

LOSS COSTS – IMPLEMENTATION

APRIL 16, 2024

COMMERCIAL AUTOMOBILE

LI-CA-2024-103

## UTAH REVISED UNINSURED MOTORISTS LOSS COSTS TO BE IMPLEMENTED

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### KEY MESSAGE

We are implementing revisions made in [CA-2024-RLC1](#) in response to 2023 Utah Laws \_\_\_\_ (former H.B. 113).

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### BACKGROUND

In circular [LI-CA-2023-116](#), we informed you, in part, that we anticipated revisions to various Commercial Auto advisory prospective loss costs to reflect the new minimum limits for financial responsibility.

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### ISO ACTION

In response 2023 Utah Laws \_\_\_\_ (former H.B. 113), we have revised the Underinsured Motorists Bodily Injury advisory prospective loss costs to reflect the new minimum motor vehicle financial responsibility requirements of \$30,000 for each person and \$65,000 for each accident with respect to bodily injury, and \$25,000 for each accident with respect to property damage. We are also providing loss costs for the Single Limits Uninsured Motorists Bodily Injury Coverage limit of \$90,000 and the Split Limits Uninsured Motorists Bodily Injury Coverage limit of \$30,000/65,000. The remainder of the current Uninsured Motorists loss costs are not being revised.

*For more information on the status of filings in a particular state, including filed and approved documents, associated circulars and links to Print Ready Manuals and Commercial Lines Manual, please feel free to access our [Filings](#) feature within the ISOnet Circulars product.*

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### EFFECTIVE DATE

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

These changes are applicable to all policies written on or after January 1, 2025.

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.

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### 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, 2025, the multiplier must be based on the relationship between your gross rates and the ISO advisory prospective loss costs contained in this circular.

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## 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 NOVEMBER 27, 2024. 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-2024-RLC1 and SERFF Tracking Number ISOF-134051380, 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.

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## RATING SOFTWARE IMPACT

New attributes being introduced with this revision:

- New, additional loss costs are being introduced.

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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-2024-016](#) 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.

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## REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 1-25 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

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## RELATED RULES REVISION

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

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## 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.

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## REFERENCE(S)

- [LI-CA-2024-102](#) (04/16/2024) Utah Revised Increased Liability Limits Rule To Be Implemented
- [LI-CA-2024-101](#) (04/16/2024) Utah Revised Commercial Automobile Endorsements To Be Implemented
- [LI-CL-2024-016](#) (03/12/2024) Commercial Lines Revised Lead Time Requirements Listing
- [LI-CA-2023-116](#) (03/31/2023) Utah Former H.B. 113 Regarding Financial Responsibility Under Review

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## ATTACHMENT(S)

Filing [CA-2024-RLC1](#)

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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, Rebecca Gordon, am a Senior Actuarial Associate and for ISO, and I, Kevin Hughes, 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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# Utah Underinsured Motorists Advisory Prospective Loss Costs Revised

## About This Filing

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This filing is being made in response to 2023 Utah Laws \_\_\_\_ (former H.B. 113).

### Revised Loss Costs

We are revising the following loss costs:

- ◆ Single Limits Uninsured Motorists Bodily Injury Coverage Loss Costs in Table 297.B.3.a.(1)(LC)
- ◆ Single Limits Underinsured Motorists Bodily Injury Coverage Loss Costs in Table 297.B.3.a.(2)(LC)
- ◆ Split Limits Uninsured Motorists Bodily Injury Coverage Loss Costs in Table 297.B.3.a.(3)(LC)
- ◆ Split Limits Underinsured Motorists Bodily Injury Coverage Loss Costs in Table 297.B.3.a.(4)(LC)

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)

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- ◆ CA-2024-OUM1 (Forms)
- ◆ CA-2024-RUM1 (Rules)

## Background

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2023 Utah Laws \_\_\_\_ (former H.B. 113), which became effective May 3, 2023, in part, amends the minimum motor vehicle financial responsibility requirements contained in UTAH CODE ANN. § 31A-22-304 as follows:

- ◆ For split limit policies issued or renewed on or after January 1, 2025, the limits are increased from \$25,000 to \$30,000 because of liability for bodily injury to or death of one person, arising out of the use of a motor vehicle in any one accident, and from \$15,000 to \$25,000 because of liability for injury to, or destruction of, property of others arising out of the use of a motor vehicle in any one accident.

- ◆ For single limit policies issued or renewed on or after January 1, 2025, the limits are increased from \$80,000 to \$90,000 in any one accident whether arising from bodily injury to or the death of others, or from destruction of, or damage to, the property of others.

Currently, Rule 297. Uninsured Motorists Coverage, provides loss costs calculated based upon, in part, \$25,000 limits because of bodily injury or death of one person, \$15,000 limits for injury to, or destruction of, or damage to, the property of others, and \$80,000 single limits in any one accident whether arising from bodily injury to or the death of others, or from the destruction of, or damage to, the property of others.

## Explanation of Changes

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In response to 2023 Utah Laws \_\_\_ (former H.B. 113), we are revising the Underinsured Motorists Bodily Injury advisory prospective loss costs to reflect the new minimum motor vehicle financial responsibility requirements of \$30,000 for each person and \$65,000 for each accident with respect to bodily injury, and \$25,000 for each accident with respect to property damage. We are also providing loss costs for the Single Limits Uninsured Motorists Bodily Injury Coverage limit of \$90,000 and the Split Limits Uninsured Motorists Bodily Injury Coverage limit of \$30,000/65,000. The remainder of the current Uninsured Motorists loss costs are not being revised.

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COMMERCIAL AUTOMOBILE  
 UNINSURED/UNDERINSURED MOTORIST COVERAGE

Underinsured Motorists (UIM) loss costs are being revised in this filing to reflect the new minimum motor vehicle financial responsibility requirements of \$30,000/65,000 for bodily injury and \$25,000 for property damage. Since historical losses were based on minimum motor vehicle financial responsibility requirements of \$25,000/65,000 for bodily injury and \$15,000 for property damage and information on the underlying tortfeasor's limit is not available, it is necessary to utilize a model to produce the revised UIM loss costs. The same model and factors that were presented in CA-2010-BRLA1 are being used to calculate the model-based UIM loss costs with a \$30,000/65,000/25,000 minimum limit of financial responsibility in Step 1 below.

In the CA-2018-BRLA1 filing, a +37.2% increase was filed to the UIM loss costs from CA-2010-BRLA1 based on an experience review of reported data with a \$25,000/65,000/15,000 minimum limit of financial responsibility. It is assumed that an experience review of data with a \$30,000/65,000/25,000 minimum limit of financial responsibility would indicate a similar increase. We are applying a +37.2% increase to the model-based UIM loss costs calculated in Step 1 in order to obtain the final revised loss costs in Step 2.

The Uninsured Motorists (UM) loss costs are not being revised in this filing. The loss costs for the newly introduced \$90,000 single limit UM bodily injury coverage and \$30,000/65,000 split limit UM bodily injury coverage were calculated according to the same methodology as the current Uninsured Motorists loss costs described in filings CA-2010-BRLA1 and CA-2018-BRLA1, using the formula below. In the CA-2018-BRLA1 filing, changes of -35.0% for PPT UMBI and +27.0% for OTPPT were filed based on an experience review of reported data. These changes were applied to the model-based loss costs.

The UM bodily injury loss cost at any limit "k" (UMBI (k)) is  

$$\text{UMBI } (\$25/50) * (\sum (\text{WT (g)} * \text{ILFBI (k,g)}))$$

<u>Type of Vehicle Weight</u>	<u>(WT(g))</u>
Personal Auto	88.4%
Light and Medium Trucks, Tractors & Trailers	6.3%
Heavy Trucks, Tractors & Trailers	1.0%
Extra-Heavy Trucks, Tractors & Trailers	0.9%
Private Passenger Types	3.4%

The increased limits factors are shown in Exhibit 1.

Step 1: Model-Based 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 coverage.

For the Underinsured motorists coverage, the UIM coverage is triggered once the liability coverage of the tortfeasor ('at-fault' driver) is exhausted. At that point, payment is provided on a 'damages reduction' basis, i.e. once the liability coverage of the tortfeasor is exhausted, UIM acts as an excess coverage, in that the full UIM limit is available in addition to any amounts received from the tortfeasor.

The damages 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 for the 'implicit' 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). This 'implicit' UIM limit is determined by summing the liability limit of the tortfeasor and the driver's UIM limit.

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

For example, to calculate the \$1,000,000 damages reduction factor for Light Trucks, Tractors & Trailers bodily injury, differences in the increased limits factors between the 'implicit' 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 \$2,000,000 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 driver's 'implicit' UIM limit is \$1,000,000 excess of \$100,000 because the UIM coverage is not triggered until the limits of the tortfeasor are exhausted.

The increased limit factor for the \$100,000 limit is 1.00 while the increased limit factor for the \$1,100,000 (\$1,000,000 + \$100,000) limit is 1.78. The difference between these increased limit factors is

$$1.78 - 1.00 = 0.78$$

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 damages 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:

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

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

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

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-Based UIMBI Loss Costs

UTAH  
Commercial Automobile  
Underinsured Motorists  
Bodily Injury Loss Costs  
  
Private Passenger Types

(1) (2) = (1) \* 1.372

<u>Single Limits</u>	<u>30/65/25 Model-based UIMBI Loss Cost</u>	<u>Revised UIMBI Loss Cost reflecting Experience Review</u>
\$ 20,000	4.74	6.50
65,000	13.18	18.08
90,000	16.89	23.17
100,000	18.17	24.93
125,000	21.34	29.28
150,000	24.10	33.07
200,000	28.67	39.34
250,000	32.54	44.64
300,000	35.27	48.39
350,000	37.90	52.00
400,000	40.16	55.10
500,000	44.01	60.38
600,000	46.80	64.21
750,000	50.75	69.63
1,000,000	55.38	75.98
1,500,000	61.70	84.65
2,000,000	65.53	89.91

(1) (2) = (1) \* 1.372

<u>Split Limits</u>	<u>30/65/25 Model-based UIMBI Loss Cost</u>	<u>Revised UIMBI Loss Cost reflecting Experience Review</u>
10/20	2.79	3.83
30/65	8.40	11.52
50/100	12.54	17.20
100/300	20.63	28.30
250/500	33.73	46.28
500/1000	44.79	61.45

UTAH  
Commercial Automobile  
Underinsured Motorists  
Bodily Injury Loss Costs

Other than Private Passenger Types

(1) (2) = (1) \* 1.372

<u>Single Limits</u>	<u>30/65/25 Model-based UIMBI Loss Cost</u>	<u>Revised UIMBI Loss Cost reflecting Experience Review</u>
\$ 20,000	3.08	4.23
65,000	8.57	11.76
90,000	10.98	15.06
100,000	11.81	16.20
125,000	13.87	19.03
150,000	15.66	21.49
200,000	18.64	25.57
250,000	21.15	29.02
300,000	22.93	31.46
350,000	24.64	33.81
400,000	26.10	35.81
500,000	28.61	39.25
600,000	30.42	41.74
750,000	32.99	45.26
1,000,000	36.00	49.39
1,500,000	40.11	55.03
2,000,000	42.59	58.43

(1) (2) = (1) \* 1.372

<u>Split Limits</u>	<u>30/65/25 Model-based UIMBI Loss Cost</u>	<u>Revised UIMBI Loss Cost reflecting Experience Review</u>
10/20	1.81	2.48
30/65	5.46	7.49
50/100	8.15	11.18
100/300	13.41	18.40
250/500	21.92	30.07
500/1000	29.11	39.94

Exhibit 1

Bodily Injury Increased Limits Factors

<u>Bodily Injury Limit</u>	<u>Personal Autos</u>	<u>Light and Medium Trucks, Tractors &amp; Trailers</u>	<u>Heavy Trucks, Tractors &amp; Trailers</u>	<u>Extra-Heavy Trucks, Tractors &amp; Trailers</u>	<u>Private Passenger Types</u>	<u>Weighted Average</u>
\$ 90,000	1.45	1.42	1.48	1.49	1.44	1.45
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
30/65	1.08	1.07	1.08	1.08	1.08	1.08
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

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 & Trailers	Heavy Trucks, Tractors & Trailers	Extra-Heavy Trucks, Tractors & Trailers	All Other Commercial Autos
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 Auto (Utah)
30/65	18.43%
50/100	20.58%
100/100	1.54%
100/300	33.28%
250/500	8.14%
300/300	11.15%
500/500	6.12%
1000/1000	0.77%

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 Damages 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>'Implicit'</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>
75,000	0.65%	1,075,000	0.92	1.77	0.006
100,000	2.33%	1,100,000	1.00	1.78	0.018
250,000	0.20%	1,250,000	1.28	1.82	0.001
300,000	5.35%	1,300,000	1.35	1.83	0.026
400,000	0.27%	1,400,000	1.44	1.85	0.001
500,000	11.07%	1,500,000	1.52	1.87	0.039
750,000	0.72%	1,750,000	1.66	1.92	0.002
1,000,000	69.45%	2,000,000	1.75	1.95	0.139
1,500,000	0.06%	2,500,000	1.87	2.01	0.000
2,000,000	9.90%	3,000,000	1.95	2.05	0.010
	100.00%				0.242

- (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 'implicit' UIM limit of the driver purchasing UIM is equal to the limit of the at-fault driver + the \$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 \$2,000,000; this is the Damages 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 &amp; Trailers</u>	<u>Heavy Trucks, Tractors &amp; Trailers</u>	<u>Extra-Heavy Trucks, Tractors &amp; Trailers</u>
20,000	0.053	0.006	0.010	0.009	0.018
65,000	0.147	0.026	0.026	0.032	0.040
90,000	0.188	0.031	0.039	0.044	0.053
100,000	0.202	0.038	0.041	0.044	0.063
125,000	0.237	0.043	0.053	0.056	0.073
150,000	0.267	0.055	0.063	0.066	0.084
200,000	0.317	0.069	0.077	0.085	0.112
250,000	0.359	0.082	0.091	0.107	0.134
300,000	0.388	0.094	0.107	0.120	0.155
350,000	0.416	0.108	0.119	0.138	0.176
400,000	0.440	0.118	0.131	0.150	0.196
500,000	0.480	0.141	0.154	0.182	0.240
600,000	0.509	0.154	0.176	0.203	0.270
750,000	0.549	0.186	0.207	0.236	0.319
1,000,000	0.596	0.218	0.242	0.287	0.390
1,500,000	0.658	0.274	0.304	0.368	0.493
2,000,000	0.695	0.307	0.347	0.420	0.572
<u>Split Limit</u>					
10/20	0.031	0.001	0.010	0.009	0.009
30/65	0.094	0.014	0.014	0.021	0.027
50/100	0.140	0.019	0.026	0.030	0.040
100/300	0.229	0.042	0.052	0.056	0.072
250/500	0.371	0.091	0.104	0.109	0.145
500/1000	0.488	0.145	0.163	0.183	0.249

UTAH  
Commercial Automobile  
Hired Auto and Non-Owned Auto  
Underinsured Motorist Coverage

Supporting Material

Since detailed experience does not exist, an alternative procedure was used to develop the loss cost charges for the Hired Auto and Non-Owned Auto Underinsured Motorist Coverage. This procedure is described below and in Exhibits 4 and 5.

Given the limited information available, a reasonable approach was to compare the average Underinsured Motorist loss cost at each limit of coverage to the average statewide liability loss cost. Average Underinsured Motorist loss costs were calculated at each limit by weighting the Private Passenger Types (PPT) and Trucks, Tractors, & Trailers (TTT) charges by their respective UM exposures. The resulting ratios, which are displayed in column (5) of Exhibit 4, represent the relationship between the UIM coverage and the liability coverage. Column (6) displays the current Hired Auto liability charges per \$100 cost of hire. The relationship between the UIM loss costs and the liability loss costs (column (5)) was then applied to these charges (column(6)) to yield the Hired Auto Underinsured Motorist loss costs per \$100 cost of hire.

The development of the Non-Owned Underinsured Motorist charges is detailed in Exhibit 5. As with the development of the Hired Auto UIM charges, the relationship between the UIM coverage and the liability coverage provided the starting point for the procedure. However, given that vehicles associated with the Non-Owned auto coverage are usually private passenger type vehicles, the resulting ratios between the UIM loss costs and the liability loss costs (column (3)) were based on the PPT UIM charges only. Column (4) displays the average Non-Owned liability loss cost per employee. The relationship between the UIM loss costs and the liability loss costs (column (3)) was then applied to these charges (column(4)) to yield the Non-Owned Auto Underinsured Motorist loss costs per employee.

These loss costs are being updated only to reflect the revised UIM loss costs. The other aspects of the calculation are not being updated.

Exhibit 4

UTAH  
Hired Automobile Underinsured Motorists Coverage

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Private Passenger Types UIM Loss Costs	Trucks, Tractors & Trailers UIM Loss Costs	Combined*	Average Liability Loss Costs	=3/4	Hired Auto Liability Loss Cost Per \$100 Cost of Hire	=(5)*(6) Hired Auto UIM Loss Cost Per \$100 Cost of Hire	Selected
\$ 20,000	\$6.50	\$4.23	\$4.48	\$192	0.023	0.33	0.008	0.008
65,000	18.08	11.76	12.46	260	0.048	0.44	0.021	0.021
90,000	23.17	15.06	15.95	277	0.058	0.47	0.027	0.027
100,000	24.93	16.20	17.16	283	0.061	0.48	0.029	0.029
125,000	29.28	19.03	20.16	294	0.069	0.50	0.035	0.035
150,000	33.07	21.49	22.76	306	0.074	0.52	0.038	0.038
200,000	39.34	25.57	27.08	325	0.083	0.55	0.046	0.046
250,000	44.64	29.02	30.74	340	0.090	0.58	0.052	0.052
300,000	48.39	31.46	33.32	351	0.095	0.60	0.057	0.057
350,000	52.00	33.81	35.81	362	0.099	0.61	0.060	0.060
400,000	55.10	35.81	37.93	371	0.102	0.63	0.064	0.064
500,000	60.38	39.25	41.57	388	0.107	0.66	0.071	0.071
600,000	64.21	41.74	44.21	402	0.110	0.68	0.075	0.075
750,000	69.63	45.26	47.94	419	0.114	0.71	0.081	0.081
1,000,000	75.98	49.39	52.31	441	0.119	0.75	0.089	0.089
1,500,000	84.65	55.03	58.29	475	0.123	0.81	0.100	0.100
2,000,000	89.91	58.43	61.89	498	0.124	0.84	0.104	0.104

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Private Passenger Types UIM Loss Costs	Trucks, Tractors & Trailers UIM Loss Costs	Combined*	Average Liability Loss Costs	=3/4	Hired Auto Liability Loss Cost Per \$100 Cost of Hire	=(5)*(6) Hired Auto UIM Loss Cost Per \$100 Cost of Hire	Selected
\$ 10/20	\$3.83	\$2.48	\$2.63	\$164	0.016	0.28	0.004	0.004
30/65	11.52	7.49	7.93	224	0.035	0.38	0.013	0.013
50/100	17.20	11.18	11.84	255	0.046	0.43	0.020	0.020
100/300	28.30	18.40	19.49	291	0.067	0.49	0.033	0.033
250/500	46.28	30.07	31.85	345	0.092	0.59	0.054	0.054
500/1000	61.45	39.94	42.31	390	0.108	0.66	0.071	0.072**

\* Weights of .110/.890 were used for Private Passenger Types and Trucks, Tractors & Trailers, respectively.

\*\* The \$500,000 per person/\$1,000,000 per occurrence split limit Hired Auto UIM loss cost was adjusted for consistency with the \$500,000 single limit loss cost.



**297. UNINSURED MOTORISTS INSURANCE**

Uninsured Motorists Bodily Injury		
Bodily Injury Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ <u>90,000</u> 80,000	\$ <u>4.384</u> .23	\$ <u>5.735</u> .52
100,000	4.54	5.92
125,000	4.84	6.32
150,000	5.08	6.63
200,000	5.50	7.19
250,000	5.80	7.58
300,000	6.05	7.90
350,000	6.23	8.14
400,000	6.44	8.41
500,000	6.68	8.72
600,000	6.89	9.00
750,000	7.13	9.32
1,000,000	7.40	9.68
1,500,000	7.77	10.15
2,000,000	7.95	10.39

**Table 297.B.3.a.(1)(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
\$ <u>20,000</u>	\$ <u>6.507</u> .22	\$ <u>4.234</u> .69	<u>0.2140</u> .238	<u>0.0080</u> .009
<u>65,000</u>	<u>18.0819</u> .65	<u>11.7612</u> .77	<u>0.5910</u> .646	<u>0.0210</u> .023
<u>90,000</u> 80,000	<u>23.1722</u> .79	<u>15.0614</u> .82	<u>0.7560</u> .749	<u>0.027</u>
100,000	<u>24.9326</u> .96	<u>16.2017</u> .52	<u>0.8150</u> .884	<u>0.0290</u> .032
125,000	<u>29.2831</u> .54	<u>19.0320</u> .50	<u>0.9641</u> .035	<u>0.0350</u> .037
150,000	<u>33.0735</u> .22	<u>21.4922</u> .90	<u>1.0841</u> .149	<u>0.0380</u> .041
200,000	<u>39.3441</u> .86	<u>25.5727</u> .21	<u>1.2931</u> .371	<u>0.0460</u> .049
250,000	<u>44.6447</u> .05	<u>29.0230</u> .58	<u>1.4541</u> .535	<u>0.0520</u> .055
300,000	<u>48.3950</u> .78	<u>31.4633</u> .01	<u>1.5761</u> .661	<u>0.0570</u> .060
350,000	<u>52.0054</u> .51	<u>33.8135</u> .43	<u>1.6951</u> .781	<u>0.0600</u> .063
400,000	<u>55.1057</u> .49	<u>35.8137</u> .37	<u>1.8121</u> .890	<u>0.0640</u> .067
500,000	<u>60.3863</u> .24	<u>39.2541</u> .11	<u>1.9752</u> .067	<u>0.0710</u> .074
600,000	<u>64.2166</u> .84	<u>41.7443</u> .45	<u>2.0962</u> .192	<u>0.0750</u> .078
750,000	<u>69.6372</u> .26	<u>45.2646</u> .98	<u>2.2752</u> .362	<u>0.0810</u> .084
1,000,000	<u>75.9878</u> .63	<u>49.3951</u> .11	<u>2.4772</u> .568	<u>0.0890</u> .092
1,500,000	<u>84.6587</u> .27	<u>55.0356</u> .73	<u>2.7722</u> .856	<u>0.1000</u> .103
2,000,000	<u>89.9192</u> .77	<u>58.4360</u> .30	<u>2.9543</u> .042	<u>0.1040</u> .108

**Table 297.B.3.a.(2)(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
\$ 30,000/25,000/65,000	\$ 3.263.15	\$ 4.274.10
50,000/100,000	3.84	5.02
100,000/300,000	4.78	6.24
250,000/500,000	5.92	7.75
500,000/1,000,000	6.74	8.81

Table 297.B.3.a.(3)(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
\$ 10,000/20,000	\$ 3.834.31	\$ 2.482.80	0.1230.138	0.0040.005
30,000/25,000/65,000	11.5211.51	7.497.48	0.3820.378	0.013
50,000/100,000	17.2018.76	11.1812.20	0.5630.609	0.0200.022
100,000/300,000	28.3030.33	18.4019.72	0.9200.982	0.0330.035
250,000/500,000	46.2848.66	30.0731.64	1.5091.591	0.0540.057
500,000/1,000,000	61.4564.32	39.9441.80	2.0252.119	0.0720.075

Table 297.B.3.a.(4)(LC) Split Limits Underinsured Motorists Bodily Injury Coverage Loss Costs

Uninsured Motorists Bodily Injury Public Autos	
Bodily Injury Limits	Per Exposure
\$ 25,000/500,000	\$ 6.24

Table 297.B.3.a.(5)(LC) Split Limits Public Autos Uninsured Motorists Bodily Injury Coverage Loss Cost

Uninsured Motorists Property Damage		
Property Damage Limits	Private Passenger Types Per Exposure	Other Than Private Passenger Types Per Exposure
\$ 3,500	\$ 0.93	\$ 0.93
5,000	1.09	1.08
10,000	1.30	1.30
15,000	1.38	1.38
25,000	1.47	1.46
50,000	1.55	1.55
100,000	1.64	1.64

Table 297.B.3.a.(6)(LC) Uninsured Motorists Property Damage Coverage Loss Costs

<b>Loss Cost</b>
\$ 1.25

**Table 297.B.5.a.(LC) Individual Named Insured Loss Cost**