



**To:** All Missouri Agency Personnel  
**From:** Multiple Line Underwriting and Actuarial Services – Springfield  
**Re:** Personal Auto Rate, Rule, and Forms Revisions  
Introducing the Personal Auto Verified Mileage Program  
Effective May 6, 2017

**Date:** 4/6/2017

---

This memorandum contains important information regarding changes to our Private Passenger Automobile Program. Please review the memorandum carefully for a detailed explanation of the following changes.

## **RATE REVISIONS**

We have recently completed a review of our auto loss experience in Missouri. In order to respond to recent and expected future losses and expenses, we need to increase rates. There are various theories within the industry for the increased costs including more driving due to the price of gasoline, more distracted driving due to the usage of devices such as cell phones while driving, and higher repair or replacement costs due to expensive equipment that are more commonly included on newer models. To address this need, we are taking an overall average rate change of +6.4%. The overall average change for Liability and Physical Damage coverages is +4.8% and 8.4%, respectively.

In addition to base rate revisions, the following notable changes are included:

- Removing Capping Rules of Preferred Tier. *In response to a request from the Missouri DOI, the capping rules for a policy's Preferred Tier are being removed. All policies will be rated based on the calculated tier effective the first renewal with the proposed rate set.*
- Liability relativity revisions for Bodily Injury, Uninsured Motorist-BI and Underinsured Motorist-BI. *In general we are decreasing the factors for limits below 100/300 and increasing the factors for limits above 100/300. These changes are based on a countrywide study and competitor information based on Missouri filings.*
- Account Composition and Class factor revisions. *We are revising the Vehicle Usage factors and combining the categories of Pleasure Use, Work less than 10 miles, and Work 10 or more miles into a new category called Pleasure/Work. Excess vehicle age factors will be revised. There are no longer situations where adding or dropping a vehicle will result in a change in the premium of another vehicle. We are also revising named non-owned vehicle factors, leisure vehicle coverage factors, and collector vehicle type factors. Revising these factors will allow us to keep the rate level revenue neutral for the applicable vehicle types. Similarly, we are introducing a Miscellaneous Vehicle Coverage Factor to allow us to keep the rate level revenue neutral for non-collector as well as low-speed vehicles licensed for road use which do not receive the Annual Miles Driven Factor. The overall revenue effect of this revision is revenue neutral.*

- Age-Gender-Marital Status factor revisions. *Class factors for youthful drivers age 16 to 20 have been reduced by -8.1% to -1.2%, respectively. These reductions are in comparison to their current factors and do not include the overall rate change stated above. The overall revenue effect of this revision is minimal to the other age groups.*

Please note that the premium change for any one policyholder may vary from the statewide overall average rate change depending on the attributes of the policy. The table below shows the distribution of accounts by ranges of approximate changes, assuming no other change in underlying risk characteristics.

| <b>% Change Range</b> | <b>Number of Policies</b> | <b>% of Policies</b> |
|-----------------------|---------------------------|----------------------|
| -43.6% to -40.0%      | 3                         | 0.0%                 |
| -39.9% to -35.0%      | 17                        | 0.1%                 |
| -34.9% to -30.0%      | 49                        | 0.3%                 |
| -29.9% to -25.0%      | 125                       | 0.9%                 |
| -24.9% to -20.0%      | 272                       | 1.9%                 |
| -19.9% to -15.0%      | 550                       | 3.8%                 |
| -14.9% to -10.0%      | 906                       | 6.3%                 |
| -9.9% to -5.0%        | 1294                      | 9.0%                 |
| -4.9% to 0.0%         | 1596                      | 11.1%                |
| 0.1% to 5.0%          | 1843                      | 12.8%                |
| 5.1% to 10.0%         | 1850                      | 12.8%                |
| 10.1% to 15.0%        | 2039                      | 14.2%                |
| 15.1% to 20.0%        | 1509                      | 10.5%                |
| 20.1% to 25.0%        | 930                       | 6.5%                 |
| 25.1% to 30.0%        | 603                       | 4.2%                 |
| 30.1% to 35.0%        | 344                       | 2.4%                 |
| 35.1% to 40.0%        | 205                       | 1.4%                 |
| 40.1% to 45.0%        | 104                       | 0.7%                 |
| 45.1% to 50.0%        | 63                        | 0.4%                 |
| 50.1% to 55.0%        | 42                        | 0.3%                 |
| 55.1% to 60.0%        | 21                        | 0.1%                 |
| 60.1% to 103.8%       | 40                        | 0.3%                 |

- The estimated maximum increase is 103.8%
- Approximately 73.2% of accounts will see an increase of +15% or less
- Larger percent changes are policies with verified mileages that are significantly greater than the vehicle’s current reported mileage and/or are rated based on a significantly better tier than the calculated tier

## **VERIFIED MILEAGE PROGRAM**

The number of miles driven each year directly relates to the risk exposure for a personal auto. The more a vehicle is driven, the more likely it is to be in an accident that results in a liability or physical damage claim. In order to rate each risk as accurately as possible, we are introducing a Verified Mileage Program for vehicle types 1 (autos) and 2 (trucks).

In order to simplify the application process and improving the accuracy of our mileage data, we are reducing the number of questions asked in PARIS regarding annual mileage and usage. Instead, client-provided odometer readings will be paired with third-party readings. A mileage algorithm will analyze the collected odometer readings to calculate a verified mileage. If mileage can be verified, then that verified mileage will be used in rating. If we are unable to determine a verified mileage, then the client's estimated mileage, with an unverified status, will be used. Driver age will no longer be a component of the Annual Miles Driven factor, and the factor will now also apply to regular use autos and trucks that do not have a rated driver. The Annual Miles Driven factor will no longer apply to motor homes, non-collector vehicles, named non-owned vehicles, or low-speed vehicles licensed for road use.

The number of annual mileage ranges used to rate type 1 and 2 vehicles is increased from two to twelve. However, the annual mileage displayed on the second page of the Declarations and on the Automobile/Motorcycle application and change forms will now display the mileage range used to rate the vehicle by showing the endpoints of all contiguous ranges with the same rating factors by coverage.

It is important to note that we are using past driving patterns in order to most appropriately rate our customers policies. We cannot take into account future expected mileage.

## **ADDITIONAL TRAINING MATERIALS**

A comprehensive white paper is available to provide more detailed information about the changes being made with the Verified Mileage Program and to provide more insight into our automobile pricing strategies: [https://secure.anagentcentral.com/cs/idcplg?IdcService=GET\\_FILE&Rendition=web&RevisionSelectionMethod=LatestReleased&noSaveAs=1&dDocName=COUNTRYWIDEVERIFIEDMILEAGEWHIT](https://secure.anagentcentral.com/cs/idcplg?IdcService=GET_FILE&Rendition=web&RevisionSelectionMethod=LatestReleased&noSaveAs=1&dDocName=COUNTRYWIDEVERIFIEDMILEAGEWHIT).

## **CLIENT COMMUNICATION**

NA-038 will be sent with the first renewal for all auto policies, and gives a general description of the changes made with the Verified Mileage Program. You may view an electronic copy of this flyer by going to <https://secure.ANAgentCentral.com>.

## GENERAL RULE REVISIONS

A definition for leisure vehicles is added to Auto Rule 110, Definitions.

Auto Rules 112 through 114, Definitions, are revised. The use categories of Pleasure Use, Work 3-9 Miles, and Work 10 or More Miles are combined into one Pleasure/Work Use category.

Auto Rule 114, Definitions, is clarified to state that Farm Use vehicles are not used for pleasure driving.

Auto Rule 255, Annual Miles Driven Factor, is revised as follows:

- The factor now applies to autos or pickups without a rated operator, with the exception of collector vehicles, non-collector vehicles, or low speed vehicles licensed for road use.
- The factor now applies to Uninsured Motorist Bodily Injury, and Underinsured Motorist Bodily Injury coverages.
- The factor is now based on the annual miles driven and the verification status of the vehicle.
- The factor is removed from Rule 562, Premium Determination, as the factor no longer applies to Motor Homes, and subsequent steps renumbered.

Auto Rule 256, Annual Miles Driven Factor is added to explain that the annual miles driven will be classified as verified or unverified. If sufficient qualifying odometer readings are available, the annual mileage will be classified as verified. Otherwise, the client's estimated annual mileage will be used and classified as unverified.

Auto Rule 257, Miscellaneous Vehicle Coverage Factor is added and will apply to non-collector vehicles and low-speed vehicles licensed for road use, as they will not have the Annual Miles Driven Factor applied. The Miscellaneous Vehicle Factor is also added to the Index and to Rule 297, Premium Determination, and subsequent steps renumbered.

Auto Rule 260, Vehicle Usage Factor, now applies to Uninsured Motorist Bodily Injury, and Underinsured Motorist Bodily Injury coverages.

Auto Rule 265, Excess Vehicle Age Factor, now applies to Uninsured Motorist Bodily Injury, and Underinsured Motorist Bodily Injury, coverages.

Auto Rule 650, Named Non-Owner Coverage, is revised under rating to apply coverage premiums for an owned pleasure/work use vehicle, instead of an owned pleasure use vehicles used less than 7,500 annual miles. Rule 650 is also revised to state that the Annual Miles Driven factor is not applicable with the Named Non-Owner Endorsement.

Auto Rule 660, Non-Owned Car Owned by a Business is revised under rating to change pleasure to pleasure/work use vehicle.

## APPLICATION AND CHANGE FORM REVISIONS

**SA-916 MO, Missouri Automobile/Motorcycle Insurance Application**, is revised as follows:

- Fields for Purchase Date and mileage Verification Status are added to Page 2.
- The Annual Mileage field will now display the mileage range used to rate the vehicle.

- The Pleasure, Work 3-9 Miles, and Work 10+ Miles Use fields are combined into one Pleasure/Work Use field.
- The Underwriting question “Does any vehicle have existing damage?” is deleted as the information is no longer needed.

**The SA-345, Automobile/Motorcycle Policy Change Form is revised as follows:**

- The Pleasure, Work 3-9 Miles, and Work 10+ Miles Use fields are combined into one Pleasure/Work Use field.
- A field for Verification Status is added on page 1.
- “Previous Felony or Drug Conviction” Question is revised to remove “Drug”.
- The Underwriting question “Does any vehicle have existing damage?” is deleted as the information is no longer needed.

**SA-597, Recreational Vehicle Insurance Application, is revised as follows:**

- The Underwriting question “Does any vehicle have existing damage?” is deleted as the information is no longer needed.
- An Account and Insurance Risk Score Agreement is added to page 3.
- The Application and Binder Agreement wording is revised to be consistent with the agreement wording on our Automobile/Motorcycle Application.
- The Recreational Vehicle Underwriting Eligibility Criteria, Item 1, is revised to remove “or Drug Possession.” Only felony convictions will require a trial application.

**SA-1953, Recreational Vehicle Policy Change, is revised.**

- The “Previous Felony or Drug Conviction” Question is revised to remove “Drug”.
- The Underwriting question “Does any vehicle have existing damage?” is deleted as the information is no longer needed.

Please direct any questions you may have to your Multiple Line General Agent or your servicing Underwriter.

---

mm/ds/as/uw/mm/mo050617m.aa