



LOUISIANA DEPARTMENT OF INSURANCE
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BULLETIN NO. 07-06

TO: All Property and Casualty Insurance Companies

FROM: James J. Donelon, Commissioner

**RE: New Loss Cost Multiplier Worksheets
(Exhibits C and C-WC)**

DATE: August 29, 2007

The Louisiana Department of Insurance (LDOI) has developed new loss cost multiplier (LCM) worksheets for use by property and casualty insurers. There are two LCM worksheet versions:

Exhibit C: Lines Other Than Workers' Compensation
Exhibit C-WC: Workers' Compensation

These worksheets are intended to be easier to use and more actuarially accurate as compared with the previous Exhibits C.1 and C.2. This is particularly applicable for workers' compensation where the indicated LCM should consider loss adjustment expense as well as expense constant and premium discount when used by a company. All components are now incorporated explicitly into the LCM calculation. In addition, the same LCM worksheet now works whether an expense constant is involved or not.

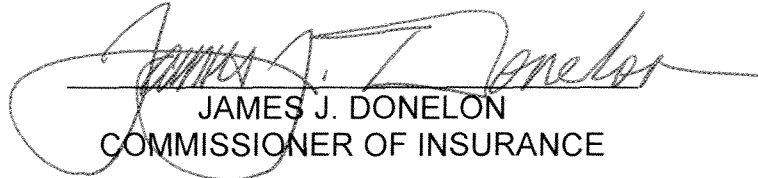
The LDOI does not expect that every company's proposed LCM will equal its indicated LCM at all times. However, the LCM indication should be calculated as accurately as possible and should be the target toward which the company moves over time. The LCM worksheets allow space for comments on the difference between indicated and proposed LCMs, and the insurer shall disclose its rationale for differences, if any. These comments also apply to the expense constant.

Exhibits C and C-WC are attached hereto. Electronic versions in both PDF and Microsoft Excel format are available on the LDOI's website at:

http://www.lidi.state.la.us/Property_Casualty/Rating/FilingExhibits.htm

For more guidance on these matters, please contact Mr. Lawrence J. Steinert, FCAS, Senior Property & Casualty Actuary at 225-342-4699 or lsteinert@ldi.state.la.us.

Baton Rouge, Louisiana this 29th day of August 2007.



JAMES J. DONELON
COMMISSIONER OF INSURANCE

EXHIBIT C - LOUISIANA LOSS COST MULTIPLIER WORKSHEET - LINES OTHER THAN WORKERS' COMPENSATION

1. General Information:	
A. Company Name	_____
B. Rating service filing reference number(s)	_____
C. Line/Subline/Classes underlying this page	_____
D. Rate change for classes underlying this page	_____

2. Loss Cost Modification:	
A. Loss cost base*	_____
B. Loss experience modification	(Use 1.000 if not applicable) _____
C. Company deviation factor	(Use 1.000 if not applicable) _____
D. Other	(Describe here) _____
E. Overall Loss Cost Modification	[2B x 2C x 2D] <u>0.000</u>

3. Expense Provisions:		(Attach supporting data)		
		Selected Provisions		
		Overall	Variable	Fixed
A. Commission & Brokerage		0.0%	_____	0.0%
B. Other Acquisition		0.0%	_____	_____
C. General Expense		0.0%	_____	_____
D. Taxes, Licenses & Fees**		0.0%	_____	0.0%
E. Underwriting Profit & Contingencies		0.0%	_____	0.0%
F. Investment Income Offset		0.0%	_____	0.0%
G. Other	(Describe here) _____	0.0%	_____	_____
H. Total Expenses		0.0%	0.0%	0.0%
I. Permissible Loss & LAE Ratio	[100.0% - (3H Overall)]	100.0%	_____	_____
J. Permissible Variable L&LAE Ratio	[100.0% - (3I Variable)]	100.0%	_____	_____

4. Loss Cost Multiplier (LCM):	
A. Current Loss Cost Multiplier	_____
B. Indicated Loss Cost Multiplier	[2E / 3J] <u>0.000</u>
C. Proposed Loss Cost Multiplier	(Explain difference B vs C here) <input type="text"/>

5. Expense Constant:		(Enter 0's if not applicable)	
A. Current Expense Constant		_____	
B. Average Prospective Loss Cost Per Policy	(Underlying this Filing)	_____	
C. Indicated Expense Constant	[{ (1 / 3I) - (1 / 3J) } x (5B)]	\$0	
D. Proposed Expense Constant	(Explain difference C vs D here)	<input type="text"/>	

6. Special Comments:	(Disclose here, if any)

* - For example: "ISO loss costs (Losses -- Including loss adjustment expenses; Excluding all other expenses and profit)"
 ** - Taxes, Licenses & Fees include the following in Louisiana: Premium Tax [L.R.S. 22:1065(A)(1)]; LIRC Assessment [L.R.S. 22:1419(A)]; Fraud Assessment [L.R.S. 40:1428]; Municipal Tax [L.R.S. 22:1076]; Fire-related taxes (as applicable) [L.R.S. 22:1077(A), L.R.S. 22:1080(A), and L.R.S. 22:1583]; and Licenses & Fees

EXHIBIT C-WC - LOUISIANA LOSS COST MULTIPLIER WORKSHEET - WORKERS' COMPENSATION

1. General Information:	
A. Company Name	_____
B. Rating service filing reference number(s)	_____
C. Line/Subline/Classes underlying this page	_____
D. Rate change for classes underlying this page	_____

2. Loss Cost Modification:	
A. Loss cost base	NCCI loss costs (Losses -- Excluding LAE, all other expenses, and profit; including loss based assessments)
B. Loss experience modification	(Use 1.000 if not applicable) _____
C. Company deviation factor	(Use 1.000 if not applicable) _____
D. Other	(Describe here) _____
E. Overall Loss Cost Modification	[2B x 2C x 2D] 0.000

3. Loss Adjustment Expenses (LAE): (Attach supporting data)	
A. Ratio of Allocated LAE to Loss	_____
B. Ratio of Unallocated LAE to Loss	_____
C. Ratio of Total LAE to Loss [3A + 3B]	0.0%

4. Expense Provisions: (Attach supporting data)		Selected Provisions (Relative to Standard Premium - NOT Net Premium)		
		Overall	Variable	Fixed
A. Commission & Brokerage		0.0%	_____	0.0%
B. Other Acquisition		0.0%	_____	_____
C. General Expense		0.0%	_____	_____
D. Taxes, Licenses & Fees*		0.0%	_____	0.0%
E. Underwriting Profit & Contingencies		0.0%	_____	0.0%
F. Investment Income Offset		0.0%	_____	0.0%
G. Average Premium Discount Per Policy		0.0%	_____	0.0%
H. Other	(Describe here) _____	0.0%	_____	_____
I. Total Expenses & Premium Discount		0.0%	0.0%	0.0%
J. Permissible Loss & LAE Ratio	[100.0% - (4I Overall)]	100.0%		
K. Permissible Variable L&LAE Ratio	[100.0% - (4I Variable)]	100.0%		

5. Loss Cost Multiplier (LCM):	
A. Current Loss Cost Multiplier	_____
B. Indicated Loss Cost Multiplier	[2E x (1 + 3C) / 4K] 0.000
C. Proposed Loss Cost Multiplier	(Explain difference B vs C here) []

6. Expense Constant:	
A. Current Expense Constant	_____
B. Average Prospective Loss Cost Per Policy	(Underlying this Filing) _____
C. Indicated Expense Constant	[{ (1 / 4J) - (1 / 4K) } x (6B)] \$0
D. Proposed Expense Constant	(Explain difference C vs D here) []

7. Special Comments:	(Disclose here, if any)

* - Taxes, Licenses & Fees include the following in Louisiana: Premium Tax [L.R.S. 22:1065(A)(1)]; LIRC Assessment [L.R.S. 22:1419(A)]; Fraud Assessment [L.R.S. 40:1428]; Municipal Tax [L.R.S. 22:1076]; and Licenses & Fees