

April 8, 2016

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Personal Auto Manual Revision
Various Manual Rules

The Commissioner of Insurance has recently approved revisions to the Personal Auto Manual that relate to (1) the introduction of a Transportation Network Company (TNC) classification code and (2) optional enhanced endorsements as provided for in the new statute N.C.G.S. 58-36-43.

By Circular Letters To All Member Companies A-16-2 dated April 4, 2016 and A-16-3 dated April 6, 2016, the Rate Bureau announced the availability to Rate Bureau member companies through ISO of an ISO endorsement and rating rule for certain Limited Transportation Network Driver Coverage. The Rate Bureau also noted that the North Carolina Reinsurance Facility ("Facility") has adopted the ISO endorsement and rating rule for use with any policy ceded to the Facility that provides that optional coverage. Given the nature of the ISO and Facility rating rule and the need to maintain the statistical data appropriately, the Rate Bureau has amended the classification plan and Personal Auto Manual to create a usage classification for those vehicles on which any insurance coverage for TNC Activity is provided. The amendments are shown on the attached pages.

In addition, the Personal Auto Manual is being amended as a result of legislation in 2015 which added the new statute N.C.G.S. 58-36-43. Rate Bureau Circular Letter To All Member Companies A-16-1 dated February 11, 2016 reminded companies of their statistical reporting obligations with respect to optional enhanced endorsements under that new statute. The attached new manual rule 4.I. states that member companies should contact their statistical agent for details on reporting statistics for optional enhanced endorsements that are not under the Rate Bureau's jurisdiction.

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-16-4

**NORTH CAROLINA STATISTICAL
CODING SHEET**

PRIMARY CLASSIFICATION CODES*

No Inexperienced Operators

Vehicle Use	Single Car Risk or Multi-Car Risk With No Discount	Multi-Car Discount
Pleasure	1141	1142
<u>TNC Activity</u>	<u>1151</u>	<u>1152</u>
Work – Less Than 10	1161	1162
Work – 10 or More	1171	1172
Business	1181	1182
Farm	1191	1192

Inexperienced Operators

Years of Driving Experience	Vehicle Use	Principal Operator		Occasional Operator	
		Single Car Risk or Multi-Car Risk With No Discount	Multi-Car Discount	Single Car Risk or Multi-Car Risk With No Discount	Multi-Car Discount
Less Than 1 Year	Pleasure	1241	1242	1341	1342
	<u>TNC Activity</u>	<u>1251</u>	<u>1252</u>	<u>1351</u>	<u>1352</u>
	Work – Less Than 10	1261	1262	1361	1362
	Work – 10 or More	1271	1272	1371	1372
	Business	1281	1282	1381	1382
	Farm	1291	1292	1391	1392
Less Than 2 Year	Pleasure	1441	1442	1541	1542
	<u>TNC Activity</u>	<u>1451</u>	<u>1452</u>	<u>1551</u>	<u>1552</u>
	Work – Less Than 10	1461	1462	1561	1562
	Work – 10 or More	1471	1472	1571	1572
	Business	1481	1482	1581	1582
	Farm	1491	1492	1591	1592
Less Than 3 Years	Pleasure	1641	1642	1741	1742
	<u>TNC Activity</u>	<u>1651</u>	<u>1652</u>	<u>1751</u>	<u>1752</u>
	Work – Less Than 10	1661	1662	1761	1762
	Work – 10 or More	1671	1672	1771	1772
	Business	1681	1682	1781	1782
	Farm	1691	1692	1791	1792

* Each code must have as the fifth and sixth digits the applicable Safe Driver Insurance Plan code.
For complete coding requirements, refer to the Statistical Plan.

Material underlined is new.

NORTH CAROLINA (32)

**PERSONAL AUTO MANUAL
PRIMARY CLASSIFICATION RATING FACTORS***

Coverage	Pleasure Use	Drive to or from Work		Business Use	TNC ACTIVITY**	Farm Use
	(1A)	Less than 10 Miles (1B)	10 or More Miles (1C)	(3)	TNC	(1AF)
B.I., P.D., Med. Pay	1.00	1.05	1.05	1.05	<u>1.20</u>	.80
Collision	1.00	1.10	1.10	1.10	<u>(a)</u>	.80
Comprehensive Fire, Theft, C.A.C.	1.00	1.20	1.20	1.20	<u>(a)</u>	.80

SINGLE OR MULTI-CAR RISKS AND INEXPERIENCED OPERATOR*
Add the following rating factors to the Primary Rating Factor:

No Inexperienced Operator			
Single or Multi-Car Risks	BI, PD, and Med. Pay.	Collision	Comprehensive, Fire, Theft, and CAC
Single Car	Factor 0.00	Factor 0.00	Factor 0.00
Multi-Car	Factor -0.35	Factor -0.30	Factor -0.10

Inexperienced Operator				
Single or Multi-Car Risks		BI, PD, and Med. Pay.	Collision	Comprehensive, Fire, Theft, and CAC
Single Car	Principal Operator Licensed For:			
	Less than One Year	Factor +3.25	Factor +3.10	Factor +0.50
	Less than Two Years	Factor +1.75	Factor +1.90	Factor +0.50
	Less than Three Years	Factor +1.35	Factor +1.65	Factor +0.50
	Occasional Operator Licensed For:			
	Less than One Year	Factor +1.90	Factor +1.95	Factor +0.25
	Less than Two Years	Factor +0.80	Factor +1.00	Factor 0.00
Multi-Car	Principal Operator Licensed For:			
	Less than One Year	Factor +2.90	Factor +2.80	Factor +0.40
	Less than Two Years	Factor +1.40	Factor +1.60	Factor +0.40
	Less than Three Years	Factor +1.00	Factor +1.35	Factor +0.40
	Occasional Operator Licensed For:			
	Less than One Year	Factor +1.55	Factor +1.65	Factor +0.15
	Less than Two Years	Factor +0.45	Factor +0.70	Factor -0.10
Less than Three Years	Factor +0.05	Factor +0.35	Factor -0.10	

* For Statistical Coding Requirements – Refer to page NC-E-Coding.

** Applies only to those vehicles on policies ceded to the North Carolina Reinsurance Facility affording coverage for TNC activity under Endorsement PP 55 45.

(a) For rating a policy that affords this coverage, please refer to the individual company writing the coverage.

PRIMARY CLASSIFICATION RATING FACTORS
(Cont'd)

SAFE DRIVER INSURANCE PLAN FACTORS AND CODES

Use the following rating factors to determine the Driving Record Surcharge Premium as explained in the Safe Driver Insurance Plan Rule.

Use the statistical code indicated for the Driving Record Sub-Classification.

Number of Driving Record Points	Driving Record Sub-Classification	Statistical Code	SDIP Rating Factor
0	0	00	0.00
1	1	01	0.30
2	2	02	0.45
3	3	03	0.60
4	4	04	0.80
5	5	05	1.10
6	6	06	1.35
7	7	07	1.65
8	8	08	1.95
9	9	09	2.25
10	10	10	2.60
11	11	11	3.00
12 or more	12	12	3.40
Vehicles Not Eligible For SDIP – Add the following rating factor to the otherwise applicable Combined Rating Factor. Use the statistical code shown below.			
Not Eligible	NE	95	+0.10

4. CLASSIFICATIONS

The provisions of this rule apply separately to the premiums for Bodily Injury and Property Damage Liability, Medical Payments, Fire, Theft, Combined Additional Coverage, Comprehensive and Collision Coverages.

- A. Autos owned by an individual or owned jointly by two or more individuals are classified as follows:

Refer to Section C. below for definitions of terms used in this rule.

Code	Class	Definitions
114	1A	There is no BUSINESS USE or TNC ACTIVITY of the auto and the auto is not DRIVEN TO OR FROM WORK OR SCHOOL.
116	1B	There is no BUSINESS USE or TNC ACTIVITY of the auto but the auto is DRIVEN TO OR FROM WORK OR SCHOOL a distance of less than 10 road miles one way.
117	1C	There is no BUSINESS USE or TNC ACTIVITY of the auto but the auto is DRIVEN TO OR FROM WORK OR SCHOOL a distance of 10 or more road miles one way.
118	3	The auto is used for BUSINESS USE and is not used in TNC ACTIVITY.
119	1AF	The auto is a FARM AUTO.
115	TNC	The auto is used in <u>TRANSPORTATION NETWORK COMPANY ACTIVITY</u>

- B. Private passenger autos owned by corporations, co-partnerships, or unincorporated associations shall be rated as Class 3.

Exceptions

- 1. For corporations, co-partnerships or unincorporated associations owning less than five motor vehicles:

An owned private passenger auto principally furnished to a specified individual shall be classified and rated as if owned by that individual, in accordance with Rule 4.A., provided the auto is not used for business purposes and is not used in TNC ACTIVITY.

- 2. For Farm family co-partnerships or Farm family corporations:

An owned private passenger auto principally garaged on a farm or ranch shall be rated as Class 1AF provided the vehicle is:

- a. Not used in any occupation other than farming or ranching, or
- b. Not customarily used in going to or from work other than farming or ranching.

3. Notwithstanding 1. and 2. above, any such auto used in TNC ACTIVITY shall be classified as TNC.

C. Definitions

- 1. BUSINESS USE means that the use of the auto is required by or customarily involved in the duties of the applicant or any other person customarily operating the auto, in an occupation, profession or business, other than going to or from the principal place of occupation, profession or business, and that the auto is not used in TNC ACTIVITY.
- 2. FARM AUTO means the auto is principally garaged on a farm or ranch, and
 - a. It is not customarily used in going to or from work other than farming or ranching, or driving to or from school, and
 - b. It is not customarily used in any occupation other than farming or ranching, and
 - c. that the auto is not used in TNC ACTIVITY.
- 3. DRIVEN TO OR FROM WORK OR SCHOOL means the auto is not used in TNC ACTIVITY and is customarily used in the course of driving to or from work or school and shall include:
 - a. The use of the auto in a car pool or other share the ride arrangement.
 - b. Driving part way to or from work or school whether or not the auto is parked at a depot during the day.

Note

If an auto is driven to or from work or school on less than a daily basis, the classification used in rating the auto shall be subject to the following:

- (1) If otherwise in Class 1B, the auto shall be classified as 1A if the total usage of the car in driving to or from work or school is not more than 2 days per week or not more than 2 weeks per 5 week period.
- (2) If otherwise in Class 1C the auto shall be classified as 1B if the total usage of the car in driving to or from work or school is not more than 2 days per week or not more than 2 weeks per 5 week period.

Refer to company for certification form.

4. TRANSPORTATION NETWORK COMPANY (TNC) ACTIVITY means that:

- a. The auto is used as a public or livery conveyance, including but not limited to any period of time while it is being used by any person who is logged into a transportation network platform as a driver, whether or not a passenger is occupying the vehicle; and

b. Coverage is afforded, under endorsement PP 55 45 or any similar endorsement, for any portion of the time that an insured is logged into a transportation network platform as a driver.

45. RESIDENT means anyone residing in the same household as the applicant and shall include an individual absent from the household while attending school. An individual in active military service with the armed forces of the United States of America shall **not** be included as resident in the same household unless such individual customarily operates the auto.

4. CLASSIFICATIONS (Cont'd)

D. Single and Multi-Car Risks

The applicable Multi-Car Rating Factor shall apply if two or more four-wheel private passenger autos owned by an individual or owned jointly by two or more individuals resident in the same household are insured in the same policy.

Exceptions

1. If a company's policy processing systems do not permit insuring all vehicles in the same policy, the applicable Multi-Car Rating Factor shall apply if the company insures two or more four-wheel private passenger autos owned by an individual or owned jointly by two or more individuals resident in the same household.

This exception applies only to companies that do not issue multi-car policies or whose policy processing systems limitations necessitate insuring one car (in a multi-car situation) on a separate policy. This exception does not permit a company to apply the Multi-Car Rating Factor on a single car policy where, for underwriting or other reasons, the company voluntarily elects to insure one vehicle on a single car policy when that vehicle could be insured on a multi-car policy.

2. The Multi-Car Rating Factor shall not apply to antique autos as defined in the Miscellaneous Types rule.

LIABILITY COVERAGES ONLY

- E. An auto subject to Class 3 rates because of use in the business of the United States Government by one of its employees may be classified and rated as Class 1A, 1B, ~~or 1C~~ or TNC when the applicable endorsement is used to limit coverage.

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 driving experience as a licensed driver.
 - 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 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.

4. CLASSIFICATIONS (Cont'd)

G. Airbag Discount

The following discounts apply to Medical Payments Coverage Only. To qualify, the private passenger auto must be equipped with a factory installed airbag(s) which conforms to the federal crash protection requirements, and meets the criteria of either Paragraph 1. or 2. below:

1. 20% discount shall be afforded when the airbag is installed in the driver-side-only position.
2. 30% discount shall be afforded when the airbags are installed in both front outboard seat positions.

H. Optional Rating Characteristics

Companies may use the following optional rating characteristics or any combination of such optional rating characteristics and Bureau filed classifications to determine rates by coverage, as long as applicable legal requirements are satisfied. The resulting premium by coverage shall not exceed the premium that would have been determined using the rates, rating plans, classifications, schedules, rules and standards promulgated by the Bureau, except as provided by statute. The rating factor by coverage for any combination of the following optional risk characteristics cannot exceed 1.00, unless the resulting premium by coverage does not exceed the Bureau premium by coverage.

1. Policy characteristics not otherwise recognized in this manual. Examples include: account or multi-policy credit; tiers; continuity of coverage; coverages purchased; intra-agency transfers; number of drivers; number of vehicles; payment history; payment options; prior insurance; and new and renewal status.
2. Driver characteristics not otherwise recognized in this manual. Examples include: years of driving experience; convictions, accidents, claims or incidents; accident-free experience; accident forgiveness; annual mileage; cell phone type and usage; credit information; defensive driving course; good student; home ownership; marital status; and military status.
3. Vehicle characteristics not otherwise recognized in this manual. Examples include: airbags; customization; electronic monitoring or safety devices; engine characteristics; safety features or engineering; theft deterrence/recovery devices; place and type of garaging; type of fuel used; vehicle age, make, model and model year; and vehicle use.
4. Affinity group or other group not otherwise recognized in this manual.
5. Any other rating characteristic or combination of characteristics if filed by a company and approved by the Commissioner.

I. Optional Enhanced Endorsements

Optional Enhanced Endorsements authorized in N.C.G.S. 58-36-43 shall not be reported as part of the statistical data that is used in rate making by the North Carolina Rate Bureau. For the reporting of statistical data for Optional Enhanced Endorsements, please consult your statistical agent.