

In order to serve customers in light of a replacement carrier agreement regarding personal lines business from Encompass Insurance Company, Citizens Insurance Company of America would like to apply a premium modification factor to bring the transitioned customers to unity with Citizens Insurance Company of America's rating program over a 5 year period. In order to do this, we are proposing the following rule.

### **Automobile Transition Rating Rule**

The Transition Rating Rule will be used when writing new business previously insured by the Encompass Insurance Company with policy expiration dates during the 12 months starting on July 1, 2017. Its purpose is to reduce policyholder rate disruption that may result from the transition into Citizens Insurance Company of America's rating program.

Pricing determination:

- A. The expiring premium from Company X is captured.
- B. The full Citizens Insurance Company of America's premium is calculated based on information at the time the policy is moved.
- C. A Transition Factor is calculated by taking A/B.
- D. The Transition Factor is applied to the policy after the policy's full Citizen's-rated premium is calculated. This will be the policy's final premium. The policy's full Citizen's-rated premium is calculated using Citizen's rates currently in effect.
- E. The Transition Factor will be applied to the policy's full Citizen's rated premium every year, transitioning to 1.00 by Year 5. The Transition Factor will move towards 1.00 at a rate of +/-7% per year until Year 5, when it will be moved to 1.00. The Transition Factor is independent of any exposure changes and Citizen's rate changes.

In order to serve customers in light of a replacement carrier agreement regarding personal lines business from Encompass Insurance Company, Citizens Insurance Company of America would like to apply a premium modification factor to bring the transitioned customers to unity with Citizens Insurance Company of America's rating program over a 5 year period so that the transition from the prior carrier is not overly disruptive. In order to do this, we are proposing the following rule.

**Automobile Transition Rating Rule**

The Transition Rating Rule may be used when writing business from non-Citizens Insurance Company of America into Citizens Insurance Company of America. Its purpose is to reduce policyholder rate disruption that may result from the transition into Citizens Insurance Company of America's rating program as part of a merger, acquisition, obtaining of renewal rights or agent book transfer transaction.

Pricing determination:

- A. The expiring premium from Company X is captured.
- B. The full Citizens Insurance Company of America's premium is calculated.
- C. A Transition Factor is calculated by taking A/B.
- D. This Transition Factor is applied to the policy rated premium every year, transitioning to 1.00 by Year five.

In order to serve customers in light of a replacement carrier agreement regarding personal lines business from Encompass Insurance Company, Hanover would like to apply a premium modification factor to bring the transitioned customers to unity with the Hanover's rating program over a 5 year period so that the transition from the prior carrier is not overly disruptive. In order to do this, we are proposing the following rule.

**Automobile Transition Rating Rule**

The Transition Rating Rule may be used when writing business from a non-Hanover Insurance Group company into one of the Hanover Insurance Group companies. Its purpose is to reduce policyholder rate disruption that may result from the transition into one of the Hanover Insurance Group companies' rating programs as part of a merger, acquisition, obtaining of renewal rights or agent book transfer transaction.

Pricing determination:

- A. The expiring premium from Company X is captured.
- B. The full Hanover premium is calculated.
- C. A Transition Factor is calculated by taking A/B.
- D. This Transition Factor is applied to the policy rated premium every year, transitioning to 1.00 by Year 5.