

January 4, 1980

SUBJECT: INSURANCE

Circular Letter No. 1

TO: ALL INSURERS LICENSED TO WRITE AUTOMOBILE INSURANCE IN NEW YORK STATE

RE: CHAPTER 685 OF THE LAWS OF 1979: MOTOR VEHICLE LIABILITY INSURANCE PREMIUM REDUCTION FOR COMPLETION OF AN ACCIDENT PREVENTION COURSE.

Chapter 685 of the Laws of 1979 adds a new Section 176(7) to the Insurance Law, which requires motor vehicle liability insurers to "provide for an appropriate reduction in premium charges for any insured for a three year period after successfully completing a motor vehicle accident prevention course, known as the Defensive Driving Course, administered by the National Safety Council." (Capitalization added.) This circular letter is intended as a guide to insurers in filing programs which will comply with the new statute.

#### 1. Date of Applicability

The statute requires all insurers, which on or after January 1, 1980 file with this Department any revised motor vehicle liability insurance rates or rating plans for use in this state, to submit with such filing an accident prevention/premium reduction program. In order to effectuate the purposes of the statute, insurers are urged to adopt such a program at their earliest opportunity, whether or not they otherwise adjust their rates.

#### 2. Acceptable Accident Prevention Courses

Successful completion of the following courses is deemed acceptable, subject to the additional requirements set forth in the paragraph below, for a program of accident prevention/premium reduction:

- a) the Defensive Driving Course administered by the National Safety Council and monitored by the New York Department of Motor Vehicles (D.M.V.), and
- b) any other accident prevention course which is approved by the D.M.V. as at least equivalent to the Defensive Driving Course, and which is monitored by the D.M.V.

In addition, for an organization to offer an acceptable accident prevention course, it

- a) shall furnish all persons who successfully complete the course with a certificate attesting thereto, in such form as the Insurance Department and the D.M.V. shall approve; and
- b) shall also furnish the D.M.V. with the names and dates of certification of all persons completing the course, and such other information as the D.M.V. shall require. The D.M.V. has agreed to maintain this information and to make it available to insurers upon proper request.

#### 3. Premium Reductions

If the principal operator of a motor vehicle has successfully completed an acceptable accident prevention course, then the insurer of such motor vehicle shall, for a period of three years following completion of the course, reduce the liability premium of the insured by no less than 10 percent of the insurer's liability base rate in the rating territory applicable to such motor vehicle. The "liability premium" shall include the premium for personal injury protection (no-fault), for residual bodily injury liability (B.I.) and for property damage liability (P.D.), at the limits of coverage purchased by the insured. For private passenger automobiles, the "base rate" in a territory will, in general, be the insurer's rate for the adult pleasure-use classification, before application of surcharges under a merit rating plan, but after adjustment for the limits of coverage purchased by the insured and any applicable discounts (e.g., multi-car discount).

Where an insurer can clearly demonstrate, however, that adoption of the 10 percent premium reduction would result in an inappropriate rate for that insurer, it may file a different percentage, together with the supporting documentation for that percentage. Insurers may also offer more liberal premium reduction programs, including, for example, premium reductions greater than 10 percent, application of the program to additional coverages (such as collision insurance), application of the premium reduction percentage to the actual class rate rather than to the base rate, etc.

#### 4. Notice to Insureds and Applicants for Insurance

Beginning with the effective date of an insurer's accident prevention/premium reduction program, the insurer shall provide all newly written insureds, and all other insureds no later than their next renewal, with complete and easily understandable information describing the availability of an accident prevention course and the premium reductions resulting from successful completion of such a course.

Where an insured is entitled to a premium reduction because of successful completion of an acceptable accident prevention course, the insurer shall indicate - either through its rating information form, or on the declarations page, premium bill or other appropriate notice - that the premium reduction has in fact been applied.

#### 5. Statistical Coding and Record Keeping

Insurers will be required to:

- a) monitor the loss experience resulting from this accident prevention/premium reduction program; and
- b) adjust their premium reductions, as credible loss experience becomes available, to reflect this experience.

In order to implement these requirements, insurers must establish - in coordination with their statistical agents - distinct statistical codes for those insureds whose premiums have been reduced because of successful completion of an acceptable accident prevention course. These codes shall identify full exposure, premium and loss information for those insureds with and without accident prevention/premium reduction.

#### 6. Illustrative Questions and Answers

The following selected questions and answers are intended to further clarify insurers' obligations under the new statute:

- a. Does driving experience or accident or violation record affect eligibility for the premium reduction?

Answer:

Neither the principal operator's number of years of driving experience, nor the operator's accident or

violation record - whether before or after successful completion of an acceptable accident prevention course - will affect the operator's eligibility for 'premium reduction.

b. If an acceptable accident prevention course is completed sometime during a policy period, when does the premium reduction begin?

Answer:

An insurer may elect to apply the premium reduction beginning either with the last effective date of the policy, the certification date (in which case the premium reduction would be pro-rata), or the next renewal date of the policy; provided, however, that the reduction will be applicable for a full three year period. If the insurer chooses the certification date as the date of applicability, the premium reduction may be applied as a credit against the next policy renewal, in lieu of a midterm return premium.

c. If an insured changes insurers during the three year premium reduction period, is the reduction transferrable to the new insurer?

Answer:

Assuming that the new insurer has adopted an accident prevention/premium reduction program, then upon presentation of the certification to the new insurer - and subject to the new insurer's verification of that certification - the premium reduction will continue to be applicable until the expiration of the three year period. Such reduction will, however, be calculated in accordance with the rating rules and procedures of the new insurer.

d. If someone has successfully completed an acceptable accident prevention course before that person's insurer has adopted an accident prevention/premium reduction program, is the person eligible for premium reduction when the insurer does adopt such a program?

Answer:

If the course was completed on or after January 1, 1980, then the person would be eligible for the reduction for the period of time between the date of adoption of the program by the insurer and the end of the three year period after the date of the person's certification of completion of the course.

e. Are assigned risks eligible for the accident prevention/ premium reduction program?

Answer:

Assigned risks are eligible for the program. The base rate t[ILLEGIBLE WORDS] be used for assigned risks is the territorial base rate under the assigned risk plan, not the territorial base rate for voluntary insureds.

f. Are commercial vehicles eligible for the premium reduction?

Answer:

Where there is a clearly defined principal operator for the specific commercial motor vehicle(s) insured, the premium reduction should be given for such vehicle(s) upon successful completion of an acceptable accident prevention course. Additionally, where all operators of such commercial insureds successfully

complete an acceptable accident prevention course, the premium reduction should be granted to the insured. Operators of commercial vehicles who successfully complete such an acceptable course shall also be eligible for premium reduction on their own personal insurance policies.

g. Are motorcycles, motor homes, or other motor vehicles operable on the public highways, eligible for premium reduction?

Answer:

If the principal operator of these vehicles successfully completes an acceptable accident prevention course, the vehicles would be eligible for an appropriate premium reduction from their liability base rate.

h. Are youthful operators eligible for the reduction?

Answer:

Yes.

i. If the policy covers a youthful operator who is receiving a driver training discount, would the insured be eligible for an additional premium reduction?

Answer:

The insured would be eligible for an additional minimum premium reduction from the liability base rate, if the principal operator of the automobile has successfully completed an acceptable accident prevention course. This would apply whether the principal operator were the young driver who had completed both a driver training course and an accident prevention course, or an adult who had completed the accident prevention course.

Very truly yours,

[SIGNATURE]

Albert B. Lewis

Superintendent of Insurance