

Vermont Insurance Division

BULLETIN 55 (REVISED): Safe Driver Insurance Plan Surcharges

June 20, 1994

Vermont House Bill No. 227, approved on June 20, 1994, has amended Title 8, V.S.A. Sections 4671 and 4672 as follows:

SECTION 1 HB227 8 V.S.A. 4671(5) is amended to read:

(5) Surcharge means any amount of premium charged to or paid by an applicant or insured based on experience or record which makes the amount of the premium greater than that imposed on or charged to other applicant or insured having more favorable experience or records [regardless of how it is imposed, whether by an additional charge, by discounting, by an award of credits, by a variation in dividend payment credits or otherwise].

COMMENT

This Section permits the insurance company to add or remove a premium credit from a private passenger automobile policy based upon experience. Prior to the passage of House Bill 227, the removal of a credit was considered a surcharge and regulated by section 4672. The removal of a credit from a private passenger automobile insurance policy is not considered a surcharge. Section 1 takes effect on July 1, 1994.

SECTION 2 HB227 8 V.S.A. 4672 is amended to read:

4672 ACCIDENTS

A surcharge to a private passenger automobile policy may only be applied during the experience period for an accident in which the insurer makes a payment for:

- (1) death;
- (2) personal injury, where the net payment for any accident exceeds [\$300.00] \$900.00;
- or
- (3) property damage where the net payment for any accident exceeds [\$500.00] \$1000.00.

This Section applies to all paid accidents within the experience period. The prior criteria of \$300 for Personal Injury and \$500 for Property Damage no longer applies. The new thresholds of \$900 personal injury and \$1000 property damage apply regardless of when they occur or when they are paid. As of 10/1/94 an insurance company may surcharge a private passenger automobile policy insurance policy, whether new or renewal, only under the following conditions:

- o The loss must be paid during the experience period. Please refer to the definition in section 4671(3).
- o The insurance company made a payment for a death claim.
- o For property damage claims, including collision claims, the total payment must exceed \$1000.
- o For bodily injury claims, the payment must exceed \$900.

The following example will illustrate how to handle existing surcharges which exceeded the replaced threshold but are under the new threshold.

Example: If an insured is currently being charged for a \$600 Personal Injury loss, the surcharge will be deleted on any policy written or renewed after 10/1/94, because it does not meet the minimum \$900 threshold. Section 2 applies to all policies, new or renewal and/or effective on or after October 1, 1994. All insurance companies must refile their private passenger manual rating rules which conflict with this new legislation.

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COMMISSIONER OF BANKING AND INSURANCE

Note: Italics indicate new material, brackets indicate deleted material.