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SECTION 5

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## **SECTION 5**

### **5. PRIVATE PASSENGER AUTOMOBILE INSURANCE**

#### **5.1 Introduction**

This section describes reporting requirements and features of statistical collection for private passenger automobile insurance.

#### **5.2 Scope of Private Passenger Automobile Insurance Data**

Private passenger automobile insurance, for the purposes of this section, encompasses all forms of policies covering vehicles rated as private passenger automobiles and reported on the Annual Statement Exhibit of Premiums and Losses (Statutory Page 14) as private passenger auto. This generally includes those policies issued on automobiles owned or leased by an individual or by husband and wife resident in the same household. It does not cover those vehicles rated as private passenger fleet. It includes four-wheel vehicles including station wagons, vans, or pick-up trucks that are not customarily used in the occupation, profession or business of the insured. It includes private passenger vehicles written through the voluntary market, as well as vehicles insured through various state residual market mechanisms. It includes miscellaneous types of personal vehicles such as motorcycles, snowmobiles, dune buggies and the like when rated as private passenger automobiles. It also includes such vehicles owned by a corporation, co-partnership or unincorporated association and rated as private passenger automobiles.

#### **5.3 Automobile Coverages**

Private passenger automobile insurance data includes the five major types of coverage normally available under an automobile insurance policy: liability, medical payments, uninsured and underinsured motorist, no-fault (in states with no-fault statutes) and physical damage.

Liability coverage protects the insured against damages resulting from an automobile accident for which the insured is legally responsible. Liability coverages normally include bodily injury and property damage, which may be written and reported as a combined coverage with a single premium, or as separate coverages with individual premiums. Loss information is reported separately for bodily injury and property damage.

Medical payments coverage pays for medical and funeral expenses incurred because of injuries sustained in an automobile accident. Data reported for medical payments coverage provides meaningful information except in states with no-fault coverage (personal injury protection – PIP) because PIP provides first party medical and funeral expense coverage in these states. Medical payments information will therefore be provided in statistical reports detailed in this section only in states without no-fault coverage.

Uninsured and underinsured motorist coverages are designed to cover the insured for bodily injury, and in some states property damage, caused by an uninsured motorist or a motorist having insufficient limits of liability to cover losses to the insured. Uninsured and

underinsured motorist coverages are written and reported either on a combined basis with a single premium charge for both coverages, or separately with a premium charged and recorded for the uninsured motorist and underinsured motorist coverages. Losses are identified as either uninsured motorist or underinsured motorist losses.

No-fault coverage is an approach for compensating automobile accident victims where each party collects medical expenses, wage loss and other services from his or her own insurer regardless of fault. Experience for no-fault coverage (Personal Injury Protection, or PIP) is collected for each state with a no-fault requirement and is included in the statistical compilation.

Physical damage coverage pays for losses resulting from damage to or theft of a covered automobile. Basic coverages include collision and other than collision (comprehensive).

#### **5.4 Timeframes for Reports from Statistical Agents to Regulators**

Statistical agents shall distribute standard private passenger automobile annual reports described in this section 15 months after the end of the calendar or accident year. (This time lag allows for loss evaluation and statistical agent processing and compilation.)

#### **5.5 List of the Data Items Reported by Insurers to Statistical Agents**

The minimum data items required for private passenger automobile reporting are detailed in the following material. Reporting requirements include:

Premium reporting:

1. Company Identifier
2. Type of Business
3. Dates and Amounts of Premiums and Exposures
4. State
5. ZIP Code or Territory
6. Class Group
7. Coverage Identifier

Additional Detail for Loss reporting:

8. Amount of Loss
9. Year of Loss
10. Type of Loss
11. Excess Loss Reports

Reports by insurers to statistical agents shall be made periodically or continuously as losses are reported, developed and are paid. At a minimum, such reports must include evaluations of losses as follow:

- Liability Bodily Injury and UM/UIM – Reports shall be made as of 15, 27, 39, 51 and 63 months.

- Liability – Property Damage – Reports shall be made as of 15, 27 and 39 months.
- Medical Payments – Reports shall be made as of 15, 27 and 39 months.
- No-Fault – Reports shall be made as of 15, 27, 39, 51 and 63 months.
- Physical Damage – Paid and case-basis unpaid losses shall be reported as of year-end. (This allows statistical agents to report calendar year incurred losses on a basis very similar to the Annual Statement Exhibit of Premiums and Losses (Statutory page 14). The difference will be that the unpaid losses used by statistical agents will be undeveloped case-basis losses, while unpaid losses used for the Annual Statement are developed losses that include IBNR.)

## 5.6 Description of the Data Items

### 1. Company Identifier

Experience is to be reported separately for each insurer. Statistical agents are required to convert their internal company numbers to NAIC group and company code numbers if a state requests this in conjunction with a special report. (No standard reports provide insurer-specific information.)

### 2. Type of Business

- Voluntary
- Residual

### 3. Dates and Amounts of Premiums and Exposures

Written premiums and exposures (written car months where applicable and meaningful) shall be reported by policy period and accounting/calendar year. At a minimum, statistical agents shall collect data for 6-month policies separately from those for other policy terms (generally presumed to be 12-month policies). Earned premiums and exposures may then be estimated for reports to regulators.

### 4. State

Experience is to be reported using a state code applicable to the principal place of garaging.

### 5. ZIP Code or Territory

The *Handbook* considers ZIP code reporting as the standard reporting requirement. The ZIP codes to be reported are the 5-digit ZIP code of the garaging address of the insured vehicle. (Explanatory note – for states and statistical agents that have not adopted *Handbook* requirements or ZIP code reporting, data is customarily available for the territories that had been in use prior to the time of reporting by the state's major private passenger advisory organization.) ZIP code or territory are not required for miscellaneous personal vehicles.

6. Class Group

All coverages, except for uninsured and underinsured motorist coverages, are to be reported by class group as follows.

A. Voluntary Risks

- 1 – No male driver under 25; non-business use
- 1F – No male driver under 25; Farm use
- 1A – No male driver under 25; non-business use; non-farm; no driving to work
- 1B – No male driver under 25; non-business use; drives to work - limited number of miles each way
- 1C – No male driver under 25; non-business use; drives to work - over a limit of miles each way
- 1D – No male driver under 25; non-business use, drives to work - no distance restriction
- 3 – No male driver under 25; business use
- 2 – Driver under 25; business and non-business use
- 2A – Male driver under 25; business and non-business use; married; or single male not owner or principal driver
- 2B – Married male driver under 25; business and non-business use
- 2C – Unmarried male driver under 25; business and non-business; owner or principal driver
- 2D – Female driver under 25
- 2E – Single male operator age 25-29 inclusive; owner or principal operator
- Sr. Citizen – Operator age 65 and over
- All Other PPNF – No class plan or other class plan used; military post coverage, all other private passenger cars

B. Assigned Risks

Utilize state assigned risk classification plans.

C. Miscellaneous Personal Vehicles (including motorcycles)

7. Coverage Identifier

- Bodily Injury
- Property Damage
- Bodily Injury and Property Damage written with a single indivisible premium
- Indivisible Premium Policies
- Medical Payments
- No-Fault - where applicable
- Uninsured Motorist (UM) and Underinsured Motorist (UIM). These are to be reported separately except when combined with an indivisible premium.
- Physical Damage:
  - Collision Coverages
  - Comprehensive Coverages
  - All Other Physical Damage including indivisible premium policies

8. Amount of Deductibles

Deductible amounts are to be reported to the statistical agent for:

- Collision
- Comprehensive
- All other physical damage coverages

### Additional Detail for Loss Reporting

The matching exposure detail provided in this section of the *Handbook* shall be reported with each loss. In addition, the following elements of detail shall be provided:

9. Amount of Loss

- Paid losses
- Case-basis outstanding losses
- Paid and outstanding allocated loss adjustment expenses are reported for liability coverages only. Such expenses and reserves shall be reported, whenever practicable, using definitions consistent with definitions used for financial reporting.

Losses are to be reported net as to third party recoveries (salvage and subrogation).

10. Claim Count

- Number Paid
- Number Outstanding



Note on claim counting: It is recognized that insurer practices differ relating to the counting of claims. Some insurers count claims on a per-accident basis, while others count claims on a per-claimant basis. Either basis of counting is allowable, subject to the following provisions:

- Insurers shall notify their statistical agent of the basis of counting that they use, and they shall notify the statistical agent whenever this basis of counting is changed.
- A claimant-based counting method is considered preferable. Whenever a system rewrite, merger or other major event offers an insurer or group the opportunity to move to claimant-based reporting without a significant additional expenditure simply to change the reporting basis, the insurer or group is encouraged to change to claimant-based reporting.
- So that data may be provided for the excess loss exhibits described in this section, insurers that utilize claimant-based reporting must be able to identify multiple claimants arising from the same accident for those coverages involving a separate per-accident limit.
- Insurers that utilize accident-based reporting must be able to break out data for individual claimants for the excess loss exhibits described in this section.

#### 11. Year of Loss

The year of the loss occurrence shall be reported.

#### 12. Type of Loss

##### Liability:

- Bodily Injury
- Property Damage
- Medical Payments
- UM/UIM - by ZIP Code or territory for all classes combined
- All other

##### No-Fault for paid losses:

- Medical expenses
- Loss of income
- All other

For no-fault outstanding losses, statistical agents may choose to collect the total of all types, or they may choose to collect them in detail.

##### Physical Damage:

- Collision
- Comprehensive
  - Fire and explosion
  - Theft
  - Glass – when the only loss is damaged glass



- Personal effects
- Malicious mischief and vandalism
- Windstorm, hail, and water damage (except from floods and rising waters)
- Flood and rising waters
- Earthquake
- All other causes

### 13. Excess Limits Losses

Separately for losses reported under bodily injury liability, property damage liability and uninsured motorist coverages, insurers shall identify each individual accident / coverage combination that involves paid and undeveloped unpaid losses that, either alone or combined with other losses for the same coverage arising out of the same accident, exceed the applicable state financial responsibility limits. For every such accident / coverage combination that is identified, the insurer shall report individual losses in the full detail required by the Handbook on a claimant basis and shall, in addition, report individual accident/coverage identifiers so that the statistical agent may combine the losses for multiple claimants involved in the same accident.

Please note that this may involve little or no additional reporting for some insurers. Insurers that already report individual losses on a claimant basis will only need to report accident identifiers for excess limits losses. With some statistical agents, insurers that report on a claimant basis may report accident / coverage identifiers for all losses, in which case no additional reporting will be due for excess limits losses (as the statistical agent will be able to identify and aggregate excess losses without additional information).

## 5.7 **Standard and Customized Reports for Regulators**

The data collected by statistical agents can be reported to regulators in a variety of formats. The pages that follow show standard report formats that statistical agents will use on a regular basis. These formats can be altered or specialized reports can be generated upon request, as long as the data necessary is contemplated by the data elements listed in this section. For instance, paid development triangles can be generated for bodily injury and property damage liability, but this will only be upon the request of the regulator.

### 1. Coverage Report

The coverage report provides three accident years of data for liability and no-fault coverages and three calendar years of data for physical damage coverages. The coverage report includes:

- Bodily Injury
- Property Damage
- Policies providing BI and PD Liability (only) for a Single Indivisible Premium
  - Premiums: BI and PD are combined
  - Losses: BI and PD are shown separately
- Other Indivisible Premium Policies
- Medical Payments (non no-fault states only)

- No-fault (Personal Injury Protection – PIP) (where applicable)
- Uninsured/Underinsured Motorist
  - Premiums: UM/UIM combined
  - Losses: UM-BI, UM-PD, UIM-BI, UIM-PD separately
- Physical Damage
  - Comprehensive: Full Coverage, \$50 ded., \$100 ded., \$200 ded., \$250 ded., \$500 ded., \$1,000 ded., all other deductibles combined.
  - Collision: \$50 ded., \$100 ded., \$200 ded., \$250 ded., \$500 ded., \$1,000 ded., all other deductibles combined.

The coverage report will be provided on a statewide basis. Countrywide totals are available on request. Voluntary market and residual market data will be produced separately. Miscellaneous vehicles will be shown separately from private passenger automobile.

Exposures (car years) and premiums are shown on an earned basis. Losses are shown on an incurred basis and include those allocated loss adjustment expenses for which the insurer has consistent transaction records on a claim-by-claim basis and is able to report such expenses on a consistent basis to the statistical agent. Incurred claim counts are also shown.

The coverage report separates incurred losses for bodily injury and property damage coverages into basic limit and excess limit components. The basic limit component will be shown at the statutory financial responsibility limits unless otherwise requested by a state. All other coverages will be provided at total limits. Excess limits losses reflect any losses above the basic limit. The report shows bodily injury liability, UM/UIM and PIP losses and claim counts with projected development to a minimum maturity of 63 months. The report shows property damage liability and medical payments experience developed to a minimum maturity of 39 months. The report shows physical damage losses on a modified “calendar year” basis (that is slightly different than that used for Annual Statement Exhibit of Premiums and Losses (Statutory page 14)), where the incurred losses are the paid losses for the reporting period, plus or minus any increase or decrease in total case-basis reserves from the start of the period to the end of the period. A statistical agent that collects the data necessary to estimate physical damage loss development may, if it so chooses, produce physical damage reports in which losses are reported on a developed accident year basis.

## 2. Territory / ZIP Code Report (Not applicable to miscellaneous personal vehicles)

This report provides three years of premium, exposure and loss data by territory or ZIP Code as follows:

- For states that have adopted the *Handbook's* data reporting requirements including ZIP code reporting: The statistical agent shall provide reports with ZIP code groupings in accordance with specifications agreed to by the regulator at the time the report is developed. (This allows states to group data into territories that are consistent with current industry practices. It also allows a state to request a report by individual ZIP Code, but it is recommended that all but very simple reports by ZIP be made in an electronic format owing to the volume of paper necessary for such reports to be printed.)

- For states that have not adopted the *Handbook's* data reporting requirements including ZIP code reporting: Consistent treatment of territorial reporting will depend on whether the rating territories used by insurers are consistent, both between competing insurers and over time. This will often not be the case. Although statistical agents attempt to collect data from insurers with the territorial detail that is commonly available and/or that they perceive will meet the needs of the regulator, there is no assurance that this will always be possible. In general, the territorial groupings available from statistical agents will be those that were commonly used prior to the time of writing by an advisory organization.

The following specific coverages will be shown by territory:

- Bodily Injury
- Property Damage
- Medical Payments (except in no-fault states)
- No-fault (Personal Injury Protection – PIP) (where applicable)
- Uninsured/Underinsured Motorist
  - Premiums: UM/UIM combined
  - Losses: UM-BI, UM-PD, UIM-BI, UIM-PD separately
- Physical Damage
  - Comprehensive: Full Coverage, \$50 ded., \$100 ded., all other deductibles combined.
  - Collision: \$100 ded., \$200 ded., \$250 ded., all other deductibles combined.

Earned exposures, earned premiums, incurred losses and incurred claim counts will be provided in the same manner as specified in the coverage report.

## Optional Trend Data Report

### Private Passenger Automobile Experience

For a state that determines that quarterly trend data are needed, the format outlined below is recommended. Quarterly trend data would be available on a prospective basis only. Each state should determine their own market share thresholds for companies required to report trend data. This report is not applicable to miscellaneous personal vehicles.

#### DATA ITEMS

1. Company Identifier

Experience is to be reported by the company number assigned by the statistical agent. Note: Statistical agents will be required to convert company numbers to NAIC group and company code numbers, if requested.

2. Type of Business

- Voluntary
- Residual

3. Transaction Identifier and Amounts

Identify the following items and the respective amounts:

- Paid Losses (Basic and Excess Limits for Bodily Injury, Property Damage and UM/UIM Coverages)
- Outstanding Losses (Basic and Excess Limits for Bodily Injury, Property Damage and UM/UIM Coverages)

4. Experience Period

The experience period is calendar quarter.

5. State Indicator

Experience is to be reported by the state code applicable to the principal place of garaging.

6. Coverage Identifier

- Bodily Injury
- Property Damage
- Medical Payments
- Uninsured Motorists/Underinsured Motorists
- No-Fault - where applicable
- Collision
- Comprehensive

Note: For Collision and Comprehensive coverages, states may specify which deductibles they would like to have reported.

7. Exposure

The exposure base is written car months.

8. Claim Count

- Number paid
- Number outstanding

