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Bulletin 15-04

To: Property and Casualty Insurance Companies Qualified to Write Crop-Hail Insurance in Iowa
From: Nick Gerhart, Iowa Insurance Commissioner
RE: Rules for Crop-Hail Insurance Rate and Form Filings
Date: December 21, 2015

The purpose of this bulletin is to update and replace Bulletin 13-08.

This bulletin applies to all insurance companies qualified to write crop-hail insurance in the State of Iowa for the 2016 crop season, and for each subsequent crop season. Crop-hail insurance includes policies providing crop-hail insurance, companion hail insurance, production plan insurance, corn green snap/wind endorsements and other similar types of supplemental insurance.

Form Filings

Pursuant to provisions of Iowa Code 515.109, all forms of policies, applications, and endorsements proposed to be issued by any company doing business in this state shall be first submitted to the Division for review and approval.

Companies who reference National Crop Insurance Services (NCIS) forms shall submit a descriptive listing of the NCIS forms that the company proposes to use in Iowa. The listing shall include the form title, form number, and edition date for each form.

Companies proposing to use independent forms or modified NCIS forms shall file a copy of each form as well as a memorandum describing the use of each form and the impact it will have on the rates.

Rate Filings

Filing Dates

Pursuant to provisions of Iowa Administrative Code 191-20.8, rate filings for crop-hail insurance shall be submitted to the Division on or before January 31st of the year in which the filing will be in effect. Companies are advised to submit their rate filings to the Division well in advance of the proposed effective date to allow reasonable time for the Division's review of a filing.

Companies will be allowed to file only one set of rates per policy plan per calendar year which shall remain in effect throughout the current crop year.

All companies writing crop-hail insurance in Iowa should file new rates for any crop season in which NCIS produces revised loss costs.

If NCIS does not file new loss costs for a crop season, a company has the option of making a filing or using the rates that were in effect the prior year. However, if a company was not otherwise compliant with all of the items articulated in this bulletin for its prior year's filing, the company is expected to file in order to follow the guidance given in this bulletin.

Expenses

All companies shall furnish a minimum of three years of expense data, for both Iowa and Countrywide. Expense data must include total production expenses, general expenses, loss adjustment expenses, and taxes, licenses, and fees. Provisions may be included for underwriting profit and contingencies. An explanation should be included detailing calculation of the underwriting profit and contingencies, and any variations in selected expenses from historical levels.

Loss Cost Multiplier

All companies shall calculate a loss cost multiplier or a set of loss cost multipliers based on the expense data submitted with the filing. Multiple loss cost multipliers may be filed to the extent justified by differences in expenses (e.g. a different commission rate for corn vs. soybeans). The loss cost multiplier(s) should be calculated in accordance with the NAIC "Calculation of Company Loss Cost Multiplier" or "Calculation of Company Loss Cost Multiplier with Expense Constants" form.

Allowable Deviations

A company using the NCIS Final Average Loss Costs (FALC's) may deviate from each individual FALC by a maximum of 15% up or down. The loss cost underlying any individual company rate may deviate by a maximum of 15% up or down from the NCIS FALC adjusted by the NCIS rating factors (crop factors and policy form factors).

Forms that offer company-specific variations of the NCIS language (such as a DXS30 form or a Production Plan form with a 10% minimum loss provision) are subject to the restrictions specified in the previous paragraph. Whenever the company revises its rates or NCIS revises its FALCs, the company should provide actuarial support showing how the rates were developed.

Maximum and minimum FALCs: A company may use a minimum rate on a statewide basis. The filing should specify how this minimum was established (it should be based on the expense to issue a policy). Maximum rates or FALCs are not allowed.

When NCIS begins to produce loss costs for a coverage for the first time, a phase in is allowed, meaning that the range of the +-15% is expanded. For the first crop year, the allowed deviation will be +-40%. For the second crop year, it can be up to +-25%. For the third crop year, it is expected to be in compliance with the +-15% deviation rule. The phase in applies to any coverages that NCIS introduces in crop year 2016 or subsequent years. A phase in will not allowed for any coverages

introduced by NCIS in 2015 or earlier years. If a company is not in compliance with this provision, it is expected to file new rates to become compliant with this provision.

NCIS files township FALCs and county FALCs. Company filings should indicate which set of FALCs they choose to adopt. If the company chooses to rate by separate regions within a county (such as North/South or East/West), the company must first determine the indicated FALC for each region as the weighted average of the NCIS township FALCs for that region with the corresponding NCIS cumulative liabilities for those same townships. The company should not deviate by more than 15% from the indicated FALC for the region.

Discounts

Cash discounts not to exceed **five percent** will be permitted if the premium is received by July 1 or if full payment is included with new policies written after July 1.

Large volume discounts will be allowed on a graduated basis to the extent justified by specific expense savings. Claim free discounts will not be permitted. Multi-policy credits will be permitted. All discounts proposed to be used in Iowa shall be filed with the Division prior to use.

STATE OF IOWA

Exhibit A

CERTIFICATION FORM

I hereby certify that the rates and rules contained in this filing are in compliance with Iowa Insurance Laws, Regulations, and Bulletins and that the premiums are not inadequate, excessive, or unfairly discriminatory. Furthermore, I certify that the rating plan filed will generate premium rates that do not deviate by more than 15% up or down when the filed company loss cost multiplier(s) is/are applied to the approved NCIS Final Average Loss Cost (FALC) and factor structure.

Date

Officer's Signature

Name – Typed or Printed

Title

Company Name

Failure to certify shall subject the insurer to penalties specified in 515F of the Iowa Code.

Last updated December 21, 2015.

Exhibit B
CROP-HAIL INSURANCE RATE FILING FORM

Name of Company

Effective Date of Filing: _____

Overall Effect of Rate Change: _____

Check all of the following boxes that apply:

1. Deviations from NCIS FALCs and Rating Factors

- We have used the NCIS FALC's with NO deviations.
- We have deviated from the FALCs a uniform _____%.
- We have deviated from NCIS FALCs in some, but not all, territories. A list of those territories and deviations are attached.
- We are using county rates.
- We are using township rates.
- We are using a combination of county rates and township rates. Provide a list indicating which counties use the NCIS county FALCs and which counties use the NCIS township FALCs.
- We have attached a complete list of independent program rates for which NCIS does not produce FALCs. Coverages for which NCIS produces FALCs or factors, including crop-hail insurance, production plan coverage, and green snap and wind coverage for field corn and seed corn, are considered to be NCIS-supported coverages, and are not considered to be independent programs.
- Company-specific variations of the NCIS policy language, such as a DXS30 policy form or Production Plan form with a 10% minimum loss provision are not considered to be independent coverages. Whenever the company revises its rates or NCIS revises its FALCs, the company must provide actuarial support showing how the rates were developed.
- We have deviated from the NCIS policy form/crop factors. A list of policy forms/crop factors with each corresponding deviation is attached.
- We have attached a complete list of crop and policy form factors.
- We have used a minimum rate. Attached is the explanation of how the minimum rate was established.
- Other (Attach a complete explanation of the rates and methodology).

2. FALC Multiplier

- We have used a multiplier of _____ for all FALC's. A three-year expense statement is attached.
- We have used a multiplier of _____ and an expense constant of _____. A three-year expense statement and an analysis identifying the fixed and variable expenses is attached.

- We have used different multipliers for different FALC's. A description of the multipliers and the ranges is attached. An analysis identifying and justifying the expenses that vary by FALC is attached.
- Other (Attach a complete explanation & analysis).

3. Discounts

- We are filing a cash discount of _____%.
- We are filing a large volume discount. An exhibit identifying the savings is attached. The eligibility criteria are attached.