

LOSS COSTS – IMPLEMENTATION

SEPTEMBER 12, 2022

COMMERCIAL AUTOMOBILE

LI-CA-2022-221

ILLINOIS COMMERCIAL AUTO REVISED UNINSURED MOTORISTS LOSS COSTS IN RESPONSE TO FORMER H.B. 4493 TO BE IMPLEMENTED

KEY MESSAGE

We made revisions to Commercial Auto loss costs under ISO Filing Designation Number [CA-2022-RUMLC](#).

BACKGROUND

In circular [LI-CA-2022-135](#), we announced that, based on our initial review of 2022 Ill. Sess. Laws 775 (former H.B. 4493), we anticipated revising Commercial Auto loss costs, to accommodate the revisions to 215 ILL. COMP. STAT. 5/143a.

ISO ACTION

In response to 2022 Ill. Sess. Laws 775 (former H.B. 4493), we are introducing loss costs for the Uninsured Motorists Property Damage limits of \$20,000, \$25,000, \$50,000 and \$100,000, to accommodate the revisions to 215 ILL. COMP. STAT. 5/143a.

Refer to the attached explanatory material for complete details about the filing.

EFFECTIVE DATE

We do not establish an effective date for Commercial Auto loss costs revisions in this state. Each insurer that elects to utilize this revision is responsible for determining its own effective date.

IMPACT ON THE STATISTICAL REPORTING OF LOSS COST MULTIPLIER

For the purpose of reporting your company Loss Cost Multiplier under the CSP, as of January 1, 2023, the multiplier must be based on the relationship between your gross rates and the ISO advisory prospective loss costs contained in this circular.

COMPANY ACTION

For all loss costs other than taxicabs:

You must independently determine the final rates you will use and the effective date of any rate change. If you decide to use our prospective loss costs to revise your rates, you are NOT required to file anything with the Insurance Department.

You must document your files in case the Insurance Department wishes to review the information at a later date. In all correspondence on this revision, you should refer to ISO Filing Number [CA-2022-RUMLC](#), NOT this circular number.

For all loss costs applicable to taxicabs:

ISO has not filed this revision.

You must independently determine the final rates you will use and the effective date of any rate change. If you decide to use our prospective loss cost to revise your rates, you must make an appropriate submission with the Insurance Department.

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

RATING SOFTWARE IMPACT

New attributes being introduced with this revision:

- New, additional loss costs are being introduced.
 - An existing rating formula is being rewritten.
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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-2022-006](#) 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 1-23 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

RELATED RULES REVISION

In circular [LI-CA-2022-220](#), we are announcing the implementation of the corresponding rules revision.

RELATED FORMS REVISION

In circular [LI-CA-2022-219](#), we are announcing the implementation of the corresponding forms revision.

REFERENCE(S)

- [LI-CA-2022-220](#) (09/12/2022) Illinois Commercial Auto Revised Uninsured Motorists Rule In Response To Former H.B. 4493 To Be Implemented
 - [LI-CA-2022-219](#) (09/12/2022) Illinois Commercial Auto Revised Uninsured Motorists Endorsement In Response To Former H.B. 4493 Filed And To Be Implemented
 - [LI-CA-2022-135](#) (06/03/2022) Illinois Former H.B. 4493 And Illinois Dept. Of Ins. Bulletin 2022-08 Regarding Uninsured Motorists Insurance Under Review
 - [LI-CL-2022-006](#) (02/22/2022) Revised Lead Time Requirements Listing
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ATTACHMENT(S)

Filing [CA-2022-RUMLC](#)

DATA QUALITY

Statistical plan data reported to ISO is first processed through a system of rigorous automated data verification procedures so that only valid data would be used for ratemaking. Subsequent to this initial data submission review, additional analyses on the statistical plan data involving an even more customized data review for this line were performed by staff. During these processes, various data records were excluded from the review. The ISO staff responsible for this circular also reviewed the data for reasonableness.

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 review a Statement of Actuarial Opinion; therefore, we are including the following acknowledgment:

I, Rebecca Gordon, am an Actuarial Associate for ISO, and I, James Davidson, am an Actuarial Director for Commercial Auto for ISO. We are jointly responsible for the content of this Statement of 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.

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Illinois Uninsured Motorists Property Damage Loss Costs Introduced for Additional Limits

About This Filing

This filing is being made in response to 2022 Ill. Sess. Laws 775 (former H.B. 4493).

New Loss Costs

We are introducing additional limits for the following advisory prospective loss costs under Rule 97. Uninsured Motorists Insurance of the Illinois Loss Cost Pages of the Commercial Lines Manual Division One Automobile:

- ◆ Uninsured Motorists Property Damage 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.

Related Filing(s)

- ◆ CA-2022-RUM1 (Rules)
- ◆ CA-2022-OUM1 (Forms)

Background

2022 Ill. Sess. Laws 775 (former H.B. 4493), effective May 13, 2022 revises 215 ILL. COMP. STAT. 5/143a as follows:

"(2) No policy insuring against loss resulting from liability imposed by law for property damage arising out of the ownership, maintenance, or use of a motor vehicle shall be renewed, delivered, or issued for delivery in this State with respect to any private passenger or recreational motor vehicle that is designed for use on public highways and that is either required to be registered in this State or is principally garaged in this State ~~and is not covered by collision insurance under the provisions of such policy~~, unless coverage is made available in the amount of the actual cash value of the motor vehicle described in the policy or the corresponding policy limit for uninsured motor vehicle property damage coverage, \$15,000 whichever is less, subject to a maximum \$250 deductible, for the protection of persons insured thereunder who are

legally entitled to recover damages from owners or operators of uninsured motor vehicles and hit-and-run motor vehicles because of property damage to the motor vehicle described in the policy."

The Illinois Department of Insurance issued Bulletin 2022-08 on May 16, 2022, advising that insurers are expected to comply with 2022 Ill. Sess. Laws 775 (former H.B. 4493) no later than January 1, 2023.

Explanation of Changes

In response to 2022 Ill. Sess. Laws 775 (former H.B. 4493), we are introducing loss costs for the Uninsured Motorists Property Damage limits of \$20,000, \$25,000, \$50,000 and \$100,000. The current loss costs for the Uninsured Motorists Property Damage limit of \$15,000 are not changing.

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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 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 loss costs are appropriate for its use.

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

Uninsured Motorists Property Damage (UMPD) Coverage

In response to 2022 Ill. Sess. Laws 775 (former H.B. 4493), we are introducing uninsured motorists property damage (UMPD) loss costs at split limits of \$20,000, \$25,000, \$50,000 and \$100,000 in this filing. These loss costs are based on the assumption that insureds purchasing UMPD coverage at limits higher than \$15,000 are not purchasing collision coverage.

Due to the fact that there is limited UMPD data available, the loss costs for this coverage were evaluated using a model. We used the model to determine a multiplicative factor which can be applied to the \$25,000 UMBI loss costs (which varies by state) to produce the appropriate UMPD loss costs.

The current \$15,000 UMPD loss costs are not being revised. We adjusted the model by eliminating multiplicative "tempering" factors of .22 for Private Passenger Types and .35 for Trucks, Tractors & Trailers for the higher limits. All other assumptions and aspects of the model used to develop the current \$15,000 UMPD loss costs have remained the same for the newly introduced higher limits UMPD loss costs. The loss costs contemplate a \$250 deductible. Other permitted deductible amounts will be rated on a refer to company basis.

Attachment 1

Property Damage Increased Limits Factors

<u>Property Damage Limit</u>	<u>Personal Auto</u>	<u>Light & 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>
\$ 15,000	1.26	1.32	1.36	1.43	1.31	1.27
20,000	1.31	1.38	1.42	1.52	1.36	1.32
25,000	1.34	1.41	1.47	1.58	1.40	1.35
50,000	1.42	1.52	1.61	1.77	1.51	1.43
100,000	1.49	1.62	1.72	1.92	1.60	1.51

All factors assume a \$5,000 base single limit.

97. UNINSURED MOTORISTS INSURANCE

Uninsured Motorists Bodily Injury				
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure	Non-owned Autos Per Employee	Hired Autos Per \$100 Of Cost Of Hire
\$ 50,000	\$ 7.28	\$ 3.11	\$ 0.199	\$ 0.006
70,000	8.13	3.47	0.219	0.008
100,000	9.10	3.89	0.251	0.009
125,000	9.71	4.15	0.266	0.010
150,000	10.19	4.36	0.279	0.011
200,000	11.05	4.72	0.302	0.012
250,000	11.65	4.98	0.317	0.013
300,000	12.13	5.19	0.332	0.015
350,000	12.50	5.34	0.345	0.016
400,000	12.93	5.53	0.359	0.017
500,000	13.41	5.73	0.368	0.018
600,000	13.83	5.91	0.383	0.020
750,000	14.32	6.12	0.389	0.021
1,000,000	14.86	6.36	0.416	0.022
1,500,000	15.60	6.66	0.428	0.024
2,000,000	15.96	6.82	0.436	0.025
2,500,000	16.32	6.98	0.442	0.026
3,000,000	16.56	7.08	0.447	0.028
5,000,000	17.17	7.34	0.462	0.029
7,500,000	17.59	7.52	0.474	0.031
10,000,000	17.84	7.63	0.482	0.032

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

Underinsured Motorists Bodily Injury				
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure	Non-owned Autos Per Employee	Hired Autos Per \$100 Of Cost Of Hire
\$ 70,000	\$ 1.88	\$ 1.23	\$ 0.051	\$ 0.002
100,000	3.48	2.26	0.093	0.003
125,000	4.81	3.13	0.128	0.006
150,000	7.75	5.03	0.217	0.008
200,000	12.48	8.11	0.347	0.013
250,000	16.54	10.75	0.458	0.017
300,000	20.31	13.21	0.553	0.021
350,000	23.45	15.25	0.640	0.024
400,000	26.87	17.46	0.745	0.028
500,000	30.91	20.09	0.850	0.032
600,000	34.67	22.53	0.957	0.036
750,000	39.58	25.73	1.090	0.041
1,000,000	45.59	29.64	1.264	0.048
1,500,000	54.09	35.16	1.480	0.057
2,000,000	60.12	39.07	1.662	0.063
2,500,000	63.74	41.44	1.759	0.067

3,000,000	66.28	43.08	1.832	0.069
5,000,000	73.66	47.88	2.020	0.077
7,500,000	78.70	51.15	2.154	0.082
10,000,000	82.36	53.53	2.278	0.087

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

Uninsured Motorists Bodily Injury				
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure	Non-owned Autos Per Employee	Hired Autos Per \$100 Of Cost Of Hire
\$ 25,000/50,000	\$ 6.07	\$ 2.59	\$ 0.169	\$ 0.005
50,000/100,000	7.71	3.30	0.212	0.007
100,000/300,000	9.59	4.10	0.265	0.010
250,000/500,000	11.90	5.08	0.328	0.014
500,000/1,000,000	13.53	5.79	0.374	0.019
1,000,000/2,000,000	14.93	6.38	0.417	0.023
2,500,000/5,000,000	16.38	7.00	0.444	0.027
5,000,000/10,000,000	17.23	7.37	0.464	0.030

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

Underinsured Motorists Bodily Injury				
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure	Non-owned Autos Per Employee	Hired Autos Per \$100 Of Cost Of Hire
\$ 50,000/100,000	\$ 1.13	\$ 0.73	\$ 0.032	\$ 0.001
100,000/300,000	4.34	2.82	0.117	0.005
250,000/500,000	18.04	11.72	0.495	0.019
500,000/1,000,000	31.82	20.68	0.875	0.033
1,000,000/2,000,000	46.90	30.48	1.294	0.049
2,500,000/5,000,000	63.91	41.54	1.765	0.068
5,000,000/10,000,000	74.74	48.59	2.071	0.079

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

Property Damage		
Property Damage Limit	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ 15,000	\$ 1.89	\$ 1.63
<u>20,000</u>	<u>8.92</u>	<u>4.85</u>
<u>25,000</u>	<u>9.12</u>	<u>4.96</u>
<u>50,000</u>	<u>9.66</u>	<u>5.26</u>
<u>100,000</u>	<u>10.20</u>	<u>5.55</u>

Table 97.B.1.e.(LC) Uninsured Motorists Property Damage Coverage Loss Cost

Loss Cost

\$ 1.25

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