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Clerk, Supreme Court of Appeals
Richmond, Va.

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Record No. 4957

In the Supreme Court of Appeals of Virginia at Richmond

VIRGINIA ASSOCIATION OF INSURANCE AGENTS, ETC.

v.

COMMONWEALTH OF VIRGINIA

FROM THE STATE CORPORATION COMMISSION

RULE 5:12—BRIEFS

§5. Number of Copies. Twenty-five copies of each brief shall be filed with the clerk of the Court, and at least three copies mailed or delivered to opposing counsel on or before the day on which the brief is filed.

§6. Size and Type. Briefs shall be nine inches in length and six inches in width, so as to conform in dimensions to the printed record, and shall be printed in type not less in size, as to height and width, than the type in which the record is printed. The record number of the case and the names and addresses of counsel submitting the brief shall be printed on the front cover.

HOWARD G. TURNER, Clerk.

Court opens at 9:30 a. m.; Adjourns at 1:00 p. m.

IN THE

Supreme Court of Appeals of Virginia

AT RICHMOND.

Record No. 4957

VIRGINIA:

In the Clerk's Office of the Supreme Court of Appeals at the Supreme Court of Appeals Building in the City of Richmond on Monday the 3rd day of November, 1958.

VIRGINIA ASSOCIATION OF INSURANCE AGENTS, ETC., Appellant,

against

COMMONWEALTH OF VIRGINIA, Appellee.

Form the State Corporation Commission

Upon the petition of Virginia Association of Insurance Agents, a corporation, an appeal is awarded it by one of the Justices of the Supreme Court of Appeals on November 3, 1958, from an order entered by the State Corporation Commission on the 1st day of August, 1958, in a certain proceeding then therein depending entitled: Application of Virginia Insurance Rating Bureau; upon the petitioner, or some one for it, entering into bond with sufficient security before the Clerk of the said Corporation Commission in the penalty of three hundred dollars, with condition as the law directs.

On further consideration whereof, the *supersedeas* prayed for is denied.

RECORD

• • • • •

VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
Post Office Box 1198 Telephone MIlton 3-7471
RICHMOND 9, VIRGINIA

L. O. FREEMAN, JR.
Manager

PHILIP FREDERICK
Chief Engineer

E. D. SOMMERS
Assistant Manager

C. L. PURYEAR, JR.
Rating Superintendent

November 29, 1957.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Dear Sir:

Re: Automobile Physical Damage Rates.

We enclose a copy of a letter captioned as above and dated November 27, 1957, addressed to us by Mr. D. P. Frame, Assistant Actuary of the National Automobile Underwriters Association, a recognized advisory organization in Virginia. In addition we enclose copies of the following:

1. Exhibits A, B, C and D (November, 1957)
2. Exhibit A (October, 1955)
3. Exhibit I (July, 1957)
4. Exhibit II (October, 1957)

This transmission is the first major step in a proposed program of detailed recommendations which will soon be submitted to you. Rather than delay our filing until all recommendations are prepared, we are sending you this material to the end that you may review the data and inform us whether or not you concur therein.

The National Automobile Underwriters Association is concurrently working on recommendations for the detailed classes and coverages in line with the indication on Exhibit II enclosed. Also being prepared is a copy of a proposed

new manual to incorporate various miscellaneous changes in addition to new rates and premiums to be displayed for passenger and commercial cars.

With highest regards.

Yours very truly,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. D. P. Frame, Assistant Actuary
National Automobile Underwriters Association
cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association
cc: Mr. R. W. Criswell
Vice Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosures to this letter of November 29, 1957, are with the exhibits filed with the evidence under Tab #1.

page 2 } VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
Post Office Box 1198 Telephone MIlton 3-7471
RICHMOND 9, VIRGINIA

L. O. FREEMAN, JR.
Manager

PHILIP FREDERICK
Chief Engineer

E. D. SOMMERS
Assistant Manager

C. L. PURYEAR, JR.
Rating Superintendent

December 5, 1957.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Dear Sir:

Re: Automobile Physical Damage Rates.

This letter will supplement our filing of November 29, 1957, on the captioned subject.

We enclose a letter dated December 3, 1957, addressed to us by Mr. D. P. Frame, Assistant Actuary of the National Automobile Underwriters Association, a recognized advisory organization in Virginia. Also enclosed and made a part of this filing is the material referred to in his letter.

As indicated previously we are sending you this material piecemeal in order to give you the opportunity of reviewing the proposed changes from existing rates and making whatever comments or suggestions you may feel advisable. To assist you in your review of the enclosed material and to facilitate such comparisons as you may desire to make we have transmitted wherever possible the approved existing rate or premium schedules together with the proposed premium display.

To illustrate the effect of the proposed change in the Collision Classification Plan, shown below are the proposed $50 deductible premiums for three widely used symbol and age group classifications:

Symbol	Age Group	Present Class 2	Proposed Class 2C	Proposed Class 2A	Present Class 1F	Proposed Class 1F
J	1	$78	111	85	44	41
K	1	$85	120	92	47	45
M	1	$87	125	95	49	46

It can be seen from the above comparison that the proposed change produces relatively higher private passenger collision premiums for the new 2C Class and relatively lower premiums for farmers' passenger vehicles.

page 3 } Just as soon as possible we shall file with you "copy" for the complete new manual showing proposed changes in rules and proposed rate revisions which are reflected in the attached schedules.

With highest regards.

Yours very truly,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. D. P. Frame, Assistant Actuary
National Automobile Underwriters Association
cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association
cc: Mr. R. W. Criswell

Vice Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosures to this letter of December 5, 1957, are with the exhibits filed with the evidence under Tab #2.

page 4 } VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
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L. O. FREEMAN, JR.
Manager
E. D. SOMMERS
Assistant Manager

PHILIP FREDERICK
Chief Engineer
C. L. PURYEAR, JR.
Rating Superintendent

December 9, 1957.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Dear Sir:

Re: Automobile Physical Damage Rates.

This letter will supplement our letters of November 29, 1957, and December 5, 1957, filing for changes in automobile physical damage rates.

We enclose and make a part of this filing a letter dated December 6, 1957, from Mr. D. P. Frame, Assistant Actuary of the National Automobile Underwriters Association, listing the recommended changes in the rates and premiums to be displayed in the Virginia automobile physical damage manual. You will note that the estimated total revenue change for Virginia would be an increase of 6.42%. This is very close to the indicated need of 6.12% as shown on Exhibit II, filed with out letter of November 29, 1957.

Also enclosed is a complete copy of the proposed new Virginia automobile physical damage manual which was referred to in our letters of November 29, 1957, and December 5, 1957.

In conjunction with this filing there are transmitted the following endorsements:

NAUA No. 11c—Edition, June, 1952—Comprehensive

Coverage—$50 Deductible (Private Passenger Automobiles Only)

NAUA No. 206—Edition, September, 1956—Comprehensive Coverage—$50 Deductible Family Automobile Policy

NAUA No. 3Y—Edition, June, 1957—Automobile Collision Insurance Rating Statements Private Passenger Automobiles Owned by Individuals (Virginia Only)

NAUA No. 57X—Edition, June, 1957—Private Passenger Automobile Collision Classifications (Rating Information) (Virginia Only)

It is requested that NAUA 11c and 206 be established as standard forms of endorsements for use by all insurance companies. NAUA 3Y and 57X replace NAUA 3q and 57p (edition, July, 1956), not currently standard forms, and reflect the changes in the Collision Classification Plan embodied in this filing.

This transmission completes our filing on this subject. If we can be of any help to you in your study of this proposed program, please let us know.

page 5 } It is hoped that approval of this program may be secured so that the effective date of the new manual may be established as January 15, 1958, or as soon thereafter as possible.

Yours very truly,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. D. P. Frame, Assistant Actuary
National Automobile Underwriters Association
cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association
cc: Mr. R. W. Criswell
Vice Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosures to this letter of December 9, 1957, are with the exhibits filed with the evidence under Tab #3, except the proposed new Virginia automobile physical damage manual which is exhibit No. 1-1, 1-2, and 1-3.

page 6 } VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
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RICHMOND 9, VIRGINIA

L. O. FREEMAN, JR.
Manager

PHILIP FREDERICK
Chief Engineer

E. D. SOMMERS
Assistant Manager

C. L. PURYEAR, JR.
Rating Superintendent

December 16, 1957.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Dear Sir:

Re: Automobile Physical Damage Rates.

On November 29, December 5, and December 9 we transmitted and filed with you certain changes in the Automobile Physical Damage Manual for Virginia. On December 9, 1957, we sent a complete copy of the proposed new Virginia Manual.

Enclosed is a copy of the proposed revision to Page 12a of the Automobile Manual which we ask that you substitute for the same page filed with you on December 9. You will note that the original page which we filed provides for a 10% reduction in rate for risks qualifying for driver training credit. The enclosed page makes reference to Page 12d of the Manual where the Virginia provisions for 5% and 10% reduction are set forth.

We shall be glad to be of any assistance to you whatsoever in reviewing these filings. Please feel free to call upon us.

Yours very truly,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. D. P. Frame, Assistant Actuary
National Automobile Underwriters Association
cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association
cc: Mr. R. W. Criswell
Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosure to this letter of December 16, 1957, is with the exhibits filed with the evidence under Tab #4.

page 7 } VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
Post Office Box 1198 Telephone MIlton 3-7471
RICHMOND 9, VIRGINIA

L. O. FREEMAN, JR.
Manager

PHILIP FREDERICK
Chief Engineer

E. D. SOMMERS
Assistant Manager

C. L. PURYEAR, JR.
Rating Superintendent

December 16, 1957.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Attention: Hon. Courtenay W. Harris
Deputy Commissioner

Dear Sir:

Re: Automobile Physical Damage Rates.

On November 29, December 5, and December 9 we filed for changes in automobile physical damage rates and rules. Together with our December 9 transmission we sent a complete copy of the proposed new Manual.

To assist you in evaluating the changes which are proposed in the rules, the attached brief has been prepared by the National Automobile Underwriters Association. Throughout this brief reference is made to a letter from the National Automobile Underwriters Association dated July 10, 1957, recommending and explaining certain Manual changes. For your convenience a copy of this letter is also enclosed. You

will note that some changes proposed in this letter have already been approved in Virginia. I refer specifically to changes in Rules 25, 25a, and 33.

You will recall that the change in Rule 11—Total or Constructive Total Loss—referred to in the attached memorandum, was filed February 11, 1957, but has not received approval. Substantially the same recommendation has been included as a part of our current rate filing, therefore superseding the February 11 transmission.

Referring to our recent correspondence regarding Rule 123—Towing and Labor Costs—you will recollect that we discussed this filing while Mr. Frame of the National Automobile Underwriters Association was in Richmond. We pointed out that there was not available sufficient statistical data to justify a rate increase from $1.00 to $2.50 *per se;* but it was pointed out that the $10 limit of liability now in the policy was unrealistic in the face of current charges made by garages and repair shops and it was on the basis of the best judgment available that the limit of liability was proposed to be increased two and one half times ($25.00) and the premium charged accordingly ($2.50). It was also pointed out that because of the formation of "Road Service Co-ops." in some states the public was becoming increasingly more claim wise as respects this coverage.

Whereas the general rate filing previously submitted does not contain provisions for the above increase and change in policy provisions, we ask that you give consi-
page 8 } deration to our filing of September 26, 1957, in connection with the current rate filings. Copies of NAUA 220, edition, October, 1957—Amendment of Limit of Liability—Towing and Labor Costs—have already been sent to you.

If we can be of any help to you whatsoever in reviewing the proposed changes, please feel free to call upon us.

Yours very truly,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. D. P. Frame, Assistant Actuary
National Automobile Underwriters Association
cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association

cc: Mr. R. W. Criswell.
Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosures to this letter of December 16, 1957, are with the exhibits filed with the evidence under Tab #5.

page 9 } COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 26, 1958.

APPLICATION OF
VIRGINIA INSURANCE RATING BUREAU

For approval of amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

CASE NO. 13801.

ON A FORMER DAY came Virginia Insurance Rating Bureau, and, pursuant to the provisions of Chapter 6 of Title 38.1 of the Code, filed on behalf of its members and requested approval by the Commission for use in this State of certain amendments to the manual of classifications, rules and rates, and rating plans, and modifications thereof for writing automobile physical damage insurance heretofore approved by the Commission for use by insurers, members of said Bureau.

AND IT APPEARING to the Commission that a hearing will be necessary before acting upon said filing, and that notice of the time and place of such hearing be given;

IT IS ORDERED:

(1) That a proceeding be, and it is hereby, instituted to determine: (a) Whether or not the rates proposed to be charged by reason of said amendments to the manual of classifications, rules and regulations, and rating plans, and modifications thereof for writing automobile physical damage insurance in this State are excessive, inadequate or unfairly discriminatory, and (b) any other matter which may be the proper subject of investigation; assigned Case No. 13801, docketed and set for hearing at 10:00 A. M. on

April 24, 1958 in the Courtroom of the State Corporation Commission, Blanton Building, Richmond, Virginia, at which time and place said Virginia Insurance Rating Bureau, and all other parties in interest desiring to be heard, do appear and present such facts and file such data relevant to the matters involved as may be desired or proper;

page 10 } (2) That Virginia Insurance Rating Bureau submit at said time and place to the Commission all available facts, information, data and statistics with respect to automobile physical damage insurance concerning: (a) past and prospective loss experience within and outside this State; (b) conflagration or catastrophs hazard; (c) a reasonable margin for underwriting profit and contingencies; (d) dividends, savings or unabsorbed premium deposits allowed or returned by insurers writing said insurance to their policyholders or members or subscribers; (e) past and prospective expenses, both countrywide and those especially applicable to this State; and (f) all relevant factors within and outside this State;

(3) That Virginia Insurance Rating Bureau publish a notice of the time and place of hearing, setting forth the substance of said filing and the place or places where the exact program, as proposed in said filing, may be seen by any person in interest, in a newspaper or newspapers of general circulation published in each of the following cities in this State, viz: Richmond, Norfolk, Roanoke, Lynchburg, Danville and Alexandria, at least once a week for two successive weeks, beginning at least ten days prior to the date set for hearing, and that due proof of the publications of such notice be made and filed herein, and that the notice be substantially in words and figures as follows, to-wit:

"NOTICE TO THE PUBLIC

"Notice is hereby given to the public that Virginia Insurance Rating Bureau has filed with and requested approval of the State Corporation Commission of certain amendments to the manual of classifications, rules and rates, and rating plans, and modifications thereof for writing automobile physical damage insurance heretofore approved by the Commission. The proposals effect both increases and decreases in rates and an over-all increase in the average rate level of 6.12%. The increases are as follows:

Private Passenger Automobiles:	*Increase*
Collision Insurance	8.0%
Other than Collision Insurance	9.5%

page 11 }

Minimum Premium other than Collision Insurance	12.5%

The division of Class 2 Collision Premiums into two new classes, as follows:

*Class 2A

There is a male operator under 25 years of age resident in the applicant's household or employed as a chauffeur regardless of whether or not the automobile is used in the occupation, profession or business of the applicant or of any other person customarily operating the automobile, and

(a) the male operator under 25 years of age is not the owner or principal operator of the automobile, or

(b) the male owner or operator under 25 years of age is married. 0.00%

*Class 2C

There is a male operator under 25 years of age resident in the applicant's household or employed as a chauffeur regardless of whether or not the automobile is used in the occupation, profession or business of the applicant or of any other person customarily operating the automobile, and the male operator under 25 years of age is the owner or principal operator and is not married. 30.4%

*In addition to increases noted above

Commercial Automobiles—Truckman Rule:

Intermediate Collision Coverage	5.0%
Long Distance Collision Coverage	25.0%

Fleets:

Collision Insurance	5.6%

Public Passenger Carrying Automobiles, excluding Buses:

Collision Insurance	3.2%

The proposed amendments to the manual of classifications, rules and rates, rating plans, and modifications thereof may be seen at Virginia Insurance Rating Bureau, Eighth Floor, American Building, Richmond, Virginia, or at the Bureau of Insurance, Eighth Floor, Blanton Building, Richmond, Virginia.

The State Corporation Commission has instituted an investigation and hearing upon the proposed amendments to the manual of classifications, rules and rates, rating plans, and modifications thereof to be held at the Courtroom of the State Corporation Commission, Blanton Building, Richmond, Virginia, at 10:00 A. M., April 24, 1958, at which place and time all parties to the pending proceeding, Case No. 13801, and all other persons in interest and members of the public generally may appear, present such relevant data as desired, and be heard.

VIRGINIA INSURANCE RATING BUREAU."

page 12 } and

(4) That an attested copy of this order be sent to Virginia Insurance Rating Bureau, to Collins Denny, Jr., counsel, and to the Bureau of Insurance.

A True Copy

Teste:

N. W. ATKINSON
Clerk of the State Corporation Commission.

page 13 } VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
Post Office Box 1198 Telephone MIlton 3-7471
RICHMOND 9, VIRGINIA

PHILIP FREDERICK
Chief Engineer

C. L. PURYEAR, JR.
Rating Superintendent

L. O. Freeman, Jr.
Manager

E. D. SOMMERS
Assistant Manager

March 27, 1958.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Dear Sir:

Re: Automobile Physical Damage Rates.

To further develop and explain various automobile physical damage rate proposals which were filed under dates of November 29, December 5, December 9 and December 16, we now file with you certain additional information and statistical data as listed below:

1. A copy of a letter from D. P. Frame, Assistant Actuary, National Automobile Underwriters Association dated March 26, 1958, and addressed to the undersigned.
2. A series of exhibits numbered 1 through 7.

Thank you for your consideratoin of the above supporting data. We believe that the enclosed material will serve to answer satisfactorily all of the questions with respect to this filing which were raised during a recent conference with members of your department. However, if there is any

further question or if you find that any additional information is needed, please do not hesitate to call on us.

Respectfully yours,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. D. P. Frame, Assistant Actuary
National Automobile Underwriters Association
cl: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association
cc: Mr. R. W. Criswell
Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosures to this letter of March 27, 1958, are with the exhibits filed wtih the evidence under Tab #6.

page 14 } COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 31, 1958.

APPLICATION OF
VIRGINIA INSURANCE RATING BUREAU

For approval of amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

CASE NO. 13801.

SUBSEQUENT to the order of February 26, 1958 came again the applicant, and, pursuant to the provisions of Chapter 6 of Title 38.1 of the Code, filed on behalf of its members and requested approval by the Commission for use in this State of additional amendments to the manual of classifications, rules and rates, and rating plans, and modifications thereof for writing physical damage insurance heretofore approved by the Commission for use in this State by insurers, members of the applicant, which proposed additional amendments consist of a new program for insuring for physical damage coverages automobiles consigned to or owned by

automobile dealers and held for sale or used in their business as automobile dealers.

AND IT APPEARING to the Commission that a hearing upon said additional amendments should be held at the same time and in the same proceeding as the proposed amendment set for hearing by the order of February 26, 1958 and that notice of the time and place of such hearing as thus extended should be given;

IT IS ORDERED:

(1) That this proceeding be extended to cover, in addition to the matters set forth in the order of February 26, 1958, the application of Virginia Insurance Rating Bureau for approval of its proposed new program for insuring physical damage coverages automobiles consigned to or owned by automobile dealers and held for sale or used in their business as automobile dealers and be set for hearing at the same time and place as originally provided in the order of February 26, 1958;

(2) That in lieu of the notice required to be given by the order of February 26, 1958 Virginia Insurance Rating Bureau publish a notice of the time and place of hearing, page 15 } setting forth the substance of said filing and the place or places where the exact program, as proposed in said filing, may be seen by any person in interest, in a newspaper or newspapers of general circulation published in each of the following cities in this State, viz: Richmond, Norfolk, Roanoke, Lynchburg, Danville and Alexandria, at least once a week for two successive weeks, beginning at least ten days prior to the date set for hearing, and that due proof of the publications of such notice be made and filed herein, and that the notice be substantially in words and figures as follows, to-wit:

"NOTICE TO THE PUBLIC.

"Notice is hereby given to the public that Virginia Insurance Rating Bureau has filed with and requested approval of the State Corporation Commission of certain amendments to the manual of classifications, rules and rates, and rating plans, and modifications thereof for writing automobile physical damage insurance heretofore approved by the Commission. The proposals effect both increases and decreases in rates and an over-all increase in the average rate level of 6.12%. The increases are as follows:

Private Passenger Automobiles:	*Increase*
Collision Insurance	8.0%
Other than Collision Insurance	9.5%
Minimum Premium other than Collision Insurance	12.5%
	12.5%
The division of Class 2 Collision Premiums into two new classes, as follows:	
*Class 2A There is a male operator under 25 years of age resident in the applicant's household or employed as a chauffeur regardless of whether or not the automobile is used in the occupation, profession or business of the applicant or of any other person customarily operating the automobile, and (a) the male operator under 25 years of age is not the owner or principal operator of the automobile, or (b) the male owner or operator under 25 years of age is married.	0.00%

page 16 }

*Class 2C There is a male operator under 25 years of age resident in the applicant's household or employed as a chauffeur regardless of whether or not the automobile is used in the occupation, profession or business of the applicant or of any other person customarily operating the automobile, and the male operator under 25 years of age is the owner or principal operator and is not married.	30.4%

*In addition to increases noted above

Commercial Automobiles—Truckman Rule

Intermediate Collision Coverage	5.0%
Long Distance Collision Coverage	25.0%

Dealers' Section

Approval is requested of a completely revised Dealers' Section of the Manual, effecting both in-

creases and decreases in rates and broadening of coverages. Increases are proposed in the rates for Combined Additional Coverage with and without Malicious Mischief and Vandalism, Annual Blanket Theft and Annual Blanket Collision rates in some instances, and Drive-Away Collision rates.

Fleets:

Collision Insurance	5.6%

Public Passenger Carrying Automobiles, excluding Buses:

Collision Insurance	3.2%

The proposed amendments to the manual of classifications, rules and rates, rating plans, and modifications thereof may be seen at Virginia Insurance Rating Bureau, Eighth Floor, Blanton Building, Richmond, Virginia.

The State Corporation Commission has instituted an investigation and hearing upon the proposed amendments to the manual of classifications, rules and rates, rating plans, and modifications thereof to be held at the Courtroom of the State Corporation Commission, Blanton Building, Richmond, Virginia, at 10:00 A. M., April 24, 1958, at which place and time all parties to the pending proceeding, Case No. 13801, and all other persons in interest and members of the public generally may appear, present such relevant data as desired, and be heard.

VIRGINIA INSURANCE RATING BUREAU."

and

page 17 } (3) That an attested copy of this order be sent to Virginia Insurance Rating Bureau, to Collins Denny, Jr., its counsel, and the Bureau of Insurance.

A True Copy.

Teste:

N. W. ATKINSON
Clerk of the State Corporation Commission.

page 18 } COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

APPLICATION OF
VIRGINIA INSURANCE RATING BUREAU

For Approval of Amendments to the Manual of Classifications, Rules and Rates, and Rating Plans and Modifications thereof for writing Automobile Physical Damage Insurance.

CASE NO. 13801.

Present: Commissioners H. Lester Hooker (Chairman) Jesse W. Dillon, Ralph T. Catterall (Commissioner Dillon presiding).

Appearances: Collins Denny, Jr., Claude D. Minor, Counsel for Virginia Insurance Rating Bureau.

William H. King, Counsel for Virginia Association of Insurance Agents.

Alden E. Flory, Counsel, Virginia Farm Bureau Mutual Insurance Company.

page 19 } Dave Tapley, State Farm Mutual Insurance Co.
H. L. Craig, Harleysville Insurance Company.

Norman S. Elliott, Counsel for the Commission.

Date of Hearing
April 24, 1958.

page 20 } Commissioner Dillon: Mr. Minor, you may proceed.

Mr. Minor: May it please the Commission, as the Bailiff stated, this is an application of the Virginia Insurance Rating Bureau for approval of Amendments to the Manual of Classifications, Rules and Rates, and Rating Plans and Modifications thereof for writing Automobile Physical Damage Insurance in Virginia. A little later I will go into it in a little more detail as to what the application embodies.

Pursuant to the application, we have certified copies of Notices of Publication in the Alexandria Gazette, the Virginia-Pilot of Norfolk and Portsmouth; The News of Lynchburg, The Roanoke Times; The Danville Register and The Richmond Times-Dispatch, which is in keeping with the Order of the Commission.

Commissioner Dillon: These notices will be
page 21 } received as Exhibit A.

Mr. Minor: Now, may it please the Commission

our filing shows (Exhibits B, C and D attached to National Automobile Underwriters Association letter of November 27, 1957) the physical damage automobile insurance experience for all companies writing this type of coverage in Virginia to be as follows: For 1954 premiums earned were $33,-151,852 and direct losses (including loss adjustment expense) paid were $14,951,621; for 1955 premiums earned were $35,736,899 and direct losses (including loss adjustment expense) paid were $16,038,028; and for 1956 premiums earned were $37,158,907 and direct losses (including loss adjustment expense) paid were $19,011, 077.

The results given would appear to be favorable from the standpoint of the premiums earned and the direct losses paid. Such a situation, however, is more apparent than real. In May 1955 there was filed with and ac-
page 22 } cepted by the Commission a new or revised rating formula applicable with respect to physical damage automobile insurance. The first time that formula was applied was in 1956, and as a consequence of its application, physical damage automobile insurance rates were reduced over-all by 14.6%. That decrease in rates became effective on or about January 16, 1956. Since that time there has been no further change—either upwards or downwards—in such rates for use in Virginia.

The earned premium amounts just given for the year 1954, 1955 and 1956 were produced by rates which were approximately 17% higher than the rates in use at this time. Since that is the case, it is proper and necessary to adjust the amount of such earned premium to the present rate level in order to determine what the underwriting experience would have been for those years had the business involved been written at the current rates. When this proper and necessary adjustment is made, we find that such underwriting experience would have been as follows: For
page 23 } 1954 earned premiums would have been $30,-004,156 and paid losses and loss expenses would have been $14,951,621; for 1955 earned premiums would have been $32,308,728 and paid losses and loss expenses would have been $16,038,028; and, for 1956 earned premiums would have been $35,008,960 and paid losses and loss expenses would have been $19,011,077.

One proper and important characteristic of the rating formula filed with and accepted by the Commission in May 1955 is that which brings into application the price level factor or cost of living index. This is in recognition of the fact that the cost of motor vehicles and, perhaps more especially, the cost of automobile repairs are not static matters

but follow quite generally the cost of living index. The new index as established by the United States Bureau of Labor Statistics uses the average for 1947 to 1949 as the base of 100, and under the Consumers' Price Index or Cost of Living Index of that department the 12 months' page 24 } average for Virginia as of December 31, 1954, was 114.8. Such average as of December 31, 1955, was 114.5, and as of December 31, 1956, was 116.2. The actual index as of July 15, 1957, was 120.8. It is obvious, of course, that as costs generally increase, as the index shows is the case under present conditions, the costs of automobiles and of automobile repairs follow right along. This situation is a prominent cause for the unfavorable loss experience sustained during the last two years by companies writing physical damage automobile insurance.

We feel it is unnecessary to dwell upon the logic of this phase of the rating formula, since no doubt the Commission is aware from personal experiences that only a few years ago if one had the misfortune to crumple a fender on one's automobile, the cost of repairing it, or even the cost of replacing it with a new one, was a nominal sum prehaps not in excess of $20.00. That is not the case at present. The chances are that a similar repair job today would cost $150.00 or more. In this relation, William P. Henderson page 25 } in an article which appeared in the March 28, 1958 issue of the National Underwriter states that the retail installation price of certain groups of parts each exceeds 10% of the cost of the car, and lists among these groups (a) the front and rear bumper assemblies, (b) the two front fender panels and trim, (c) the rear fender panels and trim, (d) the deep sculptured doors, and (e) the front and rear gingerbread adornments. There are but few fully equipped cars today which cost less than $2,500, hence, according to Mr. Henderson, any one of the repair jobs mentioned likely will entail a cost of $250.00 or more.

Without attempting to go into a full explanation of the existing rating formula (which, we might say parenthetically, will be explained later by Mr. Frame as fully as the Commission may desire), we feel it is sufficient to say that under the application of the formula the experience for the previous three years,—that is 1954, 1955 and 1956—shows page 26 } that the average earned annual premium revenue needed in Virginia was $36,048.752, whereas the actual average earned annual premium revenue was only $33,968,433. This indicates needed additional premium income of slightly more than $2,000,000 annually, or as stated in the filing, an increase in rates of 6.12%. We, of course,

expect to substantiate such needed increase by appropriate testimony and by data in the form of exhibits.

Before passing on to another phase of our filing, we are taking the liberty of emphasizing a situation with which the Commission is thoroughly familiar. That situation simply is this. Virginia is not an isolated state. It is a state that is greatly traveled by persons from other states. Its history, its traditions, its mountains and seashore, its Jamestown, its Colonial Williamsburg, and its numerous other points of interest make it a Mecca of the tourist. Moreover, the main north and south Virginia highways form a link of approximately 200 miles in the routes taken by those motorists from Ontario, Quebec, New England, New York, Pennsylvania, and other areas to the north when going to and returning from Florida, and similarily when the residents of many of the Southern States travel to Washington, Philadelphia, New York and other points in the northeastern United States and adjacent Canada.

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As a result there are millions of out-of-state motor vehicles driven on Virginia roads each year. In fact, according to the latest count—which was for the year 1954—made by the Virginia Highway Department there were 12,511,000 out-of-state motor vehicles which visited or passed through the State in that year. As fantastic as that number is, had the count been made for 1957 the probabilities are that the number would have been 15,000,000 or more because of the Jamestown Exposition. These millions of out-of-state motorists are welcome, of course, since Virginia traditions and hospitality would not have it otherwise. We can not overlook the fact, however, that such an influx of motor vehicles contributes largely to a traffic situation which augments, to an unnnown but very substantial degree, the amount of physical damage to motor vehicles sustained by Virginia owners. This is so because every additional car on the roads of the State constitutes an additional potential hazard and an additional subject for possible physical damage loss.

page 28

Of similar importance from the standpoint of possible physical damage loss is the increase in the number of motor vehicles owned in Virginia According to the Virginia Division of Motor Vehicles, for the year 1950 there were 994,426 registrations issued for such vehicles in the State, whereas for the year 1957 the number of registrations was 1,480,837. Thus during that seven years period the exposure from this source alone for physical damage loss to Virginia owned motor vehicles increased more than fifty per cent. In spite

of such additional exposure as to possible physical
page 29 } damage loss, during the seven years period under
discussion the rates for physical damage automobiles insurance were decreased twice. These were a decrease of approximately 12% in January 1952, and as previously stated a decrease of 14.6% in January 1956. Thus, if the changes which we propose at this time are approved by the Commission the rates for physical damage automobile insurance in Virginia will be only about 80% of the rates which were in use in 1950.

While we have no accurate information as to the actual number of "old cars" in use in Virginia, we believe it to be a conservative estimate that eight out of every ten cars on the roads are in excess of 18 months of age. The cost of physical damage insurance with respect to these old cars is less, both under present rates and those we propose, while the cost of repairs, with respect to such cars is substantially the same, that is particularly as to the latest models
in most instances, as for new cars. Moreover, the
page 30 } frequency of physical damage loss to the older
cars is higher simply because the newer an automobile is the greater is the care which its owner exercises toward it. Conversely, the older an automobile is the less care its owner exercises toward it, with the result that it becomes more and more a hazard on the highways.

Without going into every detail of the filing, since such details will be gone into by Mr. Frame in his testimony to the extent the Commission may desire, we feel it will be helpful to both the Commission and any persons here in opposition to the filing if we give a reasonably comprehensive summary of what we propose. Our feeling in this connection arises for the most part from the fact that, so far as the public is concerned, all that is known about our proposals is the information contained in the published notice which, according to the requirements of law, appeared in various newspapers
published in certain cities of the State. We raise
page 31 } no objection with regard to the published notice,
but since such notice related only to proposed increases in physical damage automobile insurance rates and our filing includes not only such proposed increases but also numerous and substantial proposed decreases, it is our thought that it will be helpful to all interested if we delineate just what is proposed.

First we shall deal with our proposal as it affects private passenger automobiles, since it is from this type of vehicle that the bulk of premium revenue is derived. In this connection our proposal is as follows: (a) Comprehensive—

Actual Cash Value—Full Coverage. As the Commission is aware this is the insurance coverage most commonly written with respect to motor vehicles and provides coverage against virtually all risks of accidental loss other than collision and up-set. But the coverage pays for loss to glass if caused by collision or otherwise. Under our filing it is pro-
page 32 } posed to increase the average premium from $11.18 to $12.52, which is a 12% increase in rate. However as to this coverage it is proposed to permit the insured, if he so elects, to accept a $50.00 deductible provision or endorsement, which would not apply to loss by theft or larceny of the entire automobile or to loss by fire or lightning or to loss from smoke or smudge under certain conditions or to loss by certain perils of transportation, and for which deductible the insured would be given a credit of approximately 40%. Credit for use of the deductible will have the effect of reducing the proposed average premium from $12.52 to $8.12.

(b) Fire and Theft—Actual Cash Value Coverage. A substantial portion of physical damage insurance carried with respect to private passenger automobiles is written to cover against the primary perils of fire and theft. Under our filing we propose a reduction of 16.7% in the rates for these coverages. This proposed decrease will have the
page 33 } effect of reducing the average fire and theft premium from $7.29 to $6.07.

(c) Minimum Premium. Under existing filings heretofore approved by the Commission a minimum annual premium charge of $8.00 per policy applies with respect to Comprehensive coverage. The minimum annual premium charge for each policy covering one or more of the following perils of fire, theft, windstorm, personal effects, flood, riot and Combined Additional Coverage—is $7.00 per policy. We propose to make the minimum premium for each policy including collision coverage $8.00 (but excluding the coverage of Towing and Labor). In considering the effect of the change in minimum premium to apply on a policy basis instead of a coverage basis, we estimate that 35% of private passenger risks are written without collision and the remaining 65% of the private passenger with collision. Therefore, the increase in minimum premium from $7.00 to $8.00 would affect that small portion of the 35% of risks written without collision which are written to cover perils other
page 34 } than comprehensive and where the displayed premiums for such total coverages (excluding Towing and Labor) are less than $8.00.

(d) Collision Coverage. In our filing it is proposed that the overall increase in collision rates or premiums will amount to 9.5% with respect to this coverage for private passenger automobiles. A portion of this overall increase arises from the proposal to divide the present Class 2 (which pertains to male drivers under 25 years of age) into two classes. The proposed new class will be Class 2A and Class 2C. Under this division the proposed Class 2A rates will be the present Class 2 rates increased 8%, and the Class 2C rates will be the present Class 2 rates increased about 40%.

The Commissioner recognizes that it is the male driver under 25 years of age who produces a very substantial portion of losses with respect to private passenger automobiles. As

page 35 } a consequence of such recognition you established, some two years ago, for use in writing automobile liability insurance exactly the same classification for which we are asking. Under present rates for collision, Class 2 relates to a situation where "there is a male operator under 25 years of age resident in the applicant's household or employed as a chauffeur regardless of whether or not the automobile is used in the occupation, profession or business of the applicant or of any other person customarily operating the automobile." Under the division proposed of Class 2, Class 2A will similarily apply but the rates under that class will attach only where the male operator under 25 years of age is not the owner or principal operator of the automobile, or the male owner or principal operator under 25 years of age is married. The proposed Class 2C rates also will apply similarly but only when the male operator under 25 years of age is the owner or principal operator and is not married.

page 36 } Under existing rates, heretofore approved by the Commission, the base rate for collision insurance for private passenger automobiles is reflected by Class 3. This procedure is continued under our proposal. Present Class 2 rates (those which apply where there is a male driver under 25 years of age) are, to the nearest dollar, 115% of the Class 3 rates. In splitting Class 2, it is proposed to make Class 2A rates 115% of the Class 3 rates, and to make Class 2C rates (those applying where there is a male operator under 25 years of age coming in the "hot-rod" category) 150% of the base or Class 3 rates. Experience shows that it is the male operator under 25 years of age, who is not married and who is the owner or principal operator of the automobile, who is the worst offender from the standpoint of collision losses. It is at these

"hot-rodders" that the most substantial increase in collision rates, as proposed, is directed.

In order that the effect of our proposal may be more clearly understood we are giving by comparison the prem-
page 37 } ium presently paid and that proposed, for each of the several classes, for collision insurance subject to a $50.00 deductible with respect to the three cars in the popular price range, namely, the 1958 Chevrolet Bel Air, the 1958 Plymouth Belvedere, and the 1958 Ford Fairlane 500. These present and proposed premiums are as follows:

Class	Present Premium	Proposed Premium
Class 3 (Base Premium)	$74.00	$80.00
Class 1 (No male driver under 25)	59.00	64.00
Class 2—we propose to split into 2 classes	85.00	Split into Class 2A & 2C
Class 2A	85.00	92.00
Class 2C	85.00	120.00
Class 1F (Farmers)	47.00	45.00
Class 2AF (That is farmers again where there is a male operator under 25 or is married	68.00	64.00
Class 2CF—which is still farmers	68.00	84.00

It will be seen from this comparison that a reduction in collision premiums is proposed as to farmers, except where there is a male operator under 25 years of age
page 38 } and who comes within the "hot-rodder" or Class 2C category.

Now, with respect to commercial motor vehicles (that is, trucks and trailers) which for rating purposes are divided into those used for local hauling, those used for intermediate distance hauling, and those used for long distance hauling, our proposal in summarized form is as follows:

As to those used for local hauling, we propose a decrease in rates of 24.9% for coverages other than collision, and for collision coverage we propose a decrease of 5.9% which will produce an overall decrease of 12.0%.

Where the commercial motor vehicle is used for intermediate distance hauling (which means that the vehicle is regular or frequently operated beyond a radius of 50 miles but not beyond a radius of 150 miles of the limits of the city or town where the vehicle is principally garaged), we propose a decrease in rates of 29.1% for coverages other

than collision, and for collision we propose an
page 39 } increase of 5.0%, which will produce an overall
decrease of 9.7%.

Where the commercial motor vehicle is used for long distance hauling (which means that the vehicle is regularly or frequently operated beyond a radius of 150 miles of the limits of the city or town where it is principally garaged), we propose a decrease in rates of 31.1% for coverages other than collision, and for collision we propose an increase of 25.0%, which will produce an overall increase of 5.0%.

The changes we propose will have some effect under the fleet rating plan. According to our calculations such changes will bring about an estimated decrease of 14.5% for coverages other than collision, and for collision an estimated increase of 5.6%, which will produce an estimated overall decrease of 2.8%.

As to types of motor vehicles not previously discussed the changes we propose will result in an overall decrease as follows: For public vehicles, other than buses, a de-
crease of 4.6%; for buses, a decrease of 11.6%,
page 40 } for miscellaneous types, a decrease of 4.5%; and
for miscellaneous coverages, a decrease of 2.1%.

It will be seen from the summary given that our proposal embodies numerous and substantial decreases in rates, and that the proposed increases relate almost entirely to Comprehensive, which provides coverage as to breakage of windshields and other glass, and to collision. The glass coverage and the collision coverage, of course, are the "hot potatoes" of physical damage automobile insurance, and it is axiomatic that the classes of coverage from which the frequent and severe losses come should be the classes called upon to bear the burden, rate and premium-wise, of those losses. Also we request a complete revision of the Dealers section of the manual. This requested revision will produce both increases and decreases in rates and a broadening of coverages. Such requested revision will be explained as fully as the Commission may desire.

We have been fortunate in that the occasions
page 41 } have been few when we have found it necessary to
ask the Commission to approve an increase in rates for any type of insurance. On the other hand the occasions have been numerous when we have filed decreases in rates because the experience of the class or classes involved showed such decreases to be proper. It is our desire, as we know it is the desire of the Commission, to keep insurance rates just as low as possible. The evolution of the automobile has been one of the phenominal achievements of American in-

dustry, and ownership and use of the automobile to the point where today the rule rather than the exception is two cars to every garage, bespeaks the earning and spending abilities of the American public. We doubt if any one thing in such a short period of time, or perhaps in all time, has become such a prominent and indispensible part of the American way of life as has the automobile.

This prominent and indispensible necessity in
page 42 } American way of life must be protected by insur-
ance. Obviously, the more the public demands in the way of frills, wraparound windshields, dual or triple headlights and tail lights, *et cetera,* the greater is the probability of physical damage loss to the car. Insurance can and will pay for these losses . But when the losses increase to the point where the insurance companies must expend more than 100 cents for each premium dollar they take in, the insuring public should, and no doubt does, recognize that it collectively must bear such increase in rates or premiums as may be necessary to permit the insurance companies to come out whole. Procedure of this nature is fundamental, and it, too, is a part of the American way of life.

We propose to show that the changes—that is, both the decreases and increases—in physical damage automobile insurance rates or premiums as set forth in our filing are proper, and we express the hope that such changes will
have the Commission's approval.

page 43 } Mr. Denny: About ten years ago I had the
privilege of beginning to represent this Bureau, and our first case was an automobile physical damage case, in which we revamped the rates and rulings. You probably have forgotten that hearing, Judge Hooker, but I remember it very well and it lasted four days. I hope we can eliminate a great deal of routine data in this matter. The first thing we are confronted with is the "experience." As Mr. Minor said, that experience which you approved the formula of, indicated an increase of 6.12%.

Figures have been filed since last November with the Bureau of Insurance. I have been informed by Mr. Elliott, and authorized by him to say, that those figures have been checked by the gentlemen of the Bureau, all the experience data and figures, and have applied the formula approved by the Commission, and they have taken no exception to the figures prepared by our statistical agent, and your statistical
agent. We can prove to the last fraction of a point
page 44 } as to the experience through all these classes and
groups and forms and it comes out 6.12% increase indicated by the formula.

I want to state another feature and then pose a question. The other question proposed, and I read this because I have read it over with Mr. Harris and Mr. Elliott and I want to state it as clearly as I can. The other question is the distribution of this indicated increase to the various classes, groups and kinds of Automobile Physical Damage Insurance. Whereas the experience data from which the 6.12% increases is determined, is the experience of all companies writing in Virginia, the proposed distribution has been prepared on the basis of the Virginia experience of companies reporting to the N. A. U. A., which is approximately 75% of the business in Virginia. It was on this basis that we proceeded in the substantial reductions of 1956 and in adjustments of years immediately prior thereto. It will be of interest to the Commission to know that we are now working out
page 45 } with the Bureau of Insurance a procedure by which we hope hereafter to be able to propose the distribution of any increases or decreases on the basis of all Virginia experience.

An immense amount of data in support of the distribution has been filed. Much of it, as to be expected, is highly technical. Yesterday afternoon the Actuaries of N. A. U. A. sat down with representatives of the Bureau of Insurance to check and verify the basis and the mathematics of the proposed distribution. I am informed that no differences developed. There were one or two matters that could not be fully verified at that conference. We are furnishing to the gentlemen of the Bureau of Insurance the data they desire for that verification. I have no question in my mind on the furnishing of those underwriting sheets but that that verification will come out to the penny.

We have this question which I wish to pose to the Commission, and I would pose it by way of a suggestion. Insofar as the indicated increases are concerned, the 6.12%
page 46 } which arises out of the experience and application you approved in May 1955, I have wondered, unless some person here attending the hearing desires that figure to be established through the testimony of Mr. Frame, and the auditors, whether we cannot proceed on the basis of what the N. A. U. A. worked up. That is what the Bureau has fixed and that is the same kind of procedure we have on our fire cases. May we have some expression from the Commission on that?

Commissioner Dillon: First, I would like to ask if there is anyone here opposing these proposed increases?

Note: No response.

Commissioner Dillon: What do you think about that, Mr. Elliott?

Mr. Elliott: If the Commission please, we hope that we have succeeded in making the Commission's work somewhat lighter in this case. That is our aim and object from time to time in matters where we feel that we are page 47 } capable of doing so.

This is a very voluminous file and covers many matters and the Bureau of Insurance, Mr. Harris and his associates, has spent a long time on it, and frankly, we have had a lot of difficulty with it. I have spent considerable time on it and I had a lot of difficulty with it, but, by virtue of this effort, and by virtue of being able to sit down with the members of the Bureau and the Advisory Organization on yesterday, I think, with the exception of two matters that Mr. Denny referred to, it may be stated to the Commission that, on the basis of the filing, we believe that the filing is justified and the Commission would be fully justified with the exception of certain small matters with respect to rules that I will ask the witness about, in accepting the filing.

Heretofore, we have had discussions and discussions about this matter that Mr. Denny is talking about in the preparation of this Memorandum. The Bureau of Insurance page 48 } was under the impression that one understanding had been reached and the Rating Bureau another understanding had been reached, and we come here today with this matter and the distribution is based on the N. A. U. A. experience. Prior experience has been made on that basis and I don't think it fair to change the rules in the middle of the game, but I wanted stated on the record that there must hereafter be no misunderstanding about this, and there must be in any further rates filing, a distribution made on all Virginia experience. How that is to be gathered and how the details will be taken care of in that Memorandum is something that I don't think we should be concerned with now but I do want this record very clear as to what should be filed in the Memorandum, and I want to say on this record that I want it all in and want it in the way the Insurance Department can process it, and I feel we will have no difficulty getting that and that a Memorandum can be worked out, and it must be worked out, and with that statement, so far as the Bureau of Insurance is concerned, I am page 49 } willing to accept the filing as made with the exceptions of certain rule changes to which I have referred.

Mr. Denny: With regard to Mr. Elliott's requirement that distribution be on all Virginia experience, I think I under-

stand that perfectly. As soon as this is over, I will send a letter to Mr. Harris, sending a copy to Mr. Parker and Mr. Elliott, requesting that he advise us exactly what data he would like to have hereafter and the form of it in support of the distribution, and I will send his reply on to the N. A. U. A. If there be any technical data about which they would like to confer, they will come down and confer with Mr. Harris and they will work it out with Mr. Harris, so we will have no misunderstanding hereafter.

That part of it, as Mr. Elliott has said, we have here today the kind of data which we heretofore have presented, and it has been all based so far as experience is concerned, on N. A. U. A. data, which is 75% of the State and typical, we believe, of the balance of the State.

page 50 } In the light of what Mr. Elliott has said, may I ask how far the Commission wants us to go on the 6.12% indicated increase?

Mr. Elliott: As well as the distribution.

Mr. Denny: I was going to ask that next.

Commissioner Dillon: Mr. Elliott, would you not like to put some witnesses on the stand to bring out some points which have been discussed?

Mr. Elliott: Do you mean the rules?

Commissioner Dillon: Yes.

Mr. Elliott: Whoever they choose to present the Rules to the Commission, I want to cross examine him on some of them.

Mr. Denny: Then, as I understand it, it is under these three factors, or these three matters, the justification for the increase, next the distribution and third the rules. I know no way of shortening the information about the rules.

Mr. Elliott: I am willing to stipulate on the record as to points one and two but the Bureau of Insurance has examined the filing and finds it reasonable and just

page 51 } and is willing to recommend to the Commission that that be accepted as filed and that the filing be approved by them in that respect.

Chairman Hooker: You want them filed through a witness, do you not?

Mr. Elliott: I think they may be received as part of the record.

Commissioner Dillon: They will be received as part of the record.

Mr. Denny: I understood that they were received as a part of the record?

Commissioner Dillon: Yes.

Mr. Minor: That is in the filing.

M. P. Anstey.

Commissioner Dillon: Put your witness on as to the rules.

Mr. Denny: We would like for a moment to discuss with Mr. Frame as to who should go on.

Mr. Elliott: Suppose we take a short adjournment.

Commissioner Dillon: 10:45 A. M. The Commission will recess for five minutes.

page 52 } M. P. ANSTEY,

a witness introduced on behalf of Applicant, being first duly sworn, testified as follows:

DIRECT EXAMINATION.

By Mr. Minor:

Q. Will you give the Court Reporter your full name and your address?

A. Milton P. Anstey, 150 Nassau Street, New York, New York.

Q. With whom are you associated or employed?

A. I am employed by the National Automobile Underwriters Association.

Q. What is your position?

A. I am Assistant to the Manager.

Q. Are you familiar with the rules that have been filed in this filing which we have under consideration today?

A. Yes, sir.

Q. I hand you a rather bulky package. Is that a copy of the rules which actually embodies the rules and

page 53 } rates?

A. Yes.

Q. Which constitute the new manual and constitute all changes in rules and regulations contemplated in our filing?

A. Yes.

Q. Does that include the transmission made to the Bureau of Insurance on April 14th?

A. No, sir, it does not.

Mr. Elliott: What that is, Mr. Minor, is that certain miscellaneous changes have been made from time to time by an administrative order or otherwise and the purpose of the April 14th, 1958 filing is to correct the original document that he filed to bring it up to date to take care of those changes that have been made with the approval of the Bureau of Insurance; is that correct, Mr. Anstey?

M. P. Anstey.

A. I believe that is correct.

Mr. Minor: Thank you, Mr. Elliott.

Mr. Minor:

Q. Does that include the proposed revision of the dealer's section? I think it does not, wait page 54 } just a minute—here it is. Those documents are in the filing?

A. Yes, sir.

Mr. Elliott: Perhaps for purposes of the record the three documents referred to should be considered as one document and received in evidence as Exhibit No. 1. I realize the filing is in the record but I think it should be received as Exhibit No. 1.

Commissioner Dillon: It will be received as Exhibit No. 1.

CROSS EXAMINATION.

By Mr. Elliott:

Q. Will you turn to Rule 11 which is "Term and Cancellation Rules" on Page 4 and 5. Do you have that?

A. Yes, sir.

Q. As I understand it is proposed that "in the event of a total or constructive total loss under any Physical Damage Coverage, return premiums shall be made upon pro rata from the day following the date of accident, can- page 55 } cellation may be made provided it is requested by the insured within ten days following such loss"; is that correct?

A. No, sir.

Q. What is correct?

A. Within thirty days.

Q. I mean thirty days; is that right?

A. Yes.

Q. That is considerably more restrictive than the present rule; is that not right?

A. Yes, sir; if I may explain for a moment. There is also an additional change proposed—

Q. First, let's clear what we are talking about here. What is the present rule?

A. The present rule has no provisions for time limit at the request of the insured.

M. P. Anstey.

Q. Will you read the present rule into the record.

A. "Upon payment of a total or constructive total loss under any Physical Damage Coverage, return premium shall be made pro rata, for all physical damage premiums, including the premium for the coverage under which page 56 } the total loss was paid, for the automobile (s) involved in such loss.

In applying this rule, the premium for each year or portion thereof of the policy term shall be considered separately."

Q. The effect of the proposed change is to require that there must be a request by the insured within thirty days following the date of the loss; is that correct?

A. Yes, sir.

Q. Is it not possible, and does it not happen, that a car may be stolen in January and not recovered until March or June or some other time?

A. Yes, that is possible.

Q. And the date of the loss would be when the car was stolen?

A. Yes.

Q. So that the insured in that case could not take advantage of that rule unless within thirty days from the time his car is stolen when he does not know whether he will ever recover it or not. He is required to give page 57 } notice, although he has not established a loss or anything else?

A. I don't believe it will operate just that way.

Q. Tell me just how it will operate.

A. In the case of a total theft, statistics reveal that automobiles are usually recovered within the first forty-eight hours after the theft.

Q. You say "usually recovered"; you are talking about the majority?

A. Sixty-five per cent are recovered within forty-eight hours.

Q. How about the other thirty-five per cent?

A. With respect to the other thirty-five per cent, a small percentage is usually recovered in varying lengths of time, others are never recovered. As I understand, most insureds, upon report of a theft would be required to furnish a proof of loss within sixty days after the theft, consequently, an automobile recovered three or four months after the theft would be reported.

M. P. Anstey.

Q. They had sixty days to file proof of loss,
page 58 } but had only thirty days to avail themselves of
that rule; is that not right? It says that right
here.

Note: Witness did not answer.

Mr. Elliott: I think this rule is utterly unworkable on its face.

Commissioner Catterall: What is the present practice when you find a total loss when they pay the premium rate—do they return a part of the premium with it?

A. I'm afraid I do not know what the companies do since the change.

Q. But, according to the reading of the rule, the insured does not have to have any payment back?

A. The present rule is silent on that point that the insured ask for a return premium.

Q. Do not the statistics show that ninety-five per cent of the people don't know that he has to ask for it?

A. I am sure that is correct.

Q. So if he does not get it automatically he
page 59 } would not recover at all?

A. As I say, I don't know the procedure of all of the companies.

Commissioner Dillon: Do you want to be heard on that, Mr. Minor?

Mr. Minor: I am trying to get Mr. Frame's opinion on it.

Mr. Frame: It was put in there on the Country-wide basis, and I think the proviso should be eliminated.

Mr. Elliott: Leave the rule like it was.

Mr. Minor: Eliminate the proviso and take out the thirty days.

Mr. Elliott: Leave it like it was and we have a rule that we are all familiar with.

Mr. Minor: We ask that the Commission do that.

Commissioner Dillon: We will disapprove this change.

Mr. Minor: Perhaps what Mr. Frame has said is correct,
but in view of the fact that we are denying the
page 60 } companies one little piece of gravy, this other may
be eliminated?

Mr. Elliott: We are satisfied with the old rule.

Daniel P. Frame.

Mr. Elliott:

Q. Turn to Rule 28, Page 12. It is proposed to insert a new rule providing for a fifty dollar deductible coverage for private passenger automobiles. That is the rule Mr. Minor referred to in his opening statement?

A. That is correct.

Q. Can you tell me what is the relativity of the rates for this coverage to the present full comprehensive coverage, and how was this determined?

A. I believe that is an actuarial question.

Mr. Denny: Let's get the Actuary on the stand.

Note: This witness stood aside for the moment.

page 61 } DANIEL P. FRAME,

a witness introduced on behalf of Petitioners, being first duly sworn, testified as follows:

DIRECT EXAMINATION.

By Mr. Minor:

Q. Give the reporter your name, please.

A. Daniel P. Frame.

CROSS EXAMINATION.

By Mr. Elliott:

Q. You are the Actuary who has done the actuarial work on this filing; are you not?

A. Not completely, but most of it.

Q. It was done under your supervision and direction?

A. It was done under my supervision and direction and under the direction of the General Actuary of the Association.

Q. Are you familiar with Rule 28, Comprehensive Policy, Page 12?

A. Yes, sir.

Q. I believe as stated to the prior witness, it is
page 62 } proposed to insert the new rule for the fifty dollar deductible Private Automobile Coverage?

A. Yes, sir.

Q. What is the relativity of this coverage to the present full comprehensive coverage?

A. I would have to make a calculation of that since we

are proposing an increase in the full coverage comprehensive, and the rates proposed for the newly Fifty-dollar Deductible Comprehensive are related to the new rates.

Q. Will you file as an exhibit, known as "Exhibit No. 2" giving us full information with respect to the relativity of the rates under this coverage to the present Full Comprehensive Coverage, and how that rate was determined?

A. Yes, sir.

Mr. Elliott: May Exhibit 2 be reserved for that?

Commissioner Dillon: Exhibit 2 will be reserved for that exhibit.

A. I can give you an approximation now.

Mr. Elliott:

page 63 } Q. I don't want an approximation but I want the exhibit to check to find out how it was done.

Now, Mr. Frame, I don't know whether this is your question or somebody else's, but we will start out with you. Rule 28-A "Private Passenger Automobile Collision Classifications," Page 12-A. Have you got that?

A. Yes, sir.

Q. At the present time, there are three private passenger collision classifications?

A. That is correct, excepting the farmers' classification which may be considered as part of those.

Q. There are three main classifications?

A. Yes, sir.

Q. The present Class 3 is the automobile used for business purposes, and is taken as a basis for rating the other two classes; is that correct?

A. It is the basis of expression of the relative rates proposed by classes by which—I mean we call it one hundred per cent.

Q. You call it "Unity" and then depart from unity as to the other two classes?

page 64 } A. That is correct.

Q. Class 1 is eighty per cent of the other two classes. Class 2 is one hundred and fifteen per cent of Class 3?

A. That is correct.

Q. It is proposed to divide Class 2 into two Classes, Class 2-A and Class 2-C?

A. That is right.

Daniel P. Frame.

Q. Class 2-A is the male operator under twenty-five years of age, business and non-business, in summary.

A. It is the under-age operator but not the owner.

Q. I don't mean the insured but that is correct, is it not?

A. Yes.

Q. Class 2-A is the male operator, who is not the principal operator who is married; is that a fair summation?

A. That is a correct statement.

page 65 } Commissioner Catterall: He is not the owner?

Mr. Elliott: That is correct, he is not the owner nor principal operator.

Mr. Elliott:

Q. The relativity in this instance, Class 2-A, is that they remain at the present Class 2, so far as this percentage of Class 3 is concerned?

A. Your understanding is correct.

Q. Under your new Class 2-A, in summary, it is the male operator under twenty-five who is the principal operator and not married?

A. Yes.

Q. And this Class is to be rated at one hundred and fifty per cent of Class 3?

A. That is correct.

Q. This new Class 2-C will come out of the present Class 2?

A. That is correct.

Q. And in calculating the rate of the one hundred and fifty per cent for the male operator unmarried, who is the owner or principal operator of the automobile, have you

page 66 } given credit in your determination of the rate for Class 2-A, the bad statistics which Mr. Minor dwelt on which we are pulling out of that class and putting in this new class?

A. I believe so.

Q. How did you do that? Can you give us some information about that?

A. A part of the data included in the filing was an exhibit of Private Passenger Fifty dollar Deductible Collision for three years Country-wide in which were separately displayed the losses per car insured.

Q. The loss cost?

Daniel P. Frame.

A. Yes, for the Classes 1, 2 and 3, which are the principal existing Classes in Virginia.

In our analysis of that experience it was indicated to us that relative to the two Classes, the existing Class 2, which embraces Class 2-A and Class 2-C, was not contributing its relative share to the rate. That left us with the question of proposing parallel increases for all present Class 2, or considering ancillary information with regard to
page 67 } automobile liability, and establishing a division of the Class into two parts so that we might come as close as possible in putting the burden upon the driver who drove it.

Q. Is that the consideration contained on the paper I show you?

A. Yes.

Q. Will you file that as Exhibit 3?

Commissioner Dillon: That will be received as Exhibit No. 3.

Mr. Elliott:

Q. And we leave that and we will go to Rule 45 "Rating of Deductible Forms of Collision for which no Premiums are Shown," Page 34-A. Do you have that, sir?

A. I have it, Mr. Elliott.

Q. The present method of computing twenty-five dollar deductible Collision Coverage on commercial vehicles is to charge one hundred and fifty per cent of the fifty dollar deductible premiums; is that correct?

A. Yes, sir.

Q. As I understand it, it is proposed to increase
page 68 } that choice to one hundred and sixty per cent of the deductible collision premiums for the twenty-five dollar deductible?

A. That is correct.

Q. Can you tell us how that change from a hundred and fifty per cent to a hundred and sixty per cent was developed or determined?

A. It was proposed for the reason of being uniform in the Virginia Manual as to private passenger and commercial local under which the same relativity of twenty-five dollar deductible, which is an infrequently-used coverage, to the fifty dollar deductible, which is the predominantly used coverage, and must be used as a basis for setting levels.

Q. I want to know what is the justification for changing

Daniel P. Frame.

this from a hundred and fifty to a hundred and sixty per cent? Is there any justification except the uniformity?

A. The statistical justification would have to go outside the State of Virginia because of the small coverage in one state. In regard to that we thought the one hun-
page 69 } dred and sixty per cent in use on private passenger cars was the amount that it should be.

Q. Would you develop an exhibit which will be Exhibit 4, to show the proposed justification of that increase from a hundred and fifty to a hundred and sixty per cent?

Commissioner Dillon: Exhibit No. 4 will be reserved for the statement.

Mr. Elliott:

Q. Will you turn to Rule 123, "Towing and Labor Costs," Page 65; do you have that?

A. Yes, sir.

Q. As I understand it, by this rule it is proposed to increase this from one dollar per automobile to two dollars and a half per automobile?

A. Yes, sir. The sheet I have with that page from the exhibit of that filing is marked in red ink to show the substitution of two dollars and a half for that plan.

Q. In our statistical finding, we don't find any justification for this charge. Do you have any justification
page 70 } for it?

A. That change cannot be specifically justified on experience because it is proposed on a different coverage than existed, so that the experience developed under the existing coverage as the measure of rate need for the proposed to be revised coverage would not be correct.

Q. What does the indication under the existing coverage show it to be?

A. That is various and that would vary in different jurisdictions, and here again the proposal was to establish Country-wide a towing and labor cost coverage more in tune with modern circumstances. The present coverage provides a ten dollar liability for each accident. That has been in existence for quite a number of years, and it was our recollection that in a very few instances could we get a car towed for ten dollars, and we propose to make it twenty-five dollars and that the charge therefor should be increased proportionately.

Daniel P. Frame.

Q. I show you the motor vehicle experience for the year 1956, and ask you if it does not indicate that the
page 71 } towing service charge loss ratio for that year was 10%?

A. That is correct.

By Mr. Minor:

Q. Mr. Frame, in view of the fact that you have nothing to substantiate this and you did it on a basis of uniformity naturally, that is your reason for doing so?

A. Yes.

Q. Would it not be advisable, as far as Virginia is concerned, to simply withdraw that portion of your filing?

A. I can't testify factually as to that because I am one of the hired help.

Mr. Minor: The Virginia Insurance Rating Bureau is making the filing, and as representative of the Virginia Insurance Bureau, feeling, in view of Mr. Frame's testimony that he does not have the statistics, it is not the purpose of the Insurance Rating Bureau to bring over here something that cannot be substantiated and we will withdraw it.

Commissioner Catterall: His testimony is that
page 72 } the one dollar is too high.

Mr. Minor: That is the previous rule.

Commissioner Dillon: The request for change of Rule 123 will be denied. Go ahead, Mr. Elliott.

Mr. Elliott:

Q. Mr. Frame, will you refer to the dealer's automobile section?

A. All right, I have that.

Q. Rule 96 "Form 'A' and Form 'B' Blanket Coverage Theft Rates," Page 53; do you have that?

A. Yes.

Q. Do you have before you what the present rates per hundred dollars of insurance are for Forms A and B?

A. Yes. Rule 96 shows in the present manual the present rates for "Annual Blanket Theft Rates per One Hundred Dollars of Insurance."

Q. The per one hundred dollars of insurance is as follows: "Form 'A' Total of Values Reported Each Month. Form 'B' Total of Limits of Liability." The first
page 73 } fifteen thousand dollars and under, fifty cents?

A. That is correct.

Daniel P. Frame.

Q. From fifteen thousand and one dollars to fifty thousand dollars it is twenty-five cents; and from fifty thousand and one dollars to one hundred thousand dollars it is ten cents, and over one hundred thousand dollars it is five cents; is that correct?

A. That is correct.

Q. These are proposed to be changed to: the first fifty thousand dollars and under is to be thirty-five cents?

A. That is correct.

Q. And from fifty thousand and one dollars to one hundred thousand dollars is to be ten cents?

A. That is correct.

Q. And over one hundred thousand dollars is to be five cents?

A. Yes, sir.

Q. So that under the proposed rate all of the first fifty thousand dollars and under is to be calculated at thirty-five cents?

page 74 } A. Yes, sir.

Q. Under the old law you would calculate fifteen thousand of the first fifty thousand at fifty cents and from fifteen thousand and one to fifty thousand dollars at twenty-five cents?

A. Yes.

Q. So this new make-up apparently results in some increases in rates and some decreases in all the brackets?

A. Yes, in all brackets in the Rule, yes.

Q. Can you tell us where would be the breaking point between those taking reductions and those taking increases?

A. That would be between thirty-eight thousand and thirty-nine thousand dollars of reported value would be the breaking point, below which the proposed rates would develop a lower premium, and beyond which the proposed rates would develop a higher premium.

Q. So anyone buying forty thousand dollars of insurance would pay a higher rate under the proposal?

page 75 } A. Yes.

Q. And anybody buying under thirty-five thousand dollars would get a slight reduction?

A. That is right.

Q. Are there any other points in this rate structure where there would be reductions and increases at breaking points?

A. Not in respect to the Dealer's Blanket Theft Policy, there would not be.

Q. Will you turn now to Rule 99, formerly Rule 100, Page

54 "Annual Blanket Collision Rates per $100 of Insurance."

A. I have that, sir.

Q. The same grouping of limits of liability is proposed in this instance; is that not correct?

A. Yes.

Q. Where would the breaking point of those obtaining reductions and those obtaining increases, where would that be, would it be at the same points?

A. No, sir. As respects Blanket Collision Rates, there would be two breaking points.

page 76 } Q. Would you give those to us, please.

A. Up to a limit of liability of fifty thousand dollars, the proposed rates produced lower premiums. Between fifty thousand and approximately one hundred and ten thousand dollars the proposed rates would produce slightly higher rates. From one hundred and ten thousand dollars and higher, the proposal results in reductions.

Q. How do you think these proposals are going to affect the dealers, are they going to be adverse to the small dealer or not?

A. No, I would not expect that they would be adverse to the small dealer in that both the collision and theft reductions result generally on the dealer with the smaller range of reported values. It is difficult to attempt even an estimation of the aggregate effect since we have no reliable data as to what would be the average value of stock reported by the average dealer, or how many there might be with a small limit of liability, and how many with a very large amount of liability.

page 77 } Q. Now, Mr. Frame, will you turn to proposed Rule 100, "Named Driver—Collision Coverage"; do you have that?

A. I have that, sir.

Q. In substance, the proposed rule projects that the premiums applicable are those for the high valued automobile sold or handled by the dealer?

A. That is the proposal in the rule proposed.

Q. It is my understanding that, if a dealer handles one high priced automobile, his whole rate structure would be determined on the basis of his handling that one automobile; is that correct?

A. That is not my understanding of it.

Q. What is your understanding of how this rule operates?

Daniel P. Frame.

A. It was intended to define the characteristics of the dealership, the way of operation of a rating criteria.

Q. Would it not be more accurate to arrive at the average value of the cars handled by the dealer? If he handles a few deluxe models and the rest are standard

page 78 } models, are you going to rate it on the deluxe models, disregarding the other equipment?

Commissioner Catterall: If he has one Rolls Royce and one hundred second-hand Fords, the premium would be based on the Rolls Royce?

A. No, sir, that is not my understanding.

Mr. Elliott: That is what the Rule says.

Mr. Minor:

Q. I think this is something initiated here for the first time. Is that right, Mr. Frame?

A. Yes.

Mr. Minor: In discussion of this with Mr. Anstey on yesterday it was his understanding and mine that we make a further study, and if it be agreeable with Mr. Elliott that it would be advisable for the National Underwriters Experience Examiner to come down and confer about it he will do so.

Mr. Elliott: That is satisfactory but in the meantime I think the Rule should be held in abeyance.

Commissioner Dillon: Rule 100 will be held

page 79 } in abeyance until the further study is completed.

Mr. Elliott:

Q. Now turn to Rule 102 "Drive-Away Collision Coverage," Page 55.

A. Yes, sir, I have it.

Q. Under the present Blanket Forms "A" and "B," this coverage is afforded automatically, as I understand it?

A. Mr. Elliott, I think for discussion of the details of the provision of the dealer's program, it would be of greater assistance to the Commission that I asked Mr. Anstey to discuss that.

Mr. Elliott: All right.

Witness stood aside.

page 80 } M. P. ANSTEY,
resuming the stand for Cross Examination testified as follows:

By Mr. Elliott:

Q. This Rule 102, "Drive-Away Collision Coverage," Page 55, under the present Blanket Forms "A" and "B," this coverage is afforded automatically, is that correct?

A. Yes, sir.

Q. It is now proposed to limit "Drive-Away Collision Coverage" to not more than twenty-five miles?

A. Yes.

Q. And if coverage beyond twenty-five miles is desired, it must be specifically purchased; is that correct?

A. Yes.

Q. Why was this change proposed?

A. The change is proposed, as I understand it, because, to a great degree, "Drive-Away Operations" cover large distances. If I might use as an example, from
page 81 } Detroit to Richmond, it has always been a principal that long haul operations are specifically rated. The function of a dealer to drive automobiles from a manufacturing plant, say in Detroit, to his dealership is, in our opinion, a unique operation, and as such, should be specifically rated as such.

Q. How long have you been affording that automatically under Forms "A" and "B"?

A. I cannot answer categorically. I believe it was always afforded.

Q. Did you have some adverse experience to lead you to believe that it should be specifically covered, or what is your reason for it?

A. To the best of my knowledge, the activity of driving automobiles from the manufacturing plant to a dealer's show room is one of recent vintage, and as I understand, there have been several severe losses sustained by the dealers from driving new automobiles to their show room.

Q. You say that practice is "of recent vintage." I remember my brother doing it in 1916 going to
page 82 } Detroit and bringing them down to North Carolina, so that isn't so recent?

A. I suppose not.

Q. How did you arrive at the premium for this proposed coverage?

A. The premium was arrived at on the basis of twenty-five miles or less are covered automatically. The present Virginia rates contain a rate applicable to specific "Drive-Away

Risks." Inasmuch as it is proposed to continue to provide coverage under Forms "A" and "B," coverage of twenty-five miles or less, it was felt that the charge of fifty per cent of the rates which are presently in effect for "Drive-Away Exposures" would be adequate.

Q. Your sole basis for determining this rate is as stated?

A. Yes.

Q. Now, will you turn to Rule 103—"Dealer's Supplemental Coverage."

A. I have it, sir.

Q. The effect of this rule is to increase the present charge for Combined Additional Coverage from fifteen
page 83 } cents to twenty cents when written without Malicious Mischief and Vandalism, and from twenty cents to twenty-five cents when written with Malicious Mischief and Vandalism?

A. Yes.

Q. How can that be done and how was it justified?

A. That might well be under an actuarial question which I had better let Mr. Frame answer.

Q. All right, let's have him answer it.

A. Possibly I could explain that the underlying underwriting thing in this Rule, at the present time I believe that the miscellaneous coverages which are applicable in the Miscellaneous Section of the Manual are available to the dealer. Specifically the balance are Windstorm, Hail, Earthquake, Explosion, Riot or Civil Commotion, with or without Malicious Mischief or Vandalism.

Commissioner Catterall: Did you ever have a riot without malicious mischief?

A. I don't know, sir.

Mr. Minor:

Q. Have you finished your answer?

page 84 } A. No. It is now proposed to make these as individual coverages unavailable to dealers, and to make only the "Dealer's Supplemental Coverage" available, which is a combination of all of these coverages. Experience has developed that dealers with a high concentrated business buy this insurance only at a time when threatened by high flood and windstorm, and in order to more adequately spread out the coverage, it is felt that the entire peril on

all of this should be put together as one coverage as a unit.

Mr. Elliott:

Q. Do you think that justifies the increase in rate that you are proposing, or do you have any justification for that?

A. The basis for the proposed increase in rate is on the assumption that, making only the "Dealer's Supplemental Coverage" the only coverage available, a greater preponderance of losses will be reported than the present experience would indicate.

Commissioner Catterall: In that package you described is there anything but flood that could not possibly happen to any dealer?

page 85 } A. I beg your pardon?

Q. In the package you describe there, is there any coverage except Flood that could not happen to any dealer? I am pointing out you could not be injured by a flood on Broad Street, so the dealer on Broad Street, the flood portion would not be applicable to him; so he would be paying for something he would not get?

A. The present flood premium in Virginia is five cents per hundred dollars.

Mr. Elliott:

Q. You have had a very favorable experience on Fire, Flood and Theft on Dealer's Risk in Virginia, have you not?

A. Yes.

Q. And in 1956 the loss ratio there only amounted to 10.4%; isn't that correct?

A. I believe that is correct.

Witness stood aside.

Mr. Flory: I would like to ask a question of the Actuary if I may.

page 86 } Commissioner Dillon: All right, Mr. Frame.

DANIEL P. FRAME,

resuming the stand for further cross examination testified as follows:

Daniel P. Frame.

By Mr. Flory:

Q. Mr. Elliott asked you about the percentage from your basic and he elicited the information that Class 1 is eighty per cent of Class 3?

A. Yes.

Q. Is it true that presently Class 1-F is Class 1, less twenty per cent?

A. That is the correct rating basis.

Q. And Class 2-F is Class 2 less twenty per cent?

A. That is the present rating basis.

Q. As I understand, the proposed rate you are charging under discount?

A. Yes.

Q. And that means you have for Class 1-F Class 1 less thirty per cent?

A. Yes.

page 87 } Q. And Class 2-AF and 2-CF respectively rates less thirty per cent?

A. They are thirty per cent less than Class Non-Fleet Cars.

Q. Is this increase in discount based on Virginia experience? It isn't, is it?

A. No, the Classification Plan in Virginia, which provided for the establishment of Farmers Classes, was instituted too recently to develop any experience during the experience presently under review for use in evaluating that Class in Virginia.

Q. What justification do you have for the increase to farmers of thirty per cent?

A. In the states where N. A. U. A. is the Rating Organization, we have proposed everywhere a uniform set of rates between these Collision Classes there, based on limited automobile physical damage experience for farmers, and more extensive automobile liabilities made available to us, in a movement towards uniformity with automobile liability. We have recommended wherever we, as the Rating

page 88 } Organization, or a Rate Advisory Organization, a change from the twenty per cent discount for the Farmers Class to thirty per cent.

Q. Are you aware that there is no thirty per cent for liability in Virginia, only twenty per cent?

A. I could not testify as to actual knowledge as to what the existing liabilities are.

Q. You do not have the statistics to justify separately to the various classes, by that I mean you have no specific

statistics to justify that thirty per cent on 1-F as compared to the thirty per cent on CF?

A. No, the Farmers' Classifications on auto physical damages were more recently created than on liability, and there are quite a number of changes in the classification, and the relative rating. Consequently, the experience we have been developing under the Plan is not such that we could compare the discount earned by farmers on Class 1 as compared to discount earned from farmers on Class 2, and therefore, the absence of any experience to the contrary, and
page 89 } pending data which will provide suitable justification for such rate change, we are establishing, wherever we are recommending filings on the Classification Plan, the thirty per cent discount for farmers.

Q. I believe you testified that you, in your judgment, used the experience or the liability of insurance, and that had gone to thirty per cent. Did you use it in making your rate recommendation?

A. Not specifically. Under this rate recommendation, it was part of the information made available to us, which was used in the general program as I have related.

Q. Do you recall the Virginia experience on Automobile Liability in Farmers' Classifications?

A. No, I don't recall ever seeing the Virginia experience on Automobile Liability Classification.

Q. I will ask you one other question. You represent N. A. U. A.?

A. Yes.

Q. N. A. U. A. represents what portion of the Virginia Farmers' experience?

page 90 } A. Since I do not know what the premium volume developed on farmers classes by all companies in Virginia is, I am unable to give you a calculation of what percentage the N. A. U. A. statistical information constitutes that.

Q. Can you give the Commission the exact volume of the N. A. U. A. experience in Virginia for 1955-1956?

A. Are you asking that for farmers?

Q. Yes.

A. They were established in Virginia in 1956, so that we have less than a full year's experience on even a written basis on those classifications.

Q. This prompts one more question. As the Actuary of N. A. U. A., you testified that farmers had no discount until 1956, at which time twenty per cent was recommended, and

without any statistics, you are proposing a thirty per cent discount at this time. Isn't that what you said?

A. I do not think that is correct. I did not say without any statistics but without any Virginia experience developed on the specific farmers classification.

page 91 } Mr. Minor:

Q. Do you think the farmers will object to it?

Mr. Flory: Probably not but—

Mr. Minor: I think that is a case for the Virginia Insurance Rating Bureau.

Mr. King: I would like to ask one question.

Commissioner Dillon: Go ahead.

Mr. King:

Q. You were asked quite a few questions by Mr. Elliott concerning various rules, two of which I was interested in, Rule 11 and Rule 100. Rule 11 has been withdrawn entirely?

A. Yes.

Q. And Rule 100 the provisions of that are a brand new coverage; am I correct in that?

A. The proposed "Name Driver" is a brand new coverage.

Q. You were asked this question, I believe by Judge Catterall, the way the Rule is proposed, I under-
page 92 } stand that is subject to revision and will not be stressed at this time, but the way that is worded, the man that sold one Rolls Royce and one hundred Fords, would be rated on the basis of his one Rolls Royce, and you stated that you thought that that was not the intention of he Rule. Let's suppose you had an agent who walks into the office of a used car dealer and Rule 100 as presently written is in effect, and he wants to sell to the dealer a new contract of insurance which would put him under Rule 100. Do you follow me up to this point?

A. Yes.

Q. And he is questioning the dealer in order to form the basis for the rate. Would his questions be based on what the dealer had sold in the prior year or what he intended to sell in the coming year, the Rule does not state that?

A. Quite frankly, I am somewhat ambiguous myself as to what was the intent of the Rule.

Daniel P. Frame.

Q. Don't you think that that should be made clear as to whether it is made on projected or old sales?

page 93 } Mr. Minor: We have held that in abeyance.
Mr. King: Yes, but I want to bring that to the Commission's attention.

A. I think that the matter should be made clear.

Witness stood aside.

Commissioner Dillon: The Commission will take this matter under advisement.

page 94 } COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 2, 1958.

APPLICATION OF

VIRGINIA INSURANCE RATING BUREAU

For approval of amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

CASE NO. 13801.

THE APPLICATION herein was heard by the Commission on April 24, 1958 and taken under advisement, it appearing that the notice to the public required to be published by the order of March 31, 1958 had been published as required by said order. The applicant was represented by Collins Denny, Jr. and Claude D. Minor, its counsel, the Virginia Association of Insurance Agents by William H. King, its counsel, the Farm Bureau Mutual Insurance Company by Alden E. Flory, its counsel, and the Commission by its counsel.

ON MAY 1, 1958 came again the applicant by letter of that date and filed Exhibits 2 and 4 as permitted by the Commission at the hearing on April 24, 1958, and amended its application herein so as to withdraw proposed Rule 100 in the

Dealer's Automobile section of the manual, entitled: " 'Named Driver'—Collision Coverage."

NOW ON THIS DAY the Commission having fully and maturely considered the application herein is of the opinion and finds that the amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance filed in this proceeding by the orders of February 26, 1958 and March 31, 1958 as amended by the applicant by its letter of May 1, 1958 except:

(1) The proposal of the applicant to amend that part of Rule 11 of the manual reading as follows:

"Total or Constructive Total Loss

"Upon payment of a total or constructive total loss under any Physical Damage Coverage, return premium shall be made pro rata from the day following the date of accident (if a total theft, the day following the date of theft) resulting in such loss for all physical damage premiums including the premium for the coverage under which the loss page 95 } was paid, for the automobiles(s) involved in such loss, provided cancelation is requested by the insured within 30 days following the date of such loss."

and

(2) The proposal of the applicant in Rule 123 to provide for a rate of $2.50 per car for Towing and Labor Costs;

are reasonable and just and will not produce rates for writing automobile physical damage insurance in this State which are excessive, inadequate or unfairly discriminatory and should be approved for use in this State as hereinafter provided, but that the proposals of the applicant to amend Rule 11 in the respects hereinbefore stated and to amend Rule 123 so as to provide for a rate of $2.50 per car for Towing and Labor Costs are unreasonable and unjust and should not be approved for use in this State.

IT IS, THEREFORE, ORDERED:

(1) That the amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance filed in this proceeding by the orders of February 26, 1958 and March

31, 1958 as amended by the applicant by its letter of May 1, 1958, except:

(1) The proposal of the applicant to amend that part of Rule 11 with respect to total or constructive loss to read as follows:

"Upon payment of a total or constructive total loss under any Physical Damage Coverage, return premium shall be made pro rata from the day following the date of accident (if a total theft, the day following the date of theft) resulting in such loss for all physical damage premiums including the premium for the coverage under which the loss was paid, for the automobile(s) involved in such loss, provided cancelation is requested by the insured within 30 days following the date of such loss."

and

(2) The proposal of the applicant in Rule 123 to provide for a rate of $2.50 per car for Towing and Labor page 96 } Costs; be, and they are hereby approved for use in this State on all new and renewal policies written on and after the 11th day of June, 1958, and on all policies effective on and after the 1st day of August, 1958, regardless of when written, except that on and after June 2, 1958 no policies shall be cancelled or endorsed or rewritten to take advantage of, or to avoid the application thereof, except at the request of the insured and at the customary short rate charges;

(2) That the proposal of the applicant to amend that part of Rule 11 of the manual with respect to total or constructive total loss reading as follows:

"Total or Constructive Total Loss

"Upon payment of a total or constructive total loss under any Phusical Damage Coverage, return premium shall be made pro rata from the day following the date of accident (if a total theft, the day following the date of theft) resulting in such loss for all physical damage premiums including the premium for the coverage under which the loss was paid, for the automobile(s) involved in such loss, provided cancelation is requested by the insured within 30 days following the date of such loss."

and the proposal of the applicant to amend Rule 123 so as to provide for a rate of $2.50 per car for towing and labor

costs be, and they are hereby, disapproved for use in this State;

(3) There appearing nothing further to be done herein this proceeding be dropped from the docket and the file placed in the file for ended causes; and

(4) That an attested copy hereof be sent to the applicant and its counsel, to counsel for each of the parties appearing herein and to the Bureau of Insurance.

A True Copy.

Teste:

N. W. ATKINSON
Clerk of the State Corporation Commission.

page 97 } COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 1, 1958.

APPLICATION OF

VIRGINIA INSURANCE RATING BUREAU

For approval of amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

CASE NO. 13801.

SUBSEQUENT to the Commission's order of June 2, 1958, the Commission reviewed the experience for 1957 for all companies writing automobile physical damage insurance in this State, which became available after the entry of said order. In addition, the Commission reviewed the formula for making rates for automobile physical damage insurance in this State.

NOW ON THIS DAY the Commission after considering said matters is of the opinion and finds that the following rate formula should be approved for making rates for automobile physical damage insurance:

Loss Adjustment Expenses	6.9%
Commissions	20.0
Other Acquisition Expenses	6.4
General Expenses	6.7
Taxes, Licenses, and Fees	3.3
Profit and Contingencies	5.0
Total Expenses	48.3
Losses	51.7
Grand Total	100.0%

THE COMMISSION is further of the opinion that the rates for writing automobile physical damage insurance approved by the Commission's order of June 2, 1958 should be revised so as to provide for a 6% reduction applied equally to all classes and coverages as nearly as is consonant with customary rate making practices.

IT IS, THEREFORE, ORDERED:

(1) That Virginia Insurance Rating Bureau file as soon as reasonably possible revised rules and rates and rating plans for writing automobile physical damage insurance which provide for a reduction of 6% of the rates approved by the Commission's order of June 2, 1958 which shall be applied equally to all classes and coverages as nearly as is consonant with customary rate making practices, which revised rates are approved upon the basis of the following formula:

page 98

Loss Adjustment Expenses	6.9%
Commissions	20.0
Other Acquisition Expenses	6.4
General Expenses	6.7
Taxes, Licenses, and Fees	3.3
Profit and Contingencies	5.0
Total Expenses	48.3
Losses	51.7
Grand Total	100.0%

(2) That said revised rates when filed are reasonable and are approved for use in this State on all new and renewal policies written on and after October 1, 1958 and on all policies effective on and after November 1, 1958 regardless

of when written, and any insured whose policy was written pursuant to the rates approved by the Commission's order of June 2, 1958 may be cancelled pro rata at his request, or said policy or policies may be endorsed or rewritten to take advantage of the rates herein approved; and

(3) That two attested copies hereof be sent to the applicant and its counsel, one attested copy to William H. King, counsel for Virginia Association of Insurance Agents, Richmond, Virginia, to Alden E. Flory, counsel for Farm Bureau Mutual Insurance Company, Richmond, Virginia, and to the Bureau of Insurance.

A True Copy.

Teste:

N. W. ATKINSON
Clerk of the State Corporation Commission.

page 99 } VIRGINIA INSURANCE RATING BUREAU
AMERICAN BUILDING
Post Office Box 1198 Telephone MIlton 3-7471
RICHMOND 9, VIRGINIA

L. O. FREEMAN, JR.
Manager

E. D. SOMMERS
Assistant Manager

PHILIP FREDERICK
Chief Engineer

O. L. PURYEAR, JR.
Rating Superintendent

August 25, 1958.

Hon. T. Nelson Parker, Commissioner of Insurance
Bureau of Insurance
State Corporation Commission
Richmond, Virginia

Dear Sir:

Re: Automobile Physical Damage Rates Effective October 1, 1958.

Pursuant to the Order of the State Corporation Commis-

sion dated August 1, 1958, in Case #13801, we hereby file with you revisions in the Virginia Automobile Physical Damage Rate Manual as listed following. These proposals have been designed to produce an overall reduction of as close to 6% as could be achieved. Our calculation of the average effect overall of the proposals is a reduction of 6.27%. The net overall effect of the revision of June 11, 1958, (which we had estimated to be an increase of 6.42%) and the revision proposed for October 1, 1958, is a decrease of 0.25%. This conforms very closely with the change indicated by current rating formula applied to total Virginia experience for 1955 and 1956 quoted in Exhibit (2) of July 1958, which was presented to the Bureau of Insurance at the Conference of July 31, 1958.

Private Passenger Proposals

Proposed (Eff. 10/1/58)			Present (Eff. 6/11/58)		
	Sch. or Rate	Average Premium	Sch. or Rate	Average Premium	% Change
Full Cov. Comprehensive	Sch. #8	$12.68	Sch. #7	$11.15	-12.1%
$50 Ded. "	Sch. #5	8.27	Sch. #4	6.96	-15.8%
Fire & Theft	50% of Sch. #8	6.23	50% of Sch. #7	5.85	- 6.1%
$50 Ded. Collision	$23 Sch.	53.60	$22 Sch.	51.30	- 4.3%
$100 Ded. Collision	$18 Sch.	34.15	$16 Sch.	30.30	-11.3%

The average premiums used are based on the latest (calendar year 1956) distribution of exposure by age and symbol and consequently those shown for present schedules differ slightly from the quotations supplied in the filing of the present schedules.

Commercial Local, Fire, Theft and Comprehensive

	Present	Proposed
Fire Rate—New	$.30	$.25
Old	.45	.40
page 100 } Theft	$.10	$.10
Fire & Theft—New	.40	.35
Old	.55	.50
Comprehensive Load	.60	.50
Total Comprehensive Rate—New	1.00	.85
Old	1.15	1.00

The effects on Commercial Local Fire, Theft and Comprehensive Actual Value Premiums, including estimates of the effect of the minimum premium of $8, where applicable, are as follows:

Comprehensive	— 13.5%
Fire & Theft	— 9.8%
Fire, Theft and Combined	
Additional with MM&V	— 7.1%
without MM&V	— 7.6%
Fire, Theft and Windstorm	— 8.3%

Commercial Local Collision

No change.

Commercial Intermediate and Long Distance

No change in Fire, Theft or Collision. The reduction under Comprehensive Load listed above under Commercial Local, Fire, Theft and Comprehensive will also apply to Intermediate and Long Distance Hauling resulting in some reductions for Comprehensive coverage only for these classes.

Public Automobiles—Fire and Theft Rates

Taxicabs, Public Livery Automobiles and Jitneys (Rule 52).

	Fire Rates		Theft Rates	
Symbol	Pres.	Prop.	Pres.	Prop.
A-F	$1.50	$.90	$.60	$.50
G-J	1.20	.80	.60	.50
Above J	1.05	.70	.60	.50

page 101 } *Buses—Fire, Theft and Comprehensive Rates* . .

	Fire Rates		Theft Rates		Compre. Add'l Rates	
	Pres.	Prop.	Pres.	Prop.	Pres.	Prop.
Defined Buses (Rule 70)						
Except School Buses	$1.00	$ .75	$.10	$.10	$.60	$.60
School Buses	.50	.35	.10	.10	.60	.40
All Other Buses (Rule 71)	1.25	1.00	.15	.15	.60	.60

Buses—Collision Premiums

School Buses (Rule 70)—Decrease from 50% to 40% of Commercial Local Hauling Premiums.

Miscellaneous Type Vehicles—Fire, Theft & Comprehensive Rates

	Fire Rates		Theft Rates		Compre. Add'l Rates	
	Pres.	Prop.	Pres.	Prop.	Pres.	Prop.
Salvage Corps Autos (Exc. Priv. Pass.) (Rule 75)	$.25	$.20	$.10	$.10	$.60	$.25
Industrial, Railway Station and Dock Trucks, etc. (Rule 80)	.40	.40	.05	.05	.60	.25
Farm Tractors and Equipment (Rule 80a)	.25	.25	.05	.05	.60	.25

Dealers'—Theft Rates

Rule 95. Except Blanket Coverage

	Pres.	Prop.
All Automobiles (except vehicles listed below)	$.35	$.26
Misc. Types listed under Rule 96	.10	.10
Autos covered only in transit	.20	.20

Rule 96. Blanket coverage

First $50,000 and under	.35	.26
From $50,001 to $100,000	.10	.10
Over $100,000	.05	.05

The Corporation Commission's Order of August 1 called for the 6 % reduction to be applied equally to all classes and coverages as nearly as is consonant with customary rate making practices, and some explanation of the above proposals is in order.

page 102 }

Private Passenger—Continuation of the use of standard schedules precludes a close approximation to a 6% reduction for each of the coverages. The minimal reduction of one schedule, as is proposed above, for Comprehensive considerably exceeds this effect. For Collision, the above proposals to reduce $50 Deductible by one schedule and $100 Deductible by two schedules produces results most nearly in line with the indications which would have resulted for these coverages had the present formula been applied to the detailed experience used in preparation of the latest filing.

Reference was made above to the new average premiums for the Passenger coverages. Schedules of these latest average premiums are attached.

Commercial—The Commercial Local reductions are proposed in the Fire, Theft and Comprehensive rates in line with uniformity with regional rating for this class. Also to maintain regional uniformity, no changes are proposed for Intermediate or Long Distance Collision or Fire and Theft.

Public Automobiles, Buses, Miscellaneous Types Vehicles and Dealers—The reductions proposed on these classes are ones which have been adopted for regional or countrywide application subsequent to preparation of the filing producing

the June 11 revision and prior to the effective date of that revision. Other classes and coverages in these sections of the manual are proposed to remain unchanged for this revision so that the Virginia manual will maintain uniformity with the rating applied elsewhere.

In calculating the effect overall of these changes, we have included, as is customary, the revenue change produced in other coverages affected by the proposed rate changes and the indirect result on other classes whose rating is related to the Passenger or Commercial classes. The calculation of the total effect is attached. In this calculation we have made no estimate of the effect of the reductions proposed for Dealers' Theft. This could not be determined with any confidence of accuracy as Theft is not written alone but in conjunction with Fire rates which are determined independently of the automobile rating. The revenue reduction resulting from the change in Dealers' Theft rates, however, would be of no significance relative to the total volume for all classes and coverages.

Copy for the revised manual pages incorporating these changes is attached. Also, to assist you in your review, the presently approved manual page is attached to each proposed revised page. In addition to the changes above listed, the proposed copy for Rule 40 in the Commercial Automobile Section shows a rate of $.50 for the additional charge for

page 103 } Transportation of Explosives or Inflammable Liquids, which is a reduction from the present rate. The incidence of this change is so slight as to have no discernible effect on total revenue. In Rule 39 of the Commercial Section, display of rates for electric vehicles in Intermediate and Long Distance Hauling is eliminated as they have no applicability. In line with a program pursued in concert with territorial coding and designation for automobile liability, the present schedule designations of A-A for Fire, Theft and Comprehensive and 1 for Collision are discontinued and are replaced by the use of Code (01) as both the territorial coding provided on the Territorial Definitions page and as the schedule designation in the rate and premium pages.

Yours very truly,

L. O. FREEMAN, JR.
Manager.

TLB:j

cc: Mr. Norman S. Elliott, Counsel
State Corporation Commission
cc: Mr. D. P. Frame, Actuary
National Automobile Underwriters Association
cc: Mr. R. W. Criswell
Chairman—Va. Governing Committee
cc: Mr. James L. Dorris
Vice Chairman—Va. Governing Committee
cc: Messrs. Collins Denny, Jr. and C. D. Minor

NOTE: The enclosures to this letter of August 25, 1958, are with the exhibits filed with the evidence under Tab #7.

page 104 } COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

September 22, 1958.

Application of

CASE NO. 13801.

VIRGINIA INSURANCE RATING BUREAU

For approval of amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

Opinion, DILLON, *Commissioner*:

This is a companion case to Case No. 13936—Application of National Bureau of Casualty Underwriters and Mutual Insurance Rating Bureau—and should be considered in connection with that case. In Case No. 13936, we approved as reasonable an allowance of 20% for production costs in the rate making formula for automobile liability insurance. In this case we approved the same allowance for commissions in the rate making formula for automobile physical damage insurance. Both cases have been appealed by the Virginia Association of Insurance Agents.

In this case, the Commission approved on June 2, 1958, after a hearing held on April 24, 1958, a filing made by the Virginia Insurance Rating Bureau on behalf of all companies licensed in this State to write automobile physical damage insurance which revised the existing rates for automobile

physical damage insurance and provided for an
page 105 } increase of 6.12% in the existing rate level. The
filing approved by that order was based upon an allowance of 25% for commissions in the rate making formula.

Shortly after the entry of the June 2 order, the Commission learned that the National Automobile Underwriters Association, a qualified advisory organization of the Virginia Insurance Rating Bureau, had recommended that the rate making formula for automobile physical damage insurance be changed so as to provide for an allowance of 20% for commissions instead of 25%. Upon receipt of that information, the Commission began an immediate investigation, and, on July 1, 1958, definitely established that the National Automobile Underwriters Association had on May 21, 1958, while this case was under consideration by the Commission, changed the formula for physical damage insurance so as to substitute in the formula an allowance of 20% for commissions for the 25% the Commission had approved on June 2, 1958. After the Commission had definitely established on July 1, 1958 that this change in the rate making formula had taken place while the Commission had this case under consideration, it immediately directed the Virginia Insurance Rating Bureau to file revised lower rates which would give effect to this change. (See copies of letters dated June 19, 1958, June 24, 1958, June 30, 1958, July 1, 1958 and July 2,
1958 filed as an Appendix to this Opinion.)
page 106 } Thereupon, the Virginia Insurance Rating
Bureau began collecting the data necessary to make a revised filing which would (1) give effect to the revised rate making formula and, (2) the results of the 1957 experience of the companies which had not been available at the hearing on April 24, 1958. This data was submitted to the Commission the latter part of July, 1958 and resulted in the Commission's order of August 1, 1958, which provided:

"IT IS, THEREFORE, ORDERED:

"(1) That Virginia Insurance Rating Bureau file as soon as reasonably possible revised rules and rates and rating plans for writing automobile physical damage insurance which provide for a reduction of 6% of the rates approved by the Commission's order of June 2, 1958 which shall be applied equally to all classes and coverages as nearly as is consonant with customary rate making practices, which re-

vised rates are approved upon the basis of the following formula:

Loss Adjustment Expenses	6.9%
Commissions	20.0
Other Acquisition Expenses	6.4
General Expenses	6.7
Taxes, Licenses, and Fees	3.3
Profit and Contingencies	5.0
Total Expenses	48.1
Losses	51.7
Grand Total	100.0%"

The effect of that order was to restore for all practical purposes the state-wide rate level which existed before the Commission's order of June 2, 1958.

page 107 } Had the Commission known on June 2, 1958 that the National Automobile Underwriters Association, a duly qualified advisory organization to the Virginia Insurance Rating Bureau, had on May 21, 1958 changed the rate making formula so as to substitute an allowance for commissions of 20% for the 25% advocated in the rates originally filed in this proceeding, it would not have entered the order of June 2, 1958, but would have directed the Virginia Insurance Rating Bureau to file revised rates which reflected the formula changes recommended by the National Automobile Underwriters Association on May 21, 1958. The procedure followed by the Commission after it learned of the formula revision of May 21, 1958 was clearly within the Commission's authority as set forth in Chapter 6 of Title 38.1 of the Code and especially Sections 38.1-254 and 38.1-255.

The reasons why the Commission approved a change in the allowance for commissions in the rate making formula are fully discussed in the opinion of the Commission dated September 16, 1958 and filed in Case No. 13936 to which reference is made. It would serve no useful purpose to again restate in this opinion those reasons.

In conclusion, the Commission reiterates the position it took in Case No. 13936 that the agents who are appealing this case have no standing to take this appeal.

page 108 } Neither the Virginia Insurance Rating Bureau, the Rating Bureau which is required by law to

make all rate filings for physical damage insurance, nor any of the companies represented by that Bureau objected to the action of the Commission in directing the filing of lower rates. Furthermore, the rates thus approved were clearly in the public interest because they provided cheaper insurance to the public and adequate revenue to the companies writing the business.

HOOKER, *Chairman,* and CATTERALL, *Commissioner,* concur.

page 109 } APPENDIX.

June 19, 1958.

Mr. L. O. Freeman, Jr., Manager
Virginia Insurance Rating Bureau
P. O. Box 1198
Richmond 9, Virginia

Dear Sir:

We have been advised that the National Automobile Underwriters Association, which is recognized in this State as an advisory organization and is used as such by your Bureau, has adopted a program of rate making which provides for a 20% agent's commission instead of 25%, which is included in the rates of the recent revision.

Will you not be kind enough to advise us immediately whether or not this information is correct and, if such proves not to be the case, the present program of the National Automobile Underwriters Association relating to commission scales?

Very truly yours,

Deputy Commissioner of Insurance.

CWH:P

cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Association
New York, N. Y.

page 110 } VIRGINIA INSURANCE RATING BUREAU
American Building
Richmond 9, Virginia

June 24, 1958.

Honorable C. W. Harris
Deputy Commissioner of Insurance
Bureau of Insurance
Richmond, Virginia

Dear Mr. Harris:

We have for acknowledgment yours of June 19 in which you state you have been advised that the National Automobile Underwriters Association, a recognized advisory organization in Virginia, has adopted a program of rate making which provides for a 20% agent's commission.

The only information which we have had with reference to that is in the form of seeing some newspaper articles very recently along that line; but this matter will certainly be kept in mind.

With highest regards, we are

Yours very truly,

/s/ L. O. FREEMAN, JR.
Manager.

LOF:MM

cc: Mr. W. D. Hall, Actuary
National Automobile Underwriters Assoc.

page 111 } June 30, 1958.

Mr. L. O. Freeman, Jr., Manager
Virginia Insurance Rating Bureau
P. O. Box 1198
Richmond 9, Virginia

Dear sir:

We wish to acknowledge receipt of your letter of June 20th in reply to our letter of June 19th requesting information relating to whether or not the National Automobile Underwriters Association has adopted a program of rate

making providing for 20% instead of 25% agents' commissions.

Our inquiry was a specific one and we feel that, with your close relationship to the National Automobile Underwriters Association as an advisory organization to your office, you can obtain this information for us. We are, therefore, requesting that you communicate with them and advise us immediately of their reply.

We would like to have this information in our hands by tomorrow morning.

Very truly yours,

Deputy Commissioner of Insurance.

CWH:P

page 112 } VIRGINIA INSURANCE RATING BUREAU
American Building
Richmond 9, Virginia

July 1, 1958.

Hon. C. W. Harris
Deputy Commissioner of Insurance
State Corporation Commission
Bureau of Insurance
Richmond 9, Virginia

Dear Mr. Harris:

Your letter of June 30, 1958, addressed to Mr. Freeman, was received while Mr. Freeman is away from the office.

We have contacted the National Automobile Underwriters Association and obtained the following information. At the annual meeting of the Association on May 21, 1958, by vote of the membership, the rate-making program of the Association was revised so as to make a provision for 20% instead of 25% for acquisition costs in subsequent rate filings. You will recall, of course, that the rates of the recent revision were based upon the results of the automobile rating formula application which was made prior to our original filing in this case of November 29, 1957.

The National Automobile Underwriters Association expects to recommend the use of this same revised rating formula in those states where it is an advisory organization at the time of the next scheduled rate review.

We trust this is the information you desire. If we can be of further assistance, please let us know.

Yours very truly,

/s/ T. L. BONDURANT
Supervisor.

TLB:dm

cc: Mr. D. P. Frame, Actuary
National Automobile Underwriters Association

page 113 } July 2, 1958.

Mr. L. O. Freeman, Jr., Manager
Virginia Insurance Rating Bureau
P. O. Box 1198
Richmond 9, Virginia

Dear sir:

We have for acknowledgment letter of July 1st addressed to us by Mr. T. L. Bondurant, Supervisor of your Bureau, in reply to our letter of June 30th, in which we were advised that the National Automobile Underwriters Association, at its annual meeting on May 21, 1958, by vote of its membership, approved a provision of 20% instead of 25% for acquisition costs in subsequent rate filings.

This action was taken prior to the final order entered by the State Corporation Commission on June 2, 1958, in Case No. 13801, "Application of Virginia Insurance Rating Bureau for approval of amendments to the manual of classifications, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

Mr. Bondurant's letter was shown to the Honorable Jesse W. Dillon, member of the State Corporation Commission in charge of insurance matters, and to Mr. Norman S. Elliott, Counsel for the Commission. Commissioner Dillon has instructed me to advise you that the Commission wishes the Virginia Insurance Rating Bureau to make an immediate

filing of automobile physical damage insurance rates which takes into consideration this change in the rate formula.

Very truly yours,

/s/ C. W. HARRIS
Deputy Commissioner of
Insurance.

CWH:P

cc: Hon. Jesse W. Dillon
Hon. T. Nelson Parker
Mr. Norman S. Elliott

page 114 } COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
RICHMOND

September 25, 1958.

APPLICATION OF

VIRGINIA INSURANCE RATING BUREAU

For approval of amendments to the manual of classification, rules and rates, and rating plans and modifications thereof for writing automobile physical damage insurance.

CASE NO. 13801.

The Virginia Association of Insurance Agents having filed due notice of appeal in this case,

IT IS ORDERED that the enclosures to the letter filings and the exhibits filed with the evidence, numbered and described as follows, be certified and transmitted to the Clerk of the Supreme Court of Appeals of Virginia, to be returned by him to this Commission with the mandate of that Court:

Enclosures to letter filings:

Number	*DESCRIPTION*
Tab #1	Enclosures to letter filing dated November 29, 1957.

Tab #2	Same, dated December 5, 1957.
Tab #3	Same, dated December 9, 1957, except the proposed new Virginia automobile physical damage manual which is Exhibit No. 1-1, 1-2 and 1-3.
Tab #4	Same,dated December 16, 1957.
Tab #5	Same, dated December 16, 1957.
Tab #6	Same, dated March 27, 1958.
Tab #7	Same, dated August 25, 1958.

Exhibits filed with the evidence:

Exhibit No.	*DESCRIPTION*
1-1	Proposed Virginia Automobile Physical Damage Manual.

page 115 }

1-2	Proposed modifications of Exhibit 1-1.
1-3	Same.
2	Relativity of $50 deductible comprehenhensive proposed to existing full coverage passenger comprehensive.
3	Private Passenger $50 Ded. Collision Country-wide Loss Costs by Classification.
4	Experience on $25 Deductible Collision Commercial Local Hauling.

A True Copy.

Teste:

N. W. ATKINSON
Clerk of the State Corporation Commission.

page 116 } COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

CERTIFICATE.

Pursuant to an order entered herein on September 25, 1958, the enclosures and exhibits listed therein are hereby certified to the Supreme Court of Appeals of Virginia, to

be returned by the Clerk thereof to this Commission with the mandate of that Court.

It is further certified to the Supreme Court of Appeals of Virginia that the foregoing transcript of the record in this proceeding, with the enclosures and exhibits, contains all of the facts upon which the action appealed from was based, together with all of the evidence introduced before or considered by this Commission.

Witness the signature of H. Lester Hooker, Chairman of the State Corporation Commission, under its seal and attested by its Clerk this 25th day of September, 1958, at Richmond, Virginia.

H. LESTER HOOKER
Chairman.

Attest:

N. W. ATKINSON
(Seal) Clerk.

CERTIFICATE.

I, N. W. Atkinson, Clerk of the State Corporation Commission, certify that within sixty days after the final order in this case the Virginia Association of Insurance Agents, by William H. King, 915 Mutual Building, Richmond 19, Virginia, its Counsel, filed with me a notice of appeal therein which had been delivered to Collins Denny, Jr., and Claude D. Minor, Travelers Building, Richmond 19, Virginia, and Alden E. Flory, 212 West Grace Street, Richmond, Virginia, all other counsel of record, to Counsel for the State Corporation Commission, and to the Attorney General of Virginia, pursuant to the provisions of Section 13 of Rule 5:1 of the Rules of Supreme Court of Appeals of Virginia.

Subscribed at Richmond, Virginia, September 25, 1958.

N. W. ATKINSON
Clerk.

• • • • •

A Copy—Teste:

H. G. TURNER, Clerk.

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RULE 5:12—BRIEFS

§1. Form and Contents of Appellant's Brief. The opening brief of appellant shall contain:

(a) A subject index and table of citations with cases alphabetically arranged. The citation of Virginia cases shall be to the official Virginia Reports and, in addition, may refer to other reports containing such cases.

(b) A brief statement of the material proceedings in the lower court, the errors assigned and the questions involved in the appeal.

(c) A clear and concise statement of the facts, with references to the pages of the printed record when there is any possibility that the other side may question the statement. When the facts are in dispute the brief shall so state.

(d) With respect to each assignment of error relied on, the principles of law, the argument and the authorities shall be stated in one place and not scattered through the brief.

(e) The signature of at least one attorney practicing in this Court, and his address.

§2. Form and Contents of Appellee's Brief. The brief for the appellee shall contain:

(a) A subject index and table of citations with cases alphabetically arranged. Citations of Virginia cases must refer to the Virginia Reports and, in addition, may refer to other reports containing such cases.

(b) A statement of the case and of the points involved, if the appellee disagrees with the statement of appellant.

(c) A statement of the facts which are necessary to correct or amplify the statement in appellant's brief in so far as it is deemed erroneous or inadequate, with appropriate references to the pages of the record.

(d) Argument in support of the position of appellee.

The brief shall be signed by at least one attorney practicing in this Court, giving his address.

§3. Reply Brief. The reply brief (if any) of the appellant shall contain all the authorities relied on by him not referred to in his opening brief. In other respects it shall conform to the requirements for appellee's brief.

§4. Time of Filing. As soon as the estimated cost of printing the record is paid by the appellant, the clerk shall forthwith proceed to have printed a sufficient number of copies of record or the designated parts. Upon receipt of the printed copies or of the substituted copies allowed in lieu of printed copies under Rule 5:2, the clerk shall forthwith mark the filing date on each copy and transmit three copies of the printed record to each counsel of record, or notify each counsel of record of the filing date of the substituted copies.

(a) If the petition for appeal is adopted as the opening brief, the brief of the appellee shall be filed in the clerk's office within thirty-five days after the date the printed copies of the record, or the substituted copies allowed under Rule 5:2, are filed in the clerk's office. If the petition for appeal is not so adopted, the opening brief of the appellant shall be filed in the clerk's office within thirty-five days after the date printed copies of the record, or the substituted copies allowed under Rule 5:2, are filed in the clerk's office, and the brief of the appellee shall be filed in the clerk's office within thirty-five days after the opening brief of the appellant is filed in the clerk's office.

(b) Within fourteen days after the brief of the appellee is filed in the clerk's office, the appellant may file a reply brief in the clerk's office. The case will be called at a session of the Court commencing after the expiration of the fourteen days unless counsel agree that it be called at a session of the Court commencing at an earlier time; provided, however, that a criminal case may be called at the next session if the Commonwealth's brief is filed at least fourteen days prior to the calling of the case, in which event the reply brief for the appellant shall be filed not later than the day before the case is called. This paragraph does not extend the time allowed by paragraph (a) above for the filing of the appellant's brief.

(c) With the consent of the Chief Justice or the Court, counsel for opposing parties may file with the clerk a written stipulation changing the time for filing briefs in any case; provided, however, that all briefs must be filed not later than the day before such case is to be heard.

§5. Number of Copies. Twenty-five copies of each brief shall be filed with the clerk of the Court, and at least three copies mailed or delivered to opposing counsel on or before the day on which the brief is filed.

§6. Size and Type. Briefs shall be nine inches in length and six inches in width, so as to conform in dimensions to the printed record, and shall be printed in type not less in size, as to height and width, than the type in which the record is printed. The record number of the case and the names and addresses of counsel submitting the brief shall be printed on the front cover.

§7. Effect of Noncompliance. If neither party has filed a brief in compliance with the requirements of this rule, the Court will not hear oral argument. If one party has but the other has not filed such a brief, the party in default will not be heard orally.

CLERK
SUPREME COURT OF APPEALS
RECEIVED
MAR 18 1959
RICHMOND, VA.