



# LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON  
COMMISSIONER

## BULLETIN NO. 09-09

**TO: ALL PROPERTY AND CASUALTY INSURERS WRITING  
COMMERCIAL INSURANCE IN LOUISIANA**

**FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE**

**RE: SUBMITTAL OF CONSENT-TO- RATE FILINGS, A-RATED  
FILINGS AND INDIVIDUAL RISK RATED FILINGS**

**DATE: DECEMBER 1, 2009**

It has come to the attention of the Louisiana Department of Insurance (LDOI) that several property and casualty insurers have negotiated premiums with and issued policies to their respective policyholders pursuant to the consent-to-rate filing provisions of the Louisiana Insurance Code, specifically LSA-R.S. 22:1464(E). The consent-to-rate statute provides an insurer with the authority to impose a rate in excess of the insurer's approved manual rate for a specific risk, provided the insurer submits a written application to the Commissioner of Insurance. In that application, the insurer shall state the reason(s) for imposing the excess rate. In conjunction with the submission of the consent-to-rate application, the insurer shall illustrate the manual premium, which is derived from the use of approved manual rates, and the excess premium. The written application for the imposition of an excess rate will then be submitted to the Commissioner of Insurance for approval.

In reviewing consent-to-rate filings that have been recently submitted to the LDOI, it has been observed that some of these filings may not be in compliance with the Louisiana Insurance Code in that the consent-to-rate premium has been less than the manual premium. This practice has caused the LDOI to seek additional information from various insurers as to the source of the rates used in these consent-to-rate policies. Based upon information received by the LDOI, it has been discovered that some of the filings submitted are not consent-to-rate filings but, rather, individual risk rated policies and/or A-Rated policies. As such, it is imperative that insurers understand and review the provisions of the Louisiana Insurance Code and the LDOI Office of Property and Casualty Rate and Rule Filing Handbook (LDOI Rate and Rule Handbook) relative to consent-to-rate filings, A-Rated filings and individual risk rated filings.

Consent-to-rate filings, as defined in the Louisiana Insurance Code and LDOI Rate and Rule Handbook, are filings that set forth an insurer's agreement with an insured to provide coverage at a premium that is in excess of the insurer's applicable manual premium. The consented premium must be based upon sound underwriting judgment.

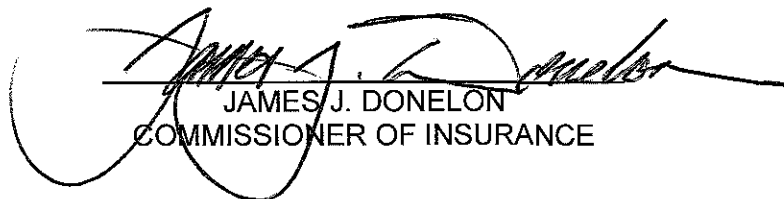
An A-Rated filing illustrates the implementation of a rate that is based upon the judgment of an insurer's underwriter and is developed on an individual risk basis. The concept of an A-Rated filing is used to price coverage for unusual risk exposures e.g. construction of suspension bridges and tunnels. The application of an A-Rate can be broad, or it can be based upon an actuarially justified rating guide. As such, the premium generated by A-Rating can be less than or in excess of premium generated from approved manual rates and rules.

As for an individual risk rate filing, the filing must illustrate that the rates and rules implemented are specific to the insured risk. The concept of individual risk rating is used to price coverage for normal and customary risk exposures where there is an element of risk that has not been contemplated by a company's approved manual rates and rules. The rates and rules applied to the normal and customary component of the risk must be actuarially justified and previously approved by the Commissioner of Insurance. However, the rating component that applies to the element of risk that is not rated in a company's manual must be based on sound underwriting judgment. As such, the premium generated by individual risk rating can be less than or in excess of premium generated from approved manual rates and rules.

In submitting these rate filings to the LDOI, it is imperative that insurers indicate which of the three filing methods is applicable. If it is determined by LDOI staff that the indicated filing method is incorrect, the proposed rate filing will be disapproved. Further, if an insurer plans to utilize either the A-Rating or individual risk rating methods, the procedures by which the insurer will apply these rating methods to an insured risk shall be set forth in the insurer's approved rate and rule manual. Filing instructions and guidelines for the aforementioned filing methods are found in the LDOI Rate and Rule Handbook. Any questions or requests for clarification should be directed to the LDOI, Office of Property and Casualty, Insurance Rating Division, at (225) 342-5203.

Please be advised and act accordingly.

Baton Rouge, Louisiana, this 1st day of December 2009.



JAMES J. DONELON  
COMMISSIONER OF INSURANCE