

December 3, 1976

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 24 (1976)

TO THE CHIEF EXECUTIVE OFFICERS OF ALL LICENSED WRITERS OF AUTOMOBILE INSURANCE IN THE STATE OF NEW YORK

SUBJECT: RESTORATION OF VOLUNTARY AUTOMOBILE INSURANCE MARKET; EXPLANATORY INFORMATION RE FILING REQUIREMENTS

This Department has noted with great concern the increasing numbers of insureds in the New York Automobile Insurance Plan (Assigned Risk Plan) over the last year. To date, there has been more than a 30% growth in new applications to the Plan in 1976 when compared with 1975. In addition, this Department has received numerous complaints from individual insureds, agents and brokers who are unable to obtain automobile coverage in the voluntary market.

This tightening of the voluntary market cannot be reconciled with the recent actions taken by this Department to provide adequate rate levels for automobile insurance. Clearly, the responsibility of this Department goes beyond assuring adequate rate levels. An available voluntary insurance market is an essential and logical complement to adequate rate levels. Where an insurer is writing fewer new voluntary risks today than it did a year ago, there is a presumption that the rate level of that insurer will become excessive, in that it no longer will have the same mix of business which generated the loss experience upon which rate approvals were based.

An insurer's license to do business in this state is a privilege and not a right. This privilege may continue to be exercised so long as the insurer does not behave, in the words of the Insurance Law, "in a manner detrimental to the people of this state."

Consonant with the foregoing, all companies now writing in New York State will be required to complete and file the attached Exhibit I detailing their writings on an historical basis over the last several years. Companies will also be required to submit the attached Exhibit II in the future, on an ongoing basis, detailing a monthly comparison of their writings. In order to make certain that there is a continuity between an insurer's past and prospective book of business, a necessary element in all future rate filings will be a demonstration that 1977 written exposures have not fallen below average writing levels in effect in 1974 and 1975, unless demonstrable solvency or market considerations make this impossible to attain.

Accordingly, you or your chief operating officer are directed to certify by January 1, 1977 that your company will endeavor to meet or exceed this level of commitment to New York policyholders.

The current underwriting standards employed by an insurer are critical in determining the openness of auto insurance markets and the adequacy of rate levels. Accordingly, you are directed also to furnish, by January 15, 1977, a statement detailing all specific changes since January 1, 1976 in your company's automobile underwriting standards or guidelines, whether written or verbal, for the acceptance of new business. In addition, quarterly reports of changes in

underwriting standards shall be submitted to the Department commencing with the quarter ending March 31, 1977. Such reports shall be submitted by the 15th day of the following month. Where no changes in standards have occurred, the Department should be so advised.

The material required by this Circular Letter should be sent to the attention of

Mr. John J. Reynolds, Associate Examiner
Automobile and Compensation Bureau
New York State Insurance Department
Two World Trade Center
New York, NY 10047

Very truly yours,

[SIGNATURE]

THOMAS A. HARNETT

Superintendent of Insurance

(COMPANY NAME)

STATE OF NEW YORK

VOLUNTARY PRIVATE PASSENGER AUTO BODILY INJURY LIABILITY INSURANCE

Exhibit I (below) must be filed as soon after December 31, 1976 as possible, but in no event later than January 31, 1976:

Exhibit I

1974 1975 1976

Number of New Cars Written

Number of Renewal Cars Written

Number of Cars Cancelled or Non-Renewed _____

Total Number of (Direct) Written Cars

Until further notice, Exhibit II (below) must be filed every month no later than 20 days after the last day of the month being reported:

Exhibit II

Month) 1977 (Month) 1976

Number of New Cars Written

Number of Renewal Cars Written

Number of Cars Cancelled or Non-Renewed _____

Total Number of (Direct) Written Cars