



July 10, 2006

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Introduction of New Manual Rule -
Personal Auto Policy Program

The Commissioner of Insurance has approved a new manual rule for the Personal Automobile Manual which is designed to provide additional optional rating characteristics for member companies to utilize when developing individual company rates for the Personal Automobile Policy Program.

The new manual Rule 4.I - Optional Rating Characteristics is designed to allow member companies additional flexibility in rating Personal Automobile Policies. The intent of this Rule is to allow member companies the option of using these rating characteristics, separately or in combination with the previously approved classification plan, in developing deviations that are filed directly with the Department of Insurance. Please note that the rating factor for any combination of the characteristics included in this rule cannot exceed 1.00 unless the resulting premium by coverage does not exceed the Rate Bureau premium by coverage.

This new manual rule becomes effective immediately.

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

Very truly yours,

F. Timothy Lucas

Personal Lines Manager

FTL:dms

Attachment

A-06-6

PERSONAL AUTOMOBILE MANUAL

Rule 4.I. – 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.

- a) 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.
- b) 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.
- c) 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.
- d) Affinity group or other group not otherwise recognized in this manual.
- e) Any other rating characteristics or combination of characteristics if filed by a company and approved by the Commissioner.