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Property and Casualty Underwriting Guidelines

This Bulletin explains why rate filings for property and casualty coverage in Maine must include the insurer's underwriting guidelines.

So that the Bureau can determine whether premium rates are actuarially justified, insurers must fully disclose the actuarial considerations that underlie their filings. The Insurance Code requires the filing of "every manual rate, minimum premium, class rate, rating schedule or rating plan and every other rating rule," and the filing or incorporation by reference of "all supplementary rating, and supporting information to be used in support of or in conjunction with a rate."¹ "Supplementary rating information" includes "any ... rating rule, underwriting rule ... and any other similar information needed to determine the applicable rate in effect or to be in effect."²

Underwriting guidelines are the rules that insurers use to accept, accept with modifications, or decline risks. They must be part of the insurer's supplementary rating information, because they affect the determination of rates. For example, some companies do not write homeowners insurance on properties within a certain distance of shoreline. If these insurers took all applicants, then their rates would have to reflect the higher average risk that their broader pools of risks would represent. Insurers also use guidelines to classify or tier risks. Substandard, standard, and preferred auto tiers are an example. Guidelines therefore have a determinative effect on rates because they filter and categorize the risks an insurer will accept.

Insurers should review their property and casualty filings and, if necessary, update these filings with any previously unfiled underwriting guidelines by December 31, 2016. Companies should do so through the appropriate SERFF number. Companies that fail to file their underwriting guidelines and are later determined to have used them in pricing risks may be subject to disciplinary action.

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NOTE: This Bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties, or privileges, nor is it intended to provide legal advice. Readers should consult applicable statutes and rules and contact the Bureau of Insurance if additional information is needed.

¹ 24-A M.R.S. §§ 2304-A(1) & (2)

² 24-A M.R.S. § 2302-A(8)



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