

LOSS COSTS – IMPLEMENTATION

NOVEMBER 22, 2021

COMMERCIAL AUTOMOBILE

LI-CA-2021-357

TENNESSEE REVISED UNINSURED MOTORISTS COVERAGE (INCLUDES UNDERINSURED MOTORISTS COVERAGE) LOSS COSTS FILED AND TO BE IMPLEMENTED

KEY MESSAGE

We have filed revisions to the Tennessee Uninsured (Includes Underinsured) Motorists Loss Costs under ISO Filing Designation CA-2021-RUMLC and are implementing these revisions.

UPGRADED TO WORD AND EXCEL DOCUMENTS

As previously noted, ISO is implementing changes to our authoring and delivery systems so that **newly created** documents will be delivered in Office 365 .docx/.xlsx format to be phased in by product/service. In addition to **form** documents, we are pleased to announce that during the third quarter 2021, you will be receiving **circular cover letter** and **Notice To Manualholders (NTM)** documents in .docx format delivered/accessed via Circulars, CLM, EFD, ERC, Filings, FIRST, Forms Library, PRM and Suite +. Changes continue for other document types to be phased in by product/service. Products impacted include, but are not limited to, documents delivered/accessed via Circulars, CLM, EFD, ERC, Filings, FIRST, Forms Library (including PolicyWriting Support Forms Instructional Supplement), PRM, Statistical Plans and Suite +.

BACKGROUND

TENN. CODE ANN. § 56-7-1201 provides, in part, "The limit of liability for an insurer providing uninsured motorist coverage under this section is the amount of that coverage as specified in the policy less the sum of the limits collectible under all liability and/or primary uninsured motorist insurance policies, bonds, and securities applicable to the bodily injury or death of the insured".

Currently, Tennessee has a damages reduction for Underinsured Motorists Bodily Injury and Property Damage Coverage. With this type of reduction, Underinsured Motorists Coverage acts as "excess" coverage, in that the full Underinsured Motorists limits are available in addition to any amounts received from the tortfeasor.

ISO ACTION

To align more closely with TENN. CODE ANN. § 56-7-1201, we have:

- Revised the Uninsured (includes Underinsured) Motorists Bodily Injury single and split loss costs to reflect a limits reduction; and
- Filed these revisions with the Tennessee Insurance Department under ISO Filing Designation Number CA-2021-RUMLC.

We are implementing CA-2021-RUMLC. Refer to the attached explanatory material for complete details about the filing.

EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all policies written on or after April 1, 2022.

This effective date applies only to those insurers who have filed their Commercial Auto loss cost adjustments to be automatically applicable to future ISO loss cost revisions.

COMPANY ACTION

You must independently determine the final rates you will use. The action, if any, you must take in response to this filing is dependent upon how you filed to have your loss cost adjustments apply to subsequent revisions of ISO loss costs. Any submission you make with respect to this revision must comply with applicable regulatory filing requirements.

For guidance on submission requirements, consult the ISO State Filing Handbook.

WE WILL SUBMIT OUR REFERENCE FILING TO THE INSURANCE DEPARTMENT ON MARCH 1, 2022. ANY SUBMISSION YOU MAY MAKE WITH THE INSURANCE DEPARTMENT WITH RESPECT TO THIS FILING SHOULD NOT BE SUBMITTED PRIOR TO THIS DATE.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Filing Number CA-2021-RUMLC, NOT this circular number.

CAUTION: This reference filing revises only certain advisory prospective loss costs for Commercial Auto in this state. In determining whether or not to revise your rates, you should consider the application of your loss cost adjustments to any loss costs not included in this revision.

RATING SOFTWARE IMPACT

New attributes being introduced with this revision:

- The current Uninsured Motorists Coverage loss costs are being revised.

POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2021-004](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 4-22 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

RELATED FORMS REVISION

We are announcing in a separate circular the implementation of a corresponding forms revision. Please refer to the Reference(s) block for identification of that circular.

REFERENCE(S)

- [LI-CA-2021-358](#) (11/22/2021) Tennessee Revised Uninsured Motorists Coverage Endorsement To Be Implemented; Effective Date Information Updated
 - [LI-CL-2021-004](#) (02/17/2021) Revised Lead Time Requirements Listing
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ATTACHMENT(S)

Filing [CA-2021-RUMLC](#).

FILES AVAILABLE FOR DOWNLOAD

To download all files associated with this circular, including attachments in the full circular PDF and/or any additional files not included in the PDF, search for the circular number on [ISOnet Circulars](#). Then click the Word/Excel link under the Full Circular column on the Search Results screen.

Please note that in some instances, not all files listed in the Attachment(s) block (if applicable) are included in the PDF.

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ACKNOWLEDGMENT OF ACTUARIAL QUALIFICATIONS

The American Academy of Actuaries' "Qualifications Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" requires that an actuary issuing a Statement of Actuarial Opinion should include an acknowledgment with the opinion that he/she has met the qualification standards of the AAA. ISO considers this loss cost filing a Statement of Actuarial Opinion; therefore, we are including the following acknowledgment:

I, Gary Kilb, am a Senior Actuarial Manager for ISO and I, Rebecca Gordon, am an Actuarial Associate for Commercial Auto for ISO. We are jointly responsible for the content of this Actuarial Opinion. We are both members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

CONTACT INFORMATION

If you have any questions concerning:

- The actuarial content of this circular, please contact:
Rebecca Gordon
Actuarial Operations
201-469-2623
autoactuarial@verisk.com
Rebecca.Gordon@verisk.com
- The non-actuarial content of this circular, please contact:
Ju'Coby Hendrick
Auto, Compliance And Product Services
201-469-2694
auto@verisk.com
JuCoby.Hendrick@verisk.com
- Other issues for this circular, please contact Customer Support:
E-mail: info@verisk.com
Phone: 800-888-4476

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Tennessee Uninsured Motorists Coverage (Includes Underinsured Motorists Coverage) Loss Costs Revised

About This Filing

This filing revises Tennessee Uninsured (Includes Underinsured) Motorists loss costs to more closely align with TENN. CODE ANN. § 56-7-1201.

Revised Loss Costs

We are revising the following advisory prospective loss costs:

- ◆ Single Limits Uninsured (Includes Underinsured) Motorists Bodily Injury Coverage Loss Costs
- ◆ Single Limits Uninsured (Includes Underinsured) Motorists Bodily Injury and Property Damage Coverage Loss Costs
- ◆ Split Limits Uninsured (Includes Underinsured) Motorists Bodily Injury Coverage Loss Costs

We have used a format of ~~striking-through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

Background

Currently, Tennessee Commercial Auto loss costs reflect a damages reduction for Underinsured Motorists Bodily Injury and Property Damage Coverage. With this type of reduction, Underinsured Motorists coverage acts as "excess" coverage, in that the full Underinsured Motorists limits are available in addition to any amounts received from the tortfeasor.

TENN. CODE ANN. § 56-7-1201 provides, in part, "The limit of liability for an insurer providing uninsured motorist coverage under this section is the amount of that coverage as specified in the policy less the sum of the limits collectible under all liability and/or primary uninsured motorist insurance policies, bonds, and securities applicable to the bodily injury or death of the insured."

Explanation of Changes

To align more closely with TENN. CODE ANN. § 56-7-1201, we are revising the Uninsured (Includes Underinsured) Motorists Bodily Injury single and split loss costs to reflect a limits reduction. Under a limits reduction, Underinsured Motorists coverage acts as a "fill-in" coverage, in that the insured's total recovery from all sources (i.e. payments from the tortfeasor and the tortfeasor's insurer, plus any Underinsured Motorists coverage payment) may equal but not exceed the maximum limit for Underinsured Motorists Coverage under the policy. The Underinsured Motorists Property Damage loss costs continue to reflect a damages reduction.

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Company Decision

We encourage each insurer to decide independently whether the judgments made and the procedures or data used by ISO in developing the enclosed advisory prospective loss costs are appropriate for its use. Some calculations included in this filing involve areas of ISO staff judgment. Each insurer should carefully review and evaluate its own experience in order to determine whether the ISO advisory prospective loss costs are appropriate for its use.

The material has been developed exclusively by the staff of Insurance Services Office, Inc.

97. UNINSURED MOTORISTS INSURANCE

Uninsured Motorists Bodily Injury		
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ 65,000	\$ 16.6919.39	\$ 11.0212.77
100,000	21.1523.18	13.9415.26
125,000	23.7428.68	15.6518.86
150,000	26.3130.66	17.3220.15
200,000	30.9634.39	20.3622.59
250,000	34.3737.14	22.5924.38
300,000	37.4340.01	24.5926.27
350,000	39.6542.65	26.0427.99
400,000	42.1544.39	27.6729.12
500,000	45.0747.18	29.5830.95
600,000	47.7649.98	31.3332.78
750,000	51.0052.78	33.4534.61
1,000,000	54.7656.01	35.9136.72
1,500,000	60.3561.87	39.5640.55
2,000,000	63.7564.76	41.7842.43
2,500,000	66.3867.13	43.4943.98
3,000,000	67.9868.87	44.5345.11
5,000,000	72.7673.30	47.6648.01
7,500,000	76.0076.63	49.7650.18
10,000,000	78.1778.37	51.1951.32

Table 97.B.1.a.(LC) Single Limits Uninsured (Includes Underinsured) Motorists Bodily Injury Coverage Loss Costs

Uninsured Motorists Bodily Injury And Property Damage		
Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ 65,000	\$ 19.2821.98	\$ 13.6315.38
100,000	23.7425.77	16.5517.87
125,000	26.3331.27	18.2621.47
150,000	28.9033.25	19.9322.76
200,000	33.5536.98	22.9725.20
250,000	36.9639.73	25.2026.99
300,000	40.0242.60	27.2028.88
350,000	42.2445.24	28.6530.60
400,000	44.7446.98	30.2831.73
500,000	47.6649.77	32.1933.56
600,000	50.3552.57	33.9435.39
750,000	53.5955.37	36.0637.22
1,000,000	57.3558.60	38.5239.33
1,500,000	62.9464.46	42.1743.16

2,000,000	66.3467.35	44.3945.04
2,500,000	68.9769.72	46.1046.59
3,000,000	70.5771.46	47.1447.72
5,000,000	75.3575.89	50.2750.62
7,500,000	78.5979.22	52.3752.79
10,000,000	80.7680.96	53.8053.93

Table 97.B.1.b.(LC) Single Limits Uninsured (Includes Underinsured) Motorists Bodily Injury And Property Damage Coverage Loss Costs

Uninsured Motorists Bodily Injury		
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ 25,000/50,000	\$ 11.12	\$ 7.36
50,000/100,000	15.8817.00	10.4911.23
100,000/300,000	23.2125.04	15.2916.46
250,000/500,000	35.7638.17	23.4925.06
500,000/1,000,000	45.8348.58	30.0831.86
1,000,000/2,000,000	55.4957.90	36.3937.95
2,500,000/5,000,000	66.5867.68	43.6344.34
5,000,000/10,000,000	73.3973.74	48.0848.29

Table 97.B.1.c.(LC) Split Limits Uninsured (Includes Underinsured) Motorists Bodily Injury Coverage Loss Costs

Uninsured Motorists Property Damage		
Property Damage Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ 15,000	\$ 2.45	\$ 2.83
25,000	3.70	3.73
50,000	6.30	5.50
100,000	11.67	9.06

Table 97.B.1.d.(LC) Split Limits Uninsured (Includes Underinsured) Motorists Property Damage Coverage Loss Costs

Loss Cost
\$ 1.25

Table 97.B.2.a.(4)(LC) Individual Named Insured Loss Cost

COMMERCIAL AUTOMOBILE
UNINSURED/UNDERINSURED MOTORIST COVERAGE

Bodily Injury Underinsured Motorists (UIM) loss costs are being revised in this filing to reflect a limits reduction, rather than a damages reduction as had previously been used in Tennessee. Since historical losses were based on a damages reduction and information on the underlying tortfeasor's limit is not available, it is necessary to utilize a model to produce the revised BI UIM loss costs. The same model and factors that were presented in CA-2014-RHLLC and CA-2010-BRLA1 are being used to calculate the model-based BI UIM loss costs with a limits reduction in Step 1 below.

In the CA-2018-BRLA1 filing, a -41.2% decrease was filed to the damages reduction BI UIM loss costs from CA-2014-RHLLC and CA-2010-BRLA1 based on an experience review of reported data with a damages reduction. It is assumed that an experience review of limits reduction reported data would indicate a similar decrease. Since limits reduction data is not available, we are applying a -41.2% decrease to the model-based BI UIM loss costs calculated in Step 1 in order to obtain the final revised loss costs in Step 2.

The Uninsured Motorists (UM) and Property Damage (PD) loss costs are not being revised in this filing. When combined UM and UIM loss costs are revised, it is only the UIM portion of the loss cost that is changing.

Step 1: Model-Based Limits Reduction UIM Loss Costs

Underinsured Motorist (UIM) Coverage

The UIM bodily injury loss cost at a given policy limit “k” (UIMBI (k)) is

$$(1 - \%UMf) * (\sum(WT(g) * CSL(g) * \%BI(g) * R(k,g))) * WC$$

where

%UMf represents the percent of uninsured vehicles in the state. Therefore, 1 - %UMf represents the percentage of vehicles that are insured. Only an accident caused by an insured driver can trigger a UIM claim. The UM claim frequency is calculated from Private Passenger Automobile data. (This information was not available for Texas, so the estimated percentage of uninsured motorists in Texas from a 2009 IRC study was used instead.) This is the same ratio of UM to BI claim frequencies used in the UM ratemaking procedure.

- WT (g) is the weight assigned for vehicle type “g”. The analysis examines each of the same five tortfeasor vehicle groups analyzed in the UM ratemaking procedure.
- CSL is the average \$100,000 CSL loss cost for vehicle type “g”.
- %BI (g) is the portion of the average CSL charge that is for bodily injury coverage. This represents the percent of losses that are bodily injury (BI) losses for vehicle type “g”.
- R (k,g) is the Reduction Factor at policy limit “k” for vehicle type “g”.

WC is a factor that recognizes that Workers Compensation insurance pays first in many UIM claim situations.

The product of these values represents an average overall UIMBI loss cost for Trucks, Tractors & Trailers and Private Passenger Types combined. The UIMBI loss cost for each of these individual classes is given by

$$UIMBI(k) * RC$$

- RC is the relative cost that models the difference in exposure between Trucks, Tractors & Trailers and Private Passenger Types.

Percent BI

The portion of the average CSL charge that is bodily injury coverage is determined from the distribution of bodily injury and property damage losses (incl. ALAE) in this state. The BI losses and ALAE are expressed as a percentage of the total BI and PD basic limit losses and ALAE for Trucks, Tractors & Trailers and Private Passenger Types, respectively, for all years included in the liability statewide rate level calculation. All losses are trended, developed to an ultimate basis, and loaded for unallocated loss adjustment expenses (ULAE). The Trucks, Tractors & Trailers percentage is used for all types of Trucks, Tractors & Trailers. For personal autos, the 'Percent BI' field is not necessary (will be equal to one) since the CSL used for these autos actually is the bodily injury only single limit loss cost rather than the bodily injury and property damage combined single limit as used for the other four vehicle types.

Reduction Factor

The reduction factor $R(k,g)$ serves to express the UIM loss exposure as a portion of the full liability loss cost. In effect, the UIM coverage provides insurance for the layer in excess of the tortfeasor's liability limits.

For the Underinsured motorists coverage, the UIM coverage becomes available to the claimant only when the UIM limit purchased exceeds the limit of the liability coverage of the tortfeasor ('at-fault' driver). Once the UIM coverage is triggered, payment is provided on a 'limits reduction' basis, i.e. once the liability coverage of the tortfeasor is exhausted, the amount of UIM coverage available is reduced by the liability limit of the tortfeasor. Therefore, the tortfeasor's liability payment is subtracted from the UIM limit so that the limit of UIM purchased is the most the insured can receive.

The limits reduction factor for a selected tortfeasor type of vehicle and limit is calculated as a weighted average of the differences between the increased limits factors (shown in Exhibit 1) for the selected UIM limit and the increased limits factor for the actual limit of the tortfeasor (the weights are the distribution of policy limits purchased by the population driving the selected type of vehicle).

The limits reduction factor is calculated for each of the five vehicle types listed earlier.

For example, to calculate the \$1,000,000 limits reduction factor for Light Trucks, Tractors & Trailers bodily injury, the differences in the increased limits factors between the amount of UIM coverage and the policy limit of the tortfeasor are averaged over the policy limit distribution. At this \$1,000,000 UIM limit, an average of the increased limit factor differences for tortfeasor policy limits up to but not including \$1,000,000 is computed. For example, if the tortfeasor has a \$100,000 limit, and the driver covered by UIM has a \$1,000,000 limit, the amount of \$1,000,000 UIM coverage available is reduced by the tortfeasor's liability limits (\$100,000).

The increased limit factor for the \$100,000 limit is 1.00 while the increased limit factor for the \$1,000,000 is 1.75. The difference between these increased limit factors is

$$1.75 - 1.00 = 0.75$$

The differences in the increased limit factors for the other possible limits purchased are calculated in the same manner. Finally, each of these differences is weighted together using the multistate percentage of drivers purchasing each limit of liability coverage. This weighted average will produce the reduction factor for the \$1,000,000 UIM limit for accidents with tortfeasors driving a particular vehicle type. The percentage of drivers purchasing each liability limit for each type of vehicle are shown in Exhibit 2. We use a state group distribution of liability limits for Private Passenger Types and all Trucks, Tractors & Trailers, and state specific distributions for personal automobiles. The development of the limits reduction factor for \$1,000,000 of UIM coverage from accidents with a tortfeasor driving a light truck is shown in Exhibit 3, Sheet 1. Similar factors for each potential tortfeasor vehicle type are provided on Exhibit 3, Sheet 2 for various UIM limits.

Workers Compensation Factor - WC

The Workers' Compensation offset factor (WC) is necessary because, for commercial policies, Workers' Compensation is the primary coverage that would be utilized if an employee were injured on the job. This factor is estimated by comparing two methods of calculating UM loss costs. The first method, based on pure premium ratios, is from the UM ratemaking procedure, discussed earlier. It is also possible to develop UM loss costs via a procedure analogous to the current UIM procedure. Specifically:

$$UM = \%UMf * \sum(WT(g) * CSL(g) * \%BI(g)) * WC$$

This calculation is performed at the basic limit. The formula starts with averaging CSL liability loss cost at the basic limit, converted to a BI-only basis, over our five groups of vehicles. The result is then reduced by multiplying by the percentage of uninsured motorists in the state. This recognizes that only accidents with an uninsured motorist will trigger a claim. The remaining term is the Worker's Compensation offset. By replacing the left side of the above formula with the UM loss cost derived via the pure premium ratios, it is possible to solve for the average Workers' Compensation offset. Actually, since the pure premium ratio method is developed separately for Trucks, Tractors & Trailers and Private Passenger Types, it is necessary to weight these separate results together to derive an average Commercial Auto UM loss cost.

A Workers' Compensation factor based on a weighted average of multistate data comes out to 0.535. Last review used a factor of 0.750. A workers' compensation factor of 0.600 has been selected.

Relative Cost Factor - RC

The calculation to this point focuses on the average 'inverse liability' of another driver being involved in an accident with the UIM insured. However, we can adjust this average to reflect the differences between Trucks, Tractors & Trailers and Private Passenger Types UIM insureds. In an identical accident situation, a large, heavier vehicle will protect its occupants better than a small, lighter vehicle. In addition, drivers of Trucks, Tractors & Trailers are more likely to be using their vehicles in business operations than drivers of private passenger type vehicles. These drivers are, therefore, more likely to have any UIM-type losses covered by workers compensation insurance. Both of these effects would cause one to expect Trucks, Tractors & Trailers UIM loss costs to be less than those of Private Passenger Types. These same factors should also affect UM loss costs. Based on multistate data, we looked at the ratio of Trucks, Tractors & Trailers UM loss costs to Private Passenger Types UM loss costs. This ratio is the relative cost (RC) factor and it is approximately 0.65.

The calculation of the final Private Passenger Types and Trucks, Tractors & Trailers UIM loss costs follows from:

$$\text{UIMBI}(k) = \text{UIMBI}(\text{PP},k) * W_t(\text{PP}) + \text{UIMBI}(\text{TTT},k) * W_t(\text{TTT})$$

and

$$\text{UIMBI}(\text{TTT},k) = \text{UIMBI}(\text{PP},k) * \text{RC}$$

Substituting for UIMBI(TTT,k) and solving for UIMBI(PP,k), we get

$$\text{UIMBI}(\text{PP},k) = (\text{UIMBI}(k) / [\text{RC} * W_t(\text{TTT}) + W_t(\text{PP})])$$

or

$$\text{UIMBI}(\text{PP},k) = \frac{\text{UIMBI}(k) * (\text{Exposures}(\text{TTT}) + \text{Exposures}(\text{PP}))}{((\text{RC} * \text{Exposures}(\text{TTT})) + \text{Exposures}(\text{PP}))}$$

and

$$\text{UIMBI}(\text{TTT},k) = \text{RC} * \text{UIMBI}(\text{PP},k)$$

Step 2: Results of Experience Review Applied to Model-Base UIM Loss Costs

TENNESSEE
Commercial Automobile
Bodily Injury Single Limits Uninsured and Underinsured Motorists Loss Costs

Private Passenger Types

(1) (2) (3) = (2) * 0.588 (4) =
(1) + (3)

Limits Reduction

	<u>BI</u>	<u>BI UM</u>	<u>Model-based BI</u>	<u>BI UIM Loss Cost</u>	<u>Revised</u>
	<u>Limits</u>	<u>Loss Cost</u>	<u>UIM Loss Cost</u>	<u>reflecting</u>	<u>Combined</u>
				<u>Experience Review</u>	<u>UM + UIM</u>
					<u>Loss Cost</u>
\$	65,000	14.57	3.60	2.12	16.69
	100,000	16.69	7.58	4.46	21.15
	125,000	17.79	10.12	5.95	23.74
	150,000	18.68	12.97	7.63	26.31
	200,000	20.25	18.21	10.71	30.96
	250,000	21.36	22.13	13.01	34.37
	300,000	22.25	25.82	15.18	37.43
	350,000	22.91	28.47	16.74	39.65
	400,000	23.69	31.40	18.46	42.15
	500,000	24.58	34.85	20.49	45.07
	600,000	25.37	38.07	22.39	47.76
	750,000	26.26	42.08	24.74	51.00
	1,000,000	27.26	46.77	27.50	54.76
	1,500,000	28.59	54.02	31.76	60.35
	2,000,000	29.25	58.68	34.50	63.75
	2,500,000	29.93	61.99	36.45	66.38
	3,000,000	30.38	63.95	37.60	67.98
	5,000,000	31.48	70.20	41.28	72.76
	7,500,000	32.27	74.37	43.73	76.00
	10,000,000	32.71	77.31	45.46	78.17

TENNESSEE
Commercial Automobile
Bodily Injury Single Limits Uninsured and Underinsured Motorists Loss Costs

Other Than Private Passenger Types

(1) (2) (3) = (2) * 0.588 (4) =
(1) + (3)

Limits Reduction

	BI Limits	BI UM Loss Cost	BI UIM Loss Cost		Revised Combined UM + UIM Loss Cost
			Model-based BI UIM Loss Cost	reflecting Experience Review	
\$	65,000	9.64	2.34	1.38	11.02
	100,000	11.04	4.93	2.90	13.94
	125,000	11.78	6.58	3.87	15.65
	150,000	12.36	8.43	4.96	17.32
	200,000	13.40	11.84	6.96	20.36
	250,000	14.13	14.38	8.46	22.59
	300,000	14.72	16.78	9.87	24.59
	350,000	15.16	18.51	10.88	26.04
	400,000	15.67	20.41	12.00	27.67
	500,000	16.26	22.65	13.32	29.58
	600,000	16.78	24.75	14.55	31.33
	750,000	17.37	27.35	16.08	33.45
	1,000,000	18.03	30.40	17.88	35.91
	1,500,000	18.92	35.11	20.64	39.56
	2,000,000	19.35	38.14	22.43	41.78
	2,500,000	19.80	40.29	23.69	43.49
	3,000,000	20.09	41.57	24.44	44.53
	5,000,000	20.83	45.63	26.83	47.66
	7,500,000	21.34	48.34	28.42	49.76
	10,000,000	21.64	50.25	29.55	51.19

TENNESSEE
Commercial Automobile
Bodily Injury and Property Damage Single Limits Uninsured and Underinsured Motorists Loss Costs

Private Passenger Types

(1) (2) (3) (4) = (3) * 0.588 (5) =
(1) + (2) + (4)

Limits Reduction

BI Limits	BI UM Loss Cost	PD UM + UM Loss Cost	Model-based BI UM Loss Cost	BI UM Loss Cost reflecting Experience Review	Revised Combined UM + UM Loss Cost
\$ 65,000	14.57	2.59	3.60	2.12	19.28
100,000	16.69	2.59	7.58	4.46	23.74
125,000	17.79	2.59	10.12	5.95	26.33
150,000	18.68	2.59	12.97	7.63	28.90
200,000	20.25	2.59	18.21	10.71	33.55
250,000	21.36	2.59	22.13	13.01	36.96
300,000	22.25	2.59	25.82	15.18	40.02
350,000	22.91	2.59	28.47	16.74	42.24
400,000	23.69	2.59	31.40	18.46	44.74
500,000	24.58	2.59	34.85	20.49	47.66
600,000	25.37	2.59	38.07	22.39	50.35
750,000	26.26	2.59	42.08	24.74	53.59
1,000,000	27.26	2.59	46.77	27.50	57.35
1,500,000	28.59	2.59	54.02	31.76	62.94
2,000,000	29.25	2.59	58.68	34.50	66.34
2,500,000	29.93	2.59	61.99	36.45	68.97
3,000,000	30.38	2.59	63.95	37.60	70.57
5,000,000	31.48	2.59	70.20	41.28	75.35
7,500,000	32.27	2.59	74.37	43.73	78.59
10,000,000	32.71	2.59	77.31	45.46	80.76

TENNESSEE
Commercial Automobile
Bodily Injury and Property Damage Single Limits Uninsured and Underinsured Motorists Loss Costs

Other Than Private Passenger Types

(1) (2) (3) (4) = (3) * 0.588 (5) =
(1) + (2) + (4)

Limits Reduction

	<u>BI</u>	<u>BI UM</u>	<u>PD UM + UM</u>	<u>Model-based BI</u>	<u>BI UM Loss Cost</u>	<u>Revised</u>
	<u>Limits</u>	<u>Loss Cost</u>	<u>Loss Cost</u>	<u>UM Loss Cost</u>	<u>reflecting</u>	<u>Combined UM +</u>
					<u>Experience Review</u>	<u>UM Loss Cost</u>
\$	65,000	9.64	2.61	2.34	1.38	13.63
	100,000	11.04	2.61	4.93	2.90	16.55
	125,000	11.78	2.61	6.58	3.87	18.26
	150,000	12.36	2.61	8.43	4.96	19.93
	200,000	13.40	2.61	11.84	6.96	22.97
	250,000	14.13	2.61	14.38	8.46	25.20
	300,000	14.72	2.61	16.78	9.87	27.20
	350,000	15.16	2.61	18.51	10.88	28.65
	400,000	15.67	2.61	20.41	12.00	30.28
	500,000	16.26	2.61	22.65	13.32	32.19
	600,000	16.78	2.61	24.75	14.55	33.94
	750,000	17.37	2.61	27.35	16.08	36.06
	1,000,000	18.03	2.61	30.40	17.88	38.52
	1,500,000	18.92	2.61	35.11	20.64	42.17
	2,000,000	19.35	2.61	38.14	22.43	44.39
	2,500,000	19.80	2.61	40.29	23.69	46.10
	3,000,000	20.09	2.61	41.57	24.44	47.14
	5,000,000	20.83	2.61	45.63	26.83	50.27
	7,500,000	21.34	2.61	48.34	28.42	52.37
	10,000,000	21.64	2.61	50.25	29.55	53.80

TENNESSEE
Commercial Automobile
Bodily Injury Split Limits Uninsured and Underinsured Motorists Loss Costs

Private Passenger Types

	(1)	(2)	(3) = (2) * 0.793	(4) = (1) + (3)
		Limits Reduction		
		UIM Loss Cost		
Split		Model-based UIM	reflecting	Revised
Limits	UM loss Cost	Loss Cost	Experience Review	Combined UM + UIM Loss Cost
25/50	11.12	0.00	0.00	11.12
50/100	14.12	2.99	1.76	15.88
100/300	17.58	9.58	5.63	23.21
250/500	21.80	23.74	13.96	35.76
500/1000	24.81	35.75	21.02	45.83
1000/2000	27.36	47.84	28.13	55.49
2500/5000	30.04	62.15	36.54	66.58
5000/10000	31.59	71.09	41.80	73.39

Other Than Private Passenger Types

	(1)	(2)	(3) = (2) * 0.793	(4) = (1) + (3)
		Limits Reduction		
		UIM Loss Cost		
Split		Model-based UIM	reflecting	Revised
Limits	UM loss Cost	Loss Cost	Experience Review	Combined UM + UIM Loss Cost
25/50	7.36	0.00	0.00	7.36
50/100	9.35	1.94	1.14	10.49
100/300	11.63	6.23	3.66	15.29
250/500	14.42	15.43	9.07	23.49
500/1000	16.41	23.24	13.67	30.08
1000/2000	18.10	31.10	18.29	36.39
2500/5000	19.87	40.40	23.76	43.63
5000/10000	20.91	46.21	27.17	48.08

Exhibit 1

Bodily Injury Increased Limits Factors

<u>Bodily Injury Limit</u>	<u>Personal Autos</u>	<u>Light and Medium Trucks, Tractors & Trailers</u>	<u>Heavy Trucks, Tractors & Trailers</u>	<u>Extra-Heavy Trucks, Tractors & Trailers</u>	<u>Private Passenger Types</u>	<u>Weighted Average</u>
\$ 60,000	1.27	1.25	1.29	1.29	1.27	1.27
65,000	1.31	1.29	1.33	1.32	1.30	1.31
100,000	1.50	1.46	1.53	1.55	1.49	1.50
125,000	1.60	1.55	1.65	1.67	1.59	1.60
150,000	1.68	1.63	1.74	1.78	1.68	1.68
200,000	1.82	1.77	1.90	1.97	1.82	1.82
250,000	1.92	1.87	2.03	2.12	1.93	1.92
300,000	2.00	1.96	2.14	2.25	2.02	2.00
350,000	2.06	2.04	2.23	2.37	2.10	2.06
400,000	2.12	2.11	2.32	2.47	2.17	2.13
500,000	2.20	2.22	2.46	2.66	2.29	2.21
600,000	2.26	2.31	2.58	2.82	2.37	2.28
750,000	2.34	2.42	2.73	3.02	2.48	2.36
1,000,000	2.42	2.56	2.92	3.28	2.60	2.45
1,500,000	2.53	2.73	3.17	3.63	2.77	2.57
2,000,000	2.59	2.85	3.33	3.86	2.87	2.63
2,500,000	2.64	2.93	3.44	4.02	2.94	2.69
3,000,000	2.68	2.99	3.53	4.14	3.00	2.73
5,000,000	2.77	3.14	3.75	4.45	3.14	2.83
7,500,000	2.83	3.24	3.91	4.66	3.24	2.90
10,000,000	2.87	3.31	4.01	4.79	3.30	2.94
25/50	1.00	1.00	1.00	1.00	1.00	1.00
50/100	1.27	1.25	1.29	1.29	1.27	1.27
100/300	1.58	1.54	1.62	1.65	1.57	1.58
250/500	1.96	1.92	2.09	2.19	1.98	1.96
500/1000	2.22	2.24	2.49	2.70	2.31	2.23
1000/2000	2.43	2.58	2.95	3.33	2.62	2.46
2500/5000	2.65	2.94	3.47	4.05	2.96	2.70
5000/10000	2.78	3.15	3.77	4.47	3.15	2.84

All factors assume a \$25,000 per person/\$50,000 per occurrence base split limit.

For the UIM calculations, these factors have been scaled to a \$100,000 per person/\$100,000 per occurrence base split limit.

Exhibit 2

Liability Policy Limit Distribution

<u>Single Limit</u>	Light and Medium Trucks, Tractors & <u>Trailers</u>	Heavy Trucks, Tractors & <u>Trailers</u>	Extra-Heavy Trucks, Tractors & <u>Trailers</u>	All Other Commercial <u>Autos</u>
50,000	0.38%	0.28%	0.23%	0.28%
75,000	0.27%	0.07%	0.01%	0.16%
100,000	2.33%	0.77%	0.19%	1.11%
250,000	0.20%	0.11%	0.05%	0.14%
300,000	5.35%	2.02%	0.75%	2.90%
400,000	0.27%	0.16%	0.08%	4.31%
500,000	11.07%	6.76%	7.63%	14.19%
750,000	0.72%	1.35%	1.22%	0.68%
1,000,000	69.45%	79.03%	81.22%	65.88%
1,500,000	0.06%	0.06%	0.09%	1.06%
2,000,000	9.90%	9.39%	8.53%	9.29%

<u>Split Limit</u>	Personal <u>Auto</u> (Tennessee)
25/50	21.40%
50/100	18.75%
100/100	2.62%
100/300	31.30%
250/500	8.82%
300/300	7.87%
500/500	8.25%
1000/1000	0.96%

The percentages for Private Passenger Types, and the three types of Trucks, Tractors & Trailers are calculated based on state group data. Personal Auto percentages are state specific.

Exhibit 3
Sheet 1 of 2

Derivation of the Limits Reduction Factor
For the \$1,000,000 Limit
Light Trucks, Tractors & Trailers

(1)	(2)	(3)	(4)	(5)	(6)
<u>BI Limit of</u> <u>At-Fault Driver</u>	<u>Percentage</u> <u>Purchasing</u>	<u>UIM Limit</u>	<u>ILF</u> <u>for (1)</u>	<u>ILF</u> <u>for (3)</u>	<u>(2) x</u> <u>{(5)-(4)}</u>
50,000	0.38%	1,000,000	0.81	1.75	0.004
75,000	0.27%	1,000,000	0.92	1.75	0.002
100,000	2.33%	1,000,000	1.00	1.75	0.017
250,000	0.20%	1,000,000	1.28	1.75	0.001
300,000	5.35%	1,000,000	1.35	1.75	0.021
400,000	0.27%	1,000,000	1.44	1.75	0.001
500,000	11.07%	1,000,000	1.52	1.75	0.025
750,000	0.72%	1,000,000	1.66	1.75	0.001
1,000,000	69.45%	No Coverage	----	----	----
1,500,000	0.06%	No Coverage	----	----	----
2,000,000	9.90%	No Coverage	----	----	----
	100.00%				0.072

(1) = The policy limits of the at-fault driver.

(2) = The policy limit distribution. For Trucks, Tractors & Trailers (all trucks) and Private Passenger Types, we have used a multistate distribution. For Personal Auto, statewide distributions have been used.

(3) = The UIM limit of the driver purchasing UIM with a \$1,000,000 limit.

(4) = Increased limits factor for column (1).

(5) = Increased limits factor for column (3).

(6) = Total summation of the weighted differences in column (6) for limits of \$50,000 through \$750,000; this is the Limits Reduction Factor for the \$1,000,000 limit.

Exhibit 3
Sheet 2 of 2

Reduction Factors

<u>Single Limit</u>	<u>Personal Auto</u>	<u>Private Passenger Types</u>	<u>Light Trucks, Tractors & Trailers</u>	<u>Heavy Trucks, Tractors & Trailers</u>	<u>Extra-Heavy Trucks, Tractors & Trailers</u>
65,000	0.047	0.000	0.000	0.000	0.000
100,000	0.099	0.000	0.001	0.000	0.000
125,000	0.132	0.001	0.002	0.001	0.001
150,000	0.169	0.001	0.005	0.001	0.001
200,000	0.237	0.004	0.007	0.004	0.002
250,000	0.288	0.006	0.009	0.005	0.002
300,000	0.336	0.007	0.011	0.005	0.002
350,000	0.370	0.009	0.016	0.007	0.003
400,000	0.408	0.011	0.019	0.008	0.003
500,000	0.452	0.017	0.026	0.011	0.006
600,000	0.492	0.032	0.039	0.019	0.016
750,000	0.542	0.047	0.054	0.028	0.027
1,000,000	0.600	0.067	0.072	0.046	0.043
1,500,000	0.673	0.168	0.181	0.198	0.255
2,000,000	0.720	0.232	0.252	0.288	0.393
2,500,000	0.752	0.282	0.313	0.368	0.492
3,000,000	0.770	0.311	0.353	0.417	0.570
5,000,000	0.831	0.411	0.454	0.567	0.771
7,500,000	0.872	0.470	0.522	0.667	0.902
10,000,000	0.902	0.510	0.562	0.727	0.990

Split Limit

25/50	0.000	0.000	0.000	0.000	0.000
50/100	0.039	0.000	0.000	0.000	0.000
100/300	0.125	0.001	0.002	0.000	0.000
250/500	0.309	0.007	0.009	0.005	0.002
500/1000	0.463	0.022	0.031	0.014	0.008
1000/2000	0.611	0.078	0.091	0.064	0.069
2500/5000	0.752	0.291	0.324	0.377	0.511
5000/10000	0.841	0.421	0.463	0.576	0.780