

October 8, 2009

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Automobile Manual Revisions

The Commissioner of Insurance has approved a filing on behalf of all members companies of the North Carolina Rate Bureau that revises the Personal Automobile Manual to correspond with the 2008 Vehicle Series Rating Program.

In conjunction with the revisions made in the Vehicle Series Rating Program, these changes revise various rules in the Personal Automobile Manual and introduce a transition rule from the 27 symbol table to the 75 symbol table.

The following rules have been revised:

- Rule 3. Premium Determination
- Rule 12. Rules for Determining Physical Damage Base Rates for Symbols Not Displayed on State Rate sheets
- Rule 19. Miscellaneous Types
- Vehicle Series Rating Transition Rule

Rule 12 has been amended as a result of the re-basing of symbols from symbol 2 to symbol 8.

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

These changes become effective with respect to new and renewal policies written on or after November 1, 2009.

Please note that with regard to Rule 12, model years 2010 and prior factors become effective in conjunction with the rate change that becomes effective on November 1, 2009 and was previously announced by Circular Letter to All Member Companies date July 16, 2009. The 2011 model year factors become effective January 1, 2010 along with the previously announced revisions to the Vehicle Series Rating Plan.

In addition, please note that with regard to the motorcycle physical damage rates and rules, we are eliminating these from the Personal Auto Manual. Motorcycle physical damage was removed from the Rate Bureau's jurisdiction effective January 1, 2002.

The rules and rates have continued to be displayed in the manual because the legislation specifically provided that the then-current rates could continue to be used and we understood that some companies continued to use those rates. However, since the Rate Bureau has not updated the rates since that time, we believe it is appropriate now to eliminate the rules and rates from the Manual. This action will be effective November 1, 2009.

The removal of these rules and rates for motorcycle physical damage coverage means that any company that is still using these rules and rates and who wishes to continue to use them should file those rules and rates on its own behalf directly with the Department of Insurance.

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

Very truly yours,

Wayne B. Hinton

Automobile Manager

WBH:dms

Attachments

A-09-13

Personal Auto Manual Revision Corresponding to the 2008 Vehicle Series Rating Program Update

About This Filing

In conjunction with the revisions made in ISO's Vehicle Series Rating Program, this filing:

- ◆ revises various rules in the Personal Auto Manual; and
- ◆ introduces a transition rule from the 27-Symbol Table to the 75-Symbol Table.

Revised Rules

We are revising the following rules:

- ◆ Rule 3. Premium Determination
- ◆ Rule 12. Rules for Determining Physical Damage Base Rates for Symbols Not Displayed on State Rate Sheets
- ◆ Rule 19. Miscellaneous Types

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

Introduction

The Vehicle Series Rating (VSR) Program is used to rate vehicles by equitably matching physical damage losses to premiums by indexing the loss experience of Collision and Comprehensive coverages by vehicle series. The current VSR program utilizes a table with 26 symbols and only reviews those vehicles with a cost new up to \$80,000.

Filing PP-2008-R08VS, Vehicle Series Rating Program Revisions, implements a new symbol table applicable to model year 2011 and later vehicles that contains 75 total symbols. The new table includes 70 symbols with revised price ranges up to \$150,000 and corresponding relativities. The table also includes five symbols with relativities that are higher than those associated with prices up to \$150,000.

Explanation of Rule Changes

The following rules in the Personal Auto Manual are being revised:

Rule 12. Rules for Determining Physical Damage Base Rates for Symbols Not Displayed on State Rate Sheets

Rule **12.** of the Personal Auto Manual is revised to:

- ◆ display rules on determining the physical damage base rates for Symbol 98 vehicles (vehicles with an Original Cost greater than \$150,000) for model years 2011 and later.
- ◆ revise factors for symbol 27 vehicles to account for the shift from base symbol 2 to base symbol 8.
- ◆ remove factors that are now as they are displayed on the physical damage rate pages.

Rule 19.B. Motorcycles, Motorscooters, Motorbikes, Mopeds and Other Similar Motor Vehicles Not Used for Commercial Purposes

Also note that we are removing Physical Damage coverage from Rule **19.B.** since Physical Damage coverage for motorcycles is no longer under the jurisdiction of the Bureau.

Editorial Revisions

In addition to the revisions indicated above, we have also made editorial revisions to Rule **3.** and Rule **19.F.** to update references from the Symbol and Identification Section to the Symbol and Identification Manual.

VSR Transition Rule

Personal Auto Manual Rule **3.B.3.b.** provides instructions to rate a vehicle when there is no Rating Symbol shown in the Symbol and Identification Manual. If no Rating Symbol is available, the rating symbol for the prior model year vehicle is used. If there is no rating symbol for the prior model year version of the same vehicle, or a rating symbol of 27 applies, a rating symbol should be assigned based on the cost new of the auto, using the Price/Symbol Chart.

To assist in the transition to the expanded symbol table, we developed a transitional rule to be used for rating 2011 model year vehicles only, which will be included in the Symbol and Identification Manual. Refer to Exhibit 1 for the transition rule.

Attachments

- ◆ Exhibit 1: Transition Rule
- ◆ Rule Revisions

PERSONAL AUTO MANUAL

3. PREMIUM DETERMINATION

- A. For 1971-1982 model year sports cars identified in the Symbol Section as "s", the applicable symbol shall be one less than that shown.
- B. Bodily Injury Liability, Property Damage Liability, Medical Payments, Fire, Theft, Combined Additional Coverage, Comprehensive and Collision premiums are determined as follows:
1. Refer to the Classification Rule to determine the applicable Primary Classification, Rating Factor and the Single or Multi-Car and Inexperienced Operator Rating Factor and Statistical Codes.
Add these rating factors to determine the Combined Rating Factor applicable to each auto.
 2. Refer to the Safe Driver Insurance Plan Rule to determine the Driving Record Surcharge Premium applicable to each coverage for each auto.
For autos not eligible for SDIP:
Add +0.10 to the Combined Rating Factor determined above.
Use statistical code 95.
3. Model Year and Symbol Determination
- a. Refer to the Model Year Rule and Symbol and Identification ~~Manual~~[Section](#) for the appropriate model year and symbol.
If the rates for a model year are not displayed in the rate pages, use the rates shown for the latest model year.
 - b. If no Rating Symbol is shown in the Symbol and Identification (S&I) ~~Manual~~[Section](#), use the following procedure to determine an interim rating symbol.
 - (1) If the S&I ~~Manual~~[Section](#) displays a rating symbol for the PRIOR MODEL YEAR version of the same vehicle, use the prior model year's Rating Symbol for the new model year vehicle.
 - (2) If the S&I ~~Manual~~[Section](#) does NOT display a rating symbol for the PRIOR MODEL YEAR version of the same vehicle, assign a symbol based on the cost new of the auto, using the Price/Symbol Chart located in the reference pages of the S&I ~~Manual~~[Section](#).
4. Refer to Territory Definitions to determine the territorial schedule code number for the location where the auto is principally garaged.
 5. Refer to the state rate pages to determine base rates for the desired coverage for the appropriate territory.

PERSONAL AUTO MANUAL

12. RULES FOR DETERMINING PHYSICAL DAMAGE BASE RATES FOR SYMBOLS NOT DISPLAYED ON STATE RATE PAGES

A. Other Than Collision

1. 2011 and Subsequent Model Year Vehicles - Symbol 98 Vehicles

Develop the Comprehensive Base Rates for Symbol 98 vehicles by:

- a. Increasing the factor for Symbol 70 by +1.05 for each \$10,000 or fraction of \$10,000 above \$150,000 of Original Cost, and
- b. Applying this factor to the Symbol 11 Base Rate on the state rate pages for the applicable Model Year.

~~42.~~ 1990-2010 Model Years - Symbol 27 Vehicles and Subsequent Model Year Vehicles

+ — Develop the Comprehensive Base Rates for Symbol 27 vehicles by:

- a. Increasing the factor for Symbol 26 by +~~1.06~~~~2.00~~ for each \$10,000 or fraction of \$10,000 above \$80,000 of Original Cost, and
- b. Applying this factor to the Symbol ~~2~~~~8~~ Base Rate on the state rate pages for the applicable Model Year.

~~23.~~ 198~~2~~~~9~~ and Prior Model Year Vehicles

~~* 1982 and Prior Model Years~~

- a. 1976-1982 Symbol 14 Vehicles
Apply the factor 3.19 to the Symbol 7 Base Rate.
- b. 1975 and Prior Vehicles above \$10,000
Increase the Symbol 7 Base Rate by 20% for each \$1,000 or fraction of \$1,000 above \$10,000 of Original Cost.

B. Collision

1. 2011 and Subsequent Model Year Vehicles - Symbol 98 Vehicles

Develop the Collision Base Rates for Symbol 98 vehicles by:

- a. Increasing the factor for Symbol 70 by +.10 for each \$10,000 or fraction of \$10,000 above \$150,000 of Original Cost, and
- b. Applying this factor to the Symbol 11 Base Rate on the state rate pages for the applicable Model Year.

~~42.~~ 1990-2010 Model Years - Symbol 27 Vehicles and Subsequent Model Year Vehicles

+ — Develop the Collision Base Rates for Symbol 27 vehicles by:

- a. Increasing the factor for Symbol 26 by +~~.10~~~~.15~~ for each \$10,000 or fraction of \$10,000 above \$80,000 of Original Cost, and
- b. Applying this factor to the Symbol ~~2~~~~8~~ Base Rate on the state rate pages for the applicable Model Year.

~~23.~~ 198~~2~~~~9~~ and Prior Model Year Vehicles

~~* 1982 and Prior Model Years~~

- a. 1976-1982 Symbol 14 Vehicles
Apply the factor 2.29 to the Symbol 7 Base Rate.
- b. 1975 and Prior Vehicles above \$10,000
Increase the Symbol 7 Base Rate by 5% for each \$1,000 or fraction of \$1,000 above \$10,000 of Original Cost.

C. Original Cost means:

- 1. Original F.O.B. List Price for autos built in U.S.
- 2. Original Cost New in U.S. for specially built autos.
- 3. Original Cost New in U.S. for imported autos.

PERSONAL AUTO MANUAL

19. MISCELLANEOUS TYPES

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	0.16	0.36
500 – 1249	0.26	0.36
1250 – 1499	0.36	0.36
1500 – up	0.47	0.36

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

With respect to other than "clean risks" ceded to the North Carolina Reinsurance Facility, determine the appropriate premium by applying the following factors to the applicable ceded private passenger bodily injury and property damage 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
0 – 499	0.17
500 – 1249	0.27
1250 – 1499	0.37
1500 – up	0.48

Physical-Damage Coverages Only

~~All Motorcycles and Motorscooters with three wheel chassis shall be rated as Commercial Types. Motorcycles with side-car attachment used for transportation or delivery of goods or merchandise shall be rated as Commercial Types.~~

MOTOR- CYCLES (Except COMMER CIAL TYPES)	MOTOR- SCOOTER (Except COMMER CIAL TYPES)	COMMERCIAL TYPES (Motorcycle s and Motorscoot ers)
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~~RATES PER \$100 OF
INSURANCE~~

Fire Rates— \$.50	\$.50	\$.50
Theft Rates 1.14	.88	.50

~~Combined Additional Coverage without Malicious Mischief & Vandalism—17 cents per \$100 of insurance.
Combined Additional Coverage with Malicious Mischief & Vandalism—22 cents per \$100 of insurance.~~

~~Collision— MOTORCYCLES AND MOTORSCOOTERS (Except Commercial Types):~~

~~—1989 and Prior Model Years~~

~~—Charge the following Percentages of the Symbol 7 Private Passenger Collision Rate for the applicable model year:~~

~~—1990 and Subsequent Model Years~~

~~—Charge the following Percentages of the Symbol 2 Private Passenger Collision Rate for the applicable model year:~~

Engine Size Cubic Centimeters (cc)	Percentage
0— 100	29%
101— 200	48%
201— 300	66%
301— 450	106%
451— 600	115%
601— 750	161%
751— 900	220%
901— 1,000	286%
0	
Over 1,000	353%

~~Collision - COMMERCIAL TYPES—(Motorcycles and Motorscooters):~~

~~Charge 75% of the Collision premiums for symbols determined in accordance with the table above.~~

~~Note~~

~~The Classification and Sub-Classification Rating Plans are applicable in rating all vehicles under this rule for all coverages. (See Rule 4. and Rule 5.)~~

F. Classic Autos

Physical Damage

Attach the coverage for damage to your auto (stated amount maximum limit of liability) endorsement.

1. Determine the stated amount of coverage applicable to the vehicle.
2. Assign a symbol based on the stated amount, from the ~~table for 1990 and subsequent model years on Page 1. of the~~ [Price/Symbol Charts in the Symbol and Identification Manual corresponding to the model year of the vehicle.](#)

Note

Prior to October 1, 1989, the table for 1981-1989 model years in the Symbol and Identification ~~Manual Section~~ [Manual](#) should be used for symbol assignment.

3. Classify and rate as a private passenger auto using the base rate for the current model year.

Exhibit 1: Transition Rule

- ◆ For Model Year 2011 only, if the S&I Manual displays a rating symbol for the prior model year of the same vehicle, convert Rating Symbols from the Model Year 2010 27-Symbol Table to the Model Year 2011 75-Symbol Table as follows:

2010 Rating Symbol	2011 Comprehensive Rating Symbol	2011 Collision Rating Symbol	2010 Rating Symbol	2011 Comprehensive Rating Symbol	2011 Collision Rating Symbol
1	2	2	15	25	25
2	3	3	16	28	28
3	4	4	17	31	31
4	5	5	18	35	35
5	6	6	19	37	37
6	8	8	20	41	41
7	10	10	21	44	44
8	11	11	22	48	48
10	13	13	23	52	52
11	15	15	24	56	56
12	17	17	25	59	59
13	19	19	26	61	61
14	21	21	27	See Paragraph below	

- ◆ If the S&I Manual does not display a rating symbol for the Prior Model Year version of the same vehicle, or the Prior Model Year is 2010 and the S&I Manual displays a rating symbol of 27 for that vehicle, assign a symbol based on the cost new of the auto, using the 75-Symbol table Price/Symbol Chart located in the reference pages of the S&I Manual.