

June 9, 2017

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Automobile and Motorcycle
Insurance Rates - North Carolina

On February 1, 2017 the Rate Bureau filed with the Commissioner of Insurance rate level changes for non-fleet private passenger automobiles and motorcycles. The Rate Bureau's filing set forth (1) an overall +13.8% average rate level change for non-fleet private passenger automobiles; with +32.6% for liability coverages and -6.1% for physical damage coverages; and (2) an average rate level change for motorcycle liability coverages of -8.6%.

Following lengthy negotiations, the Rate Bureau and the Commissioner of Insurance have agreed to settle the 2017 private passenger auto insurance rate filing. The proposed motorcycle rate level change was approved as filed. Enclosed herewith is a copy of the signed Settlement Agreement and Consent Order dated June 8, 2017, which includes attached exhibits which set forth the revised base rates for non-fleet private passenger automobile liability and physical damage coverages, the revised rates for Uninsured Motorist and Combined Uninsured/Underinsured Motorist Coverages and the revised relativities for motorcycle liability coverages.

These changes are effective in accordance with the following Rule of Application:

These changes are applicable to all new and renewal policies written to become effective on or after October 1, 2017. No policy effective prior to October 1, 2017 shall be endorsed or cancelled and rewritten to take advantage of or to avoid the application of these changes except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to October 1, 2017.

NOTICE REQUIREMENTS

Also be advised that G. S. 58-36-45 provides as follows:

"Whenever an insurer changes the coverage other than at the request of the insured or changes the premium rate, it shall give the insured written notice of such coverage change or premium rate change at least 15 days in advance of the effective date of such change or changes with a copy of such notice to the agent. This section shall apply to all policies and coverages subject to the provisions of this Article..."

In the past, some insurers have given notice of premium rate changes by providing to an insured and agent, at least 15 days in advance of the effective date, a renewal policy, renewal certificate, billing or endorsement showing revised rates, together with a written notice substantially as follows:

NOTICE OF RATE CHANGE - NORTH CAROLINA

The premium for this policy reflects changes in rates applicable to North Carolina placed into effect under the provisions of Article 36, Chapter 58 of the North Carolina General Statutes.

The form of this notice has varied at the option of the insurer (printed notice, stamp, stick-on label, etc.). Companies should consult legal counsel with respect to the appropriateness of their own procedures under this statute.

Reprinted Personal Auto Manual pages will be distributed, in the usual fashion, as soon as possible. In the interim, notice of the revised rates should be sent as soon as possible to your agents to make them aware of the new rates and rules.

The following is attached:

- Settlement Agreement and Consent Order
- Revised Voluntary Liability Base Rates
- Revised Physical Damage Base Rates
- Revised Uninsured Motorists Rates
- Revised Combined Uninsured/Underinsured Motorists Rates
- Revised Motorcycle Liability Relativities

Please see to it that this circular letter is brought to the attention of all interested personnel in your Company.

Sincerely,

Andy Montano

Personal Lines Director

AFM:ko

Enclosures

A-17-2

NORTH CAROLINA DEPARTMENT OF INSURANCE

RALEIGH, NORTH CAROLINA

IN THE MATTER OF THE FILING
DATED FEBRUARY 1, 2017 BY THE
NORTH CAROLINA RATE BUREAU FOR
REVISED AUTOMOBILE INSURANCE
RATES – PRIVATE PASSENGER CARS
AND MOTORCYCLES

BEFORE THE COMMISSIONER
OF INSURANCE

Docket No. 1850

SETTLEMENT AGREEMENT
AND CONSENT ORDER

It appearing to the Commissioner of Insurance (“Commissioner”) that the North Carolina Rate Bureau (“Rate Bureau”) and the North Carolina Department of Insurance (“Department”) have, after consultation with their respective legal, actuarial and economic advisors and subject to approval by the Commissioner and to the conditions hereinafter set forth, entered into a settlement of all matters and things in dispute in connection with the Rate Bureau’s filing for private passenger automobile insurance rates dated February 1, 2017 (the “2017 Filing”); and it further appearing to the Commissioner that such settlement is fair and reasonable and should be approved;

NOW, THEREFORE, IT IS ORDERED AND AGREED as follows:

1. The 2017 Filing is approved subject to the modifications set forth in Paragraphs 2 and 3 below.
2. The approved rate level changes for each coverage, relative to the currently approved manual rate levels, are as follows:

PRIVATE PASSENGER CARS

Liability	
Bodily Injury	5.0%
Property Damage	20.0%
Medical Payments	10.0%
Uninsured Motorists	-5.1%
Underinsured Motorists	0.0%
Liability Total	10.1%
Physical Damage	
Comprehensive	-1.9%
Collision	-7.6%
Physical Damage Total	-6.1%
Grand Total	2.2%

MOTORCYCLES

Liability	-8.6%
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The base rates approved as a result of these approved changes are set forth on the attached Exhibit A, which is attached hereto and incorporated herein by reference.

3. The approved motorcycle relativities are set forth on the attached Exhibit B, which is attached hereto and incorporated herein by reference.

4. The approved changes shall be implemented in accordance with the following rule of application:

This rate change is applicable to all policies becoming effective on or after October 1, 2017. No policy effective prior to October 1, 2017 shall be endorsed or cancelled and rewritten to take advantage of or to avoid the application of this rate change except at the request of the insured and at the customary short rate charges as of the date of such request, but in no event prior to October 1, 2017.

5. Subject to the provisions of Paragraph 6 below, the rates for the coverages coming within the scope of this Settlement Agreement and Consent Order shall remain in force until October 1, 2019 and thereafter until revised as provided by law, and neither the Rate Bureau nor the Commissioner nor the Department shall undertake to effect a change in such rates having an effective date prior to October 1, 2019; provided, however, that nothing in this section shall prevent a change in such rates prior to October 1, 2019 if agreed to by the Rate Bureau and the Commissioner.

6. Notwithstanding any other provision of this Settlement Agreement and Consent Order, in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order which changes premium taxes, regulatory fees, the statutory ratemaking methodology, rate level need or loss or expense exposure of insurers, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to effect a change in rates prior to October 1, 2019 for the sole purpose of adjusting rates to reflect the effects of such legislative or judicial action. Further, either the Rate Bureau or the Commissioner shall have the right to take such action as is within its or his statutory authority to adjust rate relativities, classifications and rules in the event of legislative or judicial action subsequent to the date of this Settlement Agreement and Consent Order making such adjustment appropriate. Further, nothing herein shall prevent the Rate Bureau from taking such action as is within its statutory authority to revise or update territory definitions to reflect any ZIP code changes.

7. This Settlement Agreement and Consent Order shall not be construed to condone, validate, accept or agree to the Bureau's, the Department's, or the Commissioner's theories, methodologies or calculations pertaining to the setting of insurance rates for private passenger cars and motorcycles.

This 9th day of June, 2017.

for Michelle F. Osborne

Mike Causey,
Commissioner of Insurance for
the State of North Carolina

WE CONSENT:

NORTH CAROLINA RATE BUREAU

BY: *Raymond G. Jones*

NORTH CAROLINA DEPARTMENT OF INSURANCE

BY: *Sarah W. Witt*

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

SETTLED BASE RATES - LIABILITY

<u>Terr Code</u>	<u>\$30,000/60,000 Bodily Injury</u>	<u>\$25,000 Property Damage</u>	<u>\$500 Medical Payments</u>
110	\$157	\$188	\$20
120	183	168	24
130	205	179	27
140	270	203	40
150	206	224	28
170	160	190	21
180	209	252	26
190	197	239	25
200	228	221	33
210	188	167	27
220	269	179	30
230	296	179	32
240	277	177	30
250	256	272	35
260	208	209	27
270	156	230	21
280	248	264	37
290	232	242	32
300	156	222	19
310	129	190	17
320	160	173	19
340	232	234	34
350	163	194	20
360	186	187	24
370	221	234	28
380	230	235	27
390	191	258	21
420	363	313	59
440	225	247	32
450	269	244	29
460	187	212	22
470	215	193	22
480	142	167	17
490	137	174	18

NORTH CAROLINA

PRIVATE PASSENGER AUTOMOBILE INSURANCE

SETTLED PHYSICAL DAMAGE BASE RATES (A)

<u>Terr Code</u>	<u>FULL COVERAGE COMPREHENSIVE</u>	<u>\$100 DEDUCTIBLE COLLISION</u>
110	\$125	\$493
120	246	561
130	186	550
140	153	631
150	133	540
170	108	489
180	117	660
190	78	500
200	119	540
210	103	418
220	219	589
230	149	576
240	159	540
250	114	708
260	127	551
270	83	508
280	97	617
290	119	658
300	79	489
310	100	470
320	146	500
340	106	596
350	88	473
360	100	501
370	96	553
380	128	587
390	74	529
420	103	722
440	87	578
450	90	604
460	89	531
470	129	529
480	130	529
490	83	510

(A) MODEL YEAR 2018 SYMBOL 11

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage ONLY

1.

a. Rates

The per policy rates for Uninsured Motorists Coverage are as follows:

B.I. UM Coverage		
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 30/60	\$ [14] <u>13</u>	\$ [33] <u>32</u>
50/100	[15] <u>14</u>	35
100/200	[17] <u>16</u>	40
100/300	[18] <u>17</u>	42
300/300	[21] <u>20</u>	[50] <u>49</u>
250/500	[22] <u>21</u>	52
500/500	[23] <u>22</u>	54
500/1,000	[25] <u>24</u>	59
1,000/1,000	[26] <u>25</u>	[61] <u>62</u>

P.D. UM Coverage		
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 25,000	\$ 2	\$ 5
50,000	3	7
100,000	4	[9] <u>10</u>
250,000	6	[14] <u>15</u>
500,000	8	[19] <u>20</u>
750,000	10	[24] <u>25</u>
1,000,000	11	[26] <u>27</u>

For limits other than those shown, charge the premium for the next higher limit.

* For the purposes of this rule, the term vehicle includes a private passenger auto, motorcycle, golfmobile, or other miscellaneous type vehicle.

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

Memorandum - North Carolina Personal Auto Manual
 Matter underlined is new; matter in brackets [] is deleted.

14. MISCELLANEOUS COVERAGES (Cont'd)

B. Combined Uninsured/Underinsured Motorists Coverage

- 1.
2. Rates

The per policy rates for Combined Uninsured/Underinsured Motorists Coverage are as follows:

B.I. UM/UIM Coverage		
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 50/100	\$ [25] <u>24</u>	\$ [59] <u>60</u>
100/200	[44] <u>43</u>	[104] <u>107</u>
100/300	[54] <u>53</u>	[127] <u>131</u>
300/300	[74] <u>73</u>	[175] <u>180</u>
250/500	[87] <u>86</u>	[205] <u>213</u>
500/500	[121] <u>120</u>	[285] <u>296</u>
500/1,000	[136] <u>135</u>	[321] <u>333</u>
1,000/1,000	[153] <u>152</u>	[361] <u>376</u>

P.D. UM/UIM Coverage		
	Single Vehicle* Policy	Multi-Vehicle* Policy
\$ 25,000	\$ 2	\$ 5
50,000	3	7
100,000	4	[9] <u>10</u>
250,000	6	[14] <u>15</u>
500,000	8	[19] <u>20</u>
750,000	10	[24] <u>25</u>
1,000,000	11	[26] <u>27</u>

For limits other than those shown, charge the premium for the next higher limit.

* For the purposes of this rule, the term vehicle includes a private passenger auto, motorcycle, golfmobile, or other miscellaneous type vehicle.

These rates are not subject to modification under the provisions of any rating plan or other manual rule.

Memorandum - North Carolina Personal Auto Manual
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19. MISCELLANEOUS TYPES (Cont'd)

- B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes.

Liability Coverages Only.

With respect to voluntary risks and "clean risks" ceded to the North Carolina Reinsurance Facility, determine the appropriate premium by applying the following factors to the applicable voluntary private passenger bodily injury, property damage, and medical payments rates. For Uninsured Motorists Coverage and Combined Uninsured/Underinsured Motorists Coverage, charge the applicable private passenger premium shown in Rule 14.

Engine Size Cubic Centimeters (cc)	Bodily Injury and Property Damage	Medical Payments*
0-499	[16%]13%	[36%]30%
500-1249	[26%]21%	[36%]30%
1250-1499	[36%]30%	[36%]30%
1500-up	[47%]39%	[36%]30%

*Note: Medical Payments coverage for these vehicles is not eligible for cession to the North Carolina Reinsurance Facility.

(Remainder of rule is unchanged.)