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TITLE 230 — DEPARTMENT OF BUSINESS REGULATION

CHAPTER 20 — INSURANCE

SUBCHAPTER 05 — PERSONAL LINES — AUTOMOBILE AND HOMEOWNERS INSURANCE

PART 16 — Insurance Statistical Data

16.1 Purpose

It is the purpose of this part to assure the accuracy and reliability of Private Passenger Automobile statistical data reported to the Insurance Department by its licensed statistical agents. The statistical data provides part of the general support for insurers' rate and classification filings and supplies important information with respect to the character and composition of the market. In addition, in most companies, the raw data utilized in a company's statistical reporting system are essentially the same data as those utilized in its rate-making system. The accuracy and reliability of the data are of fundamental importance to the Insurance Department.

16.2 Statistical Data Monitoring System

A. The Procedures required to accomplish the goal of accuracy and reliability are specified in a set of manuals entitled the Statistical Data Monitoring System (SDMS). The SDMS comprises six elements:

1. Systems Descriptions and Procedural Control Checklists;
2. Statistical Sampling Procedures (Detail Data Verification);
3. Reasonability Test Procedures (Summary Data Verification);
4. Reconciliation of Statistical Data to Financial Statement;
5. Annual Self-Review and Certification by the insurer or statistical agent;
6. Periodic review by the Insurance Department.

B. The SDMS utilizes a self-monitoring approach. Each company and statistical agent is required to carry out its own monitoring activities with due diligence. A self-monitoring approach was chosen because it helps to minimize costs while providing an effective means of increasing the accuracy and reliability of the statistical data.

C. Certain of the SDMS elements involve similar costs, regardless of the size of the company adopting them. The SDMS manuals specify compliance criteria which reduce the requirements, for small companies and small systems in large companies where the data do not have a significant impact on the aggregate statistical reporting.

16.3 Applicability

A. This part shall be applicable to:

1. All insurers writing private passenger automobile insurance in this state; and
2. All statistical agents reporting private passenger automobile statistics to the Insurance Department.

16.4 Implementation

A. Each insurer and statistical agent shall monitor private passenger automobile statistical data in accordance with the provisions of the SDMS as required by the Insurance Department. However, the Commissioner may waive or modify any SDMS requirement(s) for an individual insurer or statistical agent where the implementation of the requirement(s) would be impractical or unreasonable because of the small volume of private passenger automobile insurance premiums written by the insurer or in such other instances where the Commissioner deems that such implementation would place an unreasonable burden on the insurer or statistical agent.

B. The statistical agents shall provide a copy of the SDMS Manuals to each of their members upon request.

C. The Commissioner shall maintain copies of the SDMS for public perusal at the offices of the Insurance Department.

16.5 Effective Date

A. To allow an orderly and effective preparation of each element required by the SDMS, with particular recognition of the lead time necessary to integrate the procedures required by this Part into insurers' computer systems, the following schedule of effective dates is promulgated. Terminology used is consistent with the SDMS:

1. The system to implement the Reconciliation of Statistical Data to Financial Data is required to begin in January, 1984. The first reconciliation will cover the statistical and financial data of 1984, of 1985.
2. Reasonability Testing is required to begin with the comparison of the statistics of 1984 with the statistics of 1985.

3. ~~Systems Descriptions and Control Checklists are required to be completed by December 31, 1984.~~
4. ~~Statistical Sampling procedures are required to begin by January 1, 1985. However, operational testing of the sampling procedures must begin by October 1, 1983. Although no error reports will be required from the test period, a certification that the procedures have been tested and are operational will be required.~~
5. ~~Annual Self-Review and Certification is effective consistent with the other effective dates specified herein.~~
6. ~~Periodic review by the Insurance Department is effective upon the promulgation of this Part.~~