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Underwriting Information, Filings, & Property Loss Costs

RULES AND REGULATIONS

OF THE

WASHINGTON SURVEYING AND RATING BUREAU

JANUARY 1, 2007

WASHINGTON SURVEYING AND RATING BUREAU

RULES AND REGULATIONS

In conformity with Chapter 48.19 of the Revised Code of Washington, the rules and regulations governing the conduct of the Washington Surveying and Rating Bureau ("WSRB") and its relationship to its subscribers and the insuring public are established as follows:

1. **COMPOSITION AND GENERAL FUNCTIONS:** The general functions of WSRB shall be to act as an insurance rating bureau pursuant to the statutes of the State of Washington and the rules and regulations of the Insurance Commissioner promulgated thereunder as to all kinds and classes of insurance included in its license. It shall have the power to do all things reasonable appurtenant thereto.

Pursuant to RCW 48.19.170(2), WSRB shall be operated by residents of the state, as a non-profit public service institution, furnishing its services without discrimination among its subscribing companies, which shall be the owners thereof under a trust agreement approved by the Insurance Commissioner, but whose sole connection with WSRB shall be that of subscribership.

Any person affected by a filing or loss cost computation made by WSRB shall, upon request and the payment of a reasonable charge, be furnished all available pertinent information relative thereto.

2. **SUBSCRIBERSHIP:** Any insurer authorized to write within the state, a kind of insurance for which loss costs, rules or forms are currently prepared by WSRB, and which is eligible to become a subscriber under the applicable provisions of the Insurance Code may, subject to compliance with these rules and regulations, become and remain a subscriber to WSRB. Application for subscribership shall be made upon a form to be furnished by WSRB. An insurer may become a subscriber for the complete services of WSRB or one or more of the types or classes of services which may, in the judgment of WSRB, be reasonably segregable.

A subscribing company may terminate or modify the extent of its subscription by giving thirty (30) days' written notice. Such withdrawal shall be subject to payment of all assessments on business written prior to the effective date of the withdrawal, and may be subject to payment of all assessments due for the remainder of the calendar year.

3. **ASSESSMENT AND CHARGES:** WSRB may segregate into separate categories various classes of its services and compute separate rates thereon for each calendar year based upon allocated direct costs plus a reasonable apportionment of general overhead. The rates shall represent the relationship between the cost of furnishing the services in each category and the total premiums of all subscribers thereto.

Each subscribing company shall furnish WSRB with complete information as to the business written within the state in each calendar year on all business with respect to which it receives service from WSRB, segregated as to each category for which WSRB makes a separate assessment rate. This information shall be set forth upon a form prepared by WSRB and shall be forwarded to WSRB not later than June 30th following the end of the calendar year. Failure to furnish information by such date will constitute an acquiescence on the part of the subscriber that WSRB shall compute its assessment based upon information on file in the company's annual report to the Insurance Department, and adjusted by application of WSRB's judgment as to matters not ascertainable therefrom. Assessments will be figured upon the amount of

gross direct premiums written. Variations of any nature from general WSRB filings, or a return of any part of the premium to the insured as a dividend under a participation agreement shall not be considered.

Each subscriber shall pay an assessment for each calendar year based upon the application of WSRB's assessment rate for such year to the premiums received by such subscriber during the period, adjusted as herein set forth. If a company subscribes to only a portion of WSRB services but receives, as to classes unsubscribed for, benefit from WSRB services (such as, but not limited to, the grading of cities, towns and fire protection districts), then the assessment rate for the cost of such services shall also be applied to the writings in the classes unsubscribed for but as to which the benefits are received.

In the event a subscribing company is a member of a group of companies under common management, and non-subscribing companies of the group receive benefit from or make use of WSRB services, then the assessment rate for such services shall be applied to the writings of the non-subscribing company member also.

The minimum charge for subscribership for any WSRB service shall be \$480 per year.

Final accountability for assessments for each calendar year shall be upon assessment rates as ultimately determined from the relationship between the actual operating expenses of WSRB during such year and the total premiums received by subscribers during such year as adjusted. In order, however, to finance WSRB operations during the time interval which necessarily elapses before the exact figures are available, WSRB shall, at the beginning of each calendar year, compute a provisional assessment schedule using the latest available premium reports and an estimated budget. Provisional annual assessments shall be billed at the beginning of each year and be payable within thirty (30) days (assessments over \$1000.00 may be invoiced quarterly). When WSRB is in receipt of the actual premiums and operating costs for the year, it will prepare and forward to each subscriber a notation of the debit or credit necessary to conform the provisional assessments to the actual experience for such year and accounting shall be made pursuant thereto.

Should any subscriber fail to pay any assessment or charge owed to WSRB in accordance with these rules and regulations, or otherwise fail to comply with any provision thereof or of any other WSRB filing approved by the Insurance Commissioner, WSRB may cease to render services to such subscriber and declare its subscribership to be terminated.

4. **PUBLICATIONS AND SERVICES:** WSRB shall determine the number of publications and those other services furnished that have a direct relationship to volume of business and which shall be furnished to subscribers free of charge except as to assessments. For additional copies or for other services which have no direct relationship to the volume of business written, WSRB may make flat charges based upon actual costs involved including overhead.
5. **FILING AUTHORIZATION:** In the event any subscriber shall, pursuant to RCW 48.19.050, desire to authorize WSRB to make filings on its behalf with the Insurance Department, it shall evidence such authorization by executing and returning WSRB's authorization form. WSRB shall notify the Insurance Department of such election. As long as this filing remains unrevoked, it shall constitute an adoption by such subscriber of all current filings of WSRB, except to the extent that variances therefrom may be specifically provided for by "Agency" filings as hereafter defined.
6. **WSRB FILINGS:** WSRB makes two types of filings, General Filings and Agency Filings, on

behalf of subscribers which have given it filing authority.

- a. General Filings: Pursuant to RCW 48.19.050, these filings constitute the published filings of WSRB, which are distributed among the subscribers and agents in the form of manuals, electronic media and schedules. They are applicable to all such subscribers except to the extent that they may be suspended, modified or nullified as to individual subscribers by agency filings.
- b. Agency Filings: Any such subscriber may request WSRB to present to the Insurance Commissioner, on its behalf only, an Agency filing which is supplemental to, amendatory of, or in nullification of all or any part of WSRB's general filings.
 - (1) In submitting agency filings, WSRB will act solely in the capacity of a forwarder sending to the Insurance Commissioner verbatim the material received from the proposing subscriber. In so proceeding, WSRB does not commit itself as to supportability, properness or legality of the filing.
 - (2) Requested agency filings should be forwarded with four copies, three copies for the Insurance Department and one for WSRB's files. The subject matter of the proposed filing should not be included in a letter of transmittal or a letter setting forth supporting data, but should be completely and separately set forth on sheets or pages of its own.
 - (3) Each agency filing should state as to within which of the following categories it falls:
 - (a) A filing in addition or supplemental to the general WSRB filings, in which event all current and future general filings of WSRB would continue to be applicable.
 - (b) A modification of the general filings, in which event all current or future general filings would continue to be applicable except to the extent of the modification.
 - (c) A substitute filing, which would nullify a portion of the general filings and substitute the agency filing therefore, in which event no current or future general filings falling within the scope of the agency filing would be applicable to the subscriber making the filing.
 - (4) WSRB will promptly forward, to the involved subscriber, copies of any communication relative thereto received from the Insurance Commissioner. WSRB shall regard all material relative to "Agency" filings as confidential to the subscriber by which it is submitted until such time as it may be approved by the Commissioner, whereupon it shall be regarded as a public document.
 - (5) WSRB may establish separate reasonable charges, if any, for the expense involved in making "Agency" filings.

7. **WSRB's RELATIONSHIP TO PROPERTY OWNERS, INSUREDS AND THEIR DESIGNATED REPRESENTATIVE, AGENT OR BROKER OF RECORD AUTHORIZATIONS:**

As an adjunct to the services rendered to its subscribers, WSRB has occasion to furnish information to insureds and property owners and their designated representatives. Also RCW 48.19.300 provides in substance that WSRB shall, for a reasonable charge, furnish to any Insured or its authorized representative, all pertinent information relative to any – advisory loss

cost promulgated by WSRB on property in which such insured has an interest. An insured may desire to appoint a designated insurance agent or broker as a representative in dealing with WSRB, and this may be done subject to the following conditions:

- a. Appointment of an insurance agent or broker of record shall be made upon a form to be furnished by WSRB. It must be signed by the insured; personally if an individual, by a member of the firm if a partnership or by an authorized officer if a corporation.
- b. The appointment shall detail the property or properties which are to be the subject of insurance, and the kinds of insurance which are to be involved. An insured may restrict any appointment to a specific property or kind of insurance, or apply it to any combination desired. The insured may designate a different insurance agent or broker of record for each property or kind of insurance; but there may not, at any time, be more than one authorized insurance agent or broker of record for the same property and the same kind of insurance.
- c. As indicated by the form, the insurance agent or broker of record may assign or delegate authority by naming a person, company or organization to act as service representative. There may be different service representatives for each property or kind of insurance, but there may not, at any one time, be more than one service representative for the same property and the same kind of insurance.
- d. The filing of an insurance agent or broker of record authority or assignment thereunder revokes all previous designations, and WSRB shall recognize only the latest appointee.
- e. The filing of an insurance agent or broker of record authorization will be recognized by WSRB as a direction from the insured that matters relating to advisory loss costs and forms of coverage for the described property and kinds of insurance shall be discussed with the insurance agent or broker of record or an assignee as set forth in the latest dated designation on file with WSRB. If, however, at the time of such filing there are matters relative to such properties pending before WSRB which have been initiated by some person other than the currently designated insurance agent or broker of record or assignee, WSRB reserves the right to continue to deal with the initiator of the inquiry to the extent necessary to complete the pending transaction.
- f. As to properties or kinds of insurance concerning which no insurance agent or broker of record authorization has been executed by the insured or property owner, WSRB will be free, at its discretion, to discuss matters relative to the rating of such properties with any person.
- g. WSRB, under all circumstances, and regardless of whether or not an insurance agent or broker of record authority has been or is presently in effect, reserves the right to consider as accessible or nonaccessible to any person, files or records relating to superseded or noncurrent advisory loss costs and to use its own discretion as to the release of any type of information under special or unusual conditions.

8. **INSPECTIONS AND EFFECTIVE DATES:**

- a. Applications for Inspection:

(1) Applications for Specific Commercial Property Evaluation may be made by (1) the insured or owner, (2) duly appointed insurance agent or broker of record or assignee

under an assignment of authority, or (3) an insurance agent or company carrying existing insurance where there is no insurance Agent or Broker of Record Authorization on file with WSRB as to the subject of insurance involved.

- (2) Applications for Specific Commercial Property Evaluation may be made for eligible new building construction. In case of change of occupancy, construction, exposure or protection of any risk for which a published advisory loss cost is named, policies should be issued at existing advisory loss costs and an application for new advisory loss costs submitted to WSRB immediately after writing the policy.
- (3) Even though no application has been filed, WSRB reserves the right in all cases (1) to evaluate new buildings or new occupancies, (2) to revise existing advisory loss costs when conditions affecting such advisory loss costs have changed since last published, and (3) to decide whether an evaluation should be made.

b. Procedures for Establishing Effective Date(s) of advisory Loss Cost Changes:

- (1) Changes of advisory loss costs through actual physical changes in construction, occupancy, protection or exposures shall become effective on such date as may be named by WSRB, and premiums on existing policies affected thereby may be adjusted on a pro rata basis, unless otherwise specifically provided.
- (2) Effective Date of advisory Loss Cost Modifications: WSRB shall have the discretionary right to determine the effective date of advisory loss cost modifications resulting from changes in the physical characteristics of a risk or of the protection available thereto. The normal procedure to be followed in establishing effective dates shall be as hereafter set forth:
 - (a) As to changes involving numerous risks or a designated area such as would result from a change (1) in protection class grading of a city, town, or fire protection district, or (2) in advisory loss costs produced through application of a new or revised schedule, or by a general class adjustment, the effective date shall coincide approximately with the date of publication of new advisory loss costs.
 - (b) As to changes resulting from an application for a survey of an individual risk, the effective date shall not be more than sixty (60) days prior to the receipt of the application by WSRB or the date of completion of the physical change upon which the modification is based, whichever is later.
 - (c) As to changes resulting from inspection of an individual risk made by WSRB upon its own initiative, in accordance with subitem 8.a.3. above, the effective date shall be that of the inspection date.

9. **RATING AND UNDERWRITING INFORMATION:** Rating and underwriting information will be furnished upon request, under the following procedures:

a. Rating Information:

- (1) Advisory Loss Cost Discussion and Information:
 - (a) WSRB will discuss advisory loss costs and furnish information relating to contemplated construction or alterations of buildings, changes in occupancy,

exposures or protection with (1) the insured or owner of the property, duly appointed insurance agent or broker of record, or assignee, or (2) when there is no insurance Agent or Broker of Record Authorization on file, then with an insurance agent or company carrying existing insurance, or architects and contractors or persons, firms or corporations not associated with the insurance business when written authorization by the Insured or owner for securing such information is submitted with the request.

- (b) Advisory Loss Costs developed under current surveys and filings or advisory loss costs pertaining to new construction, alterations, occupancy, exposures or protection only will be considered proper subjects of discussion. The right of access to current surveys and filings does not carry with it the right to consult or discuss cancelled surveys, filings and other similar data.

(2) Tentative Advisory Loss Cost Quotations: In addition to the foregoing, formal written tentative advisory loss cost quotations (informal phone request would not apply) shall be subject to the following further conditions:

- (a) Tentative advisory loss costs will be computed contingent upon the submission of a complete set of plans, specifications and other pertinent information related to the property involved.

- (b) All such quotations will be (1) confirmed by letter (2) void sixty (60) days after date of issue, unless otherwise annulled, and (3) subject to the following necessary conditions: All final advisory loss costs are required by law to conform with conditions existing and filings in force at the time of placing of the coverage. Tentative advisory loss cost quotations are considered approximate only and are therefore subject to change or modification for any reason, including possible error in WSRB computation.

- (c) WSRB need not furnish copies of surveys or rating formulas of tentative rates.

- b. Underwriting Information: WSRB will furnish to subscribing companies, upon request, underwriting information, consisting principally of Commercial Property Reports and other reports prepared for Subscribers.

10. **PUBLIC AND PRIVATE FIRE PROTECTION**: WSRB will consult with interested parties on matters pertaining to the installation and maintenance of public or private fire protection.

- a. Public: WSRB will discuss the results of a community grading with officials of the respective communities or such person, firm or corporation as may be duly authorized to represent these officials. Because of the complexity involved, and to avoid confusion and unnecessary duplication of effort, consultations for the purpose of improving a community's fire insurance classification or forestalling a regression will normally require the active participation of community officials. It will be mutually beneficial to submit plans for proper review and comment pertaining to new waterworks systems or extensions, improvements or other changes to existing systems, and proposed changes in other features involving fire defenses of a community.

- b. Private: Plans for proposed new automatic sprinkler, fire alarm and private exterior fire protection systems, as well as extensions or changes in existing systems should be

referred to WSRB for review, comment or acceptance for fire insurance rating purposes.

11. **CONFIDENTIAL/PROPRIETARY INFORMATION:** While the operation and filings of WSRB are, in general, open to the public, the information gathered by WSRB is used to develop confidential and proprietary products and services (which are protected by U.S. copyright and intellectual property law) for use by its customers and subscribers. Except as otherwise provided in these Rules and Regulations, public distribution, in any form, of information gathered by WSRB is at WSRB's sole discretion. However, WSRB will, as necessary or on specific request, maintain the confidentiality of information shared with WSRB in the course of an inspection, consultation, or in the performance of other services.
12. In case of irreconcilable disagreement between the Bureau and any subscriber with respect to the validity or amount of any assessment or any construction of the provisions of these rules and regulations, it is agreed that the Insurance Commissioner shall be asked to conduct a hearing with respect thereto and that the determination of such hearing, subject to the right of appeal as specified in the Insurance Code, shall be controlling and final as between the parties.

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