STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE

PRIVATE PASSENGER AUTO CLASS PLAN FILING INSTRUCTIONS

Every insurer wishing to introduce a new Private Passenger Automobile program, change an approved class plan, the values assigned to the rating factors, or any values assigned to the make, model, value, cost of repair or auto symbols for the insured vehicles must complete a **Class Plan Filing Application** in compliance with Title 10, Chapter 5, Subchapter 4.7 of the California Code of Regulations, Sections 2632.1 through 2632.16 and the California Insurance Code, Sections 1861.02 and 1861.025, together with any other detailed supporting statistics and information as the Commissioner may require.

Send all Private Passenger Auto Class Plan Applications to:

CALIFORNIA DEPARTMENT OF INSURANCE
RATE REGULATION BRANCH
Rate Filing Bureau
Attn.: Intake Unit
45 Fremont Street, 23rd Floor
San Francisco, CA 94105

Important Note: Refer to the CDI website at http://www.insurance.ca.gov for the application templates and tables needed to complete this application. The available templates and data for use include:

- Sequential Analysis Guidelines
- Frequency and Severity Bands Manual
- Proxy Weighting Calculation
- Mileage and/or Years Licensed & Allowable Optional Rating Factor Form
- CDI 10,000 Vehicle Record Data Set

A filing fee is not required with this application. Each insurer will be billed an administrative fee.

This application applies only to private passenger auto class plans. Separate applications apply for Prior Approval Rates, Advisory Organizations, File and Use (Credit and Title), and Workers' Compensation, including Excess Workers Compensation.

Filings may be submitted electronically using the NAIC's System for Electronic Rate and Form Filing (SERFF), by CD or by paper. CD's and electronic rate applications must be submitted in Excel and PDF format. In addition, CDI template(s) must be submitted in excel format.

If either the paper or CD filing method is selected, one (1) original and one (1) copy of the filing and supporting documents must be submitted. Paper and CD filings must contain a self-addressed, stamped envelope for acknowledgement. A copy of application page CP1 and CP2, for group filings, will be sent to the filer as an acknowledgment. Acknowledgment is automatically provided for filings submitted via SERFF

I. GENERAL INFORMATION

A. Application

Insurers must submit a class plan application for new programs, revisions to existing class plans, adoption of another company's rating plan (me-too) and for introducing or revising auto symbols or vehicle series factors. Each insurer must indicate the type of filing submitted for review and provide the corresponding class plan application pages plus exhibits according to the requirements shown on application page CP-3.

The Department emphasizes that no rate application will be required to accompany the verified actual mileage or specified price per mile class plans if the class plans submitted are revenue neutral. Although existing regulation section 2632.11 (c) requires that class plans be submitted with an accompanying rate filing, that section only applied to applications filed during the two-year transition period for the 2006 amendments to the weight ordering requirements of regulation section 2632.8(d). For applications submitted by an insurer already in full compliance with the 2006 amendments to regulation section 2632.8(d), when a class plan is revenue neutral, an accompanying rate application is not required. However, if during the review process the Department determines that there is a rate impact, an accompanying rate application, or an amended class plan eliminating the rate impact, will be required before the class plan is approved.

A complete class plan application which includes a sequential analysis is required when introducing or changing any rating factor specified in CCR §2632.5.

Definitions for "Rating Factors" and "Class Plan" are provided in CCR §2632.2 and §2632.3 and paraphrased below. CCR §2632.2 (a) and (b) provide that:

- Subsection (a) - The term "rating factor" is any factor, including discounts, used by an insurer which establishes or affects the rates, premiums, or charges assessed for a policy of automobile insurance.
- Subsection (b) - The type or limits of coverage or deductibles and auto symbols are *not* rating factors.

In accordance with CCR §2632.3 (a) and (b), the term "class plan" means the following:

- Subsection (a) - The schedule of *rating factors and discounts*, and their order and manner of analysis as required by Section 2632.7, in the development of rates and premiums charged for a policy of automobile insurance.

- Subsection (b) - In accordance with Section 2632.2, the analysis or consideration of types or limits of coverage or deductibles, make, model, value, cost of repair, and auto symbols or the insured vehicles.

Class plan matters noted within CCR §2632.2(a) require sequential analysis and factor weights processing while those noted in CCR §2632.2(b) do *not*.

Examples of changes requiring a class plan filing are changes in a) the schedule of rating factors, b) rating factor definitions, c) relativities, and d) changes to the existing symbol for a particular automobile.

B. Types of Vehicles Requiring a Class Plan

Each Private Passenger Automobile program requires a separate Class Plan filing application. An insurer writing a program for the following types of vehicles, as defined in CIC §660 (a) and §669.7 must file a class plan.

1. Motor vehicles of the private passenger or station wagon type that are not used as a public or livery conveyance for passengers, nor rented to others,

2. Other four-wheel motor vehicles with a load capacity of **1,500 pounds** or less, (except as permitted by CIC §669.7) or

3. Motorcycles.

C. Programs – By Coverage Differences

Rating tiers are disallowed in private passenger auto. However, more than one program may exist within the private passenger auto line of insurance *if* such programs differ in rates because of significant and relevant coverage differences; hence, the corresponding cost of that coverage will differ between the programs.

If a company has more than one program based on significant and relevant coverage differences, the differing products must be offered to *all* applicants, with the intention that the applicant may decide among the available program options. The Prior Approval Rate Application must provide a detailed description of the significant and relevant coverage differences by coverage to support the rate differentials between the programs. Each coverage difference program requires a companion class plan filing to which it applies.

D. Programs – By Insured Group Differences

CIC §1861.12 allows for the submission of group programs without restriction as to the purpose of

the group, occupation or type of group. Separate rate applications are required for *each* group insurance program; however, groups using the same rates, rules and forms may be in a single program. The rates and rating factors must be supported by the data collected from the specified group; a separate database must be maintained. The insurer must identify the class plan that applies to the group program or submit a corresponding class plan.

E. Insurer Group Filings

An insurer group filing may be submitted if each company within the insurer group uses the same rating factors and relativities. Insurer group rate and class plan filings must use the same rates, rules and forms. Each company must be identified on application page CP-2, Insurer Group Filing. For this type of filing, the insurance companies within the insurer group must use a common database to derive the sequential analysis.

E. Good Driver Discount

Due to the "take-all-comers" provision of CIC §1861.02 (b) (1), all good drivers must be written by an insurer regardless of the insurer's underwriting guidelines. In addition, a named driver exclusion must be offered to those good drivers that otherwise are not eligible for the good driver discount due to driving experience of another person. The rate manual corresponding to the class plan must reflect these two provisions.

Good driver discount guidelines must follow the requirements of CIC §1861.02, CIC §1861.025, CCR §2632.12 and CCR §2632.13. Filers are reminded that compliance with CIC §1861.16(b) will be enforced. This section states, in part:

> "An agent or representative representing one or more insurers having common ownership or operating in California under common management or control shall offer, and the insurer shall sell, a good driver discount policy to a good driver from an insurer within that common ownership, management, or control group, which offers the lowest rates for that coverage. This requirement applies notwithstanding the underwriting guidelines of any of those insurers or the underwriting guidelines of the common ownership, management, or control group...."

G. Sequential Analysis

The CDI has prepared a document titled Sequential Analysis Guidelines that describes the process. This document is available for reference and can be accessed on the CDI website at www.insurance.ca.gov.

The purpose of the sequential analysis is to analyze loss data to determine the indicated relativities for each rating factor by removing the variation in loss costs already explained by prior factors. All mandatory and optional allowable rating factors (specified in CCR §2632.5) are subject to sequential analysis. CCR §2632.7 describes the manner in which the sequential analysis must be completed.

The first step of the sequential analysis considers the variation in risk of loss due to driver safety record. Next, the variance of the first factor must be removed when developing the second rating factor, annual mileage, and so forth. Claims frequency and claims severity are required to be analyzed as the last steps.

The selected sequential analysis method must consider the effects of the prior selected rating factors in each subsequent step. If a method is selected that differs from the Loss Residual or Prior Relativities methods described in the Sequential Analysis Guidelines, the insurer must provide a comprehensive explanation and verification that the method complies with the regulation. In this case, the insurers application must include the sequential analysis in a computer format in accordance with CCR §2632.7 (d). Information pertaining to the format will be specified by the Commissioner. The computer file should be submitted in EXCEL format, no higher than version 5.

For those companies that lack credible data on which to base the sequential analysis, insurers may use data maintained by another source as specified per CCR §2632.9 (b). Those insurers selecting this option must provide information relating to data availability. Exhibit 3-*Data Availability* explains what information should be included.

Concerning Excess Vehicles, CCR §2632.5(b) requires that an insurer assign either a rate for an undesignated driver or the lowest rate for all driver related factors to the excess vehicles. If the insurer elects to apply an undesignated driver rate, the sequential analysis must process an excess vehicle category within each driver related rating factor. Otherwise, the lowest rating factor relativity for each driver related rating factor must apply and be specified. The driver related factors are: Driver Safety Record, Year of Driving Experience, Percent Use, Academic Standing, Driver Training, Gender, Marital Status, Non-smoker.

H. Factor Weights

Weights shall be calculated for each coverage per CCR §2632.8. An individual weight must be calculated for each of the three mandatory factors and for each of the optional factors the insurer elects to use in its class plan. However, the weight of each optional factor may not exceed the weight of the third mandatory factor, Years of Driving Experience.

Insurers must provide statistical documentation to demonstrate that the individual weights comply with CCR §2632.5(e) and §2632.8. The CDI Mileage and/or Years Licensed & Allowable Optional Rating Factor Form is to be used for this purpose. Insurers may use an alternate method provided it clearly demonstrates that the individual weights comply with the requirements of the regulation.

I. Symbol and Vehicle Series Filings

CCR §2632.3 specifies that the analysis of make, model, value, cost of repair and auto symbols of the insured vehicles are class plans; however, in accordance with CCR §2632.2(b), they do not require a sequential analysis because they are *not* defined as rating factors. CCR 2632.11 (g)

requires the prior approval of any change to the values assigned to the make, model, value, cost of repair or auto symbol for the insured vehicles.

J. Proposed Rate and Rule Manual Pages

The current and proposed manual rate and rule pages must accompany the class plan application. In the revised pages, include brackets for the deletions and underline the additions to identify the changes. Additionally, provide a clean copy of the proposed pages.

K. Filing Memorandum

A filing memorandum must be attached to each filing indicating the purpose of the filing and providing a summary of the proposed changes (Filing Exhibit 1).

II. CLASS PLAN FILE-TYPE INFORMATION

A. New Programs

A new program is a new product without an existing classification plan, rate manual, policy forms and underwriting rules. A new program filing requires the submission of a complete class plan application and a complete rate application. CCR §2632.9(b) – Use of Data – provides for the use of alternative data to which an insurer must adhere in establishing a new program class plan since data are generally unavailable.

B. Revision To Existing Class Plan

Any insurer proposing to change rating factors and/or the values or relativities of a rating factor must file a complete class plan application. This applies even to revenue neutral class plans. A revenue neutral class plan is one in which there is no projected change in premium for the same book of business. A complete rate application must also be submitted if the class plan is not revenue neutral.

C. Symbols and Vehicle Series

Symbol and vehicle series filings are intended to address the value, the cost or repair or the auto symbol of the insured vehicle. The term "Auto Symbol" means the vehicle price, repair cost, or damageability used to calculate any rate or premium for PPA insurance. Symbol and vehicles series are intended to include the make, model, value, and cost of repair.

CCR §2632.11(h) and (i), require that every insurer that uses auto symbols and those that do not use auto symbols, but which uses make, model, value, cost of repair, as factors in determining rates and premiums for private passenger automobile insurance must submit its methodology for determining

such factors, and all values and relativities associated therewith, for review and approval. Any subsequent changes in methodology must also be submitted.

Every insurer using symbols and values and relativities associated with the make, model, value and cost of repair must submit an *annual* filing which provides *(refer to the regulation section for the full text)*:

- All auto symbols or factors, values and relativities the insurer intends to use during the ensuing 12 months.
- Data sufficient to support any proposed changes in such auto symbols or factors, or changes in the values or relativities associated therewith, including but not limited to damageability studies; and
- Data sufficient to show the anticipated impact of any changes in auto symbols or factors upon the total revenue generated by the insurer's private passenger auto insurance business.

Insurers may adopt Advisory Organization model year symbols *or* develop their own. Insurers electing to adopt Advisory Organization symbols must provide the information detailed in CCR 2632.11 (j).

D. Me Too Filings

Insurers may adopt the approved sequential analysis and rating factors of another insurer or from an Advisory Organization (AO) in accordance with CCR §2632.9(b). This type of filing is referred to as "Me-Too" class plans. Only filings approved by the CDI may be adopted.

Deviations to Me-Too filings are permitted only with statistical support. Application page CP-6 requires the deviations to be identified. A deviation in Me-Too filings means: *any* departure from the Me-Too company's rating plan with respect to the selection of rating factors, the definition of each rating factor and any changes made to the corresponding relativities associated with each rating factor. If a Me-Too is being adopted *with deviation*, the factor weights for each affected coverage must be recalculated.

III. COMPLETING THE APPLICATION

The following information explains the application pages and the required supporting exhibits. A complete application is required in accordance with provisions set forth in CCR §2632.11.

Page CP-1 *Class Plan Application*

Every insurer wishing to make a filing must complete application page CP-1. In addition to the company specific information, this page must provide information pertaining to: 1) the chosen filing method –

SERFF, CD or Paper, 2) group data and, 3) the latest applicable CDI class plan filing number that corresponds to the newly submitted filing.

The company must indicate the line of insurance and the program.

Page CP-2 *Insurer Group Multi-Company Filing*

Page CP-2 must be completed when an insurer group filing is submitted. Each company to which the filing applies must be listed on this page. Insurer group filings can be made for all filing types if each company within an insurer group uses the same classification plan.

Each company writing Private Passenger Auto must indicate whether they are operating under a Super Group corporate structure as defined in CIC 1861.16 (c). If so, Prior Approval Rate Application Exhibit 19, Super Group Corporate Structure Verification Exhibit, must be completed in the rate application. Super Groups are insurers that have common ownership but whose California operations are separate per CIC §1861.16 (c). Each Super Group insurer issuing a policy described in CIC §660 (a) must provide Exhibit 19 to verify compliance with CIC §1861.16(c).

Page CP-3 *Submission Data Sheet*

When completing page CP-3, each company must indicate the type of filing and submit the noted application pages and exhibits identified as *required*, according to the specific filing type. The various broad types of filing submissions are: New Program, Revision to Existing Class Plan, Me-Too (adoption of another company's rating plan), and Symbol and Vehicle Series. More than one filing type can apply to a single filing.

Page CP-4 *Filing Checklist*

Page CP-4 of the application is provided to ensure that the application is properly assembled; all necessary documents designated as *required* on page CP-3 must be included in the submission.

This page also requires insurers to list all approved class plans by program name for each company/insured group and to provide the most recent file class plan file number.

Pages CP-5 *Rating Factor Checklist*

Page CP-5 must be completed for all filing types except Symbols. Each insurer must identify the applicable rating factors for each coverage. Each rating plan must include the first three mandatory factors, Driver Safety Record, Annual Mileage and Years of Driving Experience for each coverage, without exception. Non-underwritten plans are not permitted since the three mandatory rating factors must be applied to the rated driver.

Page CP-6 *Sequential Analysis Data Source Information*

CP-6 requires each insurer to identify the single data source option used to perform the sequential analysis

in accordance with CCR §2632.9. Where alternative data is permitted, it must be identified. The Department recognizes the use of the Loss Residual and Prior Relativities methods as outlined in the Sequential Analysis Guidelines. If an insurer develops an alternative independent method for performing the sequential analysis, the insurer must provide an explanation detailing how this "Other" method complies with CCR §2632.7, Analysis of Rating Factors, and provide a computer file that shows the sequential analysis results using a format to be specified by the Commissioner. Although "Other" methods may be acceptable, the insurer must demonstrate that the chosen method is mathematically equivalent and does produce the same results as the Loss Residual and Prior Relativities methods.

Page CP-7 *Frequency and Severity Rating Bands Development*

CP-7 requires each insurer identify the data sources used to develop the frequency and severity rating bands and explain the applied process in the development of the rating bands. Insurers are instructed to provide the corresponding rating band definitions (rates) in exhibit 5.

Changes made to the rating bands, including zip codes reassignments, require notification to the Department.
If the frequency and severity rating bands have been previously approved and the insurer proposes to reassign zip codes to another rating band, this application page provides the information that must be submitted for review.

Page CP-8 *Factor Weights Summary Table*

Complete page CP-8 for each coverage. Show the factor weights for each applicable rating factor and identify the data source used to perform the calculation. Factor weights must be calculated in accordance with CCR §2632.8. Subsection (a) of this regulation states:

> For each coverage, factor weights shall be calculated for each of the three mandatory factors listed in Section 2632.5(c) (1) through (3) and for each of the optional factors the insurer elects to utilize in its class plan from Section 2632.5(d). Solely for the purpose of calculating factor weights, bodily injury coverage may be combined with property damage coverage and comprehensive coverage may be combined with collision coverage.

Use exhibit 7, Factor Weights, to show the details of the calculation. The following CDI templates are available for use in completing the weights calculations and for verifying compliance with CCR §2632.5(e) and CCR 2632.5(c)(2)(F)(viii).

- Proxy Weighting Calculation
- CDI 10,000 Vehicle Record Data Set
- Mileage and/or Years Licensed & Allowable Optional Rating Factor Form *(Applies to CCR §2632.5(e).)*

Data sources for calculating the factor weights are limited to *one* source per coverage. Mixing and matching

data sources between the rating factors within a coverage does not comport with CCR §2632.8. The data sources for calculating the factor weights are limited to one of the following:

- The subject company's currently insured vehicles;
- The same data used to perform the sequential analysis;
- The CDI data file (10,000 vehicle record)

For insurers using the 10,000 vehicle data set to calculate the factors weights and who are using rating factors that are not included in that data set (e.g. multi-policy), contact the Rate Filing Bureau for special assistance.

Page CP-9 *Rating Logic*

Page CP-9 must show the current and proposed premium for each rating profile using the limits and deductibles shown on the application page without selective deviation. If an insurer's rating plan does not reconcile with the rating profile(s) provided, the company must so indicate and detail the assumptions in Exhibit 10. In order to keep the rating profiles relevant over time, this application page will be periodically updated to reflect changes in zip codes and model years as needed.

Page CP-10 *Market Dislocation*

Page CP-10 must be completed to explain the expected market dislocations due to the changes in the proposed class plan and all rate changes.

IV. REQUIRED EXHIBITS

The following is a summary of exhibits that should be attached to the application. Indicate the appropriate exhibit number in the upper right hand corner of the page. In addition, number the pages in each exhibit in consecutive order.

Exhibit 1-*Explanatory Memorandum*

Indicate the purpose of the filing and provide a summary of proposed changes within the filing.

Exhibit 2-*Filing History*

Provide a list of all the previous rate, class plan, and symbol filing numbers that have been made to the California Department of Insurance for this program within the last three years.

Exhibit 3-*Data Availability*

This exhibit should be completed when data required by CCR §2632.9 (b) are not available to an insurer. Include the following information in this exhibit:

1. Provide reasons why the insurer's data are unavailable, with appropriate references to the

practices of other comparably situated insurers.

2. Justify the use of the substitute data proposed. Include support for any modification made to the substitute data as applied to the insurer's class plan. Discuss other feasible alternatives to using the substitute data.

3. Provide a plan for collecting the data.

Exhibit 4-*Sequential Analysis*

The "Sequential Analysis Guidelines" has been prepared by the Department for use as a reference to complete the analysis. Possible formats for preparing the Sequential Analysis Summary exhibit are illustrated below.

Loss Residual Method

	Categories	Exposures	Average PPBOPF*	Credibility	Complement of Credibility	Loss Residual	Cred. Wtd. Adjusted Indicated Relativity	Balanced Relativity
Pass 1 Safety Record	0							
	1							
	2+							
	Average							
Pass 2, etc								

Prior Relativities Method

	Categories	Exposures	Unadjusted Average Loss	Credibility	Complement of Credibility	Average PRFPF*	Cred. Wtd. Adjusted Indicated Relativity	Balanced Relativity
Pass 1 Safety Record	0							
	1							
	2+							
	Average							
Pass 2, etc								

**PPBOPF – Pure Premium Based on Prior Factors; PRFPF = Prior Relativities From Prior Factors*

The sequential analysis exhibit must:

- Describe the applied sequential analysis method: Loss Residual, Prior Relativities or an alternative method. Alternative methods require the submission of the computer file showing the sequential analysis per CCR §2632.7(d) with the application.
- Describe all adjustments made to the data including but not limited to: 1) removing the effect of non-rating factors from the loss data, 2) for liability coverages, capping the losses at the minimum liability limits, 3) for physical damage coverages, adjusting losses to reflect a common deductible

and adjusting the loss data for the vehicle symbol, value, model, etc..

- State the rating factor order of analysis.
- Include the three mandatory and optional allowable rating factors in the sequential analysis. Only the optional rating factors that have a substantial relationship to the risk of loss may be included. Only those rating factors described in CCR §2632.5 may be used in the class plan; any non-allowable rating factor must be removed from the rating plan.
- Show the loss data analysis to determine the indicated and selected relativities for each rating factor by removing the variation in loss costs already explained by prior factors.
- Identify the data source(s) used to perform the sequential analysis. Adherence to the permitted data sources in accordance with CCR §2632.9(b) is required. For those insurers adopting the sequential analysis of another source, state the approved CDI class plan file number and provide a copy of the sequential analysis using Exhibit 15.
- Insurers electing to use optional rating factors Frequency and Severity must explain the rating band development process using Exhibit 5.
- All rating factors must balance to 1.00 for multiplicative models and 0.00 for additive models.
- The CDI 10,000 Vehicle Data Set may not be used in the sequential analysis since the data set applies only to CCR §2632.8, Factor Weights.

Exhibit 5-*Frequency and Severity Bands Development*

Using the data sources identified in application page CP-7, describe the process used to develop the Frequency and Severity rating bands and provide the rates for each rating band. The exhibit must explain:

- What data are used;
- The credibility of the data;
- How the data was applied;
- Adjustments made at the zip code level;
- Whether the analysis was performed on a by-coverage or all coverages combined basis; and,
- Show the assignment of each zip code to its corresponding rating band.

If the purpose for the filing is to reassign zip codes to a different rating band, justification which includes the information requested in application page CP-7, item 4 must be provided. Moving zip codes to another rating band requires the submission of a revised sequential analysis limited to the frequency and severity rating factors and recalculation of the respective factor weights to verify that the requested changes do not upset the statutory weighting order.

Exhibit 6-*Relativities for Each Rating Factor*

For each rating factor, provide a breakdown of the categories per factor and the relativities. Explain how the categories were determined and justify the groupings. (For example, for driving record, explain why two categories were selected--0-1 and 2+ points rather than five categories--0, 1, 2-3, 3-4, and 5+ points.) Explain and support how the selected relativities were derived from the sequential analysis. If relativities are being revised, display the current relativities as well as the proposed relativities.

For those insurers adopting the sequential analysis of another company, the same relativities should be

adopted as the relativities are based on the sequential analysis. Provide a copy of the relativities of the adopted plan. Any deviations from the Me-Too company's relativities must be supported.

Exhibit 7-*Factor Weights*

Show detailed calculation of the factor weights for each coverage using the attached Proxy Weighting Calculation template. One weight for each of the three mandatory factors listed in CCR §2632.5(c) (1) through (3) and one for each of the optional factors from Section 2632.5(d). Factor weights should be calculated as per CCR §2632.8. Me Too filings with deviations require a recalculation of the Factor Weights.

Weights Separation

In order to show compliance with CCR §2632.5(e), the **Mileage and/or Years Licensed & Allowable Optional Rating Factor Form** is provided on the public website. This section applies when the third mandatory rating factor, Years Licensed, is combined with any combination of the following rating factors: Percent Use, Academic Standing, Gender, Marital Status, and Driver Training and also to the second mandatory rating factor, Annual Mileage, when an insurer's rating plan provides for employing verified actual mileage per CCR §2632.5(c)(2)(F)(viii).

Rating Factor Weight Combinations

In accordance with CCR §2632.8 (a), bodily injury may be combined with property damage and comprehensive may be combined with collision coverage solely for the purpose of calculating factor weights. When this option is applied, the formula to calculate the combination of these factor weights (example shows the BI/PD combination), using average rates, follows:

$\sum \left| R_{i,BI} - R \right| * E_{i,BI} * B_{BI} *(1+\text{BI proposed rate change}) + \sum \left| R_{i,PD} - R \right| * E_{i,PD} * B_{PD} *(1+\text{PD proposed rate change})$

B_{BI} = (BI recent trended current rate level earned premium per exposure)
B_{PD} = (PD recent trended current rate level earned premium per exposure)

For clarification, the following is provided:

I. The *recent trended current rate level earned premium per exposure* can be found on the prior approval rate template in the under the following:
Column: Most Recent
Row: TRENDED_CURRENT_RATE_LEVEL_PREMIUM.

II. The meaning of "Base Rate" in the Class Plan approval process. "Base Rate" shall mean the average rate. Similarly, "average rate" shall mean the Requested Earned Premium divided by Earned Exposures. A "Base Rate" is the average rate because CCR §2632.7 (c), requires that relativities must balance to a weighted average of 1.0 for multiplicative factors or 0 for additive factors.

III. Combining Bodily Injury with Physical Damage Coverage and Comprehensive Coverage with Collision Coverage.

Given that the Base Rate is the average rate, one appropriate method for calculating compliance with CCR §2632.7 and §2632.8 is to add the weights for coverages together when determining whether those combined coverages fall in the correct weight order, i.e., add the BI weight for Driver Safety Record to the PD weight for Driver Safety Record and so forth; the combined weights should be in the correct order.

Correction Factors

If correction factors are applied to the rating factors to bring them into proper alignment, the corresponding pumping or tempering adjustment to the rating factor relativities must be shown.

Exhibit 8-*Revenue Neutral*

If the proposed changes result in a revenue neutral class plan, provide and support the methodology used to maintain a revenue neutral plan. This explanation could include:

- Computer re-rating of each policy to verify that the plan remains revenue neutral.
- For revenue neutral plans without adjustments to the base rate, the old combined average relativity should match the new combined average relativity. If the base rates are being adjusted by an offset (of the new to old relativities,) the exhibit must show the offset calculation and the new base rate.

A rate application is required if the class plan is not revenue neutral.

Exhibit 9-*Development of Rate Manual*

Explain how rates shown in the rate manual [Exhibit 14] were developed from relativities and base rates. This exhibit must explain all adjustments, such as adjustments for re-basing or re-indexing the relativities shown in Exhibits 4 and/or 5.

Exhibit 10–*Rating Logic*

Using the rating profiles shown on application page CP-9, describe the rating logic and demonstrate that the good driver discount, if applicable, is applied as the last step of the calculation. The policy term, six months or annual, must be indicated. If the rating profile options provided differ from the proposed rating plan, complete the exhibit using the closest available option. For example, if the $200 collision deductible is not an available option under the proposed rating plan, use the next most appropriate available optional deductible. All company assumptions must be stated.

Exhibit 11-*Good Driver Discount Guidelines*

Provide the good driver discount guidelines.

The statutory good driver discount must be *at least* 20% below the rate the insured would otherwise have

been charged for the same coverage. The good driver discount must be applied *uniformly* and offered in accordance with CIC §1861.02, CIC §1861.025, CCR §2632.12 and CCR §2632.13. The inclusion of the Good Driver Discount as the first pass in the sequential analysis is *optional*. However, when a rating plan allows for various discounts to drivers who have maintained a better driving record, also called superior good drivers, over a *varying* period of time, the data *must* be integrated into the sequential analysis using the first mandatory factor, Driver Safety Record, and may not be combined with any other rating factor. An example is when the rated driver has been at-fault accident free and has had no traffic violation convictions for a period of time extending beyond the most recent three years to a period of 5 years or 10 years. The corresponding discount(s) must be processed through the sequential analysis and the statutory 20% (or more) good driver discount continues to apply.

Self-certification of a driver's at-fault accident history, in accordance with CCR §2632.13(i), applies to the extended time period. Only principally at-fault accidents may be considered for the good driver discount and the first mandatory factor, driver safety record. CCR §2632.13(c) defines a driver to be considered principally at-fault accident if the driver's actions or omissions were at least 51 percent of the proximate cause of the accident and, in accidents not resulting in death, if the damage to the property of any one person caused by the accident exceeded $750.00.

Exhibit 12-*Rate Manual*

Provide the proposed rate manual for this program. If the relativities shown in exhibit 4, Sequential Analysis, do not match the rate manual, this exhibit must show the re-indexing of the factors.

The manual may only reflect rating factors that are specified in CCR §2632.5 and these rating factors must be included in the sequential analysis. Any rating factor not specified by the regulation may not be included in the rate manual. Any rating factor included in the rate manual but not included in the sequential analysis must be removed from the rate manual unless it is included in the sequential analysis.

A copy of the rate manual is required with the submission of the application.

Exhibit 13-*Underwriting Guidelines*

Submit the underwriting guidelines for the filed program.

Exhibit 14-*Symbols and Vehicle Series*

This exhibit must be completed when an insurer is introducing its own symbols or is proposing to make adjustments to any approved symbols and/or to their associated values or relativities. The insurer must describe and support the methodology used to establish the symbols and describe any changes to a previously approved methodology. The same applies to every insurer that does not use auto symbols, but which uses make, model, value, cost of repair, as factors in determining rates and premiums for private passenger automobile insurance.

Support may include external data sources, such as damageability studies or data for the Highway Loss Data Institute (HLDI) or the Department of Motor Vehicles (DMV).

Every insurer that uses auto symbols or factors must submit an annual symbol filing per CCR §2632.11 (h), (i) or (j). The filing must include 1) the symbols, factors, values, and relativities that the insurer proposes to use during the ensuing 12 months, 2) the supporting data and, 3) the revenue impact.

Insurers using auto symbols determined by advisory organizations must annually 1) submit a statement that the insurer proposes to use such symbols, 2) identify the advisory organization and, 3) provide sufficient information to identify which symbols the insurer proposes to use. Those insurers adopting the Insurance Services Office symbols without deviation must identify the ISO Circular number and edition.