



Texas Department of Insurance

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BULLETIN: B-0052-99

TO ALL INSURANCE COMPANIES, CORPORATIONS, EXCHANGES, MUTUALS, RECIPROCALs, ASSOCIATIONS, LLOYDS OR OTHER INSURERS WRITING DIRECT LIABILITY INSURANCE IN TEXAS.

IMPLEMENTATION OF TEMPORARY RATE REDUCTIONS
BASED UPON 28 TEX. ADMIN. CODE §§5.9800-5.9811
PROCEDURES AND FORMS

***** IMPORTANT NOTICE *****

Please read carefully and distribute to appropriate personnel.

This bulletin provides the rules and procedures to be used by all companies licensed to write direct liability insurance in the State of Texas in complying with the mandatory rate reductions required by *Article 5.131, Texas Insurance Code*, and *28 TAC §§5.9800-5.9811 (formerly 28 TAC §§5.14000-5.14011)*. These rate reductions are intended to reflect loss savings due to legislation passed by the 73rd and 74th Legislatures designed to reduce or eliminate costs associated with the civil justice system. The specific reforms enacted by the Legislature included, among other things, new caps on the payments of exemplary damages, stricter standards on the application of joint & several liability, limitations on establishing venue, clarification of allowable damages associated with deceptive trade practices, and stronger deterrents against frivolous lawsuits. On October 1, 1999 Commissioner's Order #99-1363 adopted amendments to 28 TAC §§5.9801, 5.9804, 5.9805, and 5.9806, including revised loss and ALAE reduction percentages which will become effective on January 1, 2000.

Carriers should be advised that *Subchapter R, 28 TAC §§5.9800-5.9811* applies to any insurer that is authorized to do business in this state and that is authorized to write any of the liability lines or sublines set forth below, including capital stock companies, mutual insurance companies, Lloyd's plan insurance companies, and reciprocal or interinsurance exchanges. Filings are required for all companies regardless of whether or not they submitted a filing effective 1/1/1999. **Companies who are authorized to write insurance in a line in which they do not currently write any business are required to file Form TR-CF by the Tort Reform filing due date of each year, even if they previously submitted such a form.**

The subchapter, except for §5.9803 (Rule-making Procedures for Reductions in Rates), §5.9804 (Loss and ALAE Reduction Percentages by Line), §5.9805 (Calculation and Application of Rate Reduction Factor), §5.9806 (Duration), and §5.9808 (Administrative Relief), also applies, to the limited extent of passing through savings on a prospective basis and monitoring compliance with the legislative directive, to County Mutuals, Joint Underwriting Associations and other insurers, whether rate-regulated or not, for those lines of insurance which are not rate-regulated.

This bulletin is intended to provide information on year 2000 filing requirements to reflect savings from Tort Reform legislation. Specific topics to be covered include:

- Filing requirements (including revised tort reform percentages) to assist in the quantification of anticipated savings due to Tort Reform during year 2000. Filings of the appropriate forms are required on or before **December 1, 1999**.
- The use of a reconciliation form (TR-RF) to reconcile the premium in each company's tort reform filings to its 1998 Texas Annual Statement page 15.
- New versions of TDI forms TR-1-R through TR-7-NR. The changes to the forms were minimal. In addition, automated versions of the forms, which are available on TDI's website, may be used and may decrease the number of calculation errors.
- Frequently asked questions and TDI's responses.
- A Tort Reform Flow Chart to assist in determining the forms required to be submitted.
- A list of the revised loss and ALAE reduction percentages for all lines.

Companies may access this bulletin from the Texas Department of Insurance web site – www.tdi.state.tx.us. The Internet version of this bulletin contains downloadable, automated versions (in Excel file format) of the forms TR-1-R through TR-7-NR so that companies may complete the forms with greater ease and accuracy (See "Additions/Changes for 1/1/2000 Submissions" section below and instructions for forms for more detailed instructions on using the automated versions of the forms).

The lines of insurance which are subject to the mandatory rate reductions are:

- Commercial Excess Liability;
- Commercial General Liability (including premises medical, fire legal liability, personal advertising injury, contractual liability and liability for all premises);
- Commercial Liability for damages arising out of the manufacture, design, importation, distribution, packaging, labeling, lease, or sale of a product, or for completed operations coverage (Products/Completed Operations);
- Commercial Multiple Peril (including Businessowners);
- Commercial Umbrella;
- Farm and Ranch Owners;
- Other Commercial Liability, if not already covered as a part of a Commercial General Liability policy, when written as a monoline coverage or added to another policy, including the following lines and sublines: fire legal liability; contractual liability; pollution liability; owners and contractors protective liability; railroad protective liability; liquor liability; farm liability; garage liability; and all other commercial liability lines and sublines.
- Personal Umbrella and Excess Liability;
- Private Passenger and Commercial Automobile Bodily Injury Liability (including assigned risk BI as provided for in Commissioner's Order 98-1494, but excluding Medical Payments, Uninsured/Underinsured Motorists, and Personal Injury Protection);
- Professional Liability as defined in *Article 5.15-1, Texas Insurance Code*; and
- Professional Liability other than Professional Liability as defined in *Article 5.15-1, Texas Insurance Code*.

Exceptions: Although 28 TAC §§5.9800-5.9811 also applies to Homeowners and Tenants Multiple Peril and the employers liability portion of Workers' Compensation, no reductions to these lines are required. No filing(s) on account of tort reform are required for these coverages.

All insurers shall pass through the savings from the Tort Reform legislation to their policyholders on a prospective basis for the lines and sublines of insurance identified above. Insurers that write any of these lines or sublines of insurance may be required to provide information to the department in the form of rate filings, special data calls, informational hearings and any other means consistent with other provisions of the Texas Insurance Code and determined by the commissioner to be necessary to monitor compliance with the provisions of Article 5.131, Texas Insurance Code, and 28 TAC §§5.9800--5.9811.

Exclusions: 28 TAC §§5.9800-5.9811 does not apply to the following lines and/or sublines:

- Accident & Health Insurance;
- Aircraft;
- Boiler & Machinery;
- Comprehensive Personal Liability;
- Credit Insurance (including involuntary unemployment insurance);
- Crime;
- Fidelity & Surety;
- Financial Guaranty;
- Fire & Allied Lines;
- Inland Marine;
- Mortgage Guaranty;
- Ocean Marine;
- Private Passenger and Commercial Automobile Property Damage Liability, Uninsured/Underinsured Motorists, Medical Payments, Personal Injury Protection, and Physical Damage; and
- Private Passenger and Commercial Automobile Assigned Risk, except as provided in Commissioner's Order 98-1494, or any subsequent order issued by the Commissioner

Effective Date:

The revised mandatory rate reductions shall apply to all policies or coverages effective on or after **January 1, 2000**. The reductions shall be reflected in the rates in effect on that date, and to all rates first effective on or after that date. Such revised reductions are in lieu of the rate reductions effective January 1, 1999. They are not in addition to the rate reductions effective 1/1/1999

Mandatory Filing Submission Deadline

Filings to implement the temporary rate reductions to reflect savings from Tort Reform legislation for rates in effect or to be effective on January 1, 2000 must be made with the Department no later than **December 1, 1999**, following the procedures outlined in this bulletin.

Contents of Bulletin

The procedures to comply with the provisions of 28 TAC §§5.9800-5.9811 will vary depending on a number of factors. There are separate rules and procedures for lines that are rate-regulated versus lines that are not rate-regulated by the Department. Further, different rules apply to flex rated lines of insurance versus other than flex rated lines. Finally, County Mutuals, Joint Underwriting Associations, and other non-rate-regulated insurers are required to follow separate procedures for passing through savings resulting from Tort Reform legislation and to monitor the compliance with certain provisions of Article 5.131, Texas Insurance Code. This Bulletin is intended to cover three basic types of filings; these are as follows:

- Filings made for the purposes of determining revised tort reform rate reduction factors and of assisting the Commissioner in determining the impact of tort reform upon the marketplace and in reporting such to the Legislature, as required under *Texas Insurance Code Art. 5.131, Sec. 10*. These filings are referred to as "Annual Tort Reform Filings."
- Filings made for the purposes listed above *and* to implement an additional rate change with the same effective date as the effective date of tort reform.
- Filings made for the *sole* purpose of filing rates as required under *Texas Insurance Code Articles 5.15, 5.13-2, or 5.101* with an effective date other than 1/1/2000. Filing requirements for these "Other than Annual Tort Reform Filings" are included with this Bulletin (pages TORT-1 and TORT-2). The Department suggests that companies insert pages TORT-1 through TORT-63 included with this bulletin in the "Filings Made Easy" manual so that all required filing forms can be readily accessed from one source.

Additions/Changes for 1/1/2000 Submissions

Please read through this Bulletin carefully, including the attached Frequently Asked Questions (FAQs), flowchart and tort reform filing instructions, carefully before contacting the Department with questions.

- Revised forms TR-1-R through TR-7-NR. The changes to the forms were minimal.
- The list of FAQs has been revised.
- A list of the loss and ALAE reduction percentages for all lines has been included.

Note: All submissions must be completed using the new (Edition 1/1/2000) forms.

Mailing or Delivery of Filings:

All filings must be mailed or delivered to the following addresses:

If Mailed:

Texas Department of Insurance
Property & Casualty Intake Unit
Mail Code 104-3B
PO Box 149104
Austin, Texas 78714-9104

If Delivered:

Texas Department of Insurance
Property & Casualty Intake Unit
Tower I, Room 460A
333 Guadalupe Street
Austin, Texas 78701

This bulletin is divided into the following sections:

Section 1. Procedures for Stock Companies, Direct Writers, Mutuels, Lloyds and Other Rate-Regulated Insurers

- A.** Procedures for Flex Rated Lines of Insurance
- B.** Procedures for Other Than Flex Rated Lines of Insurance
 - I.** Rates based on Advisory Organization Loss Costs
 - II.** Independent Company Rates
 - a.** Commercial Multiple Peril with Divisible Premium
 - b.** (A) Rates and Estimated Loss Potentials
 - c.** Indivisible Premium Policies (CMP, Businessowners)
 - d.** Other Filed Rates

Section 2. Procedures for Non-Rate-Regulated Insurers and Non-Rate-Regulated Lines of Insurance

- A.** Procedures for County Mutuals and Other Non-Rate-Regulated Insurers - Flex Rated Lines of Insurance
- B.** Procedures for Non-Rate-Regulated Insurers and Non-Rate-Regulated Lines of Insurance - Other Than Flex Rated Lines
 - I.** Using the Loss and ALAE Reduction Percentages as Specified in 28 TAC §5.9804.
 - II.** Calculation of Different Loss and ALAE Reduction Percentages

Section 3. Miscellaneous Procedures and Provisions - All Filings

- A.** Minimum Premiums
- B.** Expense Constants / Policy Fees
- C.** Policy Exclusions
- D.** Retrospective Rating
- E.** Policy Endorsements
- F.** Experience Rating
 - I.** Continuing use of a previously adopted advisory organization experience rating plan
 - II.** Continuing use of a previously adopted independent experience rating plan
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 - IV.** Changing from a previously adopted independent experience rating plan to an advisory organization experience rating plan
- G.** TDI Staff Contacts

Section 1.

Procedures for Stock Companies, Direct Writers, Mutuals, and Other Rate-Regulated Insurers

A. Procedures for Flex Rated Lines of Insurance

This section details the filing requirements for the "flex" lines of insurance governed by *Article 5.101, Texas Insurance Code*. These lines are subject to promulgated flexibility bands and benchmark rates and include Private Passenger and Commercial Automobile Bodily Injury Liability (excluding Medical Payments, Uninsured/Underinsured Motorists, and Personal Injury Protection).

Homeowners and Tenants Multiple Peril, which are included within the definition of "flex lines", are not subject to a rate reduction. Therefore, filings to reflect tort reform reductions are not required for Homeowners and Tenants Multiple Peril. Effective 1/1/1998 Farm & Ranchowners rates were no longer regulated by Article 5.101. Form TR-1-R should not be completed for Farm & Ranchowners. Refer to Section 1, B for further details.

For flex lines of insurance, Form TR-1-R must be completed separately by line of insurance. Form TR-1-R must also be used to calculate the estimated impact on company premiums resulting from the application of the company's flex percentage(s) to the adjusted benchmark rates.

1/1/2000 Rate Reduction Factors Underlying Current (2/15/1999) Benchmark Rates

Enter the following factors on Line (6) when completing Form TR-1-R.

Private Passenger Automobile Bodily Injury (Including Uninsured Motorists)	0.908
Commercial Automobile Bodily Injury – Zone Rated	0.863
Commercial Automobile Bodily Injury – Other Than Zone Rated	0.861
Commercial Automobile Bodily Injury – Dealers and Service Operations	0.867

Filing Requirements for Section A

- Filings must be made separately by company. Group filings are not permitted.
- If the filing is made solely to reflect the tort reform loss and ALAE reduction percentages that are effective 1/1/2000, the filing must contain:
 1. A Transmittal Form TR-T,
 2. A completed copy of Reconciliation Form TR-RF, and
 3. A completed copy of Form TR-1-R.
- If the filing is made for reasons in addition to reflecting the tort reform loss and ALAE reduction percentages that are effective 1/1/2000, the filing must contain:
 1. A Transmittal Form TR-T **AND a Property & Casualty Filings Made Easy** Transmittal Form,
 2. All required forms as described in the Texas Department of Insurance publication **Property & Casualty Filings Made Easy**,
 3. Actuarial support for proposed changes,
 4. A completed copy of Reconciliation Form TR-RF, and
 5. A completed copy of Form TR-1-R.

- Submit three (3) copies of each filing to the Department at one of the addresses indicated above. Filing is required with the Department by no later than **December 1, 1999** for the initial submission for the year 2000.
- These procedures apply to any rate filings for lines of insurance subject to the tort reform reductions made throughout the year.
- A qualified actuary or an experienced rate analyst should complete the required forms so that errors are minimized.
- For additional details, see the specific instructions for Form TR-1-R attached to this bulletin.

B. Procedures for Other Than Flex Rated Lines of Insurance

This subsection details the filing requirements for those lines of insurance that are non-flex rated. Non-flex rated lines of insurance that are affected by the mandatory tort reform loss and ALAE reductions include General Liability, Product and Completed Operations Liability, Medical Professional Liability, Other Professional Liability, Umbrella and Excess Liability, Commercial Multiple Peril Liability, and Farm and Ranch Owners Liability. Because the Employers Liability Coverage of Workers' Compensation is not subject to a rate reduction at this time, no filing for tort reform for this coverage is required.

Paragraph B.I. provides specific information that applies if the line, subline, and coverage being reported utilizes rates that are based on referenced advisory loss costs. Paragraph B.II. provides specific information if Paragraph B.I. does not apply.

B.I. Rates Based on Advisory Organization Loss Costs

For filings with rates based on advisory organization loss costs, your company should complete either Form TR-5A-R or Form TR-5B-R (simplified form) for each applicable line or subline of insurance. **The simplified form TR-5B-R may be used ONLY if you are filing to adopt the most recent (1/1/2000) version of loss costs that reflect the 1/1/2000 tort reform reductions with no change to the loss cost multiplier.** Form TR-5A-R must be used in all other situations. For example, if there is a change in the loss cost multiplier, or if you are not adopting the new loss costs that already reflect the 1/1/2000 reductions, Form TR-5A-R must be used. Form TR-5A-R assists with the calculation of a revised loss cost multiplier and a revised loss cost modification factor. Forms TR-5A-R and TR-5B-R are both used to determine the estimated premium impact on company premiums resulting from the mandatory reductions.

Filing Requirements for Section B.I.

- Filings must be made separately by company. Group filings are not permitted and will be returned.
- Filings must be made separately by annual statement line of insurance. Filings that include more than one line of insurance are not permitted and will be returned. Separate exhibits must be filed for each program with a unique TDI number in a line of insurance.
- If the filing is made solely to reflect the tort reform loss & ALAE reduction percentages that are effective 1/1/2000, the filing must contain:
 1. A Transmittal Form TR-T,
 2. A completed copy of Reconciliation Form TR-RF,
 3. A completed copy of certification Form TR-CC for each company, and

4. Completed copy(-ies) of Forms TR-5A-R and/or TR-5B-R.
- If the filing is made for reasons in addition to reflecting the tort reform loss & ALAE reduction percentages that are effective 1/1/2000, the filing must contain:
 1. A Transmittal Form TR-T **AND** a **Property & Casualty Filings Made Easy** Transmittal Form,
 2. All required forms as described in the Department publication **Property and Casualty Filings Made Easy**,
 3. Actuarial support for proposed changes,
 4. A completed copy of Reconciliation Form TR-RF,
 5. A completed copy of certification Form TR-CC for each company, and
 6. Completed copy(-ies) of Forms TR-5A-R and/or TR-5B-R.
 - Submit three (3) copies of each filing to the Department at one of the addresses indicated above. Filings must be made with the Department by no later than **December 1, 1999** for the initial submission for the year 2000.
 - These procedures apply to any rate filings for lines of insurance subject to the tort reform reductions made throughout the year.
 - Attach support to the filing if the proposed loss or expense provisions differ from the current expense provisions.
 - For additional details, see the specific instructions for Forms TR-5A-R and TR-5B-R attached to this bulletin.
 - A qualified actuary or an experienced rate analyst should complete the required forms so that errors are minimized.

B.II. Independent Company Rates

This paragraph provides filing instructions for non-flex rated lines in which advisory loss costs are not referenced: subparagraph B.II.a. concerns filings for Commercial Multiple Peril with divisible premiums, subparagraph B.II.b. concerns filings for (A) rates and estimated loss potentials, subparagraph B.II.c. concerns indivisible premium Commercial Multiple Peril policies, and subparagraph B.II.d. provides information on topics not covered in Subparagraphs B.II.a., B.II.b., or B.II.c.

B.II.a. Commercial Multiple Peril with Divisible Premium

This subparagraph provides information for complying with the mandatory loss and ALAE reductions for Commercial Multiple Peril programs and coverages with divisible premium. Divisible premium means that the premium for liability coverage is determined separately from the premium for other coverages. For Commercial Multiple Peril programs and coverages with indivisible premium, see subparagraph B.II.c.

The large number of programs and coverages that fall into the Commercial Multiple Peril line of insurance results in numerous rating plans. For programs and coverages that are rated using a package modification factor and a rate for a monoline liability program, the package modification need not be changed if the monoline rate has been adjusted for the mandatory loss and ALAE reduction. However, the applicable monoline forms must be completed specifically for the monoline coverages written under Commercial Multiple Peril policies so that the estimated premium impact of the tort reform reductions for such policies is included. Do not include Commercial Multiple Peril Liability premium with monoline General Liability premium.

Note: For Commercial Multiple Peril programs and coverages with divisible premium that are rated without reference to a monoline liability rate, all of the filing requirements contained in Subparagraph B.II.d. apply.

B.II.b. Filings for (A) Rates and Estimated Loss Potentials

For policies that are (A) rated, insurers shall reduce the otherwise applicable (A) rate by the same rate reduction factor calculated for non-(A) rated policies for the same line, subline, coverage and policy type (occurrence vs. claims made). Insurers that have filed ranges of (A) rates must also reduce the endpoints of each range in the same manner. For insurers with (A) rates based upon estimated loss potentials (ELPs) provided by an advisory organization and a loss cost multiplier, adjust the (A) rate in the same manner as non-(A) rates based on advisory loss costs for the same line, subline, coverage and policy type. For the purpose of calculating estimated premium impact, premiums from policies that are (A) rated shall be included with the non-(A) rated premium on the applicable filing form for the line, subline, coverage and policy type being reported.

Note: Policies that are (A) rated with liability deductibles or retentions greater than \$100,000 should reflect the applicable Excess Liability loss and ALAE reduction percentage, and should therefore report the rate reduction factor and anticipated savings on a separate TR-2-R.

B.II.c. Filings for Indivisible Premium Policies

Certain coverages and programs contained in the broad Commercial Multiple Peril line of insurance may be rated such that property and liability premiums are not determined separately. This subparagraph provides the information necessary to comply with the mandatory loss and ALAE reduction percentages as specified in 28 TAC §5.9804.

For the coverages and programs that fall into this category, Forms TR-6-R and TR-2-R must be completed. Form TR-6-R is used to calculate the rate reduction factor to be reflected in current company rates based on the mandated loss and ALAE reduction percentages. The form is also used to calculate the estimated premium impact on company premiums resulting from the mandatory reductions. Forms TR-6-R and TR-2-R, along with the applicable instructions, are attached to this bulletin.

B.II.d. Rates Other than Discussed in Subparagraphs B.II.a., B.II.b., or B.II.c.

For non-flex rated lines of insurance with rates falling in this category, various combinations of Forms TR-2-R, TR-3A-R, TR-3B-R, and TR-4-R will be required. Form TR-2-R is required for occurrence rates. Forms TR-3A-R and TR-3B-R are required for claims-made rates. Form TR-4-R and the applicable form for each underlying coverage shall be used for umbrella and excess policies for which the premium is calculated as a factor or percentage of the premiums of the underlying policies. The required forms should be completed separately by annual statement line (and, if necessary, by subline and coverage). They are used to calculate the rate reduction factors to be reflected in current company rates based on the mandated loss and ALAE reduction percentages. The forms are also used to calculate the estimated premium impact on company premiums resulting from the mandatory reductions. These forms, along with applicable instructions, are attached to this bulletin.

Note: Policies with large liability deductibles or retentions greater than \$100,000 should reflect the applicable Excess Liability loss and ALAE reduction percentage, and should therefore report the rate reduction factor and anticipated savings for such high deductible or retention programs on a separate TR-2-R.

Filing Requirements for Section B.II

- Filings must be made separately by company. Group filings are not permitted and will be returned.

- Filings must be made separately by line of insurance. Filings that include more than one line of insurance are not permitted and will be returned. Separate Exhibits must be filed for each program with a unique TDI # in a line of insurance.
- If the filing is made solely to reflect the tort reform loss & ALAE reduction percentages that are effective 1/1/2000, the filing must contain:
 1. A Transmittal Form TR-T,
 2. A completed copy of Reconciliation Form TR-RF,
 3. A completed copy of certification Form TR-CA for each company,
 4. A completed copy of certification Form TR-CD if you wish to exclude exemplary damages and/or DTPA, and
 5. **For B.II.a.** For each component of the package policy, submit the Tort Reform form applicable to the corresponding monoline coverage. The premium reported on each form should be the package premium reported on Page 15, Line 5.2 of the Annual Statement for the particular subline or coverage.
For B.II.b. A copy of the appropriate form(s) from section B.II.a, B.II.c., or B.II.d for each company.
For B.II.c. A copy of Form TR-6-R, **and** TR-2-R (see instructions for Form TR-6-R) for each company.
For B.II.d. Copy(-ies) of Forms TR-2-R, TR-3A-R, TR-3B-R, and/or TR-4-R.
- If the filing is made for reasons in addition to reflecting the tort reform loss & ALAE reduction percentages that are effective 1/1/2000, the filing must contain:
 1. A Transmittal Form TR-T **AND** a **Property & Casualty Filings Made Easy** Transmittal Form,
 2. All required forms as described in the Department publication **Property and Casualty Filings Made Easy**,
 3. Actuarial support for proposed changes,
 4. A completed copy of Reconciliation Form TR-RF,
 5. A completed copy of certification Form TR-CA for each company,
 6. A completed copy of certification Form TR-CD if you wish to exclude exemplary damages and/or DTPA, and
 7. **For B.II.a.** For each component of the package policy, submit the Tort Reform form applicable to the corresponding monoline coverage. The premium reported on each form should be the package premium reported on Page 15, Line 5.2 of the Annual Statement for the particular subline or coverage.
For B.II.b. A copy of the appropriate form(s) from section B.II.a, B.II.c., or B.II.d for each company.
For B.II.c. A copy of Form TR-6-R, **and** TR-2-R (see instructions for Form TR-6-R) for each company.
For B.II.d. Copy(-ies) of Forms TR-2-R, TR-3A-R, TR-3B-R, and/or TR-4-R.
- Submit three (3) copies of each filing to the Department at one of the addresses indicated above. Filings must be made with the Department by no later than **December 1, 1999** for the initial submission for the year 2000.
- These procedures apply to any rate filings for lines of insurance subject to the tort reform loss and ALAE reductions made throughout the year.

- Attach support to the filing if the proposed expense provisions differ from the current expense provisions.
- For additional details, see the specific instructions for Forms TR-2-R, TR-3A-R, TR-3B-R, TR-4-R, and TR-6-R attached to this bulletin.
- A qualified actuary or an experienced rate analyst should complete the required forms so that errors are minimized.

Section 2.

Procedures for Non-Rate-Regulated Insurers or Non-Rate-Regulated Lines of Insurance

A. Procedures for County Mutuals and Other Non-Rate-Regulated Insurers - Flex Lines of Insurance Only - Regardless of Intent to Change Rate Reduction Factor

This subsection details the filing requirements for "flex" lines of insurance governed, for rate-regulated insurers, by *Article 5.101, Texas Insurance Code*. Flex rated lines that include lines, sublines, and coverages that are subject to mandatory temporary rate reductions due to Tort Reform are: Private Passenger and Commercial Automobile Bodily Injury Liability (excluding Medical Payments, Uninsured/Underinsured Motorists, and Personal Injury Protection). Note that Homeowners and Tenants Multiple Peril, which are included within the definition of "flex" lines, are not subject to a rate reduction.

For flex lines of insurance, *28 TAC §5.9805* specifies the rate reduction percentages promulgated by the Commissioner for rate-regulated companies that are to be reflected in the current benchmark rates by line. Non-Rate-Regulated Companies have the option of using the loss and ALAE reduction percentages in *28 TAC §5.9804* or any other loss and ALAE reduction percentage appropriate for the line of insurance being filed. However, if a loss and ALAE reduction percentage other than that promulgated by the Commissioner of Insurance is used, a description of the derivation of the values must be provided.

Form TR-7-NR, which is attached to this bulletin, should be completed separately for each program. Form TR-7-NR is used to display the rate reduction factor and to calculate the estimated premium impact on company premiums resulting from consideration of Tort Reform. Form TR-7-NR, along with applicable instructions, is attached to this bulletin.

Filing Requirements for Section A

- Filings must be made separately by company. Separate sheets must be supplied for each program written by the company, and each must be listed on the transmittal form. Group filings are not permitted.
- Each filing must contain a filing transmittal Form TR-T, a reconciliation form (TR-RF), and a completed copy of Form TR-7-NR. The reconciliation form should list each program within a given annual statement line of insurance. See the instructions for Form TR-7-NR for other information that must be submitted.
- Submit three (3) copies of each filing to the Department at one of the addresses indicated above. Filings to reflect the revised temporary rate reductions to reflect savings from tort reform legislation must be made with the Department by no later than **December 1, 1999** for the initial submission for the year 2000. **Companies making informational filings with effective dates subsequent to 1/1/2000 are required to submit form TR-7-NR for each program with rates that are being revised.**

B. Procedures for Non-Rate-Regulated Insurers and Non-Rate-Regulated Lines of Insurance - Other than Flex Rated Lines

This subsection details the filing requirements for those insurers that are not rate-regulated for lines of insurance that are not designated as flex lines. This would include Lloyds companies and Reciprocal Exchanges for Commercial Multiple Peril. This subsection also details the filing requirements for rate-regulated companies for those lines of insurance that are not rate-regulated under *Articles 5.13-2 or 5.15, Texas Insurance Code*. These lines include certain types of Professional Liability.

For other than flex rated lines of insurance, *28 TAC §5.9804* specifies the loss and ALAE reduction percentages promulgated by the Commissioner for rate-regulated companies that are to be used to calculate the appropriate rate reduction percentages and premium impacts by line of insurance. For non-rate-regulated lines, companies have the option of using the loss and ALAE reduction percentages in 28 TAC §5.9804 or any other loss and ALAE reduction percentage appropriate for the line of insurance being filed. This provision also holds for non-rate-regulated companies. However, regardless of what loss and ALAE reduction percentage is used, appropriate support must be provided.

The same forms shall be completed as required for regulated lines of insurance. It is strongly recommended that the entire form be completed. However, if the expense breakdown of the current and proposed rates by category is unknown, only the totals must be reported. As mentioned above, use of the Commissioner's loss and ALAE reduction percentages is not required. Therefore, any references to required reductions on the forms should be interpreted as described in this subsection. However, if the loss and ALAE reduction percentage selected differs from the Commissioner's determination, an exhibit that describes its calculation must be attached. The following lines must be completed if they appear on the form being completed:

- Rate Reduction Factor to Reflect Tort Reform;
- Proposed Rate Change Prior to the Reflection of Tort Reform;
- Premium Subject to Tort Reform; and
- Premium Impact of Tort Reform.

See Section 2., Subsection B., in this bulletin, the filing forms, and the applicable instructions attached to this bulletin for additional information.

B.I. Using the Loss and ALAE Reduction Percentages as Specified in 28 TAC §5.9804

For each non-rate-regulated line of insurance, companies have the option of adopting the loss and ALAE reduction percentages promulgated by the Commissioner in 28 TAC §5.9804. If this is done, no further support will be required other than the filing requirements shown below.

B.II. Calculation of Different Loss and ALAE Reduction Percentages

For each non-rate-regulated line of insurance, companies have the option of calculating different loss and ALAE reduction percentages than those promulgated by the Commissioner in 28 TAC §5.9804. If this is done, actuarial support must be provided outlining the methodology and rationale for the selected rate reduction percentages.

Filing Requirements for Section B

- The same forms shall be completed as required for regulated lines of insurance including Reconciliation Form TR-RF.
- In addition to these forms please also include:
 - B.I.** a signed copy of the appropriate certification form (included in this bulletin) attesting to the accuracy of the filing.
 - B.II.** actuarial support outlining the methodology and rationale for the selected rate reduction percentages, and a signed copy of the appropriate certification form (included in this bulletin) attesting to the accuracy of the filing.

Section 3.

Miscellaneous Procedures and Provisions

A. Minimum Premiums

It is intended that the rate reductions for each line of insurance also apply to associated minimum premiums to the extent that the minimum premiums reflect expected losses and ALAE. If the company calculates a rate reduction factor different from that to be applied to the associated rates, appropriate support must be provided. All filings submitted to this Department, regardless of the line or subline involved, should provide an explanation of how the rate reduction percentages were calculated and applied to any associated minimum premiums.

B. Expense Constants / Policy Fees

The provisions outlined in 28 TAC §§5.9800-5.9811 are not intended to apply to expense constants, policy fees, or any other flat charge associated with policy issuance and acquisition. Companies that incorporate such fees within their rate-making structure should remove the expenses collected through expense constants and policy fees from the expense provisions used to calculate rate reduction factors or premium impacts due to Tort Reform.

C. Policy Exclusions

Insurers writing any commercial liability or professional liability lines or large risks may reduce the loss and ALAE reduction percentages used to calculate the rate reduction factor for a specific line by the individual Tort Reform component specified in Form TR99, Pricing Components by Tort Reform, if coverage for a Tort Reform identified in Form TR99 is specifically excluded from the policies. For example, if a policy specifically

excludes exemplary damages, the reduction percentage used to calculate the rate reduction factor to be applied to the rates should be adjusted to remove the reduction applicable solely to exemplary damages reform.

To adjust the loss and ALAE reduction percentage, it is necessary to refer to Form TR99 attached to this bulletin. Form TR99 contains a listing of the various commercial lines loss and ALAE reduction factors by line of insurance and by specific reform. To adjust a loss and ALAE reduction percentage to exclude a specific reform, subtract the percentage for the specific line and reform from the total loss and ALAE reduction percentage shown for the line. The adjusted loss and ALAE reduction percentage should then be used in calculating rate reduction factors and premium impacts due to Tort Reform.

Insurers must complete certification Form TR-CD in addition to the certification forms and all other required forms otherwise required. Submission of Form TR-CD is required for each year in which it is still applicable.

D. Retrospective Rating

Insurers shall apply the appropriate rate reduction factor(s) to the rates used to determine minimum premiums, maximum premiums and other rating values under retrospective rating plans. If any of the lines, sublines and coverages included in the retrospective rating plan are not subject to the mandatory temporary rate reductions due to Tort Reform, a factor of 1.000 shall be applied to the rates for those lines.

E. Policy Endorsements

Endorsements effective on or after January 1, 2000 to policies that were originally effective prior to that date shall be subject to the rates specified in the commissioner's promulgated rating manual or in the insurer's approved rating manual. That is, if the rating manual specifies that the rate applicable to the endorsement is that in effect at policy inception, that rate, with the previous adjustment (1/1/1999) to reflect the savings of tort reform, shall be used. If the rating manual specifies that the rate applicable to the endorsement is that in effect as of the effective date of the endorsement, that rate, reduced to reflect the adjusted 1/1/2000 savings due to tort reform, shall be used.

F. Experience Rating

Insurers with experience rating plans for liability coverages affected by the tort reform loss and ALAE reductions, as described in this bulletin and Bulletin B-0053-95, must modify these plans to conform to the provisions of the latter Bulletin. These modifications were required by Bulletin B-0053-95. The only new changes required are in the loss and ALAE reduction percentages. Experience rating plans must comply with the following provisions. In each of the following four cases, the experience rating plan must conform to the requirements of this bulletin and Bulletin B-0053-95 and have an effective date of January 1, 2000.

F.I. Continuing use of a previously adopted advisory organization experience rating plan

If continuing to use an experience rating plan of an advisory organization whose plan has been amended to conform to the above mentioned bulletins, an insurer may simply submit a statement adopting the amendment and certifying that its plan is the same as the advisory organization's together with a completed TDI Transmittal Form TR-T. An insurer must also provide the following:

- The TDI number (if any) assigned to the advisory organization's original plan,
- The TDI number assigned to the amendments to the advisory organization's plan, and
- The TDI number (if any) of the insurer's filing referencing the advisory organization's original plan.

F.II. Continuing use of a previously adopted independent experience rating plan

If continuing to use an independent experience rating plan, an insurer must amend the plan to conform to the above mentioned bulletins and submit a statement of the amended plan rules. A completed TDI Transmittal Form TR-T should be included with the statement.

F.III. Changing from a previously adopted advisory organization experience rating plan to an independent experience rating plan

The insurer must make a new filing using the "Filings Made Easy" Forms, including a completed Filing Transmittal Form, to adopt its own independent experience rating plan, which must conform to the above mentioned bulletins.

F.IV. Changing from a previously adopted independent experience rating plan to an advisory organization experience rating plan

The insurer must make a new filing using the "Filings Made Easy" Forms, including a completed Filing Transmittal Form, to adopt an advisory organization's experience rating plan, which must conform to the above-mentioned bulletins.

G. TDI Staff Contacts

Questions on filing requirements and filing procedures should be directed to:

Texas Department of Insurance
Property & Casualty Intake Unit
Mail Code 104-3B
PO Box 149104
Austin, Texas 78714-9104

(512) 322-3575
(512) 463-6607 fax

Technical questions on Tort Reform implementation, and questions of an actuarial nature should be directed to:

Texas Department of Insurance
P/C Actuarial, Mail Code 105-5F
PO Box 149104
Austin, TX 78714-9104

(512) 475-3017
(512) 463-6122 fax

Sincerely,

Philip O. Presley
Chief Actuary
Property & Casualty

Attachments

- FAQs (Frequently Asked Questions)
- Filing Flowchart
- Form TR99
- 1/1/2000 Loss and ALAE Reductions by Line
- Filing Transmittal Form TR-T
- Filing Certifications TR-CA, TR-CC, TR-CD, TR-CE, TR-CF
- TDI Form TR-1-R and Instructions
- TDI Form TR-2-R and Instructions
- TDI Form TR-3A-R and Instructions
- TDI Form TR-3B-R and Instructions
- TDI Form TR-4-R and Instructions
- TDI Form TR-5A-R and Instructions
- TDI Form TR-5B-R and Instructions
- TDI Form TR-6-R and Instructions
- TDI Form TR-7-NR and Instructions
- TDI Form TR-RF and Instructions

TORT REFORM 2000

“FREQUENTLY ASKED QUESTIONS”

Who has to file this year?

Does our company have to make a tort reform filing this year?

- **Yes.** If your company is licensed to write one or more of the direct lines of liability insurance affected by tort reform, your company must make a tort reform filing this year. **The tort reform filing is due by December 1, 1999, and must be effective no later than January 1, 2000.**

What if we used to, but no longer, write a line of insurance affected by tort reform?

- If your company is licensed for any of the lines of insurance affected by tort reform, but your company DOES NOT plan on writing the line in calendar year 2000, a tort reform exhibit TR-CF must be filed for each line with the department by December 1, 1999. If your company has rates on file for this line, and your company does not plan on writing this line, you must also submit a letter withdrawing the filing (include the TDI number) containing these rates.

What if we don't have any experience for a particular line, subline or coverage?

- If your company is licensed for any of the lines of insurance affected by tort reform and your company DOES plan on writing the line in calendar year 2000, the appropriate tort reform exhibits must be filed with the department by December 1, 1999. However, if the premium for the line is zero, enter \$0 as the premium amount affected by tort reform. This premium amount must be consistent with the premium as reported in the 1998 annual statement for that annual statement line of business.

If the line of insurance is unregulated, are we required to make a tort reform adjustment filing?

- **Yes.** The same exhibits shall be completed as required for regulated lines of insurance. However, the certification form for unregulated lines of insurance should be used in lieu of the certification form for regulated lines of insurance. Please note on the transmittal form the reason that the line of insurance is unregulated (i.e. by statute, etc.).

Are county mutuals and other non-rate regulated insurance companies required to make a tort reform filing?

- **Yes.** All non-rate regulated companies are required to make a tort reform adjustment filing. Please note on the transmittal form the reason that the company is unregulated. If your company is a non-rate regulated insurer for a flex-rated line, the tort reform exhibit for non-rate regulated insurers (TR-7-NR) must be completed separately for each program. Other non-rate regulated insurers (not insuring flex-rated lines) must complete the same tort reform exhibits as required for regulated companies. However, the certification form for unregulated companies should be used in lieu of the certification form for regulated companies. All annual statement premium should be accounted for on the reconciliation form, TR-RF. Further, if a non-rate-regulated company changes rates during the year, they must file the appropriate tort reform forms.

Are surplus lines carriers required to file?

- **No.** However, the Department *strongly suggests* that if the surplus lines carrier is reducing its rates for tort reform, the carrier should make a tort reform filing so that the premium impact of tort reform can be calculated correctly. Please follow the instructions for non-rate regulated insurers to complete the tort reform forms.

Are Risk Retention Groups required to file?

- **No.** However, the Department *strongly suggests* that if the risk retention group is reducing its rates for tort reform, it should make a tort reform filing so that the premium impact of tort reform can be

2000 TORT REFORM “FREQUENTLY ASKED QUESTIONS” (CONT.)

calculated correctly. Please follow the instructions for non-rate regulated insurers to complete the tort reform forms.

Are Risk Purchasing Groups required to file?

- **No.** However, the premium written through the risk purchasing group must be included in the insurance company’s tort reform filing, regardless of the tort reform rate reduction factor being used by the risk purchasing group.

Do we have to file specifically for large risk programs?

- **Yes**, if your company ONLY writes large risks for this line. The company must complete the appropriate tort reform exhibits for the line(s) of insurance in which the large risks are written. Note that excess policies and policies with deductibles or retentions greater than \$100,000 will use the commercial excess liability reduction percentages.
- **No**, if your company writes this coverage for other-than-large risks as well. Be sure that the direct written premium for large risk programs is included with the direct written premium of the other-than-large risk programs when calculating the premium impact of tort reform. **Rates for large risk programs must reflect tort reform reductions to be in compliance with Subchapter R of 28 TAC §§ 5.9800 - 5.9811 or Texas Insurance Code Article 5.131.**

Do we have to file specifically for (a) rates?

- **Yes**, if your company ONLY writes (a) rates for this line. The company must complete the appropriate tort reform exhibits for the line/s of insurance in which the (a) rates are written.
- **No**, if your company writes a combination of (a)-rated and non-(a)-rated business. However, all (a)-rated business must be reduced by the same rate reduction factor used for non-(a)-rated business. Be sure that the direct written premium for (a)-rated business is included with the direct written premium of non-(a)-rated business when calculating the premium impact of tort reform. **Rates for (a)-rated business must reflect tort reform reductions to be in compliance with Subchapter R of 28 TAC 5.9800 - 5.9811 or Texas Insurance Code Article 5.131.**

How do we make a filing?

Do we have to use the new Edition 1/1/2000 forms and exhibits, or can we use the forms and exhibits from last year’s bulletin?

- EVERY company must utilize the NEW revised forms and exhibits contained in this bulletin. Any filing submitted on last year’s forms will be returned to the company for resubmission.

How should the filing be organized when submitted to the Department?

- The filing should be organized by company and by annual statement line of business as follows:
 1. Cover Letter
 2. Transmittal Form (TR-T and/or *Filings Made Easy* Transmittal Form)
 3. *Filings Made Easy* Rate Exhibits, memorandums and support (if applicable)
 4. Reconciliation Form (TR-RF)
 5. Tort Certification Form(s)
 6. Tort Exhibit(s)
 7. Manual Pages (if applicable)

Where should the filing be sent?

- The filing should be sent to the following address:

If Mailed:

Texas Department of Insurance
Property and Casualty Intake Unit
Mail Code 104-3B
P.O. Box 149104
Austin, TX 78714-9104

If Delivered:

Texas Department of Insurance
Property and Casualty Intake Unit
Tower I, Room 460A
333 Guadalupe Street
Austin, TX 78701

Can we file by group?

- **No.** Every company must file their own individual tort reform exhibits, and must report company direct written premium as reported in the individual company’s annual statement.

What TDI filing number should we use?

- If your company is filing ONLY to reduce rates for tort reform, the filing **MUST** include the TDI filing number. The TDI filing number should be obtained from the MOST RECENT rate filing which modified rates for a reason other than tort reform. The TDI filing number is a 10-digit number, usually starting with the digits “92”. If your company is proposing a rate change concurrent with a tort reform rate adjustment, a TDI filing number does not need to be included. *Please note that the company is proposing a rate change in addition to a tort reform adjustment on the transmittal form.*

Where are we supposed to obtain the previous TDI filing number?

- For every filing made in Texas, an acknowledgment letter is sent to the company. This acknowledgment letter will state the TDI filing number. It is the responsibility of the company to find the most recent rate filing and retrieve the TDI filing number from the acknowledgment letter. If this year’s tort reform adjustment filing is submitted WITHOUT the correct TDI filing number, the filing will be returned to the company for resubmission.

What if our most recent rate filing does not have a TDI filing number?

- There are three situations where this problem could occur:
 1. If the most recent rate filing was made prior to 1992, TDI did not assign filing numbers at that time. In this case, a new TDI filing number was assigned for the January 1, 1996, tort adjustment filing and that number can be found on the acknowledgment copy of the tort reform filing returned to the company.
 2. If the company is unregulated, the filed rates will not have a TDI filing number. In this case, the company should not include a TDI filing number in this year’s tort reform filing. A new TDI filing number will be assigned. *Please note that the company is unregulated on the transmittal form.*
 3. If your company writes a line of insurance which is unregulated, the rates will not be filed with the Texas Department of Insurance. In this case, the company does not have to include a TDI filing number in this year’s tort reform filing. A new TDI filing number will be assigned. *Please note that the line of insurance is unregulated on the transmittal form.*
- In all other cases, every filing should have a TDI filing number. The TDI filing number can be found on the acknowledgment letter of your company’s most recent rate filing. Therefore, companies need not and should not contact the Texas Department of Insurance to determine the TDI filing number.

If we recently made a rate filing which included tort reform exhibits, can we just copy the tort exhibits from that filing?

- **No.** Every company must file a tort reform filing using the NEW forms enclosed in this bulletin, even if your company just made a recent filing. Therefore, the company will need to complete new exhibits.

If we are including a *Filings Made Easy* filing certification, as required for any filing with a rate change, do we still have to include the tort reform certification form?

- **Yes.** If a company is filing for a rate change to be concurrent with the tort reform adjustment, the appropriate tort reform certification form(s) must be included with the regular filing certification.

If we are filing for a rate change to be concurrent with the tort reform adjustment, which transmittal form should we use?

- All such filings with an effective date of January 1, 2000 will use the Form TR-T and the *Filings Made Easy* transmittal forms. Proposed rate changes subsequent to January 1, 2000, will use the *Filings Made Easy* transmittal form only.

How do we complete the exhibits?

How do we know which exhibits to include in our filing?

- Refer to the enclosed flow charts for assistance in determining which exhibits and certification forms to complete. Complete and detailed instructions are contained in this bulletin.

When can we use the simplified Form TR-5B-R?

- Form TR-5B-R is for rates based on advisory organization loss costs and may be used for the annual tort filing and for all other rate filings **ONLY** if **BOTH** of the following requirements are met:
 - a) You are adopting the most recent version (1/1/2000) of loss costs that reflect the 1/1/2000 tort reform reductions **AND**
 - b) you are not changing the current company loss cost multiplier **or** you are filing the loss cost multiplier for the first time (i.e. no current company loss cost multiplier on file).

In all other situations for rates based on advisory organization loss costs, Form TR-5A-R **MUST** be used. For example, if you are filing any change to the loss cost multiplier, regardless of the version of loss costs referenced, you must complete Form TR-5A-R. Also, if you are not changing your loss cost multiplier and you are not adopting the 1/1/2000 tort-adjusted loss costs, you must complete Form TR-5A-R.

What if our group cannot separate the premium for a coverage by company? (e.g., We only have an aggregate premium for a coverage for the whole group.)

- Estimate the premium distribution by company in the same way as the annual statement was completed by company. Be sure that the estimate does not conflict with your premium as reported in your 1998 annual statement for that company. **Do not enter a GROUP premium total on the tort reform exhibits when determining the premium impact of tort reform.**

What if our company cannot separate the premium between several different coverages? (e.g., We only have an aggregate premium for several coverages combined.)

- Estimate the premium distribution by coverage. Be sure that the estimate does not conflict with your premium as reported in your 1998 annual statement for that annual statement line of business.

If we have several programs which fall under the same annual statement line of business, and they all have the same loss and ALAE reduction percentage, but have different TDI filing numbers, can we file tort reform exhibits on a combined basis?

- **No.** Every program with a unique TDI filing number must have its own tort reform exhibits.

For general liability, can we complete one tort reform exhibit for premises/operations liability and products liability combined?

- **No.** Separate loss and ALAE reduction percentages are given for products liability and premises/operations liability. Therefore, premises/operations liability and products liability must be filed on two different exhibits. Be sure to separate the premium between these two coverages when calculating the premium impact of tort reform. Note also that "Other Liability" cannot be reported in one lump sum, but must be reported separately for each coverage that has a unique reduction percentage.

What if our company does not know the expense composition for a certain coverage?

- In this case, the company must use reasonable estimates for expenses and LAE. Estimates are available for most expenses in the *1998 Texas Page 14* and in the *1998 Insurance Expense Exhibit Reports*.

What if our company is unable to split loss adjustment expenses between ALAE and ULAE?

- If the company cannot split ULAE and ALAE, report all loss adjustment expenses as ALAE.

What if our company doesn't write the underlying coverages for umbrella?

- If the company writes umbrella coverage and does not write the underlying coverages, the company must still adjust its rates for the effect of tort reform, and must file a tort reform adjustment filing by December 1, 1999. In order to complete the required tort reform exhibit for umbrella coverages, the rate reduction factor for the underlying coverages must be known. Therefore, an estimate of the rate reduction factor for the underlying coverages must be included, using average industry expenses to calculate the reduction factor. **The estimated reduction factor must be supported and this support must be included in the filing.** Any filing which does not include support for its estimated rate reduction factor will be returned to the company for resubmission.

What is the procedure for adjusting loss-rated risks?

- Losses and ALAE occurring prior to tort reform are to be adjusted by the loss and ALAE reduction percentages effective 1/1/2000 as found in Subchapter R of 28 TAC §5.9804.

What is the procedure for adjusting retrospectively-rated risks?

- Minimum and maximum premiums should be reduced by the appropriate rate reduction factor calculated in the applicable tort reform exhibit.

Other Important Questions...

Briefly, what are the changes contained in this bulletin?

- The changes in this year's bulletin are as follows:
 1. Automated versions of forms on the Internet
 2. Updated "Flow Chart" and "Frequently Asked Questions"
 3. A list of loss and ALAE reduction percentages for all lines
 4. Updated version of TDI Form TR-3A-R

Which exhibits for package policies are we supposed to use?

- The premium for each component of a package policy must be reported on its own exhibit. This premium should be reported on the exhibit applicable to the corresponding monoline coverage.

Can we use form TR-2-R if we are filing a claims-made policy with only one maturity?

- Yes.

Are minimum premiums affected by tort reform?

- **Yes.** Minimum premiums must reflect tort reform to the extent that they reflect losses and ALAE. If a reduction factor other than that which is applied to the rates is used for the minimum premium, support must be provided for the altered reduction factor.

Are large deductible and retention policies (i.e. deductibles or retentions over \$100,000) considered excess policies?

- **Yes.** Large deductible and retention policies must use the applicable excess liability loss and ALAE reduction percentage for the applicable coverage. These percentages can be found in Subchapter R of 28 TAC §5.9804.

What if the policy term for a particular coverage is longer than one year?

- An example of this circumstance would be in the case of a Notary Errors and Omissions Policy. The policy term is typically 4 years. If, for example, the rate is \$100 for a 4-year policy, the rate reduction factor must be applied to \$100. DO NOT divide the rate by four years, and apply the rate reduction factor to \$25. In summary, the rate reduction factor must be applied to the direct written premium, not the earned premium.

When completed, the reconciliation form (TR-RF) includes all of the coverages, sublines and programs for a particular annual statement line of business. Does this mean that all of the individual tort reform exhibits pertaining to this line of business have to be submitted simultaneously with the reconciliation form?

- **Yes.** All tort reform forms and exhibits for individual sublines, coverages and programs must be submitted with the reconciliation form for the appropriate annual statement line of business.

Are tort filings required throughout the year?

Do we have to file tort reform exhibits every time we make a rate filing?

- **YES.** All applicable tort reform exhibits and certification forms (except Forms TR-T and TR-RF) must be completed and submitted with EVERY rate filing. This statement applies to non-rate regulated insurers for flex-rated lines making informational filings, as well as to rate regulated insurers. Please note that insurance companies which write unregulated lines of insurance must file the applicable tort reform exhibits whenever a change is made to the rates for that program, even if the new rates are not filed with the Department of Insurance.

Do we have to file tort reform exhibits even if our rates (and/or loss costs) already incorporate tort reform when we make a rate filing (i.e. ISO’s loss costs already incorporate tort reform)?

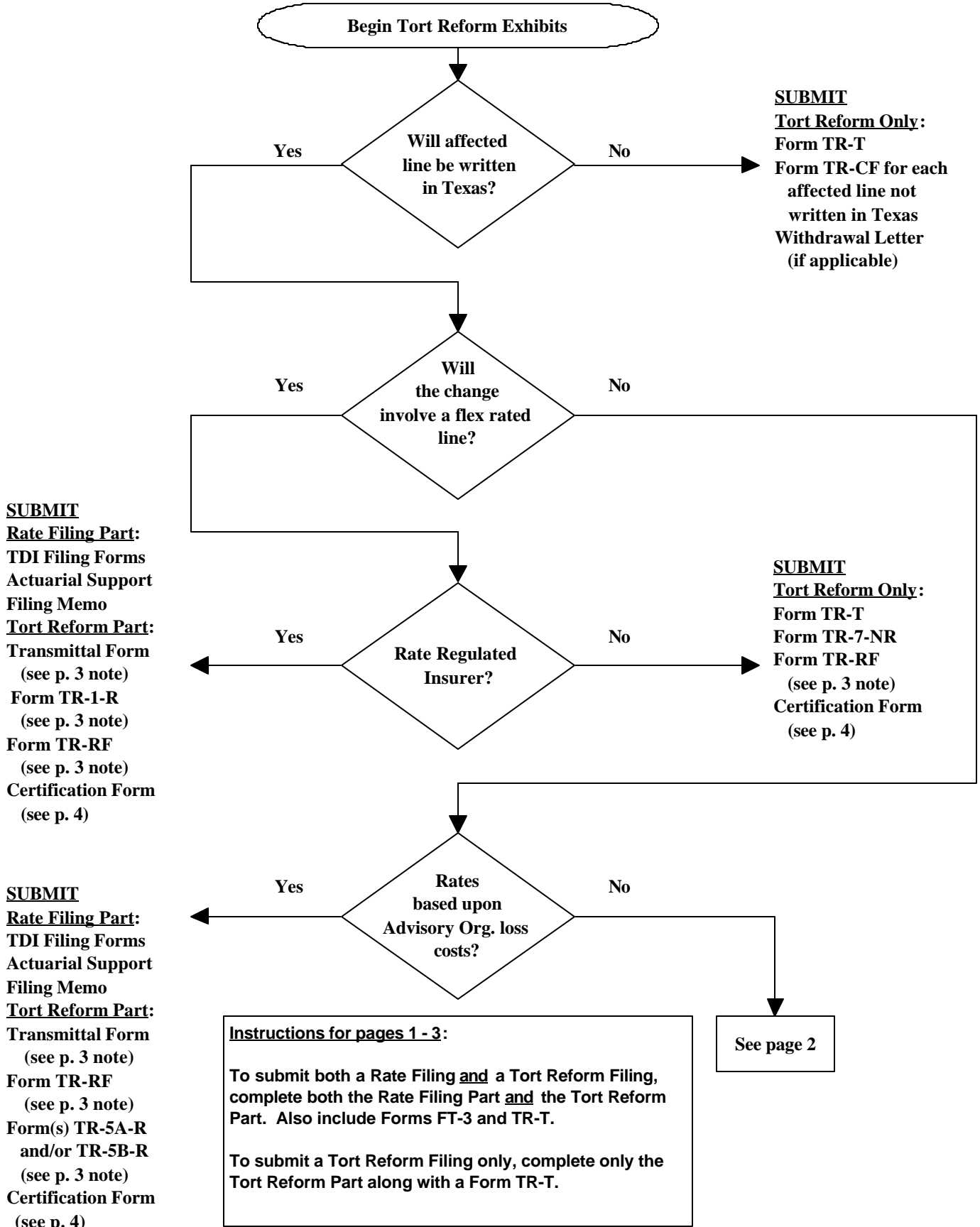
- **YES.** All applicable tort reform exhibits and certification forms (except TR-T and TR-RF) must be completed and submitted with EVERY rate filing, even if the rates (and/or loss costs) already incorporate tort reform.

Do we need to file tort reform exhibits for new programs?

- **YES.** Rate filings for new programs must include all applicable tort reform exhibits and certification forms (except Forms TR-T and TR-RF). Note that rates should first be determined WITHOUT consideration of tort reform, and then reduced to reflect the appropriate tort reform reductions.

Texas Department of Insurance

Tort Reform Flow Chart



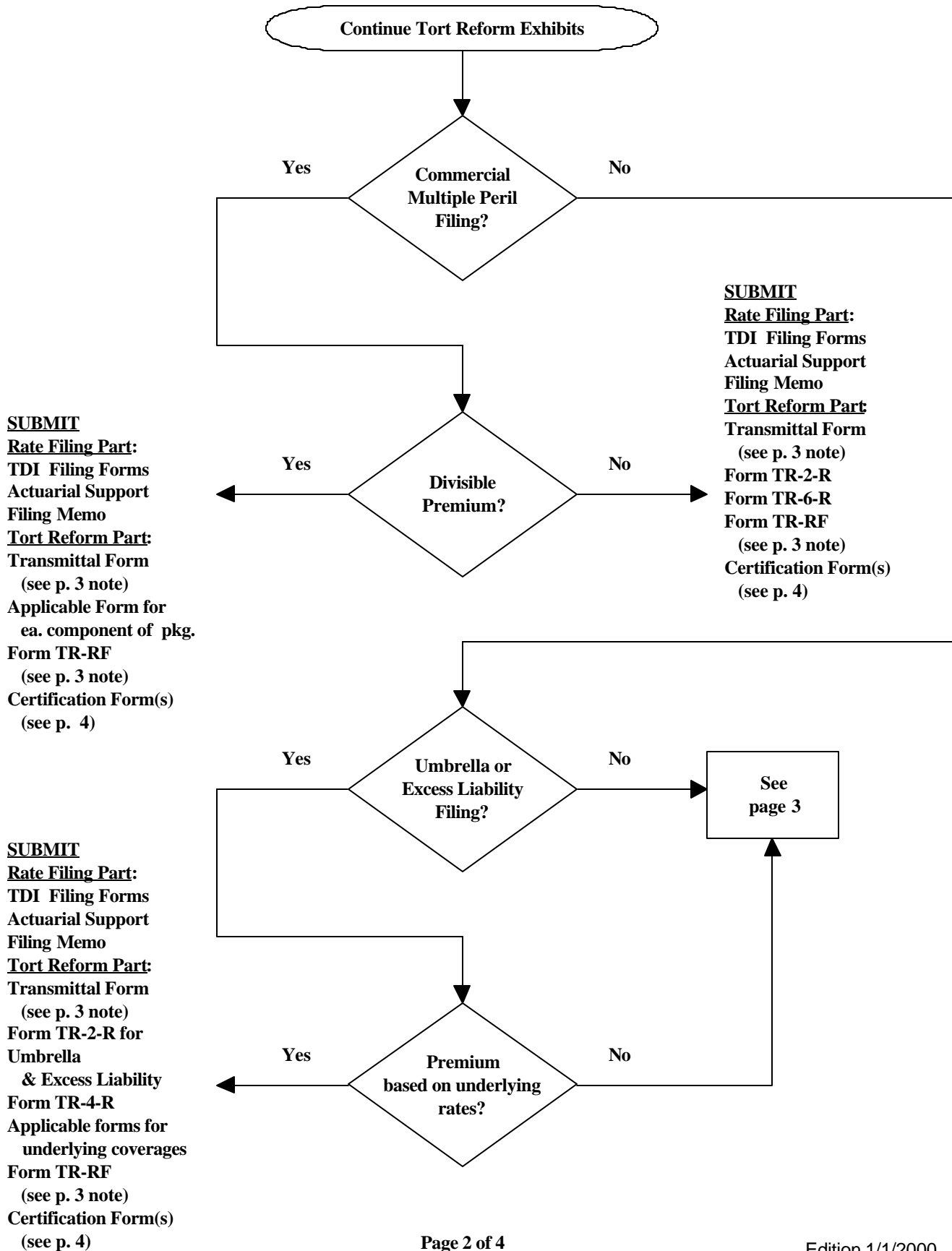
Instructions for pages 1 - 3:

To submit both a Rate Filing and a Tort Reform Filing, complete both the Rate Filing Part and the Tort Reform Part. Also include Forms FT-3 and TR-T.

To submit a Tort Reform Filing only, complete only the Tort Reform Part along with a Form TR-T.

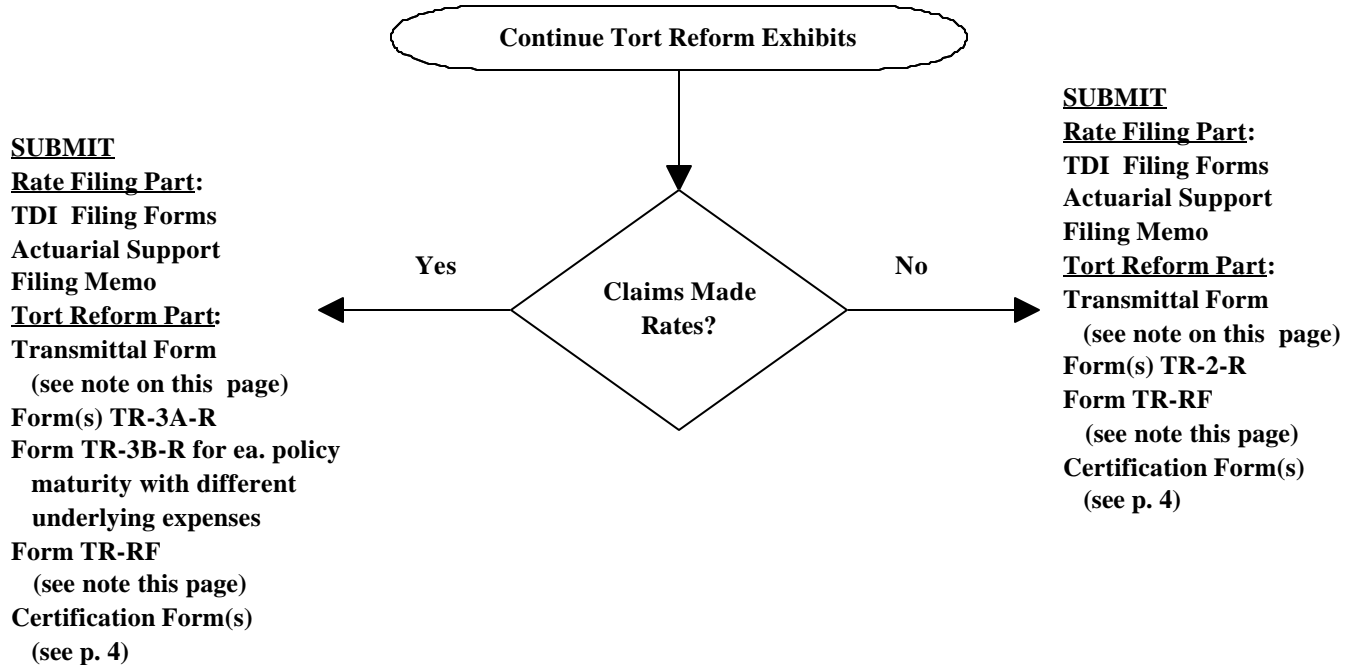
Texas Department of Insurance

Tort Reform Flow Chart



Texas Department of Insurance

Tort Reform Flow Chart



Note:

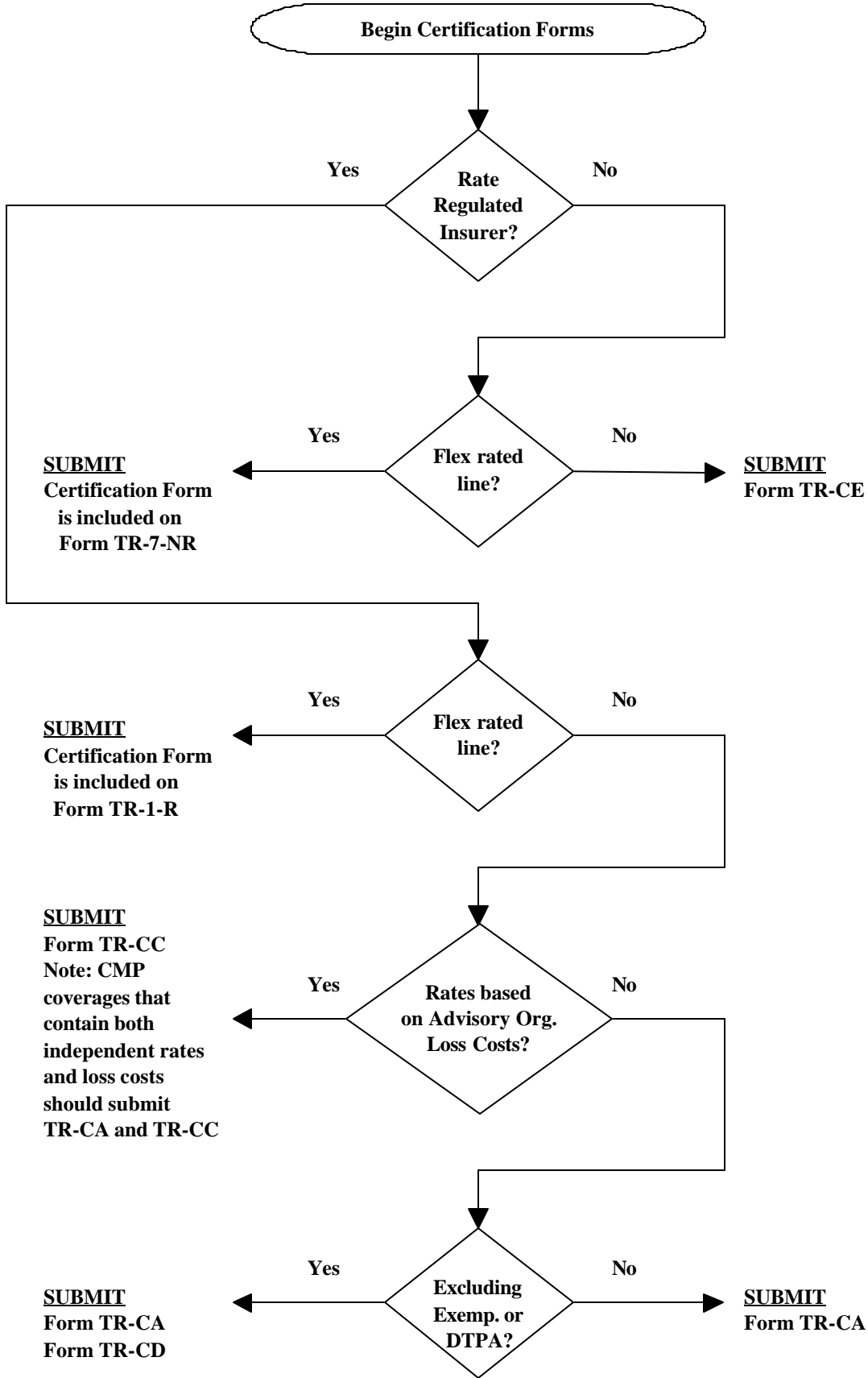
Forms TR-T and TR-RF are required for all tort reform filings effective January 1, 2000. Forms TR-T and TR-RF are not to be used for filings effective after January 1, 2000.

The "Filings Made Easy" Transmittal Form must be submitted in lieu of Form TR-T for all filings effective after January 1, 2000.

For non-rate-regulated insurers complying with tort filing requirements for rates effective after January 1, 2000, Form TR-T must be submitted.

For filings referencing advisory organization loss costs, the simplified Form TR-5B-R may be used **ONLY** when adopting the most recent version of loss costs that reflect the 1/1/2000 tort reform reductions with no change to the loss cost multiplier. Form TR-5A-R must be used in all other situations.

Texas Department of Insurance
Tort Reform Flow Chart



**LOSS AND ALAE REDUCTION PERCENTAGES BY LINE
PRICING COMPONENTS BY TORT REFORM**

Coverage	Exemplary Damages	DTPA	All Other Reforms	Total
1) Professional liability insurance as defined in the Insurance Code, article 5.15-1 for:				
A) Physician, other health care provider				
i) Claims made policy percentage 1	0.0%	0.8%	20.2%	21.0%
iii) Occurrence policy	0.0%	0.8%	20.2%	21.0%
B) Hospital				
i) Claims made policy percentage 1	2.8%	0.8%	20.4%	24.0%
iv) Occurrence policy	2.8%	0.8%	20.4%	24.0%
2) Commercial liability insurance for damages arising out of the manufacture, design, importation, distribution, packaging, labeling, lease, or sale of a product or for completed operations coverage (products/completed operations)	2.5%	8.5%	12.0%	23.0%
3) Commercial automobile liability insurance for bodily injury	3.5%	0.3%	13.2%	17.0%
4) Commercial multi-peril insurance				
A) With a divisible premium, refer to 5.14005(d) of this title				
B) With an indivisible premium, including business owner's policies	2.5%	4.4%	11.6%	18.5%
5) Employer's liability portion of workers' compensation insurance	0.0%	0.0%	0.0%	0.0%
6) Commercial general liability, which includes premises medical, fire legal liability, personal advertising injury, contractual liability, and liability for all premises	2.5%	4.4%	11.6%	18.5%

**LOSS AND ALAE REDUCTION PERCENTAGES BY LINE
PRICING COMPONENTS BY TORT REFORM**

Coverage	Exemplary Damages	DTPA	All Other Reforms	Total
7) Commercial umbrella	15.9%	3.1%	11.0%	30.0%
8) Commercial excess liability				
A) General liability/commercial multiple peril	18.9%	3.1%	10.0%	32.0%
B) Commercial automobile	13.4%	1.0%	14.6%	29.0%
C) Products liability	8.6%	8.4%	6.0%	23.0%
D) Medical professional - physician, other health care provider				
i) Claims made policy percentage 1	0.0%	1.0%	21.1%	22.0%
iv) Occurrence policy	0.0%	1.0%	21.1%	22.0%
E) Medical professional - hospitals				
i) Claims made policy percentage 1	10.9%	0.8%	16.8%	28.5%
iv) Occurrence policy	10.9%	0.8%	16.8%	28.5%
F) Other professional				
i) Claims made policy percentage 1	13.6%	9.4%	2.0%	25.0%
iv) Occurrence policy	13.6%	9.4%	2.0%	25.0%
9) Professional liability other than insurance as described by section (1) above				
A) Claims made policy percentage 1	0.9%	8.4%	10.7%	20.0%
D) Occurrence policy	0.9%	8.4%	10.7%	20.0%

**LOSS AND ALAE REDUCTION PERCENTAGES BY LINE
PRICING COMPONENTS BY TORT REFORM**

Coverage	Exemplary Damages	DTPA	All Other Reforms	Total
10) Other commercial liability insurance, if not already covered as a part of a coverage in (6) above, when written as a monoline coverage or added to another policy including the following lines and sublines:				
A) Fire legal liability	2.5%	4.4%	11.6%	18.5%
B) Contractual liability	2.5%	4.4%	11.6%	18.5%
C) Pollution liability				
i) Claims made policy percentage 1	6.1%	1.0%	14.9%	22.0%
iv) Occurrence policy	6.1%	1.0%	14.9%	22.0%
D) Owners and contractors protective liability	2.5%	4.4%	11.6%	18.5%
E) Railroad protective liability	2.5%	4.4%	11.6%	18.5%
F) Liquor liability				
i) Claims made policy percentage 1	2.4%	4.2%	11.9%	18.5%
iv) Occurrence policy	2.4%	4.2%	11.9%	18.5%
G) Farm liability	2.5%	4.4%	11.6%	18.5%
H) Garage liability	2.5%	4.4%	11.6%	18.5%
I) All other commercial liability lines and sublines	2.5%	4.4%	11.6%	18.5%

Loss and ALAE Reduction Percentages Effective 1/1/2000 By Line
According to TAC § 5.9804

1) Private Passenger Auto Liability (Bodily Injury Only)	11.4%
2) Commercial Auto Liability (Bodily Injury Only)	17.0%
3) Liability Portion of Homeowners and Renters	0.0%
4) Liability Portion of Farm and Ranch Owners	10.0%
5) Professional Liability as defined in <i>Texas Insurance Code</i> , Article 5.15-1 for:	
A) physician, other health care provider:	
i) claims made policy – percentage 1*	21.0%
ii) occurrence policy	21.0%
B) hospital:	
i) claims made policy – percentage 1*	24.0%
ii) occurrence policy	24.0%
6) General Liability - Products/Completed Operations	23.0%
7) Personal Umbrella and Excess Liability	12.5%
8) Liability Portion of Commercial Multi-Peril with:	
A) divisible premium – for each liability component, use the appropriate monoline loss and ALAE reduction percentage	
B) indivisible premium, including Businessowners (liability portion only)	18.5%
9) Employer’s Liability portion of workers’ compensation	0.0%
10) General Liability, including premises medical, fire legal liability, personal advertising injury, contractual liability, and liability for all premises	18.5%
11) Commercial Umbrella	30.0%
12) Commercial Excess Liability	
A) general liability/commercial multiple peril	32.0%
B) commercial automobile	29.0%
C) products liability	23.0%
D) medical professional – physicians, other health care provider	
i) claims made policy – percentage 1*	22.0%
ii) occurrence policy	22.0%
E) medical professional – hospitals	
i) claims made policy – percentage 1*	28.5%
ii) occurrence policy	28.5%
F) other professional	
i) claims made policy – percentage 1*	25.0%
ii) occurrence policy	25.0%
13) Professional Liability other than under 5) above	
A) claims made policy – percentage 1*	20.0%
B) occurrence policy	20.0%

Loss and ALAE Reduction Percentages Effective 1/1/2000 By Line
According to TAC § 5.9804

14) Other Commercial Liability	
A) Fire Legal Liability	18.5%
B) Contractual Liability	18.5%
C) Pollution Liability	
i) claims made policy – percentage 1*	22.0%
ii) occurrence policy	22.0%
D) Owners and Contractors Protective Liability	18.5%
E) Railroad Protective Liability	18.5%
F) Liquor Liability	
i) claims made policy – percentage 1*	18.5%
ii) occurrence policy	18.5%
G) Farm Liability	18.5%
H) Garage Liability	18.5%
I) All Other Commercial Liability Lines and Sublines	18.5%

* Only Claims Made Policy – Percentage 1 is used to calculate tort reform Rate Reduction Factors for claims made policies in the year 2000

**Texas Department of Insurance
Property/Casualty
Tort Reform Transmittal Form
For Filings Effective 1/1/2000**

1. Company Name _____ NAIC No. _____

2. Company Filing Number _____

3. Rate Regulated Company Non Rate Regulated Company (check one)

4. Tort Reform Filing Only Tort Reform Plus Rate Change Filing (check one)

5. Annual Statement Line of Insurance _____

6. Contact Person _____
 Telephone No. _____ Fax No. _____
 Mailing Address _____
 City _____ State _____ Zip _____
 E-Mail Address _____

7. Subline(s) Included with this Transmittal (List all Sublines):

<u>Subline</u>	<u>Rate Regulated Subline</u>	<u>Prev. Co. Filing No.</u>	<u>Prev. TDI Filing No.</u>
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____
_____	Yes <input type="checkbox"/> No <input type="checkbox"/> *	_____	_____

* If one or more sublines is unregulated, provide an explanation.

Texas Department of Insurance
Property/Casualty Filing Certification Form

Company NAIC Number _____
Company Filing Number _____
TDI Filing Number _____
Page _____ of _____

TDI Form TR-CA - Filing Certification Form ("Other than Flex Lines" Filings, Filings for Umbrella/Excess Policies and Filings for Commercial Multiple Peril Policies Written on an Indivisible Premium Basis)

My name is _____ . I am _____
(Officer's or Director's Title)
of the _____ of _____
(Group Name/Company Name) (Home Office, City, State)

- On behalf of _____, I certify that this insurer is
(Name of Insurer)
bound by this certification.
- I certify to the best of my knowledge, information and belief, that the information contained in this certification and the attached form(s) is correct and complete.
- I certify that the rate reduction factor(s) used by this insurer in the attached form(s) are calculated in accordance with the provisions of 28 Tex. Admin. Code §§5.9804 - 5.9805.
- I certify that this insurer will apply the applicable rate reduction factor(s) to each and every rate and minimum premium in accordance with the provisions of 28 Tex. Admin. Code §5.9805.
- I certify that this insurer has applied the rate reduction factor to the rate of the insurer developed without consideration of tort reform yielding a new rate reflecting tort reform, as is required under the provisions of 28 Tex. Admin. Code §§5.9804 - 5.9805.

(Officer's or Director's Signature)

Date

Texas Department of Insurance
Property/Casualty Filing Certification Form

Company NAIC Number _____
Company Filing Number _____
TDI Filing Number _____
Page _____ of _____

TDI Form TR-CC - Filing Certification Form (Filings Adopting Advisory Organization Loss Cost Reference Documents)

My name is _____ . I am _____
(Officer's or Director's Title)
of the _____ of _____
(Group Name/Company Name) (Home Office, City, State)

- On behalf of _____, I certify that this insurer is
(Name of Insurer)
bound by this certification.
- I certify to the best of my knowledge, information and belief, that the information contained in this certification and the attached form(s) is correct and complete.
- _____ I certify that this insurer has adopted by reference the advisory organization's loss cost reference documents reflecting the application of loss and ALAE reduction percentages, under the provisions of 28 Tex. Admin. Code §5.9805; or
- _____ I certify that this insurer has adopted by reference the advisory organization's loss cost reference documents not reflecting the application of loss and ALAE reduction percentages, that this insurer has adjusted its loss cost multiplier(s) to reflect tort reform in accordance with the provisions of 28 Tex. Admin. Code §§5.9804 - 5.9805 and that this insurer will apply the adjusted loss cost multiplier(s) to the referenced loss costs.

(Officer's or Director's Signature)

Date

Texas Department of Insurance
Property/Casualty Filing Certification Form

Company NAIC Number _____
Company Filing Number _____
TDI Filing Number _____
Page _____ of _____

TDI Form TR-CD - Filing Certification Form (Reduction in Loss and ALAE Reduction Percentage Due to Excluded Coverages)

My name is _____ . I am _____
(Officer's or Director's Title)
of the _____ of _____
(Group Name/Company Name) (Home Office, City, State)

- On behalf of _____, I certify that this insurer is
(Name of Insurer)
bound by this certification.
- I certify to the best of my knowledge, information and belief, that the information contained in this certification and the attached form(s) is correct and complete.
- I certify that the policies to which the loss reduction factor(s) calculated on the attached form(s) are eligible to be reduced in accordance with the provisions of 28 Tex. Admin. Code §5.9805(e), and that they in fact specifically exclude coverage for the tort reform(s) indicated below.
- I certify that the reduced loss reduction factor(s) will only be applied to policies that specifically exclude coverage for the tort reform(s) indicated below.
- I certify that the reform(s) excluded are: (check all that apply)
 - Deceptive Trade Practices Act
 - Exemplary Damages

(Officer's or Director's Signature)

Date

Texas Department of Insurance
Property/Casualty Filing Certification Form

Company NAIC Number _____
Company Filing Number _____
TDI Filing Number _____
Page _____ of _____

TDI Form TR-CE - Filing Certification Form (Non-Rate Regulated Insurers and Non-Rate Regulated Lines of Insurance - Other than Flex Rated Lines*)

My name is _____ . I am _____
(Officer's or Director's Title)
of _____ of _____
(Group Name/Company Name) (Home Office, City, State)
On behalf of _____, I certify that this insurer is bound by this
(Name of Insurer)

certification. I also certify to the best of my knowledge and belief that this rate filing includes the prospective application of the savings from tort reform as required by Article 5.131 of the Texas Insurance Code and applicable rules.

(Officer's or Director's Signature)

Date

Please provide an explanation as to why the company is not regulated _____

* For flex rated lines written by non-rate regulated insurers, the required certification is contained on TDI Form TR-7-NR. Completion of this certification form is not necessary for flex rated lines written by these insurers.

Texas Department of Insurance
Property/Casualty Filing Certification Form

Company NAIC Number _____
Company Filing Number _____
TDI Filing Number _____
Annual Statement Line _____
Page _____ of _____

TDI Form TR-CF - Filing Certification Form (No Direct Written Premium for Affected Lines of Insurance)

My name is _____ . I am _____
(Officer's or Director's Title)
of the _____ of _____
(Group Name/Company Name) (Home Office, City, State)

- On behalf of _____, I certify that this insurer is bound by this
(Name of Company)
certification.
- I certify to the best of my knowledge, information and belief, that the information contained in this certification and the attached form(s) is correct and complete.
- I certify that this company has no rates and minimum premiums on file with the Texas Department of Insurance for the line of _____
(Applicable Line of Insurance)
- I certify that to the best of my knowledge the provisions of 28 Tex. Admin. Code §§5.9800 - 5.9810 do not apply to the above-named company because:
 - ___ this insurer is a professional reinsurance company and does not directly write the line of insurance indicated above; or
 - ___ this insurer is under a court ordered receivership in the State of _____. Attached is a copy of the receivership order; or
 - ___ this insurer is under an administrative order in the State of _____ to write no business in Texas. Attached is a copy of that order; or
 - ___ this insurer is authorized but does not currently write the line of insurance indicated above in Texas.
- I certify that this insurer will not write any coverage for the line of insurance indicated above in Texas without first making the appropriate rate filings and applying the applicable rate reduction factor (s) to each and every rate and minimum premium in accordance with the provisions of 28 Tex. Admin. Code §§5.9800 - 5.9810.

(Officer's or Director's Signature)

Date

TDI Form TR-1-R Reflection of Tort Reform Impact

Company Name _____
 Company NAIC Number _____
 Company Filing Number _____
 TDI Filing Number _____
 Annual Statement Line _____
 Effective Date _____
 Page _____ of _____

FLEX RATE LINES

Subline	Coverage	Bodily Injury
(1) Current Average B.I. Flex Factor (see instructions)		_____
(2) Proposed Average B.I. Flex Factor (see instructions)		_____
(3) Proposed Average B.I. Rate Change Factor [(2) / (1)]		_____
(4) Premium Subject to Tort Reform [1998 <u>Bodily Injury</u> Liability Direct Written Premium]		_____
(5) Previous Rate Reduction Factor Underlying Benchmark Rates [Private Passenger: 0.908; Commercial (Other than Zone Rated): 0.861; Commercial (Zone Rated): .863; Commercial (Dealers and Service): .867]		_____
(6) 1/1/2000 Rate Rate Reduction Factor Underlying Benchmark Rates [Private Passenger: 0.908; Commercial (Other than Zone Rated): 0.861; Commercial (Zone Rated): 0.863; Commercial (Dealers and Service): 0.867]		_____
(7) Premium Impact of Tort Reform [(3) * (4) * { 1.0 - (6) } / (5)]		_____

Filing Certification

My name is _____, I am _____
 of the _____ of _____
 (Group Name/Company Name) (Home Office, City, State)
 (Officer's of Director's Title)

On behalf of _____, I certify that this insurer is bound by this certification.
 (Name of Insurer)

I certify to the best of my knowledge, information and belief, that the information contained in this certification and the attached form(s) is correct and complete.

I certify that this insurer has applied its flex percent(s) to the benchmark rate(s) adjusted by the department to reflect tort reform to calculate the insurer's rate(s), under the provisions of 28 Tex. Admin. Code §5.9805.

 (Officer's or Director's Signature)

 (Date)

**TDI Form TR-1-R Reflection of Tort Reform Impact
FLEX RATE LINES**

GENERAL INSTRUCTIONS

1. This form is used to indicate that the company will apply its flex percentage to the latest benchmark rates, which have been adjusted for tort reform, and to calculate the estimated premium impact of the mandatory tort reform reduction percentages specified in Subchapter R of 28 TAC §5.9805. The form shall be completed for the personal and commercial automobile bodily injury flex lines.
2. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
3. A separate form must be completed for each line and subline of business for which a separate rate reduction factor is applied to the benchmark rate pursuant to Subchapter R of 28 TAC §5.9805, subsection (a).
4. All provisions and ratios entered on this form are to be expressed relative to bodily injury liability direct written premium.
5. The filing certification included on TR-1-R must be completed.

SPECIFIC INSTRUCTIONS

Header Section

- Company Filing Number** Enter the company filing number, if any, relating to the flex percentages which are to be applied to the benchmark rates that have been adjusted by the rate reduction factor shown in line (6), according to the following:
- ◆ If this is a filing made solely to indicate that the company's flex percentages already on file with this department will continue to be applied to the benchmark rates that have been adjusted for tort reform, enter the company filing number associated with the most recent rate filing.
 - ◆ If this filing modifies flex percents already on file with this department, or if this is a filing required because of the promulgation of new benchmark rates, enter the company filing number of this new filing. Note: Such filings require a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: Such filings require a completely new rate filing, including associated exhibits and supporting documentation.

**TDI Form TR-1-R Reflection of Tort Reform Impact
FLEX RATE LINES**

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

TDI Filing Number	<p>Enter the TDI filing number, if any, relating to the flex percentages which are to be applied to the benchmark rates that have been adjusted by the rate reduction factor shown in line (6), according to the following:</p> <ul style="list-style-type: none"> ◆ If this is a filing made solely to indicate that the company's flex percentages already on file with this department will continue to be applied to the benchmark rates that have been adjusted for tort reform, enter the TDI filing number associated with the most recent rate filing. <u>NOTE: FAILURE TO SUPPLY THIS NUMBER MAY REQUIRE A REFILING.</u> ◆ If this filing modifies flex percentages already on file with this department, or if this is a filing required because of the promulgation of new benchmark rates, leave the TDI filing number blank; it will be assigned by the department. <u>Note:</u> Such filings require a completely new rate filing, including associated exhibits and supporting documentation. ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. <u>Note:</u> Such filings require a completely new rate filing, including associated exhibits and supporting documentation.
Annual Statement Line	<p>Enter the line of insurance from the annual statement Page 15 associated with this filing. For example, for filings related to private passenger auto bodily injury liability, enter 19.2. For commercial auto bodily injury liability, enter 19.4.</p>
Effective Date	<p>Enter the effective date of the flex percentages which are to be applied to the benchmark rates that have been adjusted by the rate reduction factor according to the following:</p> <ul style="list-style-type: none"> ◆ If this is a filing made solely to indicate that the company's flex percentages already on file with this department will continue to be applied to the benchmark rates that have been adjusted for tort reform, enter the effective date of the most recent filing. For example, if the continuing flex percentages were filed with the department on 5/1/1999, enter 5/1/1999 as the applicable effective date. ◆ If this filing modifies flex percents already on file with this department, or if this is a filing required because of the promulgation of new benchmark rates, enter the proposed effective date of the new filing. ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.

**TDI Form TR-1-R Reflection of Tort Reform Impact
FLEX RATE LINES****SPECIFIC INSTRUCTIONS (cont.)**

<u>Line Number</u>	<u>Description</u>
1	Enter the current average (for all territories and driver classifications) bodily injury flex percentage, expressed as a factor. Note: The average bodily injury flex percentage can be obtained from the “ <i>proposed</i> ” column of TDI Exhibit A from the most recent filing. This percentage should be converted to a factor. For example, if the flex percentage is +15%, enter 1.15 on line (1). If the flex percentage is -10%, enter .9 on line (1).
2	Enter the proposed average (for all territories and driver classifications) bodily injury flex percentage, expressed as a factor. This should not reflect any adjustments to reflect reductions due to tort reform. Important: If the proposed average flex percentage is different from the current average flex percentage or if this submission is being made as a result of a change in the benchmark rates, a new rate filing must be filed with the department supporting the proposed change. If this is a filing required solely to indicate that the company will continue to apply its flex percentages that are already on file with the department to the benchmark rates that have been adjusted for tort reform, enter the current average flex percentage shown in line (1).
3	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed average rate change factor for the subline or coverage being reported, expressed as a factor relative to current rates. For example, if a +10% rate change is proposed, enter 1.100. If a decrease of 15% is proposed, enter .850. If there is no rate change, enter 1.000. Important: If a rate change factor other than 1.000 is shown on this line or if this is a filing required because of the promulgation of new benchmark rates, then a new rate filing must be filed with the department supporting the proposed change. Note: <u>If this filing is required because of the promulgation of new benchmark rates, enter the ‘BI benchmark change multiplied by line (2) divided by line (1). If the filing is being made for reasons other than the promulgation of new benchmark rates, enter line (2) divided by line (1)</u>
4	Enter the 1998 bodily injury liability portion of the company direct written premium reported on Page 15 of the annual statement <i>including the bodily injury portion of the combined single limits</i> . Such premium shall reflect only bodily injury liability premiums, excluding PIP, Medical Payments, and UM/UIM coverage. If the bodily injury portion of the premium is unknown, an estimate can be used with a brief description as to how the estimate was made. The premium must be for the individual company only, rather than for a combined group.
5	Enter the 1/1/1999 rate reduction factor used by the Commissioner to adjust the benchmark rates for the subline or coverage being reported pursuant to Subchapter R of 28 TAC §5.9805, subsection (a). (For Private Passenger Auto, enter 0.908. For Commercial Auto (Other than Zone Rated), enter 0.861. For Commercial Auto (Zone Rated), enter 0.863. For Commercial Auto (Dealers and Service), enter 0.867.)
6	Enter the 1/1/2000 rate reduction factor used by the Commissioner to adjust the benchmark rates for the subline or coverage being reported pursuant to Subchapter R of 28 TAC §5.9805, subsection (a). (For Private Passenger Auto, enter 0.908. For Commercial Auto (Other than Zone Rated), enter 0.861. For Commercial Auto (Zone Rated), enter 0.863. For Commercial Auto (Dealers and Service), enter 0.867.)

**TDI Form TR-1-R Reflection of Tort Reform Impact
FLEX RATE LINES**

SPECIFIC INSTRUCTIONS (cont.)

Line Number

Description

- 7 **If using the automated version of this form downloaded from the Internet, this line will be automatically calculated.** Otherwise, enter the premium impact of tort reform as the product of line (3), line (4), [1.0 - line (6)], and [1.0 / line (5)].

TORT REFORM RATE CHANGE INFORMATION
Non Rate Regulated Insurance Companies
(Non Rate Regulated Automobile Bodily Injury Liability,
Homeowners, and Tenants Only)

Program Description	Coverage	Bodily Injury
(1) Effective Date (of your most recent rate change (other than tort reform))		_____
(2) Gross Rate Change (prior to reflection of rate reduction due to tort reform)		_____
(3) Tort Reform Rate Reduction Factor (Attach a description of the derivation of this figure)		_____
(4) Previous Tort Reform Factor		_____
(5) Rate Change After Tort Reform Reduction [(2) * (3)] / (4)		_____
(6) Premium Subject to Tort Reform [1998 Direct Written Premium from Annual Statement]		_____
(7) Premium Impact of Tort Reform [(6) * (2) * {1.0 - (3)}] / (4)		_____

CERTIFICATION

I, _____, am an officer of _____
 and in that capacity, I certify to the best of my knowledge and belief that the above rate filing includes the prospective application of the savings from tort reform as required by Article 5.131 and applicable rules.

Signature: _____
 Title: _____

**TDI Form TR-7-NR Reflection of Tort Reform Impact
NON RATE REGULATED INSURANCE COMPANIES**

GENERAL INSTRUCTIONS

1. This form shall be used by non rate regulated companies in order to comply with Article 5.131 of the Texas Insurance Code and the filing requirements specified in Subchapter R of 28 TAC §§5.9800-5.9811.
2. This form only applies to the following lines of insurance when written by a non rate regulated insurer (i.e., County Mutuals, Lloyds, etc.):
 - Private Passenger Automobile Bodily Injury Liability;
 - Commercial Automobile Bodily Injury Liability;
 - Homeowners; and
 - Tenants
3. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
4. A separate form must be completed for each line of insurance and for each program within any line of insurance. When completing the Program Description, provide the name of the unique program, MGA, rate tier, etc. to which the form applies.
5. All provisions and ratios entered on these forms are to be expressed relative to premium.
6. The certification at the bottom of Form TR-7-NR must be completed in order to be a valid filing submission.
7. This form must be completed each time rates are changed for any program.

**TDI Form TR-7-NR Reflection of Tort Reform Impact
NON RATE REGULATED INSURANCE COMPANIES**

SPECIFIC INSTRUCTIONS

<u>Line Number</u>	<u>Description</u>
1	Enter the new business effective date of the rate change in line (2). File this form each time the rates are changed for this program.
2	Enter the rate change you would have filed in the absence of any tort reform reduction. If the filing is being made solely to reflect tort reform, enter 1.000.
3	Enter the rate reduction due solely to tort reform expressed as a factor. For example, if a five percent reduction is selected, enter 0.950. Important: Please attach an exhibit describing the derivation of the amount selected.
4	Enter the rate reduction factor used in 1999.
5	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the rate change after tort reform reduction as line (2) times line (3) divided by line (4).
6	Enter the 1998 bodily injury liability portion of the company direct written premium reported on Page 15 of the annual statement <i>including the bodily injury portion of the combined single limits</i> . Such premium shall reflect only bodily injury liability premiums, excluding PIP and UM/UIM coverage. The premium must be for the individual company only, rather than for a combined group.
7	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the premium impact of tort reform calculated as [(6) times (2) times {1.0 - (3)}] divided by (4)
Certification	In the text of the certification, type the officer's name and the company's name. The form will not be accepted if the certification section is not completed.

**TDI Form TR-RF Reconciliation Form
ALL LINES/ALL COMPANIES REGULATED AND NON-REGULATED**

GENERAL INSTRUCTIONS

1. This form is used to reconcile the 1998 Direct Written Premium as reported on the annual statement line of business Page 14 with the company-reported premium subject to tort reform. **The form shall be completed for all lines of business subject to tort reform and shall be included with the December 1, 1999 Tort Reform Filing effective January 1, 2000, and need not be included in subsequent filings.**
2. A separate form must be completed for every annual statement line of business which contains any subline subject to Subchapter R of 28 TAC §§5.9800 - 5.9811.
3. Every company will complete this reconciliation form individually for each annual statement line of business which contains any subline subject to Subchapter R of 28 TAC §§5.9800 - 5.9811. All Tort Reform filings for the given annual statement line of business should be submitted together with this reconciliation form. **Note: All necessary certifications must be included. For example, if for annual statement line 17 (other liability) the company is filing for both rate regulated and non rate regulated sublines, as well as rates based on advisory organization loss costs, the submission should include TDI Forms TR-CA, TR-CC, and TR-CE.**

SPECIFIC INSTRUCTIONS

Header Section

Annual Statement Line of Business

Enter the annual statement line of business description and number for which this form will correspond. Each company should have a separate TR-RF for every annual statement line of business for which the company has direct written premium.

Column Heading

Description

**Subline/s (Description)
Column (1)**

Enter all sublines/coverages/programs associated with the annual statement line of business for which a tort reform exhibit is completed. For example, "BI (Bodily Injury)" would be a coverage associated with the annual statement lines of business "Other Private Passenger Auto Liability (Line 19.2)" and "Other Commercial Auto Liability (Line 19.4)".

Every subline/coverage/program which the company writes relating to a specific annual statement line of business with a unique rate reduction factor should be listed separately. SUBLINES NOT SUBJECT TO TORT REFORM SHOULD ALSO BE LISTED so that the total direct written premium (total of Column (2)) will match the direct written premium as reported on the annual statement.

**1998 Direct Written Premium
Column (2)**

Enter the 1998 Direct Written Premium associated with each subline/coverage/program as reported in the company's annual statement. If the company is unable to report the Direct Written Premium for a subline/coverage/program, an estimate may be used. In any case, totals for columns (2) and (3) should match, unless justification is provided in column (6).

NOTE: The grand total for this column must equal the total premium reported in the company's annual statement for this line of business

**TDI Form TR-RF Reconciliation Form
ALL LINES/ALL COMPANIES REGULATED AND NON-REGULATED**

SPECIFIC INSTRUCTIONS (cont.)

<u>Column Header (Cont.)</u>	<u>Description (Cont.)</u>
Premium Subject to Tort Reform Column (3)	Enter the premium subject to the tort reform rate reduction for each subline/coverage/program, independent of any proposed rate change. This premium must match the premium reported on the appropriate 1/1/2000 tort reform exhibit, and MUST also equal the premium amount given in column (2) for the same subline/coverage/program, unless a difference is justified in column (6). For sublines not subject to tort reform, enter \$0 and indicate that the subline is not subject to tort reform in column (6).
Tort Reform Rate Reduction Factor Column (4)	Enter the rate reduction factor that applies to each subline/coverage/program. This factor must equal the rate reduction factor reported on the applicable 1/1/2000 tort reform exhibit. This factor can be found on the following exhibit lines: <ul style="list-style-type: none"> • Line (6) of Form TR-1-R • Line (5) of Form TR-2-R • Line (6) of Form TR-5A-R • Line (2) of Form TR-5B-R • Line (3) of Form TR-6-R • Line (3) of Form TR-7-NR • For claims made policies reported on Form TR-3A-R, leave this column blank. • For sublines not subject to tort reform, enter "N/A."
Premium Impact of Tort Reform Column (5)	Enter the premium impact of tort reform for each subline/coverage/program. These savings must equal the premium impact calculated on the applicable 1/1/2000 tort reform exhibit. Note that this is <u>NOT</u> equal to $(3) \times [1.0 - (4)]$.
Explanation of Discrepancy Column (6)	If column (2) does not equal column (3) for any individual subline/coverage/program, an explanation of each discrepancy <u>MUST</u> be provided.

NOTE: FAILURE TO PROVIDE AN EXPLANATION FOR A DISCREPANCY MAY REQUIRE A RE-FILING.

TDI Form TR-2-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

**OTHER THAN FLEX RATE LINES
 OCCURRENCE POLICIES**

Subline	Coverage					
	(A) Current Provisions		(C) Proposed Provisions		(E)	(F)
	Variable w/Premium	Fixed	Variable w/Premium	Fixed		
(1) Expense Provisions						
a) Commission and Brokerage	_____	XXX	_____	XXX		
b) Other Acquisition	_____	_____	_____	_____		
c) General	_____	_____	_____	_____		
d) Taxes, Licenses and Fees	_____	XXX	_____	XXX		
e) Underwriting Profit & Conting.	_____	XXX	_____	XXX		
f) Total (a+b+c+d+e)	_____	_____	_____	_____		
g) Permissible Loss, LAE and Fixed Expense Ratio [100% - (1f)]	_____	XXX	_____	XXX		
	Underlying Current Rates		Proposed Ratios		Loss and	Adjusted
	ULAE	Loss and ALAE	ULAE	Loss and ALAE	Reduction Percentage*	Loss and ALAE Ratio**
(2) Loss and LAE Ratios to Premium	_____	_____	_____	_____	_____	_____
(3) Total Proposed Loss, LAE and Fixed Expense Ratio Prior to Application of Loss and ALAE Reduction Percentage [(C2) + (D1f) + (D2)]						_____
(4) Total Proposed Loss, LAE and Fixed Expense Ratio After Application of Loss and ALAE Reduction Percentage [(C2) + (D1f) + (F2)]						_____
(5) Tort Reform Rate Reduction Factor [(4) / (3)]						_____
(6) Current Tort Reform Rate Reduction Factor [line (5) of TR-2-R from previous filing] (see instructions)						_____
(7) Rate Adjustment Factor to Apply to Current Rates [(5) / (6)]						_____
(8) Proposed Rate Change Prior to Reflection of Tort Reform Reduction, Expressed as a Factor (see instructions)						_____
(9) Premium Subject to Tort Reform [1998 Direct Written Premium from Annual Statement] (see instructions)						_____
(10) Premium Impact of Tort Reform [(8) x (9) x { (1.0) - (5) } / (6)]						_____

* If reduced using Form TR99 pursuant to Subchapter R of 28 TAC §5.9805, check the box below and attach a completed copy of Certification Form TR-CD (Reduction in Loss and ALAE Reduction Percentage Due to Excluded Coverages) (see instructions)

** (D2) x [1.0 - (E2)]

**TDI Form TR-2-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
OCCURRENCE POLICIES**

GENERAL INSTRUCTIONS

1. This form is used to calculate the Rate Reduction Factors for occurrence policies resulting from the application of the mandatory tort reform loss and ALAE reduction percentages specified in Subchapter R of 28 TAC §5.9804 to the loss and ALAE provisions underlying the proposed rates and to calculate the estimated impact of tort reform on company premiums. This form shall be completed for all regulated non-flex lines of business written on an occurrence basis, including general liability, products liability, medical professional liability, other professional liability, umbrella and excess coverages, and possibly certain components of commercial multiple peril liability unless another form specifically applies.

However, if either of the following apply, do NOT complete Form TR-2-R :

- ♦ Your rates are based on underlying loss costs from an advisory organization.
In this case, use Form TR-5A-R or, under special circumstances, TR-5B-R.
 - ♦ Your policies are on a claims-made basis. In this case, use Forms TR-3A-R and TR-3B-R.
2. Umbrella/Excess policies which are based on underlying coverage premiums shall use TDI Form TR-4-R in addition to Form TR-2-R. Commercial multiple peril policies written on an indivisible premium basis shall use TDI Form TR-6-R in addition to Form TR-2-R.
 3. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
 4. A separate form must be completed for each class of business for which a separate loss and ALAE reduction percentage is specified pursuant to Subchapter R of 28 TAC §5.9804. For example, if a company is writing General Liability, *separate forms shall be completed for Products Liability and Commercial General Liability*. This requirement would apply even if the loss and ALAE reduction percentages for Products Liability and Commercial General Liability are equal.
 5. If there are sublines within a given class of business which have different underlying expense provisions, a separate form must be completed for each coverage. For example, if a company has different underlying expense provisions for OL&T and for M&C, a separate form shall be completed for each, even though only one loss and ALAE reduction percentage is specified in Subchapter R of 28 TAC §5.9804.
 6. All provisions and ratios entered on this form are to be expressed relative to premium.
 7. Certification Form TDI Form TR-CA must accompany this form. If multiple Forms TR-2-R are being prepared, only one Certification Form TR-CA is required for each company.
 8. Certification Form TDI Form TR-CD (Reduction in Loss and ALAE Reduction Percentage Due to Excluded Coverages) must also be submitted if the loss and ALAE reduction percentage [line (2), column (E) of Form TR-2-R] was reduced by using Form TR99 pursuant to Subchapter R of 28 TAC §5.9805(e).

OCCURRENCE POLICIES

SPECIFIC INSTRUCTIONS

Header Section

- Company Filing Number** Enter the company filing number, if any, relating to the rates to which the rate adjustment factor calculated in line (7) is to be applied, according to the following:
- ♦ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ♦ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates require a completely new rate filing, including associated exhibits and supporting documentation.
 - ♦ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: The filing of new rates not previously on file with the department requires a completely new rate filing, including associated exhibits and supporting documentation.
- TDI Filing Number** Enter the TDI filing number, if any, relating to the rates to which the rate adjustment factor calculated in line (7) is to be applied, according to the following:
- ♦ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ♦ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates require a completely new rate filing, including associated exhibits and supporting documentation.
 - ♦ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: The filing of new rates not previously on file with the department requires a completely new rate filing, including associated exhibits and supporting documentation.
- Annual Statement Line** Enter the line of insurance from the annual statement Page 15 associated with the line, subline, or coverage to which this form applies. This should be the annual statement line number under which the premium for the line, subline, or coverage is reported.

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

- Effective Date** Enter the effective date of the rates to which this rate adjustment factor will apply according to the following:
- ♦ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate adjustment factor will be applied. For example, if this is a filing made solely to calculate the rate adjustment factor for rates last filed with the department to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996.
 - ♦ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing.
 - ♦ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.
- Rate Regulatory Status** Check the box in the line labeled “Rate Regulated” if the rates for the line, subline or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled “Non Rate Regulated” if the rates for the line, subline or coverage being reported are not regulated for the insurer making the filing.

Line Number

Description

1a - e In columns (A) and (B), enter the appropriate variable and fixed expense provisions that underlie the rates *currently* on file. These expense provisions should be consistent with the expense provisions shown on lines (13) - (17) of Exhibit (F) and/or columns (C) and (D), lines (1a) - (1e) of TR-2-R of the most recent filing for the line, subline, or coverage being reported.

Note: If the rating system for the line, subline, or coverage being reported uses an expense constant or policy fee, the expense provisions in column (A) through (D) should be calculated net of the expenses collected through the expense constant or policy fee. In this case, the expense provisions may not match those on Exhibit (F).

In columns (C) and (D), enter the variable and fixed expense provisions that are being *proposed* in this filing. All proposed expenses must be supported if different than the current provisions. If no changes are being proposed, enter the same provisions as columns (A) and (B). If this is a filing that modifies rates already on file or a new filing, these expense provisions should be consistent with the expense provisions shown on lines (13) - (17) of Exhibit (F) for the line, subline, or coverage being reported.

Note: The *only* expense provisions which you may consider all or a portion of to be fixed are Other Acquisition and General Expenses.

**TDI Form TR-2-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
OCCURRENCE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
1f	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, in columns (A), (B), (C) and (D), enter the total variable and fixed expense provisions.
1g	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, in columns (A) and (C), enter the permissible loss, LAE and fixed expense ratio as 100% minus the variable expense ratio in line (1f).
2	In column (A), enter the ULAE ratio that underlies the rates <i>currently</i> on file <u>expressed as a ratio or percentage of premium</u> . This provision should be equivalent to the provision shown on line (21) of Exhibit (F) of the most recent rate filing for the line, subline or coverage being reported, <i>converted to a ratio or percentage of premium</i> . To convert the ULAE ratio from a percentage of loss to a percentage of premium, use the following: (i) Current ULAE Ratio as a % of Loss (line 21 of Exhibit F) _____ (ii) Current LAE Ratio as a % of Loss (line 22 of Exhibit F) _____ (iii) Current Permissible Loss and LAE Ratio (line 19 of Exhibit F) _____ (iv) ULAE as Ratio of Loss and LAE [(i) ÷ { 1.0 + (ii) }] _____ (v) Current ULAE Ratio as a % of Premium [(iii) x (iv)] _____

The result in line (v) is the appropriate ULAE ratio expressed as a percentage of premium.

Note: This entry should also equal column (C), line (2) of Form TR-2-R of the most recent filing for the line, subline, or coverage being reported.

If using the automated version of this form downloaded from the Internet, column (B) will be calculated automatically. Otherwise, in column (B), enter the loss and ALAE ratio that underlies the rates *currently* on file. This should be equal to the permissible loss, LAE and fixed expense ratio shown in column (A), line (1g) minus the ULAE ratio in column (A), line (2) minus the fixed expense ratio in column (B), line (1f).

In column (C), enter the ULAE ratio that underlies the rates being *proposed* in this filing expressed as a ratio or percentage of premium. All proposed expenses must be supported if different than the current provisions. If no changes are being proposed, enter the same provision as column (A).

If using the automated version of this form downloaded from the Internet, column (D) will be calculated automatically. Otherwise, in column (D), enter the loss and ALAE ratio that underlies the rates being *proposed* in this filing. This should be equal to the permissible loss, LAE and fixed expense ratio shown in column (C), line (1g) minus the ULAE ratio in column (C), line (2) minus the fixed expense ratio in column (D), line (1f).

**TDI Form TR-2-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
OCCURRENCE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
2 (cont.)	<p>In column (E), enter the appropriate loss and ALAE reduction percentage, expressed as a decimal, for the subline and coverage being reported pursuant to Subchapter R of 28 TAC §5.9804. For example, if the loss and ALAE reduction percentage is 17.0%, enter .17 in column (E). Refer to the list of loss and ALAE reduction percentages included with Commissioner's Bulletin B-1363-99.</p> <p>If the loss and ALAE reduction percentage has been reduced pursuant to Subchapter R of TAC §5.9805(e), enter the reduced loss and ALAE reduction percentage expressed as a decimal in column (E). Check the box in the footnote to the form and attach a completed copy of Certification Form TR-CD. Other certification forms required for the line, subline and coverage must also be included with the filing.</p> <p>If using the automated version of this form downloaded from the Internet, column (F) will be calculated automatically. Otherwise, in column (F), enter the adjusted projected loss and ALAE ratio as the product of column (D) and [1.000 - column (E)], where column (E) is expressed as a decimal.</p>
3	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss, LAE and fixed expense ratio prior to application of the loss and ALAE reduction percentage as the sum of the ULAE ratio [column (C), line (2)], the fixed expense ratio [column (D), line (1f)] and the proposed loss and ALAE ratio [column (D), line (2)]. Note that this will also equal column (C), line (1g).</p>
4	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss, LAE and fixed expense ratio after application of the loss and ALAE reduction percentage as the sum of the ULAE ratio [column (C), line (2)], the fixed expense ratio [column (D), line (1f)] and the adjusted proposed loss and ALAE ratio [column (F), line (2)].</p>
5	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate your rate reduction factor as line (4) divided by line (3). This is your year 2000 rate reduction factor that your final rates will reflect. This factor would be used to adjust rates not already reflecting tort reform. However, this factor should <u>not</u> be applied to rates that have already been adjusted for tort reform. Doing so would result in a double reduction. The adjustment factor calculated in line (7) below should be used to adjust rates that have already been adjusted for tort reform.</p>
6	<p>Enter the current rate reduction factor which has been applied to rates currently on file. This entry should match line (5) of Form TR-2-R of the most recent filing for the line, subline, and coverage being reported. If this is a new filing for rates not previously on file with this department, enter 1.000.</p>

**TDI Form TR-2-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
OCCURRENCE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
7	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the adjustment factor to be applied to the rates currently on file as line (5) divided by line (6). This is the adjustment factor that you will apply along with the proposed rate change to your current tort-adjusted rates in determining your new proposed rates.

If this TDI Form TR-2-R is being prepared to calculate the entry on line (3) of TDI Form TR-4-R, Umbrella/Excess Policies with Premiums Based on a Factor or Percentage of Underlying Policy Premiums, or if it is being prepared to calculate the entry on line (1) of TDI Form TR-6-R, Commercial Multiple Peril Policies Written on an Indivisible Premium Basis, DO NOT COMPLETE LINES (8), (9) AND (10).

- | | |
|----|---|
| 8 | Enter the proposed rate change prior to application of the loss and ALAE reduction percentage for the line, subline, or coverage being reported, expressed as a factor relative to current rates. For example, if a +10% rate change is proposed, enter 1.100. If a decrease of 15% is proposed, enter .850. If there is no rate change, enter 1.000. Important: If a rate change factor other than 1.000 is shown on this line, or if the filing proposes changes in rate relativities, then a new rate filing must be filed with the department supporting the proposed change and must accompany this form. If this is a filing required solely to calculate the rate adjustment factor to be applied to rates already on file with the department to reflect tort reform savings, enter 1.000 on line (8). |
| 9 | Enter the company premium reported on Page 15 of the annual statement <i>for the line, subline or coverage being reported</i> . Such premium shall reflect only the particular coverages and/or class of business to which the loss and ALAE reduction percentage specified in Subchapter R of 28 TAC §5.9804 is applicable. The premium must be for the individual company only, rather than for a combined group. |
| 10 | If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the premium impact of tort reform calculated as line (7) times line (8) times [1.000 minus line (5)] divided by line (6). |

Company Name _____
 Company NAIC Number _____
 Company Filing Number _____
 TDI Filing Number _____
 Annual Statement Line _____
 Effective Date _____
 Page _____ of _____

TDI Form TR-3A-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

**CALCULATION OF TORT REFORM IMPACT
 CLAIMS MADE POLICES**

Subline _____ Coverage _____

	(A)	(B)	(C)	(D)	(E)
	1	2	3	4	5
(1) Proposed Permissible Loss and ALAE Ratio [From Line (F4) of TDI Form TR-3B-R Appropriate to Maturity of Policy]	_____	_____	_____	_____	_____
(2) Claims Made Policy Percentage 1, Expressed as a Factor * [From Rule § 5.9804]	_____	_____	_____	_____	_____
(3) Total Reduction in Loss and ALAE Ratios [(1) x (2)]	_____	_____	_____	_____	_____
(4) Adjusted Permissible Loss and ALAE Ratio [(1) - (3)]	_____	_____	_____	_____	_____
(5) ULAE and Fixed Expense Ratio [[(D1f) + (F3)] from TDI Form TR-3B-R Appropriate to Maturity]	_____	_____	_____	_____	_____
(6) Permissible Loss, LAE, and Fixed Expense Ratio Prior to Application of Loss and ALAE Reduction Percentages [(1) + (5)]	_____	_____	_____	_____	_____
(7) Permissible Loss, LAE, and Fixed Expense Ratio After Application of Loss and ALAE Reduction Percentages [(4) + (5)]	_____	_____	_____	_____	_____
(8) Tort Reform Rate Reduction Factor [(7) / (6)]	_____	_____	_____	_____	_____

* If reduced using Form TR99 pursuant to Subchapter R of 28 TAC §5.9805(e), check the box below and attach a completed copy of Certification Form TR-CD (Reduction in Loss and ALAE Reduction Percentage Due to Excluded Coverages) (see instructions)



Company Name _____
 Company NAIC Number _____
 Company Filing Number _____
 TDI Filing Number _____
 Annual Statement Line _____
 Effective Date _____
 Page _____ of _____

TDI Form TR-3A-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

**CALCULATION OF TORT REFORM IMPACT
 CLAIMS MADE POLICES**

Subline _____ Coverage _____

	(A)	(B)	(C)	(D)	(E)
	Claims Made Policy Maturity (Annual Policies)				
	1	2	3	4	5
(9) Current Tort Reform Rate Reduction Factor (see instructions)	_____	_____	_____	_____	_____
(10) Rate Adjustment Factor to Apply to Current Rates [(8) / (9)]	_____	_____	_____	_____	_____
(11) Proposed Rate Change Prior to Application of Loss and ALAE Reduction Percentages [from line (5) of TDI Form TR-3B-R Appropriate to Maturity of Policy]	_____	_____	_____	_____	_____
(12) Premium Subject to Tort Reform [1998 Direct Written Premium from Annual Statement] (see instructions)	_____	_____	_____	_____	_____
(13) Premium Subject to Tort Reform After Proposed Rate Change [{ (11) x (12) } / (9)]	_____	_____	_____	_____	_____
(14) Total Premium Subject to Tort Reform After Proposed Rate Change [Sum of entries in line (13)]			_____		
(15) Premium Impact of Tort Reform by Maturity of Policy [{ 1.0 - (8) } x (13)]	_____	_____	_____	_____	_____
(16) Total Premium Impact of Tort Reform [Sum of entries in line (15)]			_____		

**TDI Form TR-3A-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
CLAIMS MADE POLICIES**

GENERAL INSTRUCTIONS

1. This form is used to calculate the Rate Reduction Factors by maturity of claims made policies resulting from the application of the mandatory tort reform reduction percentages specified in Subchapter R of 28 TAC §5.9804 and to calculate the estimated impact of tort reform on the company premiums. The Rate Reduction Factors are the factors to be applied to the company's rates according to maturity of policy to reflect the overall effect of tort reform on rates. This form shall be completed for all claims made coverages. It must be accompanied by one (1) or more completed TDI Form TR-3B-R's for the same coverage and the various maturities of policies. Note: A separate TDI Form TR-3B-R must be prepared for each policy maturity if the loss and expense provisions expressed as a percentage of the rate or the proposed rate changes differ among maturities. If the loss and expense provisions expressed as a percentage of the rate do not differ by maturity and the proposed rate changes do not differ by maturity, a single form TR-3B-R may be used.
2. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
3. A separate form must be completed for each class of business for which a different set of loss and ALAE claims made reduction percentages are specified pursuant to Subchapter R of 28 TAC §5.9804. For example, if a company is writing Medical Professional Liability, separate forms shall be completed for Physicians Professional Liability and for Hospital Professional Liability. This requirement would apply even if the loss and ALAE reduction percentages for Physicians Professional Liability and Hospital Professional Liability are equal.
4. In addition, if there are coverages within a given class of business which have different underlying expense provisions, a separate form must be completed for each coverage. For example, if a company has different underlying expense provisions for Physicians Professional Liability and for Dentists Professional Liability, a separate form shall be completed for each, even though only one set of loss and ALAE claims made reduction percentages are specified in Subchapter R of 28 TAC §5.9804.
5. This form provides for five (5) maturities of claims made policies. If the company's claims made program has fewer or more maturities of policies, the actual mature policy rating relativities and the like should be used wherever these instructions refer to the mature policy. If there are more than 5 maturities of claims made policies, attach additional pages.
6. All provisions and ratios entered on this form are to be expressed relative to premium.
7. Certification Form TDI Form TR-CA (Other than Flex Lines, Filings for Umbrella/Excess Policies and Filings for Commercial Multiple Peril Policies Written on an Indivisible Premium Basis) must accompany this form. If multiple Forms TR-3A-R are being prepared as required in any of the situations listed in paragraph (3) or (4) above and are being submitted as part of a single transmittal, Certification Form TR-CA need only be submitted once.
8. Certification Form TDI Form TR-CD (Reduction in Loss and ALAE Reduction Percentage Due to Excluded Coverages) must also be submitted if the claims made policy percentage 1 [line (2) of Form TR-3A-R] was reduced by using Form TR99 pursuant to Subchapter R of 28 TAC §5.9805(e).

**TDI Form TR-3A-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS

Header Section

- Company Filing Number** Enter the company filing number, if any, relating to the rates to which the rate adjustment factors calculated in line (10) are to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factors to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates require a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: The filing of new rates not previously on file with the department requires a completely new rate filing, including associated exhibits and supporting documentation.
- TDI Filing Number** Enter the TDI filing number, if any, relating to the rates to which the rate adjustment factors calculated in line (10) are to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factors to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates require a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: The filing of new rates not previously on file with the department requires a completely new rate filing, including associated exhibits and supporting documentation.
- Annual Statement Line** Enter the line of insurance from the annual statement Page 15 associated with the line, subline, or coverage to which this form applies. This should be the annual statement line number under which the premium for the line, subline, or coverage is reported.

**TDI Form TR-3A-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

Effective Date Enter the effective date of the rates to which these rate reduction factors will apply according to the following:

- ◆ If this is a filing made solely to calculate the rate reduction factors to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate reduction factors will be applied. For example, if this is a filing made solely to calculate the rate reduction factors to be applied to rates last filed with the department to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996.
- ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing.
- ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.

Rate Regulatory Status Check the box in the line labeled “Rate Regulated” if the rates for the line, subline or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled “Non Rate Regulated” if the rates for the line, subline or coverage being reported are not rate regulated for the insurer making the filing.

<u>Line Number</u>	<u>Description</u>
1	Enter the proposed permissible loss and ALAE ratio for the applicable policy maturity as calculated on TDI Form TR-3B-R, column (F), line (4) expressed as a ratio . Note: Form TR-3B-R must be completed for each policy maturity if the loss and expense provisions expressed as a percentage of the rate or the proposed rate changes differ among maturities.
2	For each policy maturity, enter the appropriate claims made policy percentage 1 for the subline and coverage being reported pursuant to Subchapter R of 28 TAC §5.9804. These should be expressed as a factor. For example, if claims made policy percentage 1 is 18.5%, it should be entered as .185. Refer to the list of loss and ALAE reduction percentages included with Commissioner’s Order #99-1363. If the loss and ALAE reduction percentage has been reduced pursuant to subchapter R of TAC §5.9805(e), enter the reduced loss and ALAE reduction percentage expressed as a factor. Check the box in the footnote to the Form and attach a completed copy of Certification Form TR-CD. Other certification forms required for the line, subline and coverage must also be included with the filing.
3	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, for each policy maturity, enter the total reduction in the loss and ALAE ratio calculated as the product of line (1) and line (2).

**TDI Form TR-3A-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
4	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the adjusted permissible loss and ALAE ratio as line (1) minus line (3).
5	For each policy maturity, enter the proposed ULAE and fixed expense ratio as the sum of column (D), line (1f) and column (F), line (3) of TDI Form TR-3B-R for the applicable policy maturity. <u>Note:</u> Form TR-3B-R is to be completed separately for each policy maturity if the loss and expense provisions expressed as a percentage of the rate or the proposed rate changes differ among maturities.
6	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the proposed permissible loss, LAE and fixed expense ratio prior to the application of the loss and ALAE reduction percentages as the sum of lines (1) and line (5).
7	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the proposed permissible loss, LAE and fixed expense ratio after the application of the loss and ALAE reduction percentages as the sum of lines (4) and line (5).
8	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, for each policy maturity, calculate the rate reduction percentage applicable to the rate for that policy maturity as the ratio of line (7) to line (6). These factors would be used to adjust rates not already reflecting tort reform. However, this factor should <u>not</u> be applied to rates that have already been adjusted for tort reform. Doing so would result in a double reduction. The adjustment factor calculated in line (10) below should be used to adjust rates that have already been adjusted for tort reform.
9	For each policy maturity, enter the current rate reduction factor which has been applied to rates currently on file. For each policy maturity, this entry should match line (23) of Form TR-3A-R (Edition 1/96) or line (20) of Form TR-3A-R (Edition 1/97, 1/20/98 or 1/1/99) of the most recent filing for the line, subline, and coverage being reported. If this is a new filing for rates not previously on file with this department, enter 1.000.
10	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, for each policy maturity, calculate the adjustment factor to be applied to the rates currently on file as line (8) divided by line (9). These factors are the adjustment factors that you will apply along with the proposed rate change to your current tort-adjusted rates in determining your new proposed rates.
11	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the applicable proposed rate change factor from line (5) of TDI Form TR-3B-R appropriate to the maturity of the policy.

**TDI Form TR-3A-R Reflection of Tort Reform Impact
OTHER THAN FLEX RATE LINES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
12	For each policy maturity, enter the company premium reported on Page 15 of the annual statement <i>for the line, subline or coverage being reported</i> . Such premium shall reflect only the particular coverage and or class of business to which the loss and ALAE reduction percentage specified in Subchapter R of 28 TAC §5.9804 is applicable. The premium must be for the individual company only, rather than for a combined group.
13	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, for each policy maturity, enter the pre-tort reform premium subject to tort reform as line (11) times line (12), and taking this total and dividing by line (9).
14	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, sum the premium subject to tort reform after proposed rate change in line (13) for all maturities and enter the total here.
15	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, for each policy maturity, enter the premium impact of tort reform as [1.0 - line (8)] times line (13).
16	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, sum the premium impacts of tort reform in line (15) for all policy maturities and enter the total here.

TDI Form TR-3B-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

Company Name _____
 Company NAIC Number _____
 Company Filing Number _____
 TDI Filing Number _____
 Annual Statement Line _____
 Effective Date _____
 Page _____ of _____

**CALCULATION OF RATING VALUES
 CLAIMS MADE POLICIES**

Subline _____ Coverage _____

Maturity of Policy _____

	(A) Current Provisions		(C) Proposed Provisions	
	Variable w/Premium	Fixed	Variable w/Premium	Fixed
(1) Expense Provisions Underlying Rates				
a) Commission and Brokerage	_____	XXX	_____	XXX
b) Other Acquisition	_____	_____	_____	_____
c) General	_____	_____	_____	_____
d) Taxes, Licenses and Fees	_____	XXX	_____	XXX
e) Underwriting Profit & Contingencies	_____	XXX	_____	XXX
f) Total (a+b+c+d+e)	_____	_____	_____	_____
g) Permissible Loss, LAE and Fixed Expense Ratio [100% - (1f)]	_____	XXX	_____	XXX
		(E) Underlying Current Rates	(F) Proposed Ratios	(G) Change [(F) / (E)] - 1.00
(2) Loss and LAE Ratios to Premium Column (E): (A1g) - (B1f) Column (F): (C1g) - (D1f)		_____	_____	_____
(3) ULAE Ratios to Premium (see instructions)		_____	_____	_____
(4) Loss and ALAE Ratios to Premium [(2) - (3)]		_____	_____	_____
(5) Proposed Rate Change Prior to Application of Loss and ALAE Reduction Percentage (see instructions)		XXX	_____	XXX

Notes:

Separate sheets shall be used for different policy maturities if the loss and expense provisions or the proposed rate changes differ among maturities.

**TDI Form TR-3B-R Reflection of Tort Reform Impact
CALCULATION OF RATING VALUES
CLAIMS MADE POLICIES**

GENERAL INSTRUCTIONS

1. This form is used to calculate certain rate provisions by maturity of claims made policy that are used to calculate the Rate Adjustment Factors resulting from the application of the mandatory tort reform reduction percentages specified in Subchapter R of 28 TAC §5.9804. The form shall be completed for all claims made coverages. The form(s) must be attached to and accompanied by a completed TDI Form TR-3A-R for the same line and coverage.
2. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
3. Separate forms must be completed for each class of business for which a different set of loss and ALAE claims made reduction percentages are specified pursuant to Subchapter R of 28 TAC §5.9804. For example, if a company is writing Medical Professional Liability, a separate set of forms shall be completed for Physicians Professional Liability and for Hospital Professional Liability. This requirement would apply even if the loss and ALAE reduction percentages for Physicians Professional Liability and Hospital Professional Liability are equal.
4. In addition, if there are coverages within a given class of business which have different underlying expense provisions, separate forms must be completed for each coverage. For example, if a company has different underlying expense provisions for Physicians Professional Liability and for Dentists Professional Liability, separate sets of forms shall be completed for each, even though only one set of loss and ALAE reduction claims made reduction percentages are specified in Subchapter R of 28 TAC §5.9804.
5. A separate TDI Form TR-3B-R must be completed for each policy maturity shown on TDI Form TR-3A-R if the loss and expense provisions or the proposed rate changes differ among maturities. If the rate provisions or the proposed rate changes do not differ, complete one copy of Form TR-3B-R for each coverage indicating "ALL" in the space provided for Maturity of Policy.
6. All provisions and ratios entered on this form are to be expressed relative to premium.

**TDI Form TR-3B-R Reflection of Tort Reform Impact
CALCULATION OF RATING VALUES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS

Header Section

- Company Filing Number** Enter the company filing number, if any, relating to the rates to which the rate adjustment factors calculated in line (10) of the accompanying TDI Form TR-3A-R are to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factors to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates require a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: The filing of new rates not previously on file with the department requires a completely new rate filing, including associated exhibits and supporting documentation.
- TDI Filing Number** Enter the TDI filing number, if any, relating to the rates to which the rate adjustment factors calculated in line (10) of the accompanying TDI Form TR-3A-R are to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factors to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates require a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: The filing of new rates not previously on file with the department requires a completely new rate filing, including associated exhibits and supporting documentation.

**TDI Form TR-3B-R Reflection of Tort Reform Impact
CALCULATION OF RATING VALUES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

Annual Statement Line	Enter the line of insurance from the annual statement Page 15 associated with the line, subline, or coverage to which this form applies. This should be the annual statement line number under which the premium for the line, subline, or coverage is reported.
Effective Date	Enter the effective date of the rates to which these rate adjustment factors will apply according to the following: <ul style="list-style-type: none"> ◆ If this is a filing made solely to calculate the rate adjustment factors to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate adjustment factors will be applied. For example, if this is a filing made solely to calculate the rate adjustment factors to be applied to rates last filed with the department on to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996. ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing. ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.
Rate Regulatory Status	Check the box in the line labeled "Rate Regulated" if the rates for the line, subline or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled "Non Rate Regulated" if the rates for the line, subline or coverage being reported are not rate regulated for the insurer making the filing.

Line Number

Description

1a - e In columns (A) and (B), enter the appropriate variable and fixed expense provisions that underlie the rates *currently* on file. The sum of the corresponding variable and fixed expenses should match the expense provisions shown on lines (13) - (17) of Exhibit (F) and/or columns (C) and (D), lines (1a) - (1e) of TR-3B-R of the most recent filing for the line, subline, or coverage being reported.

Note: If the rating system for the subline or coverage being reported uses an expense constant or policy fee, the expense provisions in column (A) through (D) should be calculated net of the expenses collected through the expense constant or policy fee. In this case, the expense provisions may not match those on Exhibit (F).

**TDI Form TR-3B-R Reflection of Tort Reform Impact
CALCULATION OF RATING VALUES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

Line Number

Description

1a - e
(cont.) In columns (C) and (D), enter the variable and fixed expense provisions that are being *proposed* in this filing. All proposed expenses must be supported if different than the current provisions. If this is a filing required solely to calculate the rate adjustment factors to be applied to rates already on file with the department, enter the same provisions as columns (A) and (B). If this is a filing that modifies rates already on file or a new filing, the sum of the corresponding variable and fixed expense provisions should match the expense provisions shown on lines (13) - (17) of Exhibit (F) for the line, subline, or coverage being reported.

Note: The *only* expense provisions which you may consider all or a portion of to be fixed are Other Acquisition and General Expenses.

1f **If using the automated version of this form downloaded from the Internet, this line will be automatically calculated.** Otherwise, in columns (A), (B), (C) and (D), enter the total variable and fixed expense provisions as indicated.

1g **If using the automated version of this form downloaded from the Internet, this line will be automatically calculated.** Otherwise, in columns (A) and (C), enter the permissible loss, LAE and fixed expense ratio as 100% minus the variable expense ratio in line (1f).

2 **If using the automated version of this form downloaded from the Internet, this line will be automatically calculated.**

Otherwise:

In column (E), calculate the loss and LAE ratio underlying current rates as column (A), line (1g) minus column (B), line (1f).

In column (F), calculate the proposed loss and LAE ratio as column (C), line (1g) minus column (D), line (1f).

In column (G), calculate the change between the proposed loss and LAE ratio and the current underlying loss and LAE ratio as [column (F) divided by column (E)] minus 1.00.

3 In column (E), enter the ULAE ratio that underlies the rates *currently* on file expressed as a ratio or percentage of premium. This provision should be equivalent to the provision shown on line (21) of Exhibit (F) for the subline or coverage being reported, *converted to a ratio or percentage of premium*. To convert the ULAE ratio from a percentage of loss to a percentage of premium, use the following:

- (i) Current ULAE Ratio as a % of Loss (line 21 of Exhibit F) _____
- (ii) Current LAE Ratio as a % of Loss (line 22 of Exhibit F) _____
- (iii) Current Permissible Loss and LAE Ratio (line 19 of Exhibit F) _____
- (iv) ULAE as Ratio of Loss and LAE [(i) ÷ { 1.0 + (ii) }] _____
- (v) Current ULAE Ratio as a % of Premium [(iii) x (iv)] _____

The result in line (v) is the appropriate ULAE ratio expressed as a percentage of premium.

**TDI Form TR-3B-R Reflection of Tort Reform Impact
CALCULATION OF RATING VALUES
CLAIMS MADE POLICIES**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
3 (cont.)	<p>In column (F), enter the ULAE ratio that underlies the rates being <i>proposed</i> in this filing <u>expressed as a percentage of premium</u>. All proposed expenses <u>must be</u> supported if different than the current provisions. If no changes are being proposed, enter the same provision as column (E). If this is a filing required solely to determine the rate reduction factors to be applied to rates already on file with the department to reflect tort reform savings, enter the same provision as column (E), line (3).</p> <p>If using the automated version of this form downloaded from the Internet, column (G) will be automatically calculated. Otherwise, in column (G), calculate the change between the proposed ULAE ratio and the current underlying ULAE ratio as [column (F) divided by column (E)] minus 1.00.</p>
4	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, in columns (E) and (F), calculate the current and proposed loss and ALAE ratio as line (2) minus line (3). In column (G), calculate the change between the proposed loss and ALAE ratio and the loss and ALAE ratio underlying current rates as [column (F) divided by column (E)] minus 1.00.</p>
5	<p>Enter the proposed rate change prior to application of the loss and ALAE reduction percentage expressed as a factor relative to current rates. For example, if a +10% rate change is proposed, enter 1.100. If a decrease of 15% is proposed, enter .850. If there is no rate change, enter 1.000. If this is a filing required solely to calculate the rate reduction factors to be applied to rates already on file with the department to reflect tort reform savings, enter 1.000 on line (5).</p>

TDI Form TR-4-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

Company Name _____
 Company NAIC No _____
 Company Filing No _____
 TDI Filing Number _____
 Ann. Statement Line _____
 Effective Date _____
 Page _____ of _____

UMBRELLA/EXCESS POLICIES WITH PREMIUMS BASED ON A FACTOR OR PERCENTAGE OF UNDERLYING POLICY PREMIUMS

	(A)	(B)
	Tort Reform Rate Reduction Factor	Statewide Premium for Underlying Coverage
(1) Underlying Coverages (list separately)		
a) _____	_____	_____
b) _____	_____	_____
c) _____	_____	_____
d) _____	_____	_____
e) _____	_____	_____
f) _____	_____	_____
g) Total (a+b+c+d+e+f)	XXX	\$0
(2) Weighted Average Rate Reduction Factor Based on Underlying Coverage Premiums [weighted average of column A based on premium in column B]		_____
(3) Rate Reduction Factor for Umbrella/Excess Policies before Adjustment to Reflect Tort Reform Savings in Underlying Policy Premiums [Line (5) TR-2-R, see instructions]		_____
(4) Current Rate Reduction Factor for Umbrella/Excess Policies before Adjustment to Reflect Tort Reform Savings in Underlying Policy Premiums [Line (3) from previous filing]		_____
(5) Rate Reduction Factor applicable to Factor or Percentage Applied to Underlying Policy Premiums [(3) / (2)]		_____
(6) Current Rate Reduction Factor applied to Factor or Percentage Applied to Underlying Policy Premiums [From previous filing: Line (5) from 1/1/99]		_____
(7) Rate Adjustment Factor to apply to Current Factors/Percentages [(5) / (6)]		_____
(8) Proposed Rate Change Prior to Reflection of Tort Reform, Expressed as a Factor (see instructions)		_____
(9) Umbrella/Excess Premiums Subject to Tort Reform (see instructions) [1998 Direct Written Premium from Annual Statement]		_____
(10) Premium Impact of Tort Reform [(8) x (9) x {1.0 - (3)} / (4)]		_____

**TDI Form TR-4-R Reflection of Tort Reform Impact
UMBRELLA/EXCESS BASED ON A FACTOR OR
PERCENTAGE OF UNDERLYING POLICY PREMIUMS**

GENERAL INSTRUCTIONS

1. This form is used to calculate the Rate Adjustment Factor resulting from the application of mandatory tort reform reduction percentages specified in Subchapter R of 28 TAC §5.9804 to the loss and ALAE provisions underlying the proposed rating factors or percentages used to calculate umbrella/excess policy premiums that are based on the underlying policy premiums and to calculate the estimated premium impact of the mandatory tort reform reduction. The Rate Adjustment Factor is adjusted to recognize the tort reform savings already reflected in the underlying policy premiums, and is to be applied to the rating factors or percentages used to calculate umbrella/excess policy premiums. The form shall be completed for all umbrella/excess policies that are rated on the basis of the underlying policy premiums.
2. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
3. The rate reduction factors to be entered in column (A) are the rate reduction factors calculated for the company for the indicated underlying coverages, and are to be taken from line (6) of Form TR-1-R for flex rate coverages or line (5) of Form TR-2-R for other than flex rated occurrence coverages or line (6) of Form TR-5A-R or line (2) of Form TR-5B-R for advisory loss cost reference coverages. *Attach copies of each such form.* The company's own rate reduction factors must be used, regardless of which insurer may actually provide the underlying coverage.
4. All provisions and ratios entered on this form are to be expressed relative to premium.
5. Certification Form TDI Form TR-CA (Other than Flex Lines, Filings for Umbrella/Excess Policies and Filings for Commercial Multiple Peril Policies Written on an Indivisible Premium Basis) must accompany this form.

**TDI Form TR-4-R Reflection of Tort Reform Impact
UMBRELLA/EXCESS BASED ON A FACTOR OR
PERCENTAGE OF UNDERLYING POLICY PREMIUMS**

SPECIFIC INSTRUCTIONS

Header Section

Company Filing Number Enter the company filing number, if any, relating to the rating factors to which the rate adjustment factor calculated in line (7) is to be applied, according to the following:

- ◆ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
- ◆ If this is filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.

TDI Filing Number Enter the TDI filing number, if any, relating to the rating factors to which the rate adjustment factor calculated in line (7) is to be applied, according to the following:

- ◆ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
- ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.

**TDI Form TR-4-R Reflection of Tort Reform Impact
UMBRELLA/EXCESS BASED ON A FACTOR OR
PERCENTAGE OF UNDERLYING POLICY PREMIUMS**

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

- Annual Statement Line** Enter the line of insurance from the annual statement Page 15 associated with the line, subline, or coverage to which this form applies. This should be the annual statement line number under which the premium for the line, subline, or coverage is reported.
- Effective Date** Enter the effective date of the rates to which the rate adjustment factor will apply according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate adjustment factor will be applied. For example, if this is a filing made solely to calculate the rate adjustment factor to rates last filed with the department to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.
- Rate Regulatory Status** Check the box in the line labeled “Rate Regulated” if the rates for the line, subline or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled “Non Rate Regulated” if the rates for the line, subline or coverage being reported are not rate regulated for the insurer making the filing.

Line Number

Description

1a - f In the blanks provided, list separately each of the sublines and coverages underlying the umbrella/excess policy including those subline and coverages that are not subject to tort reform reduction under Subchapter R of TAC §§5.9800 - 5.9811 or Article 5.131 of the Texas Insurance Code. For example, for a private passenger automobile excess policy, the underlying coverages may include bodily injury, property damage, and medical payments, even though property damage and medical payments are not subject to tort reform reduction under Subchapter R of TAC §§5.9800 - 5.9811 or Article 5.131 of the Texas Insurance Code.

**TDI Form TR-4-R Reflection of Tort Reform Impact
UMBRELLA/EXCESS BASED ON A FACTOR OR
PERCENTAGE OF UNDERLYING POLICY PREMIUMS**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
1a - f (cont.)	<p>In column (A), enter the appropriate rate reduction percentage for the applicable coverage as shown on either line (6) of TDI Form TR-1-R for flex rate lines, line (5) of TDI Form TR-2-R for other than flex rate lines, line (6) of TDI Form TR-5A-R, or line (2) of TDI Form TR-5B-R. Attach copies of the applicable TDI Forms TR-1-R, TR-2-R, TR-5A-R, and/or TR-5B-R. If the factors or percentages used to determine the umbrella/excess policy premiums are applied to underlying coverages that are not subject to tort reform reduction under Subchapter R of TAC §§5.9800 - 5.9811 or Article 5.131 of the Texas Insurance Code, enter 1.000 in column (A) and the applicable statewide premium for the line and coverage.</p> <p>In column (B), enter the statewide premium for the applicable sublines and coverages.</p>
1g	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, in column (B), total the individual premiums in lines (a) through (f).</p>
2	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the weighted rate reduction factor based on the underlying coverages by taking the total of the product of columns (A) and (B) in lines (1a) through (1f) and dividing by the total premiums shown in column (B), line (1g).</p>
3	<p>Enter the umbrella/excess rate reduction factor as shown line (5) of TDI Form TR-2-R for umbrella/excess policies. Attach a copy of this Form TR-2-R.</p>
4	<p>Enter the current umbrella/excess rate reduction factor. This entry should match line (3) of Form TR-4-R from the most recent filing for the line, subline, or coverage being reported. If this is a new filing for rates not previously on file with the department, enter 1.000.</p>
5	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the adjusted umbrella/excess rate reduction factor as line (3) divided by line (2). If the adjusted factor is greater than 1.000, enter 1.000. This is your 2000 rate reduction factor that your final factors/percentages will reflect. This factor would be used to adjust factors/percentages not already reflecting tort reform. However, this factor should <u>not</u> be applied to the factors/percentages that have already been adjusted for tort reform. Doing so would result in a double reduction. The adjustment factor calculated in line (7) below should be used to adjust factors/percentages that have already been adjusted for tort reform.</p>
6	<p>Enter the current rate reduction factor which has been applied to the factors/percentages currently on file. This entry should match line (4) of Form TR-4-R (Edition 1/1/99) or line (5) of Form TR-4-R (Edition 1/1/2000) for the most recent filing for the line, subline, or coverage being reported. If this is a new filing for rates not previously on file with this department, enter 1.000.</p>

**TDI Form TR-4-R Reflection of Tort Reform Impact
UMBRELLA/EXCESS BASED ON A FACTOR OR
PERCENTAGE OF UNDERLYING POLICY PREMIUMS**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
7	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the adjustment factor to be applied to the factors/percentages currently on file as line (5) divided by line (6). This is the adjustment factor that you will apply to your current tort-adjusted factors/percentages in determining your new proposed rates.
8	Enter the proposed rate change prior to application of the loss and ALAE reduction percentage for the subline or coverage being reported, expressed as a factor relative to current rates. For example, if a +10% rate change is proposed, enter 1.100. If a decrease of 15% is proposed, enter .850. If there is no rate change, enter 1.000. Important: If a rate change factor other than 1.000 is shown on this line, then a new rate filing must be filed with the department supporting the proposed change and must accompany this form. If this is a filing required solely to calculate the rate adjustment factor to be applied to the factors/percentages already on file with the department to reflect tort reform savings, enter 1.000 on line (8).
9	Enter the company premium reported on Page 15 of the annual statement <i>for the line, subline or coverage being reported</i> . Such premium shall reflect only the particular coverages and/or class of business to which the loss and ALAE reduction percentage specified in Subchapter R of 28 TAC §5.9804 is applicable. The premium must be for the individual company only, rather than for a combined group.
10	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the premium impact of tort reform calculated as line (8) times line (9) times [1.0 minus line (3)] divided by line (4).

TDI Form TR-5A-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

ADVISORY LOSS COST REFERENCE FILINGS

Subline _____ Coverage _____
 Advisory Organization _____ Advisory Loss Cost TDI Reference File Numbers _____ Prior Proposed _____

	(A) Current Provisions		(C) Proposed Provisions		(E)	(F)
	Variable w/Premium	Fixed	Variable w/Premium	Fixed		
(1) Expense Provisions and Loss Modification Factor						
a) Commission and Brokerage		XXX		XXX		
b) Other Acquisition						
c) General						
d) Taxes, Licenses, and Fees		XXX		XXX		
e) Underwriting Profit & Conting.		XXX		XXX		
f) Total (a+b+c+d+e)						
g) Permissible Loss, LAE, and Fixed Expense Ratio [100% - (1f)]		XXX		XXX		
h) Loss Modification Factor		XXX	XXX	XXX		
	Underlying Current Rates		Proposed Ratios		Loss and ALAE Reduction Percentage	Adjusted Proposed Loss and ALAE Ratio
	ULAE	Loss and ALAE	ULAE	Loss and ALAE		
(2) Loss and LAE Ratios to Premium						
(3) Current Company Loss Cost Multiplier [(A1h) / { (1.0) - (A1f) - (B1f) }]						
(4) Total Proposed Loss, LAE, and Fixed Expense Ratio Prior to Application of Loss and ALAE Reduction Percentage [(C2) + (D1f) + (D2)]						
(5) Total Proposed Loss, LAE, and Fixed Expense Ratio After Application of Loss and ALAE Reduction Percentage [(C2) + (D1f) + (F2)]						
(6) Tort Reform Rate Reduction Factor [(5) / (4)]						
(7) Current Tort Reform Rate Reduction Factor [line (6) TR-5A-R from previous filing] (see instructions)						
(8) Proposed Basic Limits Rate Change Prior to Reflection of Tort Reform Reduction, Expressed as a Factor (see instructions)						
(9) Change in Advisory Organization Tort Reduction Factors (see instructions)						
(10) Overall Basic Limits Change in Advisory Loss Cost Level Prior to Loss and ALAE Reduction for Tort Reform (see instructions)						
(11) Adjustment Factor to be Applied to Company Proposed Loss Cost Multiplier [(6) / {(7) x (9) }]						
(12) Proposed Company Loss Cost Multiplier Prior to This Year's Adjustment [(3) x (8) / (10)]						
(13) Proposed Company Loss Cost Multiplier Adjusted to Reflect Tort Reform [(11) x (12)]						
(14) Proposed Company Loss Modification Factor [(13) x { (1.0) - (C1f) - (D1f) }]						
(15) Premium Subject to Tort Reform [1998 Direct Written Premium from Annual Statement] (see instructions)						
(16) Premium Impact of Tort Reform [(8) x (15) x { (1.0) - (6) } / (7)]						

Notes:
 All provisions and ratios are to be expressed relative to premium.
 Current expense provisions are to be based upon data submitted in the most recent rate filing.
 Proposed loss, LAE and expense provisions may be different from current, but support must be provided.
 The loss and ALAE Reduction Percentage shall be that percentage assigned pursuant to Subchapter R of 28 TAC §5.9804.

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

GENERAL INSTRUCTIONS

1. This form is to be used to comply with the filing requirements specified in Subchapter R of 28 TAC §§5.9800-5.9811 for lines or sublines of insurance for which your company utilizes advisory loss costs.
2. Form TR-5A-R is required for advisory organization loss costs filings when there is any change in the loss cost multiplier or when the company is not adopting the most recent version (1/1/2000) of loss costs that reflect the 1/1/2000 tort reductions. The simplified form TR-5B-R may be used in lieu of TR-5A-R ONLY if you are adopting the most recent version (1/1/2000) of loss costs that reflect the 1/1/2000 tort reductions AND if there is no change to the loss cost multiplier.
3. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
4. Your company should complete form TR-5A-R for each applicable line or subline of insurance.
5. A separate form must be completed for each class of business for which a separate loss and ALAE reduction percentage is specified pursuant to Subchapter R of 28 TAC §5.9804. For example, if a company is writing General Liability, *separate forms shall be completed for Products Liability and Commercial General Liability*. This requirement would apply even if Products Liability and Commercial General Liability loss costs were contained in the same advisory loss cost reference filing and/or the loss and ALAE reduction percentages are equal.
6. In addition, if there are coverages within a given class of business which have different loss cost multipliers, a separate form must be completed for each coverage. For example, if a company has different loss cost multipliers for premises and for operations, a separate form shall be completed for each, even though only one loss and ALAE reduction percentage is specified in Subchapter R of 28 TAC §5.9804.
7. All provisions and ratios entered on this form are to be expressed relative to premium.
8. Certification Form TDI Form TR-CC (Filings Adopting Advisory Organization Loss Cost Reference Documents) must accompany this form. If multiple Forms TR-5A-R are being prepared as required in any of the situations listed in paragraphs (5) or (6) above, Certification Form TR-CC need only be submitted once.

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

SPECIFIC INSTRUCTIONS

Header Section (Form TR-5A-R)

- Company Filing Number** Enter the company filing number, if any, relating to the rating factors to which the reduction factor calculated in line (6) of Form TR-5A-R is to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate reduction factor to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- TDI Filing Number** Enter the TDI filing number, if any, relating to the rating factors to which the reduction factor calculated in line (6) of Form TR-5A-R is to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate reduction factor to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- Annual Statement Line** Enter the line of insurance from the annual statement Page 15 associated with the line, subline, or coverage to which this form applies. This should be the annual statement line number under which the premium for the line, subline, or coverage is reported.

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

- Effective Date** Enter the effective date of the rates to which this rate reduction factor will apply according to the following:
- ◆ If this is a filing made solely to calculate the rate reduction factor to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate reduction factor will be applied. For example, if this is a filing made solely to calculate the rate reduction factors for rates last filed with the department to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.
- Rate Regulatory Status** Check the box in the line labeled "Rate Regulated" if the rates for the line, subline or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled "Non Rate Regulated" if the rates for the line, subline or coverage being reported are not regulated for the insurer making the filing.
- Advisory Loss Cost TDI Reference File Numbers** Indicate the TDI reference number assigned to the loss costs that were referenced prior to this filing (Prior) and the TDI reference number assigned to the loss costs that are being referenced with this filing (Proposed).

SPECIFIC INSTRUCTIONS - FORM TR-5A-R

Line Number

Description

1a - e In columns (A) and (B), enter the appropriate variable and fixed expense provisions that underlie the rates *currently* on file. The sum of the corresponding variable and fixed expense provisions should match the expense provisions shown on lines (13)-(17) of Exhibit (F), line (3) of Exhibit (G), and/or columns (C) and (D), TR-5-R (Edition 1/1/99) of the most recent filing for the line, subline, or coverage being reported.

If this is a new filing for rates not previously on file with this department, columns (A) and (B) should match columns (C) and (D) respectively.

Note: If the rating system for the line, subline, or coverage being reported uses an expense constant or policy fee, the expense provisions in columns (A) through (D) should be calculated net of the expenses collected in such a manner. In this case, the expense provisions may not match those on Exhibits (F) and (G).

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

SPECIFIC INSTRUCTIONS - FORM TR-5A-R (cont.)

Line Number

Description

1a - e
(cont.) In columns (C) and (D), enter the variable and fixed expense provisions that are being *proposed* in this filing. All proposed expenses must be supported if different than the current provisions. If no changes are being proposed, enter the same provisions as columns (A) and (B). If this is a filing that modifies rates already on file or a new filing, the sum of the corresponding variable and fixed expense provisions should match the expense provisions shown on lines (13) - (17) of Exhibit F and line (3) of Exhibit G for the line, subline, or coverage being reported.

If this is a new filing for rates not previously on file with this department, columns (A) and (B) should match columns (C) and (D) respectively.

Note: The *only* expense provisions which you may consider all or a portion of to be fixed are Other Acquisition and General Expenses.

1f **If using the automated version of this form downloaded from the Internet, this line will be automatically calculated.** Otherwise, in columns (A), (B), (C), and (D), enter the total variable and fixed expense provisions.

1g **If using the automated version of this form downloaded from the Internet, this line will be automatically calculated.** Otherwise, in columns (A) and (C), enter the permissible loss, LAE, and fixed expense ratio as 100% minus the variable expense ratio in line (1f).

1h In column (A), enter the current loss cost modification factor that underlies the rates currently on file. This entry should match the loss cost modification factor shown on line (2) of Exhibit (G) and/or line (14) of Form TR-5-R (Edition 1/1/99) of the most recent rate filing for the line, subline, or coverage being reported.

If this is a new filing for rates not previously on file with this department, enter 1.0.

2 In column (A), enter the ULAE ratio that underlies the rates *currently* on file expressed as a ratio or percentage of premium. This provision should be equivalent to the provision shown on line (21) of Exhibit (F), *converted to a ratio or percentage of premium*. To convert the ULAE ratio from a percentage of loss to a percentage of premium, use the following:

- (i) Current ULAE Ratio as a % of Loss (line 21 of Exhibit F) _____
- (ii) Current LAE Ratio as a % of Loss (line 22 of Exhibit F) _____
- (iii) Current Permissible Loss and LAE Ratio (line 19 of Exhibit F) _____
- (iv) ULAE as Ratio of Loss and LAE [(i) ÷ { 1.0 + (ii) }] _____
- (v) Current ULAE Ratio as a % of Premium [(iii) x (iv)] _____

The result in line (v) is the appropriate ULAE ratio expressed as a percentage of premium.

Note: This entry should also equal column (C), line (2) of Form TR-2-R of the most recent filing for the line, subline, or coverage being reported.

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

SPECIFIC INSTRUCTIONS - FORM TR-5A-R (cont.)

<u>Line Number</u>	<u>Description</u>
2 (cont.)	<p>If using the automated version of this form downloaded from the Internet, column (B) will be calculated automatically. Otherwise, in column (B), enter the loss and ALAE ratio that underlies the rates <i>currently</i> on file. This should be equal to the permissible loss, LAE, and fixed expense ratio shown in column (A), line (1g) minus the ULAE ratio in column (A), line (2) minus the fixed expense ratio in column (B), line (1f).</p> <p>In column (C), enter the ULAE ratio that underlies the rates being <i>proposed</i> in this filing <u>expressed as a ratio or percentage of premium</u>. All proposed expenses <u>must be</u> supported if different than the current provisions. If no changes are being proposed, enter the same provision as column (A).</p> <p>If using the automated version of this form downloaded from the Internet, column (D) will be calculated automatically. Otherwise, in column (D), enter the loss and ALAE ratio that underlies the rates being <i>proposed</i> in this filing. This should be equal to the permissible loss, LAE, and fixed expense ratio shown in column (C), line (1g) minus the ULAE ratio in column (C), line (2) minus the fixed expense ratio in column (D), line (1f).</p> <p>In column (E), enter the appropriate loss and ALAE reduction percentage, expressed as a decimal, for the subline and coverage being reported pursuant to Subchapter R of 28 TAC §5.9804. For example, if the loss and ALAE reduction percentage is 17.5%, enter .175 in column (E). Refer to the list of loss and ALAE reduction percentages included with Commissioner's Bulletin B-1363-99.</p> <p>If using the automated version of this form downloaded from the Internet, column (F) will be calculated automatically. Otherwise, in column (F), enter the adjusted projected loss and ALAE ratio as the product of column (D) and [1.000 - column (E)], where column (E) is expressed as a decimal.</p>
3	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the current loss cost multiplier that underlies the rates currently on file. This entry should equal the current loss cost modification factor (line 1h, column (A)) divided by { 1.000 - [column (A), line (1f)] - [column (B), line (1f)] }. If this formula does not reproduce the current loss cost multiplier as shown on line (12) of Form TR-5-R (Edition 1/1/99) and/or line (5) of Exhibit G of the most recent rate filing for the line, subline, or coverage being reported, attach an exhibit with an explanation.</p>
4	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss, LAE, and fixed expense ratio prior to application of the loss and ALAE reduction percentage as the sum of the ULAE ratio [column (C), line (2)], the fixed expense ratio [column (D), line (1f)], and the proposed loss and ALAE ratio [column (D), line (2)]. Note that this will also equal column (C), line (1g).</p>

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS****SPECIFIC INSTRUCTIONS - FORM TR-5A-R (cont.)**

<u>Line Number</u>	<u>Description</u>
5	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss, LAE, and fixed expense ratio after application of the loss and ALAE reduction percentage as the sum of the ULAE ratio [column (C), line (2)], the fixed expense ratio [column (D), line (1f)], and the adjusted proposed loss and ALAE ratio [column (F), line (2)].
6	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate your rate reduction factor as line (5) divided by line (4).
7	Enter the current rate reduction factor which has been applied to rates currently on file. This entry should match line (6) of Form TR-5A-R (Edition 1/1/99) of the most recent filing for the line, subline, or coverage being reported. If this is a new filing for rates not previously on file with this department, enter 1.000.
8	Enter the proposed basic limits rate change prior to application of the loss and ALAE reduction percentage for the line, subline, or coverage being reported, expressed as a factor relative to current rates. For example, if a +10% rate change is proposed, enter 1.100. If a decrease of 15% is proposed, enter .850. If there is no proposed rate change, enter 1.000. Important: If a rate change factor other than 1.000 is shown on this line, then a new rate filing must be filed with the department supporting the proposed change and must accompany this form.
9	If this filing is an initial adoption of the loss costs that have been adjusted for tort reform, enter the factor used by the advisory organization to adjust the loss costs to reflect loss and ALAE reduction percentages. If, in a previous filing, you have already adopted loss costs that have been adjusted for tort reform, enter the quotient of (new adv. org. tort factor)/(current adv. org. tort factor). For example, if the new advisory organization tort reduction factor is 0.836 and the previous tort reduction factor was 0.840, enter $(0.836)/(0.840) = 0.995$. This is the change in the tort reduction factor. You should be able to locate the tort reduction factors used by the advisory organization in the circular letters distributed by the advisory organization.
10	Enter the overall basic limits change in advisory loss cost level excluding loss and ALAE reduction for tort reform expressed as a factor. If you are changing versions of loss costs, regardless of if you previously referenced tort-reform-adjusted loss costs or not, you would enter the resulting loss cost level change, independent of any adjustment made for tort reform. If you wish to continue with the same version of loss costs and only wish to adopt the tort-reform-adjusted loss costs (no change in <i>versions</i> of loss costs), you would enter 1.000, because there is no change other than the adjustment for tort reform.

**TDI Form TR-5A-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS****SPECIFIC INSTRUCTIONS - FORM TR-5A-R (cont.)**

<u>Line Number</u>	<u>Description</u>
11	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the adjustment factor to be applied to the proposed loss cost multiplier as line (6) divided by the product of lines (7) and (9). This adjustment will account for the effects of your current rate reduction factor and the adjustment made by the advisory organization to the loss costs to reflect the tort reform loss and ALAE reduction.
12	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss cost multiplier prior to the adjustment for your current rate reduction factor and the adjustment made by the advisory organization to the loss costs to reflect the tort reform loss and ALAE reduction. This entry should equal the product of lines (3) and (8) divided by line (10).
13	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss cost multiplier adjusted to reflect tort reform loss and ALAE reduction as the product of lines (11) and (12). If line (8) does not equal 1.000, a new rate filing must be submitted and this entry should be entered on line (5) of Exhibit (G) of that rate filing.
14	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the proposed loss cost modification factor as the adjusted proposed loss cost multiplier on line (13) multiplied by { 1.000 - [column (C), line (1f)] - [column (D), line (1f)] }. If line (8) does not equal 1.000, a new rate filing must be submitted and this entry should be entered on line (2) of Exhibit (G) of that rate filing.
15	Enter the company premium reported on Page 15 of the annual statement <i>for the subline or coverage being reported</i> . Such premium shall reflect only the particular coverage and or class of business to which the loss and ALAE reduction percentage specified in Subchapter R of 28 TAC §5.9804 is applicable. The premium must be for the individual company only, rather than for a combined group.
16	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the premium impact of tort reform calculated as line (8) times line (15) times [1.000 minus line (6)] divided by line (7).

TDI Form TR-5B-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

Company Name _____
 Company NAIC Number _____
 Company Filing Number _____
 TDI Filing Number _____
 Annual Statement Line _____
 Effective Date _____
 Page _____ of _____

**ADVISORY LOSS COST REFERENCE FILINGS
 (SIMPLIFIED FORM - NO LOSS COST MULTIPLIER ADJUSTMENT)**

Subline _____

Coverage _____

Advisory Organization _____

Advisory Loss Cost	Prior
TDI Reference File Numbers	Proposed

- (1) Company Loss Cost Multiplier _____
- (2) **Tort Reform Rate Reduction Factor**
 [1/1/2000 Factor Used by Advisory Organization to Adjust Loss Costs for Tort Reform (see instructions)] _____
- (3) Current Tort Reform Rate Reduction Factor [line (6) TR-5A-R from previous filing] _____
- (4) Overall Basic Limits Change in Advisory Organization Loss Cost Level
 Prior to Loss and ALAE Reduction for Tort Reform _____
- (5) Premium Subject to Tort Reform [1998 Direct Written Premium from Annual Statement] (see instructions) _____
- (6) Premium Impact of Tort Reform [(4) x (5) x { 1.0 - (2) } / (3)] _____

**TDI Form TR-5B-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

GENERAL INSTRUCTIONS

1. This form is to be used to comply with the filing requirements specified in Subchapter R of 28 TAC §§5.9800-5.9811 for lines or sublines of insurance for which your company utilizes advisory loss costs.
2. Form TR-5B-R may be used for the annual tort filing and for all other rate filings **ONLY** if **BOTH** of the following requirements are met:
 - a) The most recent version (1/1/2000) of loss costs that reflect the 1/1/2000 tort reform reductions is being referenced **AND**
 - b) there is no change to the current company loss cost multiplier or the loss cost multiplier is being filed for the first time (i.e. no current company loss cost multiplier on file).

In all other situations, Form TR-5A-R **MUST** be used. For example, if there is any change to the loss cost multiplier, regardless of the version of loss costs referenced, Form TR-5A-R must be completed. Also, if there is no change to the loss cost multiplier and you are not adopting the 1/1/2000 tort-adjusted loss costs, Form TR-5A-R must be completed.

3. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
4. Your company should complete form TR-5B-R for each applicable line or subline of insurance.
5. A separate form must be completed for each class of business for which a separate loss and ALAE reduction percentage is specified pursuant to Subchapter R of 28 TAC §5.9804. For example, if a company is writing General Liability, *separate forms shall be completed for Products Liability and Commercial General Liability*. This requirement would apply even if Products Liability and Commercial General Liability loss costs were contained in the same advisory loss cost reference filing and/or the loss and ALAE reduction percentages are equal.
6. In addition, if there are coverages within a given class of business which have different loss cost multipliers, a separate form must be completed for each coverage. For example, if a company has different loss cost multipliers for premises and for operations, a separate form shall be completed for each, even though only one loss and ALAE reduction percentage is specified in Subchapter R of 28 TAC §5.9804.
7. Certification Form TDI Form TR-CC (Filings Adopting Advisory Organization Loss Cost Reference Documents) must accompany this form. If multiple Forms TR-5B-R are being prepared as required in any of the situations listed in paragraphs (5) or (6) above, Certification Form TR-CC need only be submitted once.

**TDI Form TR-5B-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS****SPECIFIC INSTRUCTIONS****Header Section (Form TR-5B-R)**

- Company Filing Number** Enter the company filing number, if any, relating to loss cost multiplier on line (1) of Form TR-5B-R, according to the following:
- ◆ If this is a filing made solely to calculate the rate reduction factor to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- TDI Filing Number** Enter the TDI filing number, if any, relating to loss cost multiplier on line (1) of Form TR-5B-R, according to the following:
- ◆ If this is a filing made solely to calculate the rate reduction factor to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- Annual Statement Line** Enter the line of insurance from the annual statement Page 15 associated with the line, subline, or coverage to which this form applies. This should be the annual statement line number under which the premium for the line, subline, or coverage is reported.

**TDI Form TR-5B-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

SPECIFIC INSTRUCTIONS (cont.)

Header Section (cont.)

- Effective Date** Enter the effective date according to the following:
- ◆ If this is a filing made solely to calculate the rate reduction factor to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate reduction factor will be applied. For example, if this is a filing made solely to calculate the rate reduction factors for rates last filed with the department to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.
- Rate Regulatory Status** Check the box in the line labeled “Rate Regulated” if the rates for the line, subline or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled “Non Rate Regulated” if the rates for the line, subline or coverage being reported are not regulated for the insurer making the filing.
- Advisory Loss Cost TDI Reference File Numbers** Indicate the TDI reference number assigned to the loss costs that were referenced prior to this filing (Prior) and the TDI reference number assigned to the loss costs that are being referenced with this filing (Proposed).

**TDI Form TR-5B-R Reflection of Tort Reform Impact
ADVISORY LOSS COST REFERENCE FILINGS**

SPECIFIC INSTRUCTIONS (cont.)

<u>Line Number</u>	<u>Description</u>
1	<p>Enter the loss cost multiplier underlying the rates currently on file and which you are continuing to use. This entry should match the loss cost multiplier shown on line (5) of TDI Exhibit (G) or line (13) of Form TR-5A-R (Edition 1/1/99) from the most recent rate filing for the line, subline, and coverage being reported. Use of Form TR-5B-R does not permit any changes to the loss cost multiplier.</p> <p>If this is a new filing for rates not previously on file, enter the proposed company loss cost multiplier. This should match line (5) of TDI Exhibit G included with this filing.</p>
2	<p>Enter the tort reform rate reduction factor underlying your rates. This is the factor used by the advisory organization to adjust the referenced loss costs to reflect the 1/1/2000 tort reform reductions. This factor can be located from the circular letter distributed by the advisory organization. Important: Form TR-5B-R can only be used if the loss costs that reflect the 1/1/2000 reductions are being referenced.</p>
3	<p>Enter the current rate reduction factor which has been applied to rates currently on file. This entry should match line (6) of Form TR-5A-R (Edition 1/1/99) of the most recent filing for the line, subline, or coverage being reported. If this is a new filing for rates not previously on file with this department, enter 1.000.</p>
4	<p>Enter the overall basic limits change in advisory loss cost level excluding loss and ALAE reduction for tort reform expressed as a factor. If you are changing versions of loss costs, regardless of if you previously referenced tort-reform-adjusted loss costs or not, you would enter the resulting loss cost level change, independent of any adjustment made for tort reform. If you wish to continue with the same version of loss costs and only wish to adopt the tort-reform-adjusted loss costs (no change in <i>versions</i> of loss costs), you would enter 1.000, because there is no change other than the adjustment for tort reform.</p>
5	<p>Enter the company premium reported on Page 15 of the annual statement <i>for the subline or coverage being reported</i>. Such premium shall reflect only the particular coverage and or class of business to which the loss and ALAE reduction percentage specified in Subchapter R of 28 TAC §5.9804 is applicable. The premium must be for the individual company only, rather than for a combined group.</p>
6	<p>If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the premium impact of tort reform calculated as line (4) times line (5) times [1.000 minus line (2)] divided by line (3).</p>

TDI Form TR-6-R Reflection of Tort Reform Impact

- Rate Regulated
- Non Rate Regulated

Company Name _____
 Company NAIC Number _____
 Company Filing Number _____
 TDI Filing Number _____
 Annual Statement Line Lines 5.1, 5.2
 Effective Date _____
 Page _____ of _____

COMMERCIAL MULTI PERIL WITH INDIVISIBLE PREMIUM

Subline _____

Coverage _____

- (1) Liability Rate Reduction Factor as Calculated on Line (5) of TDI Form TR-2-R _____
- (2) Proportion of Total Losses and ALAE that are Liability. Attach an exhibit showing the calculation of this entry. If unknown, enter 0.40. _____
- (3) Rate Reduction Factor to Reflect Tort Reform for Policies with Indivisible Premium
 $[(2) \times \{ (1) - 1.000 \} + 1.000]$ _____
- (4) Current Rate Reduction Factor applied to Indivisible Premiums (Line (3) from previous filing.) _____
- (5) **Rate Adjustment Factor to apply to Current Indivisible Premium Rates [(3) / (4)]** _____
- (6) Proposed Rate Change Prior to reflection of Tort Reform (see instructions) _____
- (7) Premium subject to Tort Reform (see instructions)
 [1998 Direct Written Premium from Annual Statement] _____
- (8) Premium Impact of Tort Reform $[(6) \times (7) \times \{ 1.000 - (3) \} / (4)]$ _____

**TDI Form TR-6-R Reflection of Tort Reform Impact
COMMERCIAL MULTI PERIL WITH INDIVISIBLE PREMIUM**

GENERAL INSTRUCTIONS

1. This form is to be used to comply with the filing requirements specified in Subchapter R of 28 TAC §§5.9800-5.9811 for commercial multi peril programs or policies that are rated with indivisible premium. Indivisible premium means that the premium for liability coverage is not determined separately from the premium for all other coverages.
2. For companies using the automated version of this form downloaded from the Internet, only the fields highlighted in yellow must be entered. The remaining fields of the form will calculate automatically based on these inputs. The form may then be printed and included in the filing submission.
3. Do not complete this form for commercial multi peril programs or policies rated with divisible premiums. This includes policies rated using the monoline general liability rates and a package modification factor.
4. TDI Form TR-2-R must be completed through line (5) and accompany this form. Complete TR-2-R assuming that the liability coverage is rated separately. The rate reduction factor from line (5) of form TR-2-R shall be used to complete this form.
5. Certification Form TDI Form TR-CA must accompany this form.

**TDI Form TR-6-R Reflection of Tort Reform Impact
COMMERCIAL MULTI PERIL WITH INDIVISIBLE PREMIUM**

SPECIFIC INSTRUCTIONS

Header Section

- Company Filing Number** Enter the company filing number, if any, relating to the rates to which the adjustment factor calculated on line (5) is to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the company filing number associated with the most recent rate filing. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the company filing number of this new filing. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
- TDI Filing Number** Enter the TDI filing number, if any, relating to the rates to which the rate adjustment factor calculated in line (5) is to be applied, according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the TDI filing number associated with the most recent rate filing. NOTE: FAILURE TO SUPPLY THIS NUMBER WILL REQUIRE A REFILING. A previous filing made solely to apply the tort reform rate reduction factor to rates already on file is *not* considered to be the most recent rate filing.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.
 - ◆ If this is a new filing for rates not previously on file with this department, leave the TDI filing number blank; it will be assigned by the department. Note: Additional changes to current rates requires a completely new rate filing, including associated exhibits and supporting documentation.

**TDI Form TR-6-R Reflection of Tort Reform Impact
COMMERCIAL MULTI PERIL WITH INDIVISIBLE PREMIUM**

SPECIFIC INSTRUCTIONS

Header Section (cont.)

- Effective Date** Enter the effective date of the rates to which the rate adjustment factor will apply according to the following:
- ◆ If this is a filing made solely to calculate the rate adjustment factor to be applied to rates already on file with this department, enter the most recent effective date of the rates to which the rate adjustment factor will be applied. For example, if this is a filing made solely to calculate the rate reduction factors to rates last filed with the department to be effective on 9/1/1999, enter 9/1/1999 as the applicable effective date. The same procedure would be used for rates last filed to be effective before 1/1/1996.
 - ◆ If this filing modifies rates already on file with this department in addition to the reflection of tort reform, enter the proposed effective date of the new filing.
 - ◆ If this is a new filing for rates not previously on file with this department, enter the proposed effective date of the new filing.
- Rate Regulatory Status** Check the box in the line labeled “Rate Regulated” if the rates for the line, subline, or coverage being reported are regulated for the insurer making the filing. Check the box in the line labeled “Non Rate Regulated” if the rates for the line, subline, or coverage being reported are not regulated for the insurer making the filing.

**TDI Form TR-6-R Reflection of Tort Reform Impact
COMMERCIAL MULTI PERIL WITH INDIVISIBLE PREMIUM**

SPECIFIC INSTRUCTIONS

<u>Line Number</u>	<u>Description</u>
1	Enter the Liability Rate Reduction Factor as calculated on line (5) of TDI Form TR-2-R. TDI Form TR-2-R must be completed through line (5) and accompany this form. Complete TR-2-R assuming that the liability coverage is rated separately. Use the expense provisions underlying the program being reported.
2	Enter the proportion of total losses and ALAE that result from the liability coverage. Attach an exhibit showing the calculation of this entry. In unknown, a factor of 0.40 shall be used.
3	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the rate reduction factor to reflect tort reform for policies with indivisible premiums. This equals [line (2) x { line (1) - 1.000 } + 1.000]. This is your year 2000 rate reduction factor that your final rates will reflect. This factor would be used to adjust rates not already reflecting tort reform. However, this factor should <u>not</u> be applied to rates that have already been adjusted for tort reform. Doing so would result in a double reduction. The adjustment factor calculated in line (5) below should be used to adjust rates that have already been adjusted for tort reform.
4	Enter the current rate reduction factor which has been applied to indivisible premium rates currently on file. This entry should match line (3) of Form TR-6-R of the most recent filing for the line, subline, or coverage being reported. If this is a new filing for rates not previously on file with this department, enter 1.000.
5	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, calculate the adjustment factor to be applied to the rates currently on file as line (3) divided by line (4). This is the adjustment factor that you will apply along with the proposed rate change to your current tort-adjusted rates in determining your new proposed rates.
6	Enter the proposed rate change prior to application of the loss and ALAE reduction percentage for the program being reported, expressed as a factor relative to current rates. For example, if a +10% rate change is proposed, enter 1.100. If a decrease of 15% is proposed, enter 0.850. If there is no rate change proposed, enter 1.000. Important: If a rate change factor other than 1.000 is shown on this line, then a new rate filing must be made with the department supporting the proposed change and must accompany this form. If this is a filing required solely to calculate the rate adjustment factor to be applied to rates already on file with the department to reflect tort reform savings, enter 1.000 on line (6).
7	Enter the portion of the premium reported on lines 5.1 and 5.2 of Page 15 of the annual statement that represents the indivisible premium policies to which this form applies. This premium must be for the individual company only, rather than for a combined group.
8	If using the automated version of this form downloaded from the Internet, this line will be automatically calculated. Otherwise, enter the premium impact of the tort reform calculated as line (6) times line (7) times [1.000 minus line (3)] divided by line (4).