



November 26, 2007

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Revised Inexperienced Operator Rule  
Personal Automobile Policy Program

The Commissioner of Insurance has recently approved a revision to the inexperienced operator rule for the North Carolina Personal Auto Manual.

The revised rule is intended to provide companies more flexibility in determining the number of years driving experience. Currently, there are approximately 35 states in the United States that do not track the date a driver was originally licensed. They only track the latest renewal driver's license. This revision is intended to provide companies the ability to rely on additional information provided by the insured to determine the number of years driving experience.

The revised rule also introduces an exception for active military personnel. A number of states grant military extensions to active military personnel which means that the individual is not required to return to their home state to renew their driver's license as long as they are active in the military. In some cases, the states "purge" their motor vehicle records (MVR) if there has been no activity within a certain number of years. When a company orders an MVR from that state a "no hit" is returned because the record has been "purged". If this occurs, the exception in the revised manual rule allows the company to rely on additional documentation provided by the applicant.

The revised rule requires the company to maintain the additional information provided by the insured for at least three years.

This revised rule is effective in accordance with the following Rule of Application.

This revision is applicable to all new and renewal policies effective on or after February 1, 2008.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms  
Attachment  
A-07-3

Material ~~struck through~~ is deleted; material underlined is new

## F. Inexperienced Operator

### LIABILITY, MEDICAL PAYMENTS AND COLLISION

1. The appropriate Inexperienced Operator Surcharge shall be applied for each owner or resident operator of the auto who has less than three years of driving experience as a licensed driver. ~~The number of years driving experience is determined by the insurer from a verifiable motor vehicle record obtained from the Division of Motor Vehicles or from the governmental entity responsible for maintaining drivers license records.~~
  - a. The insurer shall obtain a verifiable motor vehicle record on each owner or resident operator from the Division of Motor Vehicles or from the governmental entity responsible for maintaining drivers' license records and shall determine the number of years of driving experience as a licensed driver for each owner or resident operator of the auto from such motor vehicle records to the extent possible.
  - b. If a verifiable motor vehicle record obtained by the insurer does not show conclusively the number of years of driving experience for each owner or resident operator of the auto, the insurer may determine the number of years of driving experience as a licensed driver based upon information provided by the applicant.
  - c. If a verifiable motor vehicle record cannot be obtained from the Division of Motor Vehicles or from the governmental entity responsible for maintaining drivers' license records, then the owner or resident operator shall be rated as inexperienced.

Exception: If the insurer is unable to obtain a verifiable motor vehicle record because such records are no longer available and the owner or resident operator has a drivers' license that continues to be valid by virtue of a military extension, then the insurer may determine the number of years of driving experience as a licensed driver based upon information provided by the applicant.

Insurers shall maintain in their files for at least three years from the inception of the policy the information upon which the number of years of driving experience was determined.

Only driving experience in the United States of America, Canada or Puerto Rico may be used to determine the number of years of driving experience as a licensed driver.

The surcharge shall not be applied for more than three years regardless of policy term or effective date.

#### **Note**

A driver who holds a learner's permit only shall not be deemed a licensed driver for the purpose of determining the inexperienced operator premium surcharge.

2. If there are two or more autos in the same household as the applicant, the inexperienced operator rates shall be applied separately to the number of autos equal to the number of inexperienced operators. Inexperienced operator rates shall not be used in rating such autos in excess of the number of inexperienced operators.

The inexperienced operator surcharge(s) shall be applied to the auto(s) which the inexperienced operator principally operates. In the case of an occasional operator, the surcharge shall be applied to the auto most frequently operated by the inexperienced operator.