

ADMINISTRATIVE BULLETIN 2014-5

**Date:** December 1, 2014  
**To:** All Insurance Companies Writing Crop-Hail Insurance in Minnesota  
**From:** Minnesota Department of Commerce, Insurance Division  
**Re:** Crop-Hail Insurance Filings

**Reason for Bulletin:** Until 2008, the Minnesota Department of Commerce (Commerce) issued a bulletin each year to address issues of concern for Crop-Hail carriers and remind them of Minnesota requirements for the rate filing process. This year we are issuing a bulletin that will remain in effect for future years until a new bulletin is issued. This Bulletin supersedes Bulletin 2007-9 and all Crop-Hail bulletins previously issued by Commerce.

This Bulletin applies to all private crop coverages for which the National Crop Insurance Services (NCIS) produces loss costs, including Crop-Hail insurance, production plan coverage, and green snap and wind coverage for field corn and seed corn (GS&WC), as well as any additional coverages NCIS may produce loss costs for in future filings. The NCIS is the advisory rate organization that provides and collects premium and loss information from all Crop-Hail insurance carriers and provides advisory loss costs used in establishing rates. The NCIS ratemaking procedure is viewed as actuarially sound and use of its standards helps ensure a balance in the marketplace.

1. All companies writing Crop-Hail insurance in Minnesota must file new rates for any crop season in which the NCIS produces revised loss costs.
2. 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 must file in order to follow the guidance given in this bulletin.
3. **Filing Procedure.**
  - a. New rates must be received by Commerce no later than January 31 of the year in which the filing will be in effect, unless January 31 of that year is on the weekend, in which case it must be received by Commerce on or before the first weekday immediately following January 31.
  - b. All filings must be submitted through the NAIC System for Electronic Rate and Form Filing (SERFF).
  - c. In addition to the standard Property and Casualty (P&C) filing requirements contained in Bulletin 2000-4, all filings must be accompanied by the FILING CERTIFICATION FORM (Exhibit A), and the CROP-HAIL INSURANCE RATE FILING FORM (Exhibit B). Filings should comply with all other filing requirements found in the Minnesota Property and Casualty General Instructions available on SERFF.

4. Possible Deviations that the Department of Commerce will accept:

- a. 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. However, the cumulative impact for each individual FALC adjusted for rating factors (crop factors and policy form factors) must not deviate by more than 15% up or down from the NCIS FALC adjusted for rating factors unless full actuarial support is provided.
- b. A company may use alternative loss costs or individual deviations from the NCIS FALCs in excess of 15% only if they provide full actuarial support using meaningful statistics.
- c. For forms that provide coverage similar to the NCIS form but are company-specific variations of the NCIS language, the company is subject to those restrictions specified in the other parts of this bulletin.
- d. Maximum and minimum FALCs: A company may use a minimum rate on a statewide basis. The filing must specify how this minimum was established (it should be based on the expense to issue a policy). Maximum rates or FALCs are not allowed.
- e. 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 year, the allowed deviation will be +/-40%. For the second year, it can be up to +/-25%. For the third year, it must be in compliance with the +/-15% deviation rule. For example, for GS&WC, the allowed deviations will be +/-40% for 2015, +/-25% for 2016, +/-15% for 2017 and subsequent years. Since NCIS first filed FALCs for the production plan in 2012, for 2015 and subsequent years the maximum deviation allowed (without full actuarial support) for the production plans is +/-15%. If a company is not in compliance with this provision, it must file new rates to become compliant with this provision.
- f. In the situation where the company files county rates and NCIS files township FALCs, the company must compare the countywide average NCIS FALC to the company's expected loss costs underlying its rates. The countywide average NCIS FALC shall be the weighted average of the NCIS township FALCs with the NCIS cumulative liabilities by township. In order to avoid providing full actuarial support, the company needs to show that they are within +/-15% of the countywide average NCIS FALC.
- g. Deviations in low liability townships and /or counties:
  - 1) If the liability in a township is less than \$50,000, i.e., a low liability township, then a company may judgmentally modify the FALC with catastrophe for that township to be consistent with the rates of adjacent townships. The filing must identify all townships where this is done and include an explanation of why the proposed rate is better.
  - 2) The NCIS filing establishes corn FALCs as a factor based on wheat FALCs in corn low liability counties where the wheat is not low liability, and similarly factors wheat FALCs based on corn in wheat low liability counties where the corn is not low liability. The NCIS county low liability threshold is \$1,250,000. A company may extend this NCIS low liability procedure for wheat FALCs to counties where wheat liability is up to \$10,000,000 provided that corn liability exceeds \$10,000,000. A company may also extend this NCIS low liability procedure for corn FALCs to counties where corn liability is up to \$10,000,000 provided that wheat liability exceeds

\$10,000,000. (See the NCIS FALC Manual for a list of wheat and corn liabilities by county.) The "Table for Determination of Base Loss Cost" paragraph within the NCIS FALC Manual lists the factor for wheat in wheat low liability counties as well as the factor for corn in corn low liability counties. The company filing must identify all counties where this is done.

5. **FALC Multiplier: A company must document the calculation of its FALC multiplier.**
  - a. The company must include a three-year expense statement itemizing production expenses; taxes, licenses and fees; general expenses; loss adjusting expenses; and other expenses.
  - b. The company may separate fixed from variable expenses and use an expense constant, but it must provide an analysis that identifies the different categories of expenses and demonstrates that the aggregate premium will be unchanged by the separation.
  - c. If a company varies the multipliers by FALC, then it must provide an analysis to justify the different multipliers.
6. **Discounts:**
  - a. Cash discounts may not exceed 3% unless a higher discount can be justified. The cash must be paid by July 1 of the crop season to qualify for a 3% discount. For a policy written after July 1 of the crop season with a discount, the cash must be mailed to the insurance company within 24 hours after the application is submitted.
  - b. Large volume discounts will be allowed on a graduated scale, but only to an extent justified by specific expense savings. The savings must be identified in the filing. The rules filed by the company must specify the eligibility criteria for the large volume discount and the discount must be applied to any account that is eligible (Minn. Stat. §70A.04, subd. 4).
  - c. Claim-free discounts for Crop-Hail coverage cannot be actuarially justified, so these discounts will not be allowed.
  - d. A MPCCI (Multiple Peril Crop Insurance - Federal Crop Insurance) package discount will not be allowed.
  - e. Any other discounts must be justified and documented.
7. Do not file MPCCI rates or forms, either as a formal filing or a courtesy filing. MPCCI is a federally regulated product that is not filed with the state.
8. Questions about this bulletin may be addressed Phil Vigliaturo, Property and Casualty Actuary at [phil.vigliaturo@state.mn.us](mailto:phil.vigliaturo@state.mn.us) or 651-539-1762.

Signed



Tim Vande Hey  
Deputy Commissioner

***Exhibit A***

***State of Minnesota***

***FILING CERTIFICATION FORM***

***(Must be submitted with filing)***

***Date:*** \_\_\_\_\_

***Company GROUP Name:*** \_\_\_\_\_

***Company GROUP NAIC Number:*** \_\_\_\_\_

***Filing ID number:*** \_\_\_\_\_

***I certify that this filing complies with the requirements of Minnesota Statutes and Rules applicable to this product and the Current Crop-Hail Bulletin.***

***Filing Analyst Name:*** \_\_\_\_\_

***Filing Analyst Signature:*** \_\_\_\_\_

***Responsible Officer's Name:*** \_\_\_\_\_

***Responsible Officer's Title:*** \_\_\_\_\_

**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. Actuarial support is provided for deviations of more than 15% up or down.
- We have deviated in selected low liability townships. A list of these townships and our justification for these deviations are attached.
- We are using county rates. A comparison to the countywide average NCIS FALCs is attached. The countywide average NCIS FALC has been computed using the NCIS cumulative liabilities by township. Actuarial support is provided for deviation of more than 15% up or down.
- We have attached a complete list of (1) alternative loss costs that differ from the NCIS FALCs along with the corresponding NCIS FALCs and the deviation percentages from the NCIS FALCs, or (2) alternative rates not based on the NCIS FALCs, along with the NCIS FALCs adjusted by the appropriate company FALC multiplier and the deviation percentage from the adjusted NCIS FALC. Actuarial support is provided for deviation of more than 15% up or down.
- We have attached a complete list of independent Crop-Hail program rates for which NCIS does not produce FALCs. Any coverages for which NCIS produces loss costs/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, therefore are not considered to be independent Crop-Hail programs. Company-specific variations, such as a DXS30 policy form, are not considered to be independent coverages. Similarly, a Production Plan form with a 10% minimum loss provision is not an independent coverage. If those rates differ from the last time they were filed with the Department of Commerce, actuarial support is required.
- We have deviated from the NCIS policy form/crop factors. A list of policy forms/crop factors with each corresponding deviation is attached. Actuarial support is provided for deviation of more than 15% up or down.

- We have FALC/policy form/crop combinations that deviate by more than 15% up or down from the NCIS FALCs adjusted by the NCIS rating factors. Attached is a list and full actuarial support.
- 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.
- Other (Attach a complete explanation & analysis).