point, premium stabilization practices may not be trade secret or proprietary, but this may not always be the case and could be different in the future.

15) Whether there should be any notice requirements to policyholders regarding future premium changes resulting from premium stabilization.

We do not believe a policyholder notice requirement is necessary nor would it be particularly helpful to the consumer.