

*State of Idaho*  
**DEPARTMENT OF INSURANCE**

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**NOTICE TO PROPERTY & CASUALTY INSURERS**  
**JANUARY 01, 2022**  
**REVISED MAY 26, 2022**

**Note: The Idaho Department of Insurance has proposed revisions to Administrative Rule IDAPA 18.02.01 for the 2022 legislative session. Please see DOI website for the proposed changes.**

This Notice is being presented for guidance and additional information on Rate and Rule filings for the state of Idaho. The Department has been made aware of some confusion as to what the Department requires when the Company submits a rate and rule filing. This is a companion notice to the Notice to Carriers published June of 2020. All Property and Casualty insurers are to adhere to the information in the Notice to Carriers in addition to this Notice. Please be advised that many of these procedures/requirements have always been in place, but perhaps not publicly posted and available for review.

Any Rate or Rate and Rule filing submitted after the date of this notice will need to include and follow the guidelines listed below. A Rate Filing checklist and supplemental forms and/or exhibits will now be required. **Forms will no longer be reviewed with a rate and rule filing.**

The checklist and any supporting forms will need to be completed with date, and signature within 30 days of the date the filing is received by the Department. If not completed, the filing will be disapproved.

**NOTE: FOR MULTIPLE COMPANY RATE OR RATE/RULE FILINGS, A SEPARATE DEMONSTRATION FOR EACH COMPANY SHALL BE SUBMITTED TO BE IN COMPLIANCE.**

- 1. General Information Tab:** The General Information tab in SERFF must contain a complete and detailed explanation of the filing. The Department will no longer rely on "see supporting documents" to find an explanation for the filing. The status of the filing in the domicile state must also be stated. If the Company is not filing in the domicile state, an explanation as to why, must be included. If this tab is not completed in full, the filing will be disapproved and will need to be resubmitted. You may include a cover letter in addition to this tab, but not in lieu of this tab.
- 2. Rate Increases general allowance.**
  - a. **Personal Lines:** The Department follows a simplified review process if the rate change is less than 15% for each policyholder, prior to any capping or stabilizing.
  - b. **Commercial Lines:** Schedule rating does not need justification if capped at  $\pm 25\%$ . Carriers are to include clear justification for the need of schedule rating modifications that exceed  $\pm 25\%$

3. **Advisory Organizations:** Indicate in the General Information tab if you are a member of ISO, AAIS, or NCCI and if the Company is adopting/non-adopting the Advisor Organization's rates, rules, or forms.
4. **Block Non-Renewals:** The Department allows requests for Block Non-renewals to be filed in SERFF. For these requests, in addition to the completion of the General Information tab, a letter, addressed to the Director must be included in the filing and attached to the Supporting Documents tab. Refer to Idaho Code § 41-1841. Not applicable to Personal Auto – the Department only permits non-renewal and cancellations of personal auto as outlined in § 41-2507.

5. **Actuarial Memorandum:**

**FAILURE TO SUPPLY A COMPLETE ACTUARIAL MEMORANDUM-THE FILING WILL BE DISAPPROVED. A FILING MEMO OR COVER LETTER IS NOT AN ACTUARIAL MEMORANDUM.**

An Actuarial memorandum must be included on the Supporting Documents tab with exhibits and a full assessment and justification for the filing. The memorandum should be completed and signed by a qualified actuary, certifying that the submitted rates are fully compliant with Idaho law and rules and are not inadequate, excessive, or unfairly discriminatory.

Any proprietary information should be included as exhibits to the Actuarial Memorandum, be marked confidential upon submission in SERFF, and properly labeled as proprietary. The Department is not responsible for any disclosure of proprietary information submitted by Companies which is not marked accordingly when submitted in SERFF.

6. **Rate Distribution, Histogram:** Rate filings that contain significant differences between the minimum and maximum rate changes implemented on the rate/rule schedule must include a rate distribution that includes the number of Idaho insureds, the percent of book of business and the total increase/decrease those individuals will receive. Provide the data in increments of no more than 5% increase or decrease. This should represent the full effect-extending to the actual minimum and maximum charges being requested.

Example: Data is provided in increments of 5% increase or decrease. 500 insureds or 25% book of business will experience 5%-10% increase; 1000 insureds or 50% of book will receive 10%-15% and so on.

7. **Breakdown of Changes:** Submit a breakdown showing the changes made to Idaho insureds who are experiencing more than a 15% increase. This is specific to changes for each insured/policy and should include all factors that have changed. Provide each change, the current factor, the new factor, the percentage change of each factor as related to the overall premium increase, the old and new premium, and the overall percentage of the increase **for each insured**.

Example: Insured A's old premium is \$100, new premium is \$200, total overall percentage change is 100%. Credit score change current factor is 1.0, new factor is 1.5, total percentage change attributed to credit score is 50%, base rate change current factor is 1.2, then new factor is 1.5, total premium change attributed to the base rate is 30%, etc. This can be provided in Excel format or PDF.

**8. Rate Capping/Stabilizing (personal lines only):**

Insurers are to charge their filed rates for both new business and renewal. Mitigating, capping, stabilizing, or transitioning (hereinafter referred to as “stabilizing”) rate changes results in individuals with the same or similar risk being charged different rates, which is generally not a fair or appropriate outcome. As such, we consider any long-lasting stabilizing that effectively creates separate rate levels for new business and for renewal as establishing multiple rates for the same/similar risk and thus unfairly discriminatory.

**Each rate stabilizing factor/plan will be evaluated case by case, applying the following principles:**

- a) **Underlying factors are to be stable and credible.** Rate stabilizing is not an appropriate device for smoothing any volatile or less-credible rating variables. Large swings in factors (and the resulting large swings in rates) may indicate inadequate review of the appropriateness of such factors. Any large change in a factor is to be actuarially justified, credible, and reasonably stable going forward, regardless of any stabilizing plan.
- b) **Exposure changes or policyholder-initiated changes are to be outside of any stabilizing.** The insurer should be able to demonstrate that the stabilizing plan applies only to rating factor changes, and that any rate changes attributable to exposure changes or policyholder-initiated coverage changes will not be stabilized.
- c) **Only outlier changes are stabilized.** Under most circumstances, stabilizing plans should affect a portion of policyholders. Generally, the department’s threshold is that less than  $\frac{1}{3}$  of policyholders with a given block, at any time, should be impacted by the stabilizing plan.
- d) **Not for spreading a large base rate change.** Rate stabilizing should not be a justification for the appropriateness of a large base rate change or other rate changes that have a similar premium impact on most policyholders. If the company does not wish to implement the full impact of a large indicated overall rate change, the base rate change should be curtailed rather than relying on a stabilizing plan.
- e) **Real movement needed toward filed rate.** At each renewal, an acceptable stabilizing plan would allow for substantial movement toward the indicated (i.e., without stabilizing) rate. For example, it would be inappropriate to propose to hold stable the rates of policies with indicated decreases compared to the average rate change.
- f) **Stabilizing is to apply uniformly, after all other rating factors.** The stabilizing should not be implemented on only certain risk characteristics. The stabilizing plan is to be specified in the rate and rule manual and is to apply after all other rating factors, with the exception that the impact of exposure changes or policyholder-initiated changes are to be excluded from stabilizing.
- g) **Explain stabilizing of additional rate changes while policies are already being stabilized.** If a company has policies that have not yet reached their indicated rates (due to stabilizing), and the company is filing additional rating or rule changes, the memorandum should provide a clear explanation, with examples of actual stabilized policies, as to how the rate stabilizing for the new filing will interact with any existing rate stabilizing.

**Filing Notes:**

Companies that utilize a stabilizing mechanism in their filing should indicate so on the general information tab and provide the percent of policies stabilizing will affect and an explanation of the type of rate stabilizing. Examples would include a general stabilization factor, a transitional block factor, an acquisition factor, agent transfer factor, etc.

The rate/rule schedule should state the Company's "Overall % Rate Impact", "Minimum % Change", and "Maximum % Change" with the stabilizing applied. The "Overall % Indicated Change" should exclude any rate stabilizing impact to premium collection. The rate filing's actuarial justification should support the full rate change without stabilization and explain the impact of any stabilizing plan to the overall premium collected.

Future rate increase requests on the same book of business should either state that prior rate filings have been fully implemented (no policies remain stabilized) or reference any previous rate filing that has not been fully implemented due to stabilizing, with the following information provided for each:

- SERFF Filing number;
- the overall, minimum, and maximum rate change percentages;
- the number and percent of policyholders that are still stabilized as of filing date;
- a description of the prior rate stabilizing applied;
- how the requested rate or rule change impacts the prior stabilizing plan; and
- any additional information that would support as not unfairly discriminatory the continued use of the same stabilizing plan or adjustments to the stabilizing plan.