

**806 KAR 13:110. Rate standards for property and casualty insurance "flex rating".**

RELATES TO: KRS 304.13-051

STATUTORY AUTHORITY: KRS 304.2-110

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110 provides that the Commissioner of Insurance may make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation prescribes the rate standards which must be met by property and casualty insurance rate filings subject to the "flex rating" provisions of KRS 304.13-051.

Section 1. Property and casualty insurance rates subject to prior approval by the Commissioner of Insurance under KRS 304.13-051(5)(b) shall be made in accordance with the following provisions:

- (1) Manual, minimum, class rates, rating schedules, or rating plans shall be made and adopted, except in the case of specific inland marine rates on risks specially rated;
- (2) Rates shall not be excessive, inadequate, or unfairly discriminatory; and
- (3) Due consideration shall be given:
  - (a) To past and prospective loss experience within and outside this state;
  - (b) To conflagration and catastrophe hazards;
  - (c) To a reasonable margin for underwriting profit and contingency;
  - (d) To dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers;
  - (e) To past and prospective expenses, both countrywide and those specially applicable to this state;
  - (f) To all other relevant factors within and outside this state; and
  - (g) In the case of fire insurance rates, consideration may be given to the experience of the fire insurance business during a period of not less than the most recent three (3) year period for which such experience is available;
- (4) The systems of expense provisions included in the rates for use by insurer or group of insurers may differ from those of other insurers or group of insurers to reflect the requirements of the operating methods of any such insurer or group with respect to any kind of insurance or with respect to any subdivision or combination thereof for which subdivision or combination separate expense provisions are applicable; and
- (5) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any differences among risks which may have a probable effect upon losses or expenses.

Section 2. This administrative regulation shall become effective upon completion of its review pursuant to KRS Chapter 13A.

(15 Ky.R. 755; eff. 10-7-88; TAm eff. 8-9-2007; Crt eff. 2-26-2020; TAm eff. 3-10-2020.)