

The Impact of the 2004 Changes to West Virginia's Personal Auto Insurance Non-Renewal Laws



*An Analysis of the Impact of Legislation Enacted During the 2004 Legislative Session on
Personal Auto Insurance Rates and Availability in the State.*

**Provided by the West Virginia Offices of the Insurance Commissioner
January, 2009**

Executive Summary

As required by §33-6A-4c, this study analyzes the impact of the 2004 legislation on personal auto insurance rates and availability in the State. The legislation in consideration amended the statutory reasons for which an auto insurance policy in West Virginia could be non-renewed, and created a new alternative method that an insurance company could instead elect to employ for non-renewing policies by which a policy could be non-renewed by such an insurer for “underwriting reasons” so long as the insurer had placed those reasons on file with the insurance commissioner and providing that the carrier did not non-renew more than 1% of its policies overall, or more than 1% of its policies within any given county within the State, in a year. Finally, the 2004 legislation required insurers who had elected to non-renew under this new method to file a detailed report of their non-renewal activity with the insurance commissioner annually.

This study proceeds to identify the statutes in consideration, and makes note of the particular 2004 legislative changes. It identifies the 21 companies who have elected to non-renew for underwriting reasons, and further illuminates that these particular companies, in fact, write a majority of the personal auto insurance in West Virginia. The study finds that since the 2004 legislation; competition can be measured to have increased, the number of residual market (*market of last resort*) applications have decreased in every year, and specifically that premiums have decreased overall (*although it is noted that the civil justice reforms of 2005 are more likely to be responsible for the majority of this decrease in premiums.*)

The study continues to examine the individual policy level impacts of the legislation and finds that, not only is the relationship of non-renewed policies to all in force policies actually less than 1% for the underwriting reasons group (*as is required by the statute*), but in fact this relationship has only averaged 0.15% overall since the passage of the 2004 legislation (*about 6 times lower than the statutorily imposed threshold*). Further, it is shown that the non-renewal percentage of the statutory reasons group is actually greater on average (0.45%) than it is for the underwriting reasons group, and finally that the underwriting reasons group has non-renewed relatively ***fewer policies*** since the passage of the legislation in question than it had historically, as prior to the legislation this group had non-renewed about 0.73% of policies on average.

Also as required by §33-6A-4c, this study provides statistics reflecting the rate history of insurers conducting personal auto insurance business in the State between July 01, 2004 and July 01, 2008. It proceeds to aggregate those rate level changes for each ensuing fiscal year to find the overall change per year. It finds that personal auto insurance rates are shown to have decreased overall since the 2004 legislation has passed, but again notes that most of the change in premiums are likely attributable to the civil justice reforms of 2005. However it is noted that because the number of non-renewals has actually decreased due to the 2004 legislation specifically, that the same thereby causes fewer insureds to have to find coverage in the non-standard or residual markets, and that this therefore maintains downward pressure on auto insurance premiums overall.

Finally, the study finds that availability of personal automobile insurance in West Virginia has improved due to the passage of the 2004 legislation, as measured by the increase in competition within the marketplace, the decline in residual market applications, and the decrease in the percentage of policies which are being non-renewed by a majority (*measured by either premium volume or by policy count*) of insurers in our marketplace, all as having occurred subsequent to the passage of this particular legislation.

Preface

As insurance is a contract between an individual (*insured*) and an insurance company, and further is a contract that is normally only intended to be in effect for the duration of a predetermined future time period, the terms of the contract will govern how that contract is to be carried out, the duties of each party to the contract, and under what conditions the contract may cease. The terms under which an automobile insurance policy may be cancelled or non-renewed by the issuing insurer (*and implicitly by the insured as well*) will be specified within the contract language itself, and particularly in policies which are issued for delivery in West Virginia, these terms will be found to mirror our applicable governing statutes. Although neither the terms “cancellation” or “non-renewal” are defined within our statutes, it is generally accepted and understood that the “cancellation” of a policy would involve the cessation of the contract during the course of its normal term, and that the “non-renewal” of a policy would occur in the absence of an agreement to issue a subsequent future term for the current policy after the current set expiration date (i.e. subsequent to the term.)

§33-6B-2 of the West Virginia Code does define “**declination**” for the purpose of our automobile insurance statutes which serve to regulate cancellation or non-renewal of personal automobile insurance policies in our State. Specifically: *"Declination" means either the refusal of an insurer to issue an automobile liability insurance policy upon receipt of a written nonbinding application or written request for coverage from its agent or an applicant. For the purposes of this article, the offering of insurance coverage with a company within an insurance group which is different from the company requested on the nonbinding application or written request for coverage, or the offering of policy coverage or rates substantially less favorable than requested in the nonbinding application or written request for coverage, shall not be considered a declination. Further, for the purposes of this article "declination" shall include the cancellation of an automobile liability policy which has been in effect less than sixty days and the nonrenewal of an automobile liability policy which has been in effect less than two years.*

However, as neither the practices of “cancellation” nor “declination” were revised by the 2004 legislation, this report will focus solely upon “non-renewal” issues for private passenger automobile insurance in West Virginia, whereas:

§33-6A-4c. Report to the Legislature.

By the first day of January, two thousand nine, the commissioner shall submit a report to the Legislature. The report shall contain the following:

(1) An analysis of the impact of legislation enacted during the two thousand four legislative session upon rates and insurance availability in the state;

(2) Statistics reflecting the rate history of insurers conducting business in West Virginia from the first day of July, two thousand four, until the first day of July, two thousand eight.

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Historical Treatment

Prior to June 11, 2004, an insurance company writing a policy of personal automobile insurance in West Virginia could only choose to non-renew such a policy under certain specific guidelines which were set forth in state statute. At that time, there were essentially only two different treatments permitted and the two were differentiated solely by the length of time which the insured had maintained a policy with the insurer. Specifically, an insured who had maintained a policy with an insurer for less than two consecutive years could be non-renewed by that insurer for effectively any reason so long as that reason was not one which was prohibited under §33-6B-3. However, an insured who had maintained a policy with an insurer for two consecutive years or longer could only be non-renewed for the reasons set forth in the applicable non-renewal statute §33-6A-4. For your reference, the prohibited reasons statute, as well as the historical non-renewal statute provided as follows:

§33-6B-3. Declinations; prohibited reasons.

The declination of an application for a private passenger policy of automobile liability insurance by an insurer, agent or broker is prohibited if the declination is:

- (a) Based upon the race, religion, nationality or ethnic group, of the applicant or named insured;*
- (b) Based solely upon the lawful occupation or profession of the applicant or named insured, unless the decision is for a business purpose that is not a mere pretext for unfair discrimination: Provided, That this provision does not apply to any insurer, agent or broker that limits its market to one lawful occupation or profession or to several related lawful occupations or professions;*
- (c) Based upon the principal location of the insured motor vehicle unless the decision is for a business purpose which is not a mere pretext for unfair discrimination;*
- (d) Based solely upon the age, sex or marital status of an applicant or an insured, except that this subsection does not prohibit rating differentials based on age, sex or marital status;*
- (e) Based upon the fact that the applicant has previously obtained insurance coverage with a substandard insurance carrier;*
- (f) Based upon the fact that the applicant has not previously been insured;*
- (g) Based upon the fact that the applicant did not have insurance coverage for a period of time prior to the application;*
- (h) Based upon the fact that the applicant or named insured previously obtained insurance coverage through a residual market insurance mechanism;*
- (i) Based upon the fact that another insurer previously declined to insure the applicant or terminated an existing policy in which the applicant was the named insured;*
- (j) Based solely upon an adverse credit report or adverse credit scoring.*

Nothing in this section may be construed to prohibit an insurer, agent or broker from using legitimate, documented, underwriting data in making their own independent risk assessment of an applicant for insurance.

§33-6A-4. Advance notice of nonrenewal required; assigned risk policies; reasons for nonrenewal; hearing and review after nonrenewal.

(a) No insurer shall fail to renew an outstanding automobile liability or physical damage insurance policy unless the nonrenewal is preceded by at least forty-five days advance notice to the named insured of the insurer's election not to renew the policy: Provided, That subject to this section, nothing contained in this article shall be construed to prevent an insurer from refusing to issue an automobile liability or physical damage insurance policy upon application to the insurer, nor shall any provision of this article be construed to prevent an insurer from refusing to renew a policy upon expiration, except as to the notice requirements of this section, and except further as to those applicants lawfully submitted pursuant to the West Virginia assigned risk plan: Provided however, that an insurer may not fail to renew an outstanding automobile liability or physical damage insurance policy which has been in existence for two consecutive years or longer except for the following reasons:

- (a) The named insured fails to make payments of premium for the policy or any installment of the premium when due;*
- (b) The policy is obtained through material misrepresentation;*
- (c) The insured violates any of the material terms and conditions of the policy;*
- (d) The named insured or any other operator, either residing in the same household or who customarily operates an automobile insured under such policy:
 - (1) Has had his or her operator's license suspended or revoked during the policy period; or*
 - (2) Is or becomes subject to epilepsy or heart attacks and such individual cannot produce a certificate from a physician testifying to his ability to operate a motor vehicle;**
- (e) The named insured or any other operator, either residing in the same household or who customarily operates an automobile insured under the policy, is convicted of or forfeits bail during the policy period for any of the following reasons:
 - (1) Any felony or assault involving the use of a motor vehicle;*
 - (2) Negligent homicide arising out of the operation of a motor vehicle;*
 - (3) Operating a motor vehicle while under the influence of intoxicating liquor or of any narcotic drug;*
 - (4) Leaving the scene of a motor vehicle accident in which the insured is involved without reporting it as required by law;*
 - (5) Theft of a motor vehicle or the unlawful taking of a motor vehicle; or*
 - (6) Making false statements in an application for a motor vehicle operator's license;*
 - (7) Two or more moving traffic violations committed within a period of twelve months, each of which results in three or more points being assessed on the driver's record by the division of motor vehicles, whether or not the insurer renewed the policy without knowledge of all such. Notice of any nonrenewal made pursuant to this subsection shall be mailed to the named insured either during the current policy period or during the first full policy period following the date that the second moving traffic violation is recorded by the division of motor vehicles;**
- (f) The named insured or any other operator has had a second at-fault motor vehicle accident within a period of twelve months, whether or not the insurer renewed the policy without knowledge of all such accidents. Notice of any nonrenewal made pursuant to this subsection shall be mailed to the named insured either during the current policy period or during the first full policy period following the date of the second accident. Nonrenewal of such policy for any reason is subject to a hearing and review as provided for in section five of this article. Cost of the hearing shall be assessed against the losing party but shall not exceed seventy-five dollars. Notwithstanding the provisions of subsection (a) of this section, the insurer shall renew any automobile liability or physical damage insurance policy that has not been renewed due to the insured's failure to pay the renewal premium when due if:
 - (1) None of the other grounds for nonrenewal as set forth in subsections (b) through (f), inclusive, of this section exist; and*
 - (2) The insured makes an application for renewal within ninety days of the original expiration date of the policy. If a policy is renewed as provided for in this paragraph, then the coverage afforded shall not be retroactive to the original expiration date of the policy, but shall begin on the reinstatement date at the current premium levels offered by the company.**

The legislation which was enacted during 2004 revised the historical statutory reasons under which a personal automobile insurance policy could be non-renewed by an insurer, and additionally created an alternative method which insurance companies could elect to employ in place of adhering to the reasons which were specified within the otherwise controlling statute. Every personal auto insurance company was required to make an affirmative election between the two methods as to which method they intended to employ, and that they must then continue to employ for a period of five years subsequent to that election. The requirement of the election itself was also set forth in a new statute, §33-6A-4b which stipulated that:

§33-6A-4b. Manner of making election relating to nonrenewals.

(a) Each insurer licensed to write automobile liability or physical damage insurance policies in this state, as of the first day of July, two thousand four, may elect to issue all nonrenewal notices either pursuant to section four or section four-a of this article. Each insurer may notify the commissioner of its election any time after the first day of July, two thousand four, and shall remain bound by the election for a period of five years. For each subsequent five-year period each insurer shall notify the commissioner of its election to issue all nonrenewal notices either pursuant to section four or section four-a of this article.

(1) If no election is made by the first day of July, two thousand four, then, until the first day of July, two thousand five, the insurer shall continue to issue all nonrenewal notices pursuant to the existing nonrenewal provisions in section four prior to the amendments enacted therein by the acts of the Seventy-Sixth Legislature during the second session, two thousand four.

(2) As of the first day of July, two thousand five, each insurer licensed to write automobile liability or physical damage insurance policies in this state, and that has not previously made an election under this section, shall elect to issue all nonrenewal notices either pursuant to section four or section four-a of this article. Each insurer which has not previously made an election must notify the commissioner of its election no later than the first day of July, two thousand five, and shall remain bound by the election for a period of five years. For each subsequent five-year period each insurer shall notify the commissioner of its election to issue all nonrenewal notices either pursuant to section four or section four-a of this article.

(b) An insurer that is not licensed to write automobile liability or physical damage insurance policies in this state, as of the first day of July, two thousand four, but becomes licensed to write such policies after that date shall, no later than two years after the date the insurer becomes licensed to write such policies, make an election to issue all nonrenewal notices either pursuant to section four or section four-a of this article, and shall notify the commissioner of its election. If the insurer elects to issue all nonrenewal notices pursuant to section four-a of this article, the total number of nonrenewals may not exceed the percentage limitations set forth in section four-a of this article. An insurer first becoming licensed to issue automobile liability and physical damage insurance policies in this state after the first day of July, two thousand four, shall be bound by its election for a period of five years, and for each subsequent five-year period shall notify the commissioner of its election to issue all nonrenewal notices either pursuant to section four or section four-a of this article.

(c) Notwithstanding any provision of this article to the contrary, a named insured by restrictive endorsement may specifically exclude from automobile liability or physical damage insurance policy an operator who has violated the provisions of subdivision (6) or (7), subsection (b), section four of this article.

The specific requirements of the new alternative method for non-renewal were also set forth in a new statute, §33-6A-4a, which provided that:

§33-6A-4a. Alternative method for nonrenewal for automobile liability and physical damage insurance.

(a) On or after the first day of July, two thousand four, an insurer may nonrenew an automobile liability or physical damage insurance policy for any reason which is consistent with its underwriting standards.

(b) Notwithstanding any other provisions in this section, race, religion, nationality, ethnic group, age, sex, marital status, or other reason prohibited by the provisions of this chapter may not be considered as a reason for nonrenewal;

(c) Notwithstanding the provisions of section four of this article, a nonrenewal may only be issued pursuant to the provisions of this section upon forty-five days advance notice to the named insured of the insurer's election not to renew the policy.

(d) The total number of nonrenewal notices issued each year, commencing on the first day of July, two thousand four, by the insurer, resulting in nonrenewal, pursuant to this section may not exceed one percent per year of the total number of the policies of the insurer in force at the end of the previous calendar year in this state:

Provided, That the total number of nonrenewal notices issued each year to insureds within any given county in this state resulting in nonrenewal may not exceed one percent per year of the total number of the policies of the insurer in force in that county at the end of the previous calendar year: Provided, however, That an insurer may nonrenew one policy per year in any county if the applicable percentage limitation results in less than one policy.

(e) A notice issued pursuant to this section shall state the specific reason or reasons for refusal to renew and shall advise the named insured that nonrenewal of the policy for any reason is subject to a hearing and review as provided for in section five of this article: Provided, That the hearing shall relate to whether the nonrenewal of the policy was issued for a discriminatory reason, was based upon inadequate notice, an underwriting standard by the commissioner found to be in violation of this chapter or causes the insurer to exceed the percentage limitations, or percentage limitations by county, of nonrenewal notices set forth in this section. Cost of the hearing shall be assessed against the losing party but shall not exceed seventy-five dollars. The notice shall also advise the insured of possible eligibility for insurance through the West Virginia assigned risk plan.

(f) Each insurer licensed to write automobile liability and physical damage insurance policies in this state shall file with the commissioner a copy of its underwriting standards, including any amendments or supplements. The commissioner shall review and examine the underwriting standards to ensure that they are consistent with generally accepted underwriting principles. The underwriting standards filed with the commissioner shall be considered confidential by law and privileged, are exempt from disclosure pursuant to chapter twenty-nine-b of this code, are not open to public inspection, are not subject to subpoena, and are not subject to discovery or admissible in evidence in any criminal, private civil or administrative action and are not subject to production pursuant to court order. The commissioner shall promulgate legislative rules pursuant to chapter twenty-nine-a of this code to implement the provisions of this section.

(g) Each insurer that has elected to issue nonrenewal notices pursuant to the percentage limitations provided in this section shall report to the commissioner, on a form prescribed by the commissioner, on or before the thirtieth day of September of each year the total number of nonrenewal notices issued in this state and in each county of this state for the preceding year. The insurer shall also report to the commissioner the specific reason or reasons for the nonrenewals by county which have been issued pursuant to this section.

The rule required pursuant to §33-6A-4a(f), as above, was appended to an existing rule, §114CSR3, which had historically been employed to deal with matters of cancellation and nonrenewal of personal automobile insurance policies.

Finally, as alluded to previously, the enumerated statutory reasons for which a personal automobile policy, having been in effect for two years or longer, could be non-renewed were also amended during 2004 to provide that:

§33-6A-4. Advance notice of nonrenewal required; assigned risk policies; reasons for nonrenewal; hearing and review after nonrenewal.

(a) No insurer shall fail to renew an outstanding automobile liability or physical damage insurance policy unless the nonrenewal is preceded by at least forty-five days advance notice to the named insured of the insurer's election not to renew the policy: Provided, That subject to this section, nothing contained in this article shall be construed to prevent an insurer from refusing to issue an automobile liability or physical damage insurance policy upon application to the insurer, nor shall any provision of this article be construed to prevent an insurer from refusing to renew a policy upon expiration, except as to the notice requirements of this section, and except further as to those applicants lawfully submitted pursuant to the West Virginia assigned risk plan.

(b) An insurer may not fail to renew an outstanding automobile liability or physical damage insurance policy which has been in existence for two consecutive years or longer except for the following reasons:

- (1) The named insured fails to make payments of premium for the policy or any installment of the premium when due;
- (2) The policy is obtained through material misrepresentation;
- (3) The insured violates any of the material terms and conditions of the policy;
- (4) The named insured or any other operator, either residing in the same household or who customarily operates an automobile insured under the policy:
 - (A) Has had his or her operator's license suspended or revoked during the policy period; or
 - (B) Is or becomes subject to a physical or mental condition that prevents the insured from operating a motor vehicle, and the individual cannot produce a certificate from a physician testifying to his or her ability to operate a motor vehicle;
- (5) The named insured or any other operator, either residing in the same household or who customarily operates an automobile insured under the policy, is convicted of or forfeits bail during the policy period for any of the following reasons:
 - (A) Any felony or assault involving the use of a motor vehicle;
 - (B) Negligent homicide arising out of the operation of a motor vehicle;
 - (C) Operating a motor vehicle while under the influence of intoxicating liquor or of any narcotic drug;
 - (D) Leaving the scene of a motor vehicle accident in which the insured is involved without reporting it as required by law;
 - (E) Theft of a motor vehicle or the unlawful taking of a motor vehicle; or
 - (F) Making false statements in an application for a motor vehicle operator's license;
- (6) The named insured or any other operator, either residing in the same household or who customarily operates an automobile insured under the policy, is convicted of or forfeits bail during the policy period for two or more moving traffic violations committed within a period of twelve months, each of which results in three or more points being assessed on the driver's record by the division of motor vehicles, whether or not the insurer renewed the policy without knowledge of all of the violations: Provided, That an insurer that makes an election pursuant to section four-b of this article to issue all nonrenewal notices pursuant to this section, may nonrenew an automobile liability or physical damage insurance policy if the named insured, or any other operator, either residing in the same household or who customarily operates an automobile insured under the policy is convicted of or forfeits bail during the policy period for two or more moving traffic violations committed within a period of twenty-four months, each of which occurs on or after the first day of July, two thousand four, and after the date that the insurer makes an election pursuant to section four-b of this article, and results in three or more points being assessed on the driver's record by the division of motor vehicles, whether or not the insurer renewed the policy without knowledge of all of the violations. Notice of any nonrenewal made pursuant to this subdivision shall be mailed to the named insured either during the current policy period or during the first full policy period following the date that the second moving traffic violation is recorded by the division of motor vehicles;
- (7) The named insured or any other operator either residing in the same household or who customarily operates an automobile insured under the policy has had a second at-fault motor vehicle accident within a period of twelve months, whether or not the insurer renewed the policy without knowledge of all of the accidents: Provided, That an insurer that makes an election pursuant to section four-b of this

article to issue all nonrenewal notices pursuant to this section, may nonrenew an automobile liability or physical damage insurance policy under this subsection if the named insured or any other operator either residing in the same household or who customarily operates an automobile insured under such policy has had two at-fault motor vehicle accidents within a period of thirty-six months, each of which occurs after the first day of July, two thousand four, and after the date that the insurer makes an election pursuant to section four-b of this article, and results in a claim paid by the insurer for each accident, whether or not the insurer renewed the policy without knowledge of all of the accidents. Notice of any nonrenewal made pursuant to this subsection shall be mailed to the named insured either during the current policy period or during the first full policy period following the date of the second accident; or

(8) The insurer ceases writing automobile liability or physical damage insurance policies throughout the state after submission to and approval by the commissioner of a withdrawal plan or discontinues operations within the state pursuant to a withdrawal plan approved by the commissioner.

(c) An insurer that makes an election pursuant to section four-b of this article to issue all nonrenewal notices pursuant to this section shall not fail to renew an automobile liability or physical damage insurance policy when an operator other than the named insured has violated the provisions of subdivision (6) or (7), subsection (b) of this section, if the named insured, by restrictive endorsement, specifically excludes the operator who violated the provision. An insurer issuing a nonrenewal notice informing the named insured that the policy will be nonrenewed for the reason that an operator has violated the provisions of subdivision (6) or (7), subsection (b) of this section, shall at that time inform the named insured of his or her option to specifically exclude the operator by restrictive endorsement and shall further inform the named insured that upon obtaining the restrictive endorsement, the insurer will renew the policy or rescind the nonrenewal absent the existence of any other basis for nonrenewal set forth in this section.

(d) A notice provided under this section shall state the specific reason or reasons for nonrenewal and shall advise the named insured that nonrenewal of the policy for any reason is subject to a hearing and review as provided for in section five of this article. Cost of the hearing shall be assessed against the losing party but shall not exceed seventy-five dollars. The notice must also advise the insured of possible eligibility for insurance through the West Virginia assigned risk plan.

(e) Notwithstanding the provisions of subsection (a) of this section, the insurer shall reinstate any automobile liability or physical damage insurance policy that has not been renewed due to the insured's failure to pay the renewal premium when due if:

(1) None of the other grounds for nonrenewal as set forth in this section exist; and

(2) The insured makes an application for reinstatement within forty-five days of the original expiration date of the policy. If a policy is reinstated as provided for in this paragraph, then the coverage afforded shall not be retroactive to the original expiration date of the policy: Provided, That such policy shall be effective on the reinstatement date at the current premium levels offered by the company and shall not be afforded the protections of this section relating to renewal of an outstanding automobile liability or physical damage insurance policy that has been in existence for at least two consecutive years.

With the revised statute, noted key differences occur in the experience period under which either accidents or moving violations could be considered as constituting grounds for a permissible non-renewal. Specifically, under the revised statute, the historical measure of 2 or more moving violations occurring within 12 months became 2 or more moving violations occurring within 24 months, and 2 or more accidents occurring within 12 months likewise became 2 or more accidents within 36 months. Additionally, the historical 90 day reinstatement requirement (*for non-payment only and further only if no other grounds for non-renewal existed*) was reduced instead to a 45 day period.

Impacts of the 2004 Legislation

With the 2004 legislation requiring an affirmative election to be made by all personal automobile insurance companies as to which method would be employed by them for the future, and through the examination of the reports submitted by the underwriting reasons companies as required by §33-6A-4a(g), we can consider the impact that this new alternative method has had on our market place.

Specifically, to-date **131** different insurance companies have made an affirmative election in accordance with §33-6A-4b. Of these companies, **110** of them made an election to continue with the new enumerated reasons set forth in the statute §33-6A-4 (*i.e. the historically permitted reasons with the expanded experience period for accidents and moving violations*), and only **21** companies elected to non-renew for their own underwriting reasons (*limited to 1%*) under the new alternative method. However, while the majority of companies by number committed to remain with the new enumerated reasons, those companies which chose to non-renew for their own underwriting reasons actually have a much greater market share by premium volume than does the other group. Specifically:

Year	Active Companies	Direct Premiums Written	
2003	176	\$1,058,396,676	
<i>Underwriting Reasons</i>	<i>18</i>	<i>\$647,470,124</i>	61.2%
<i>Statutory Reasons</i>	<i>158</i>	<i>\$410,926,552</i>	38.8%
2004	176	\$1,100,863,297	
<i>Underwriting Reasons</i>	<i>21</i>	<i>\$659,087,411</i>	59.9%
<i>Statutory Reasons</i>	<i>155</i>	<i>\$441,775,886</i>	40.1%
2005	166	\$1,082,600,028	
<i>Underwriting Reasons</i>	<i>21</i>	<i>\$638,171,465</i>	58.9%
<i>Statutory Reasons</i>	<i>145</i>	<i>\$444,428,563</i>	41.1%
2006	161	\$1,052,550,755	
<i>Underwriting Reasons</i>	<i>20</i>	<i>\$616,529,315</i>	58.6%
<i>Statutory Reasons</i>	<i>141</i>	<i>\$436,021,440</i>	41.4%
2007	151	\$1,064,318,031	
<i>Underwriting Reasons</i>	<i>20</i>	<i>\$615,137,941</i>	57.8%
<i>Statutory Reasons</i>	<i>131</i>	<i>\$449,180,090</i>	42.2%

In view of this information, you must take several considerations into account. Foremost, an “active” company is a company reporting ANY premium or loss information for the personal automobile line of business for a given year. Accordingly, the number of “active” companies by year can fluctuate without any real impact having taken place in the market, and therefore does not necessarily correlate to the number of companies which are actively writing personal auto insurance policies in the State.

For example, a company may still have an open auto policy claim from an accident which occurred many years ago. However, if some payment activity occurred on that claim during 2006, then that

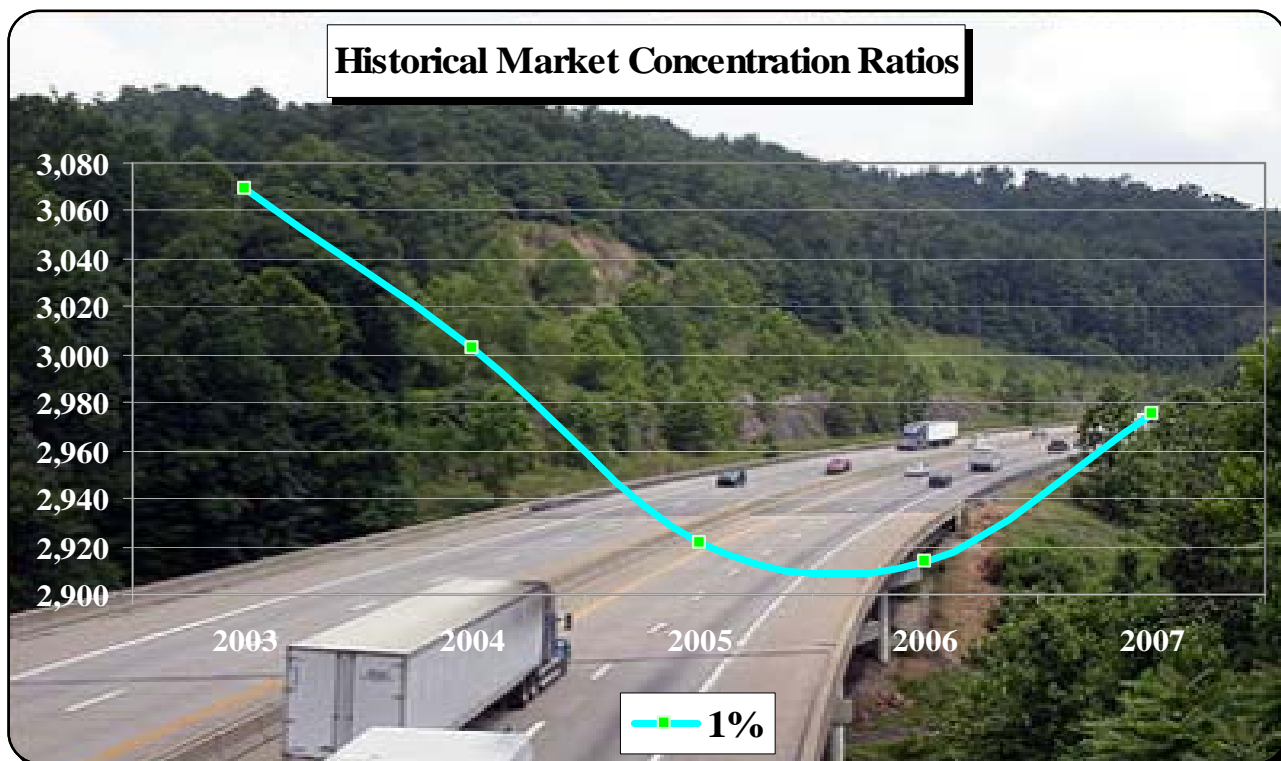
company would show activity for 2006, even if they have not had any in-force auto policies in the state for several years. Secondly, note that personal auto insurance premiums increased overall between 2003 and 2004, declined from 2004 until 2006, and then slightly increased again in 2007. So while some measure of fluctuation in total premiums by year may be due to the 2004 legislation, other considerations, such as the civil justice reforms which were enacted during 2005, also play some role in those observed changes as well. Finally, note that the total number of companies which have made an affirmative election as required by §33-6A-4b, is less than the total amount of “active” companies for every year. Importantly, the absence of any affirmative election being made by an insurance company was specifically addressed by the election statute, and provided that the same would constitute an election by such a company to adhere to the revised statutory non-renewal reasons (*as opposed to the underwriting reasons.*) Again, it is most likely that a difference between the number of companies having made an affirmative election and the number of “active” companies in any given year can be largely explained by the first point above, in that these companies are unlikely to be actively writing policies during those years, or otherwise are bound by statute (*if they do actively write without having made an election*) to adhere to the statutory reasons for non-renewal of those policies.

A more consistent method to measure the competitiveness of our personal auto insurance market can be employed by calculating the **HHI** for each segment of our market (*1% non-renewal companies versus statutory non-renewal companies*) as well as the market as a whole over the time period in question. "**HHI**" means the **Herfindahl-Hirschman Index**, a metric named for its originators, which is a commonly accepted measure of market concentration. It is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. For example, for a market consisting of four firms with shares of thirty, thirty, twenty and twenty percent, the HHI is 2600 ($30^2 + 30^2 + 20^2 + 20^2 = 2600$). The **HHI** takes into account the relative size and distribution of the firms in a market and approaches zero when a market consists of a large number of firms of relatively equal size. The **HHI** increases both as the number of firms in the market decreases and as the disparity in size between those firms increases. Markets in which the **HHI** is between 1000 and 1800 points are considered to be moderately concentrated (*i.e. moderately competitive*) and those in which the **HHI** is in excess of 1800 points are considered to be concentrated (*i.e. non-competitive*). A market having only a single firm with a market share of 100% would be found to be 10,000 or (100^2) in what is otherwise known as a monopoly. So the general rule here is, the lower the number, the more competitive the market place can be adjudged to be.

By employing this technique for the time period in question, the following information is found.
For the market as a whole:



For only those few insurers who elected to utilize Underwriting Reasons, subject to no more than 1% of business:



Finally, for all of those insurers electing to employ the revised statutory reasons for non-renewal:

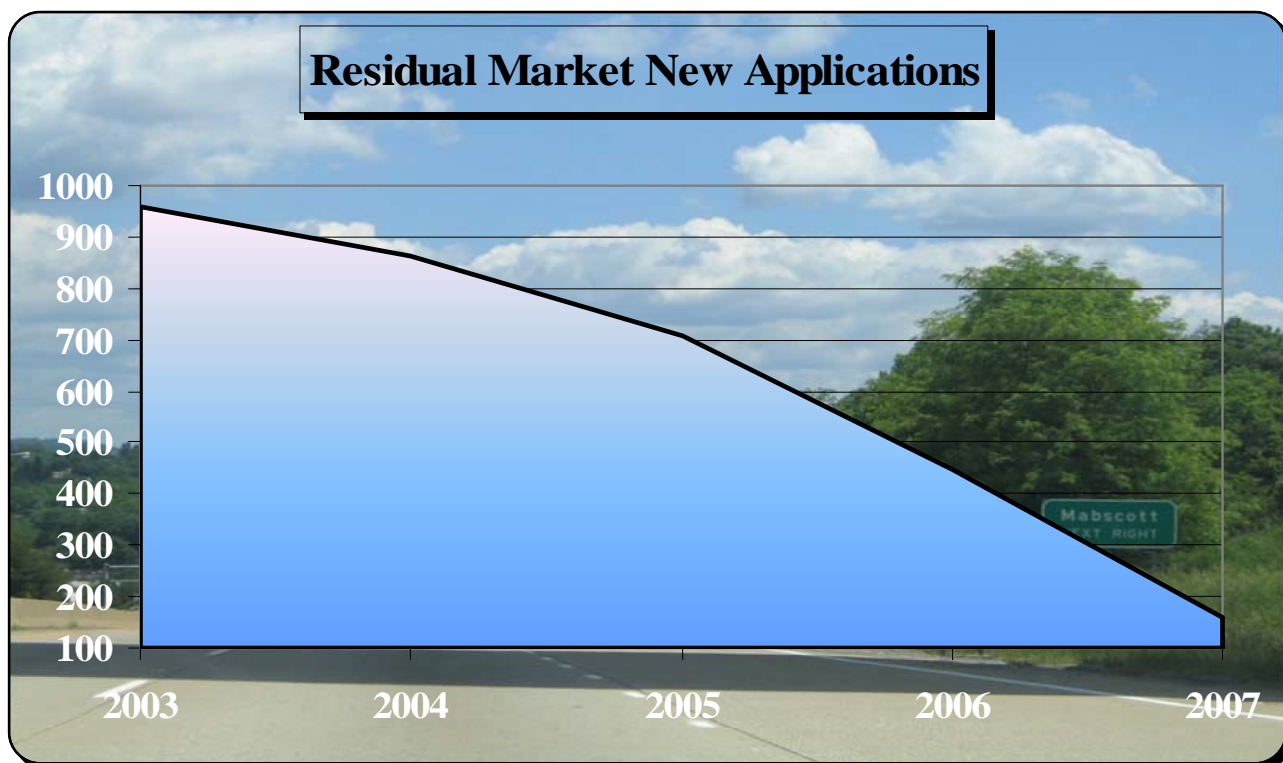


As each of the preceding graphs demonstrate, a clear and consistent pattern of improved competitiveness within each segment of the market, and the market as a whole, can be shown to have occurred between 2004 and 2007. Such increased competitiveness within our marketplace is undoubtedly favorable.

As West Virginia is a mandatory auto insurance state, as are most others, we employ a residual market mechanism (*i.e. a market of last resort*) to guarantee that the citizens of the state will always have access to required automobile insurance. The mechanism employed in West Virginia is an assigned risk pool administered by the ***Automobile Insurance Plan Services Office***, or ***AIPSO***. If a resident is unable to obtain mandatory auto insurance coverage in the admitted marketplace, the resident can make an application for coverage through ***AIPSO***. As ***AIPSO*** is intended to be our market of last resort, rates under this plan are generally higher than those which can be obtained in the voluntary market. ***AIPSO*** will assign the applications which they receive to one of the voluntary (*admitted*) carriers based on recent historical premium volumes of those carriers in our market (*i.e. based upon market share. Those who write more policies are assigned more AIPSO policies to issue, and those who write fewer policies are assigned fewer AIPSO policies to issue.*) The admitted carrier provides the resident with a policy written on their company paper, they service that policy just like any other policy, and adjust claims for that policy just as with any policy that they would voluntarily issue. However, the key element here is that this mechanism is created to be self-funding, and therefore sufficient premiums are required to be charged for coverage within the mechanism. Accordingly, while the ***AIPSO*** policy may look and act similar to a voluntary policy, the rates of such a policy are those of ***AIPSO***, and not those that the carrier would utilize voluntarily.

For the purposes of our study here, we can examine the number of new applications received by ***AIPSO*** for personal auto insurance in West Virginia over the period in question to gauge whether the legislation enacted during 2004 caused our residents to have any more or less trouble obtaining

coverage within the voluntary market. In other words, to determine if more or fewer residents ended applying for coverage in the residual market after the legislation was enacted in 2004, for example due to having been non-renewed by their previous insurance carrier (*which generally makes obtaining other voluntary coverage more difficult.*)



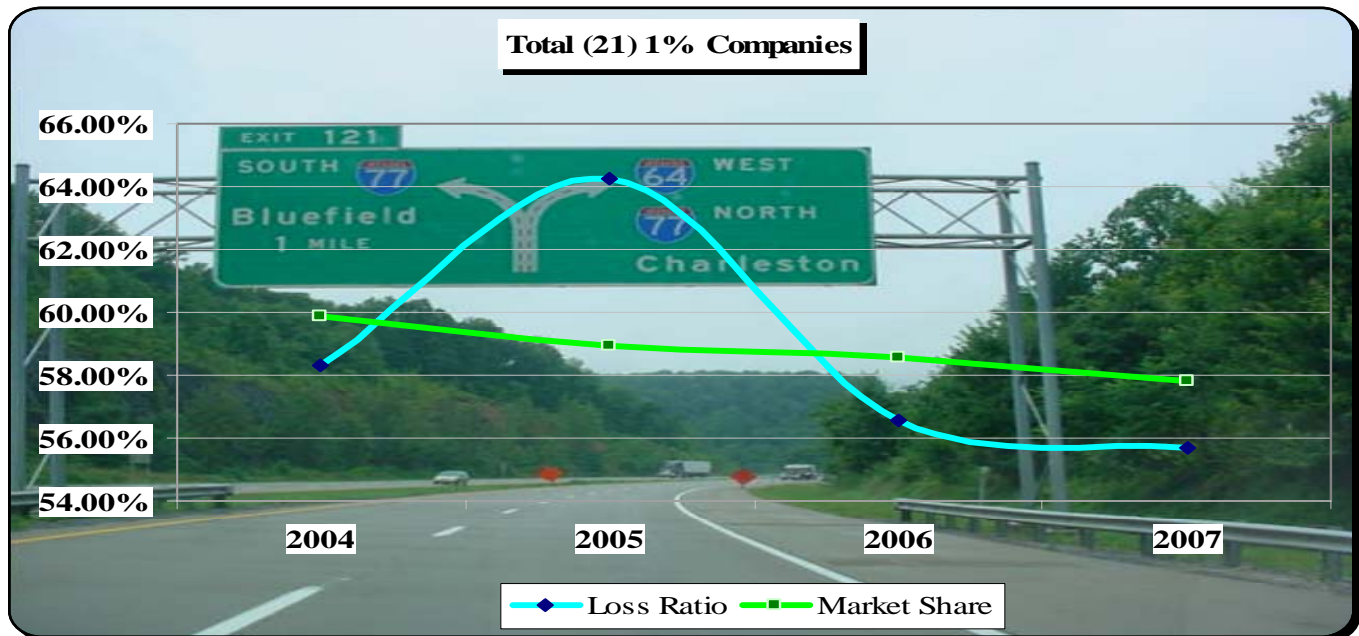
Again, it is clear that no adverse impact occurred due to the 2004 legislation, and in fact a favorable impact can be demonstrated to have occurred. While a decline in residual market applications between 2003 and 2004 had already occurred, that decline is shown to have steepened sharply after 2004, and again this is a very favorable indicator demonstrating that voluntary coverage has become more readily available than it had been previously.

1% (Underwriting Reasons) Companies

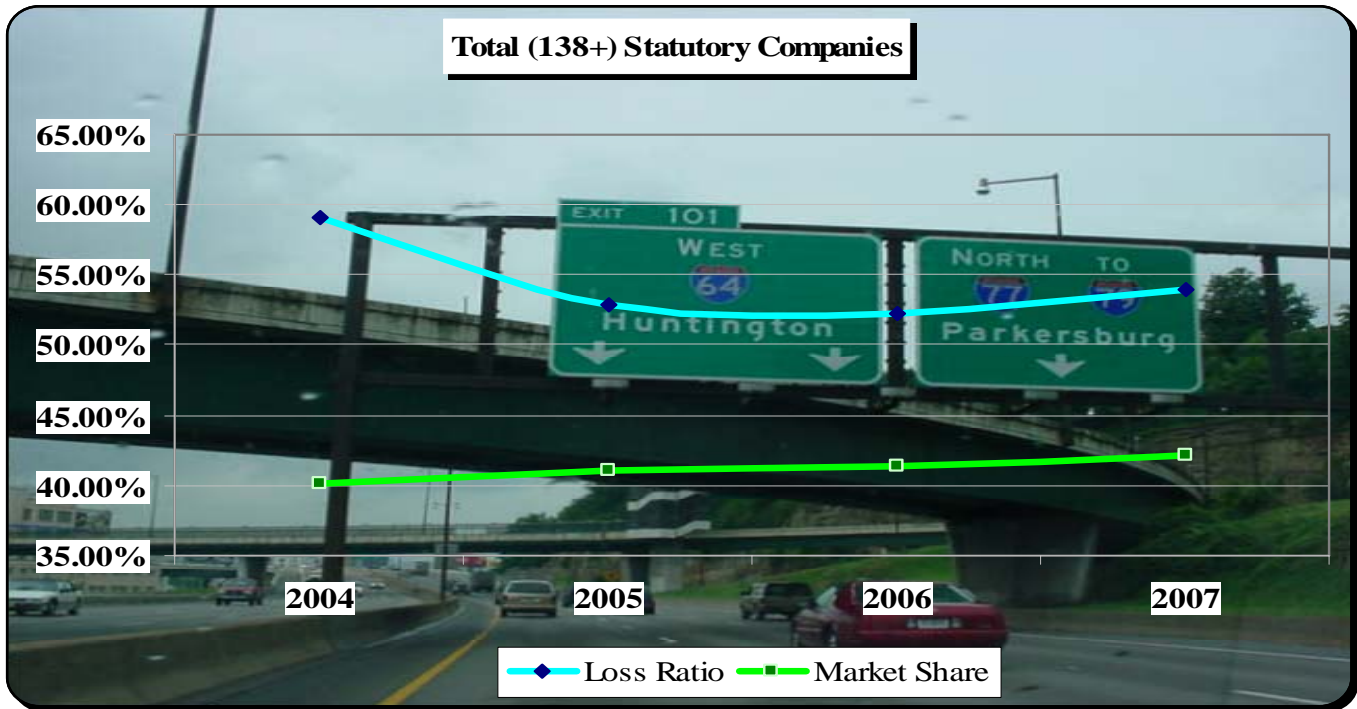
Now we will consider the market share and loss ratio history (*since 2004*) of those companies which elected to non-renew under the new alternative underwriting reasons (*1%*) methodology.

Company Name	2004		2005		2006		2007	
	MktSh	L/R	MktSh	L/R	MktSh	L/R	MktSh	L/R
AIG Casualty Company	0.01%	41.04%	0.17%	52.98%	0.24%	71.81%	0.46%	68.91%
AIU Insurance Co	0.19%	69.27%	0.16%	25.90%	0.13%	52.70%	0.11%	40.04%
Allstate Indemnity Co	0.38%	8.22%	0.28%	52.07%	0.22%	36.38%	0.17%	15.69%
Allstate Insurance Co	5.41%	55.68%	5.22%	52.90%	4.99%	45.57%	4.60%	49.35%
American Bankers Ins Co Of FL	0.15%	37.30%	0.19%	20.00%	0.18%	39.78%	0.06%	20.78%
American Home Assurance Co	1.28%	61.26%	1.07%	59.85%	0.88%	53.32%	0.74%	50.62%
American International Insurance Co	0.07%	81.35%	0.05%	-49.36%	0.01%	344.04%	0.01%	268.94%
American International Pacific	0.00%	12.74%	0.10%	56.57%	0.14%	51.72%	0.16%	78.63%
American International South Ins Co	0.02%	13.71%	0.29%	51.33%	0.44%	56.62%	0.69%	61.28%
American Reliable Insurance Co	0.04%	13.46%	0.04%	143.64%	0.04%	140.12%	0.04%	8.88%
First Liberty Insurance Corporation	0.01%	84.61%	0.01%	53.22%	0.02%	46.78%	0.02%	38.35%
Liberty Insurance Corporation	0.15%	64.28%	0.14%	45.18%	0.14%	65.92%	0.14%	49.67%
Liberty Mutual Fire Insurance Co	1.67%	57.55%	1.73%	50.91%	1.79%	56.63%	1.75%	53.90%
Markel American Insurance Co	0.04%	53.43%	0.03%	101.54%	0.03%	19.36%	0.02%	54.03%
Nationwide Assurance Co	3.18%	56.76%	1.32%	51.01%	0.80%	42.22%	0.43%	10.75%
Nationwide Mutual Fire IC	0.46%	47.41%	2.29%	60.22%	2.54%	60.23%	2.31%	49.86%
Nationwide Mutual Insurance Co	15.81%	49.66%	16.04%	60.60%	16.37%	47.00%	16.15%	60.58%
Nationwide Property & Cas Ins Co	1.91%	54.53%	1.95%	55.12%	2.08%	62.69%	2.13%	70.71%
Southern Pilot Insurance Co	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
State Farm Fire & Casualty Co	1.22%	70.49%	1.16%	73.31%	1.27%	69.65%	1.42%	66.51%
State Farm Mutual Auto Ins Co	27.88%	64.14%	26.72%	72.11%	26.26%	63.56%	26.37%	53.77%
Total (21) 1% Companies	59.87%	58.28%	58.95%	64.27%	58.57%	56.56%	57.80%	55.67%

While the market share for this group is still relatively large (*with over 50% of the market being written by just 21 companies*) this is demonstrated to have declined slightly over time. However, the experience (*loss ratio*) for this group has improved over this same period.



We can compare the experience of the 1% group to that of all other companies (*statutory reasons for non-renewal*) over this same period.



As you may note, the change in market share appears less significant for this group (*although the increase here is commensurate with the decrease occurring in the 1% companies*), and the experience (*loss ratio*) of this group as a whole has actually out paced that of the 1% group. Specifically, the loss ratio of the 1% group in 2004 was 58.28% and had improved to 55.67% as of 2007; a net change of 2.61%. However, the experience of the statutory company group has improved from 59.04% in 2004 to 53.96% in 2007; a net change of 5.08%.

Policy Level Impacts

Now let's consider the policy level impact of the changes to the non-renewal laws in 2004. Being that all companies submitting their non-renewal activity reports as required by §33-6A-4a(g) cited the confidentiality of such data as being proprietary/trade secret information as it contains not only total

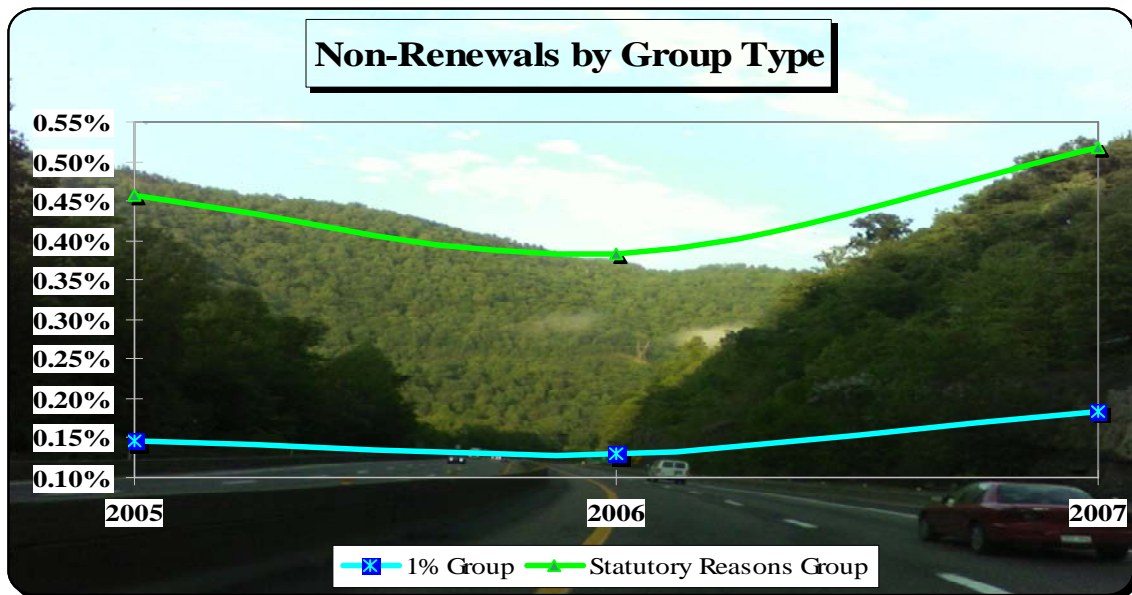
policy counts, but also policy counts by county for each company reporting, we will include only aggregated data in this section of the report. By examination of the required reports for the 1% group then, we find the following:

1% Group	2005	2006	2007
Actual Policies in Force	579,652	575,818	571,496
<i>Permissible 1% Non-renewals</i>	<i>5,797</i>	<i>5,758</i>	<i>5,715</i>
Actual Non-renewals processed	852	749	1,049
Actual Percent	0.15%	0.13%	0.18%

Note that similar to the slight decline in market share for this group, the total policy count for this group is shown to have also slightly declined over this time period. Most significantly however, consider the difference in the number of actual non-renewals processed by year as compared to the number of non-renewals that would be permitted under the applicable statute. As you can see, the actual number of non-renewals by year for this group is substantially smaller than that which would be permissible. As a basis of comparison, let us now consider these same metrics for the statutory reasons group.

Statutory Reasons Group	2005	2006	2007
Policies in Force	336,072	307,104	313,905
Actual Non-renewals processed	1,540	1,177	1,621
Actual Percent	0.46%	0.38%	0.52%

While this group also coincidentally remained below 1% in the aggregate (*although no per company or per county statutory limitation applies to members of this group*), you can clearly determine that this group non-renewed policyholders at a rate that was on average 3 times higher than that which was realized within the 1% non-renewal group.



Another key consideration here is, what impact did the 2004 legislation have on those insureds who had been insured with companies which ultimately chose to non-renew for underwriting reasons? In other words, for insureds who had policies with the 21 companies who would eventually elect to non-

renew for underwriting reasons, were those insureds more or less likely to be non-renewed by their carrier after 2004 because of the changes in the statutes? While pre-2004 data was not available for all 21 underwriting reasons companies, we were able to obtain data for nearly half of that market by policy count. Accordingly, looking at the non-renewal percentages for a significant portion of this group for the 3 years preceding the 2004 legislation, we find the following:



Clearly, by comparing the percentage of policies being non-renewed by these companies historically to the percentage of policies being non-renewed by these companies subsequent to the 2004 legislation, as per the chart on page 18, not only is it demonstrated that the 2004 legislation reduced the percentage of policies being non-renewed by this group as a whole (*from a 3 year average of 0.73% to a 3 year average of 0.15%*), but further reduced the same below those levels which are still being realized by the statutory reasons group (+40% range) and which are not even limited to 1% of business as they are now required to be by statute. Obviously, this particular impact of the 2004 legislation is acutely favorable to our residents at the policyholder level (*i.e. it appears that a majority of our policyholders are now **less likely to be non-renewed** than they were prior to the passage of the 2004 legislation.*)

Rate History Statistics

As required by §33-6A-4c(2), the following statistics were collected reflecting the rate history of private passenger automobile insurers conducting business in West Virginia from the first day of July, 2004, until the first day of July, 2008.

A detailed rate filing history for the fiscal year 2004:

CO NAME	FILING #	EFF DATE	RATE CHANGE	PREMIUM (000)	IMPACT (000)
MICO INS CO	40329036	7/1/2004	9.20%	\$0	\$0
STATE AUTO NAT'L INS CO	40203004	7/8/2004	3.80%	\$1,952	\$74
AIU INS CO	40507007	7/12/2004	9.50%	\$0	\$0
AMERICAN HOME ASSURANCE CO	40507007	7/12/2004	9.50%	\$0	\$0
AMERICAN INTERNAT'L INS CO	40507007	7/12/2004	9.50%	\$0	\$0
HORACE MANN INS CO	40227013	9/1/2004	11.20%	\$388	\$43
HORACE MANN PROP & CAS INS CO	40227013	9/1/2004	11.20%	\$0	\$0
TEACHERS INS CO	40227013	9/1/2004	11.20%	\$0	\$0
AMERICAN NAT'L GENERAL INS CO	40706010	9/1/2004	2.50%	\$744	\$19
FARM FAMILY CAS INS CO	40504005	10/1/2004	12.30%	\$4,125	\$507
MOTORISTS MUTUAL INS CO	40629019	10/1/2004	8.10%	\$5,827	\$472
AMERICAN NAT'L PROP AND CAS CO	40706011	10/1/2004	1.80%	\$0	\$0
STATE FARM FIRE AND CAS CO	40806001	10/15/2004	7.10%	\$1,402	\$100
STATE FARM MUTUAL AUTO INS CO	40806003	10/15/2004	-0.10%	\$1,402	(\$1)
ERIE INS PROP AND CAS CO	40629029	11/1/2004	0.00%	\$0	\$0
WEST VIRGINIA NAT'L AUTO INS CO	40819016	11/1/2004	-1.30%	\$3,116	(\$41)
ENCOMPASS INS CO OF AMERICA	40715003	12/18/2004	3.00%	\$92	\$3
GLENS FALLS INS CO	40715003	12/18/2004	3.00%	\$0	\$0
NATIONWIDE MUTUAL INS CO	40915025	12/30/2004	-0.10%	\$49,874	(\$50)
NATIONWIDE PROP AND CAS INS CO	40915025	12/30/2004	-0.10%	\$0	\$0
AMICA MUTUAL INS CO	40810030	1/1/2005	8.00%	\$4,760	\$381
GEICO GENERAL INS CO	41101004	1/3/2005	1.70%	\$0	\$0
GEICO IND CO	41101004	1/3/2005	1.70%	\$0	\$0
GOVERNMENT EMPLOYEES INS CO	41101004	1/3/2005	1.70%	\$0	\$0
STATE AUTO PROP & CAS INS CO	41019027	3/1/2005	0.90%	\$4,828	\$43
ALLSTATE IND CO	41216004	3/7/2005	4.60%	\$3,951	\$182
FIRST COLONIAL INS CO	50215020	3/18/2005	34.70%	\$3,008	\$1,044
CALIFORNIA CAS IND EXCHANGE	41208040	4/1/2005	-15.00%	\$0	\$0
AMERICAN SELECT INS CO	41209016	4/19/2005	3.80%	\$0	\$0
WESTFIELD INS CO	41209016	4/19/2005	3.80%	\$0	\$0
HARTFORD INS CO OF THE MIDWEST	50208037	5/3/2005	8.20%	\$13,097	\$1,074
DAIRYLAND INS CO	50304004	5/25/2005	-9.70%	\$18,560	(\$1,800)
ELECTRIC INS CO	50216008	5/27/2005	9.00%	\$128	\$12
FIRST SURETY CORP	50303011	6/1/2005	9.20%	\$559	\$51
AMERICAN SELECT INS CO	50504007	6/22/2005	-5.00%	\$5,192	(\$260)
ENCOMPASS IND CO	41220028	6/24/2005	0.00%	\$492	\$0
KANSAS CITY FIRE & MARINE INS CO	41220028	6/24/2005	0.00%	\$492	\$0
37 Filings	FY	2004	1.47%	\$123,989	\$1,853

A detailed rate filing history for the fiscal year 2005:

CO NAME	FILING #	EFF DATE	RATE CHANGE	PREMIUM	IMPACT
AMERICAN SELECT INS CO	50504006	7/1/2005	-7.70%	\$0	\$0
WESTFIELD INS CO	50504006	7/1/2005	-7.70%	\$0	\$0
PROGRESSIVE CLASSIC INS CO	50617001	7/1/2005	-6.40%	\$0	\$0
STATE AUTO NAT'L INS CO	50214014	7/8/2005	-0.40%	\$3,812	(\$15)
STATE FARM FIRE AND CAS CO	50504017	7/8/2005	-10.40%	\$14,805	(\$1,540)

STATE FARM MUTUAL AUTO INS CO	50504018	7/8/2005	-10.10%	\$318,220	(\$32,140)
GEICO GENERAL INS CO	50608014	7/8/2005	-2.00%	\$0	\$0
GEICO IND CO	50608014	7/8/2005	-2.00%	\$0	\$0
GOVERNMENT EMPLOYEES INS CO	50608014	7/8/2005	-2.00%	\$0	\$0
GUARANTY NAT'L INS CO	50608010	7/18/2005	-18.50%	\$0	\$0
ALLSTATE INS CO	50518008	7/25/2005	-8.20%	\$0	\$0
ERIE INS PROP AND CAS CO	50512007	8/1/2005	-3.10%	\$110,971	(\$3,440)
NATIONWIDE MUTUAL INS CO	50519013	8/11/2005	-5.70%	\$0	\$0
NATIONWIDE PROP AND CAS INS CO	50519013	8/11/2005	-5.70%	\$0	\$0
STATE AUTO PROP & CAS INS CO	50621000	8/15/2005	-3.70%	\$0	\$0
MICO INS CO	50331001	10/1/2005	0.00%	\$0	\$0
MET. DIRECT PROP AND CAS INS CO	50331003	10/1/2005	-2.90%	\$0	\$0
INS SERVICES OFFICE, INC	50422000	10/1/2005	-11.10%	\$0	\$0
HORACE MANN INS CO	50602018	11/1/2005	-4.40%	\$0	\$0
HORACE MANN PROP & CAS INS CO	50602018	11/1/2005	-4.40%	\$0	\$0
TEACHERS INS CO	50602018	11/1/2005	-4.40%	\$0	\$0
ERIE INS PROP AND CAS CO	50627007	11/1/2005	-2.60%	\$110,971	(\$2,885)
MOTORISTS MUTUAL INS CO	50916005	11/1/2005	-3.20%	\$0	\$0
MOTORISTS MUTUAL INS CO	50916006	11/1/2005	-1.80%	\$0	\$0
PROGRESSIVE CLASSIC INS CO	50318014	11/2/2005	0.00%	\$0	\$0
UNITED SERVICES AUTO ASSOC	50907000	11/29/2005	3.00%	\$17,444	\$523
USAA CAS INS CO	50907000	11/29/2005	3.00%	\$0	\$0
USAA GENERAL IND CO	50907000	11/29/2005	3.00%	\$0	\$0
SHELBY CAS INS CO	50902011	12/1/2005	-0.80%	\$20,084	(\$161)
AMERICAN NAT'L GENERAL INS CO	50720012	1/1/2006	-2.80%	\$545	(\$15)
AMERICAN NAT'L PROP AND CAS CO	50720013	1/1/2006	-12.80%	\$0	\$0
ERIE INS PROP AND CAS CO	50916025	1/1/2006	-3.20%	\$110,971	(\$3,551)
NATIONWIDE MUTUAL FIRE INS CO	51006019	1/1/2006	0.00%	\$1,260	\$0
HARTFORD INS CO OF THE MIDWEST	51024012	1/17/2006	0.00%	\$0	\$0
PROP AND CAS INS CO OF HARTFORD	51129003	1/17/2006	-0.10%	\$0	\$0
PROGRESSIVE MAX INS CO	51221022	1/19/2006	-8.30%	\$1,538	(\$128)
ALLSTATE INS CO	51118026	1/30/2006	0.00%	\$37,220	\$0
NAT'L GENERAL ASSURANCE CO	51207003	2/1/2006	-0.10%	\$7,780	(\$8)
NATIONWIDE MUTUAL INS CO	51116015	2/17/2006	0.00%	\$189,475	\$0
NATIONWIDE PROP AND CAS INS CO	51116015	2/17/2006	0.00%	\$0	\$0
STATE FARM FIRE AND CAS CO	51107000	3/6/2006	-2.50%	\$62,767	(\$1,569)
STATE FARM MUTUAL AUTO INS CO	51107001	3/6/2006	-1.30%	\$318,220	(\$4,137)
FIRST NAT'L INS CO OF AMERICA	50920016	3/30/2006	-4.50%	\$81	(\$4)
GENERAL INS CO OF AMERICA	50920016	3/30/2006	-4.50%	\$0	\$0
SAFECO INS CO OF AMERICA	50920016	3/30/2006	-4.50%	\$0	\$0
AUTO INS PLAN SERVICES OFFICE	51209039	4/1/2006	16.80%	\$0	\$0
AMERICAN SELECT INS CO	60228012	4/27/2006	-0.20%	\$4,640	(\$9)
ERIE INS PROP AND CAS CO	51220032	5/1/2006	0.00%	\$110,971	\$0
LYNDON SOUTHERN INS CO	60105018	6/7/2006	0.00%	\$0	\$0
STATE FARM MUTUAL AUTO INS CO	60502031	6/8/2006	0.00%	\$0	\$0
STATE AUTO PROP & CAS INS CO	60228014	6/15/2006	-1.80%	\$5,648	(\$102)
FIRST COLONIAL INS CO	60505005	6/19/2006	20.70%	\$0	\$0
ALLSTATE INS CO	60516004	6/29/2006	0.00%	\$34,457	\$0
53 Filings	FY	2005	-3.43%	\$1,481,880	(\$49,180)

A detailed rate filing history for the fiscal year 2006:

CO NAME	FILING #	EFF DATE	RATE CHANGE	PREMIUM	IMPACT
MOTORISTS MUTUAL INS CO	60126011	7/1/2006	0.00%	\$6,999	\$0
AMERICAN SELECT INS CO	60405024	7/1/2006	-2.80%	\$0	\$0
WESTFIELD INS CO	60405024	7/1/2006	-2.80%	\$0	\$0
PROP AND CAS INS CO OF HARTFORD	60306007	7/6/2006	7.00%	\$0	\$0
STATE AUTO NAT'L INS CO	60306009	7/8/2006	0.70%	\$0	\$0
NAT'L GENERAL ASSURANCE CO	60526000	7/26/2006	6.50%	\$6,089	\$396

MICO INS CO	60404024	8/1/2006	0.00%	\$0	\$0
WEST VIRGINIA NAT'L AUTO INS CO	60706007	8/1/2006	-8.30%	\$0	\$0
PROGRESSIVE CLASSIC INS CO	60420020	8/4/2006	-5.30%	\$26,722	(\$1,416)
NATIONWIDE MUTUAL INS CO	60525003	8/18/2006	1.00%	\$59,577	\$596
NATIONWIDE PROP AND CAS INS CO	60525003	8/18/2006	1.00%	\$0	\$0
NATIONWIDE ASSURANCE CO	60405021	9/23/2006	4.40%	\$0	\$0
NATIONWIDE MUTUAL FIRE INS CO	60405021	9/23/2006	4.40%	\$0	\$0
ERIE INS PROP AND CAS CO	60605000	10/1/2006	0.00%	\$111,284	\$0
GARRISON PROP AND CAS INS CO	60717004	10/8/2006	0.00%	\$0	\$0
UNITED SERVICES AUTO ASSOC	60717004	10/8/2006	0.00%	\$0	\$0
USAA CAS INS CO	60717004	10/8/2006	0.00%	\$0	\$0
USAA GENERAL IND CO	60717004	10/8/2006	0.00%	\$0	\$0
AMERICAN SELECT INS CO	60822021	10/22/2006	-0.20%	\$0	\$0
STATE FARM MUTUAL AUTO INS CO	61108016	11/21/2006	0.00%	\$306,419	\$0
MET. DIRECT PROP AND CAS INS CO	60830009	11/30/2006	0.00%	\$4,775	\$0
PROGRESSIVE CLASSIC INS CO	60807017	12/1/2006	-1.60%	\$0	\$0
PROGRESSIVE DIRECT INS CO	60807017	12/1/2006	-1.60%	\$0	\$0
PROGRESSIVE PALOVERDE INS CO	60807017	12/1/2006	-1.60%	\$0	\$0
MET. CAS INS CO	60830007	12/21/2006	0.00%	\$0	\$0
MET. PROP & CAS INS CO	60830007	12/21/2006	0.00%	\$0	\$0
AMERICAN NAT'L PROP AND CAS CO	60822014	1/1/2007	0.00%	\$5,928	\$0
AIG CAS CO	61106035	1/15/2007	5.40%	\$4,591	\$248
AMERICAN INTERNAT'L PACIFIC INS CO	61106035	1/15/2007	5.40%	\$0	\$0
AMERICAN INTERNAT'L SOUTH INS CO	61106035	1/15/2007	5.40%	\$0	\$0
SENTINEL INS CO, LTD.	61206000	2/1/2007	-1.60%	\$0	\$0
FIRST NAT'L INS CO OF AMERICA	61003022	2/8/2007	-3.10%	\$27	(\$1)
GENERAL INS CO OF AMERICA	61003022	2/8/2007	-3.10%	\$0	\$0
SAFECO INS CO OF AMERICA	61003022	2/8/2007	-3.10%	\$0	\$0
NATIONWIDE MUTUAL INS CO	61011021	2/17/2007	0.00%	\$59,577	\$0
NATIONWIDE PROP AND CAS INS CO	61011021	2/17/2007	0.00%	\$0	\$0
ENCOMPASS IND CO	61103035	3/1/2007	0.60%	\$0	\$0
NATIONWIDE MUTUAL FIRE INS CO	61108001	3/23/2007	3.80%	\$22,128	\$841
INS SERVICES OFFICE, INC	61026007	4/1/2007	-11.50%	\$0	\$0
MET. DIRECT PROP AND CAS INS CO	70130036	4/1/2007	0.00%	\$0	\$0
GARRISON PROP AND CAS INS CO	70220009	4/9/2007	0.50%	\$0	\$0
UNITED SERVICES AUTO ASSOC	70220009	4/9/2007	0.50%	\$0	\$0
USAA CAS INS CO	70220009	4/9/2007	0.50%	\$0	\$0
USAA GENERAL IND CO	70220009	4/9/2007	0.50%	\$0	\$0
MERASTAR INS CO	51107043	4/15/2007	-2.00%	\$1,712	(\$34)
PROGRESSIVE MAX INS CO	70202013	4/17/2007	-1.30%	\$5,949	(\$77)
AMERICAN SELECT INS CO	70307011	6/4/2007	-0.60%	\$0	\$0
STATE AUTO PROP & CAS INS CO	70315015	6/15/2007	3.40%	\$0	\$0
PROGRESSIVE CLASSIC INS CO	70412022	6/22/2007	5.50%	\$0	\$0
GARRISON PROP AND CAS INS CO	70403021	6/25/2007	-4.90%	\$0	\$0
UNITED SERVICES AUTO ASSOC	70403021	6/25/2007	-4.90%	\$0	\$0
USAA CAS INS CO	70403021	6/25/2007	-4.90%	\$0	\$0
USAA GENERAL IND CO	70403021	6/25/2007	-4.90%	\$0	\$0

53 Filings **FY 2006** **0.09%** **\$621,777** **\$552**

A detailed rate filing history for the fiscal year 2007:

CO NAME	FILING #	EFF DATE	RATE CHANGE	PREMIUM	IMPACT
MOTORISTS MUTUAL INS CO	70208005	7/1/2007	0.00%	\$6,712	\$0
STATE FARM MUTUAL AUTO INS CO	70417004	7/2/2007	-2.50%	\$286,001	(\$7,150)
STATE FARM FIRE AND CAS CO	70417005	7/2/2007	-1.20%	\$13,716	(\$165)
GEICO GENERAL INS CO	70515022	7/5/2007	-1.90%	\$21,113	(\$401)
GEICO IND CO	70515022	7/5/2007	-1.90%	\$0	\$0
GOVERNMENT EMPLOYEES INS CO	70515022	7/5/2007	-1.90%	\$0	\$0
STATE AUTO NAT'L INS CO	70403032	7/8/2007	-0.60%	\$2,576	(\$15)

PENINSULA INS CO	70619018	7/17/2007	-10.00%	\$0	\$0
ALLSTATE INS CO	70515026	7/18/2007	0.00%	\$34,457	\$0
NAT'L GENERAL ASSURANCE CO	70326025	7/22/2007	-0.10%	\$0	\$0
GEICO GENERAL INS CO	61117015	8/16/2007	-0.10%	\$19,774	(\$20)
GEICO IND CO	61117015	8/16/2007	-0.10%	\$0	\$0
GOVERNMENT EMPLOYEES INS CO	61117015	8/16/2007	-0.10%	\$0	\$0
NATIONWIDE MUTUAL INS CO	70501025	8/17/2007	0.40%	\$51,596	\$206
NATIONWIDE PROP AND CAS INS CO	70501025	8/17/2007	0.40%	\$0	\$0
WESTFIELD INS CO	70411000	9/10/2007	-4.00%	\$26,316	(\$1,053)
PROP AND CAS INS CO OF HARTFORD	70717013	10/16/2007	7.50%	\$0	\$0
PROGRESSIVE MAX INS CO	70829015	10/24/2007	-5.00%	\$0	\$0
NATIONWIDE MUTUAL FIRE INS CO	70530016	10/27/2007	3.00%	\$22,292	\$669
ERIE INS PROP AND CAS CO	70604005	11/1/2007	0.20%	\$0	\$0
GARRISON PROP AND CAS INS CO	70820023	11/5/2007	0.30%	\$0	\$0
UNITED SERVICES AUTO ASSOC	70820023	11/5/2007	0.30%	\$0	\$0
USAA CAS INS CO	70820023	11/5/2007	0.30%	\$0	\$0
USAA GENERAL IND CO	70820023	11/5/2007	0.30%	\$0	\$0
MET. DIRECT PROP AND CAS INS CO	71022027	12/1/2007	-0.10%	\$5,345	(\$5)
FIRST LIBERTY INS CORP (THE)	70628014	12/17/2007	1.40%	\$20,420	\$286
ALLSTATE INS CO	70726014	12/17/2007	4.80%	\$21,836	\$1,048
HARTFORD INS CO OF THE MIDWEST	70710014	1/3/2008	3.60%	\$29,551	\$1,064
SENTINEL INS CO, LTD.	71101021	1/3/2008	14.80%	\$466	\$69
AMERICAN SELECT INS CO	70906023	1/14/2008	3.60%	\$3,584	\$129
MET. CAS INS CO	71207022	2/11/2008	3.70%	\$3,037	\$112
MET. PROP & CAS INS CO	71207022	2/11/2008	3.70%	\$0	\$0
AMERICAN NAT'L PROP AND CAS CO	71011052	2/29/2008	-0.70%	\$7,114	(\$50)
AMERICAN NAT'L GENERAL INS CO	71015012	2/29/2008	2.90%	\$0	\$0
INS SERVICES OFFICE, INC	70904012	3/1/2008	4.90%	\$0	\$0
HORACE MANN INS CO	71206016	3/3/2008	0.00%	\$1,865	\$0
STATE FARM MUTUAL AUTO INS CO	80103003	3/17/2008	-4.80%	\$286,001	(\$13,728)
STATE FARM FIRE AND CAS CO	80103012	3/17/2008	0.30%	\$0	\$0
NATIONWIDE MUTUAL INS CO	71227026	3/22/2008	0.00%	\$115,916	\$0
NATIONWIDE PROP AND CAS INS CO	71227026	3/22/2008	0.00%	\$0	\$0
ENCOMPASS IND CO	71121020	3/24/2008	6.00%	\$12,460	\$748
NAT'L GENERAL ASSURANCE CO	80128027	4/10/2008	7.80%	\$4,407	\$344
NATIONWIDE ASSURANCE CO	71127018	4/29/2008	2.50%	\$3,292	\$82
NATIONWIDE MUTUAL FIRE INS CO	71127022	4/29/2008	2.50%	\$0	\$0
PEAK PROP AND CAS INS CORP	80222018	5/1/2008	5.70%	\$8,589	\$490
WESTFIELD INS CO	80215014	5/19/2008	-0.70%	\$29,103	(\$204)
WESTFIELD INS CO	80226014	5/19/2008	-1.30%	\$0	\$0
AMERICAN NAT'L PROP AND CAS CO	80303017	5/20/2008	-2.90%	\$8,685	(\$252)
PROGRESSIVE CLASSIC INS CO	80401012	6/10/2008	5.00%	\$31,067	\$1,553
STATE AUTO PROP & CAS INS CO	80306046	6/15/2008	3.00%	\$10,606	\$318
AUTO CLUB PROP-CAS INS CO	80430030	6/30/2008	-15.00%	\$0	\$0
MOTORISTS MUTUAL INS CO	80226030	7/1/2008	1.20%	\$6,420	\$77
SENTINEL INS CO, LTD.	80307003	7/1/2008	2.00%	\$0	\$0
54 Filings	FY	2007	-1.47%	\$1,094,317	(\$15,847)

Rate filing history Summary:

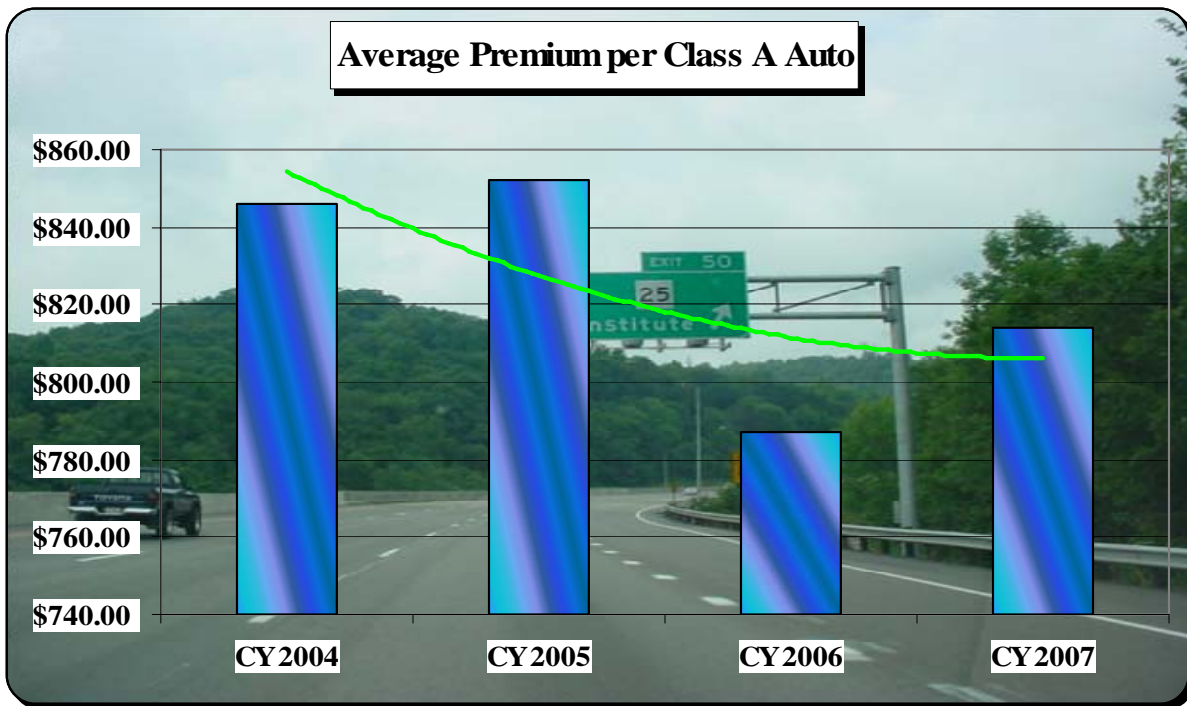
	PREMIUM	IMPACT	RATE CHANGE
FY 2004	\$123,989,000	\$1,852,868	1.47%
FY 2005	\$1,481,880,000	(\$49,180,277)	-3.43%
FY 2006	\$621,777,000	\$551,653	0.09%
FY 2007	\$1,094,317,000	(\$15,847,273)	-1.47%

4 Year \$3,321,963,000 (\$62,623,029) **-1.92%**

The overall impact of these aggregated rate level changes can be shown by comparing total auto insurance premiums written per year (from the *NAIC* database) to the number of Class A automobiles registered in West Virginia per year over the same periods (from the *Department of Motor Vehicles*). Specifically:

	Premiums Written	Class A Registrations	Average Premium per Auto
CY 2004	\$1,100,863,297	1,300,906	\$846.23
CY 2005	\$1,082,600,028	1,270,829	\$851.88
CY 2006	\$1,052,550,755	1,337,158	\$787.16
CY 2007	\$1,064,318,031	1,307,093	\$814.26

Graphically, you can note the average decrease that has occurred for average auto insurance premiums since 2004 (the green line represents the trend in costs):



Conclusion

Through examination of data provided directly to us by the “underwriting reasons” companies pursuant to §33-6A-4a(g), historical state level premium and loss data available to us through the *National Association of Insurance Commissioners (NAIC)* database, and West Virginia specific information obtained from *AIPSO*, a clear picture of improvement within our personal automobile insurance market can be noted as having occurred between 2004 and the present. We have

demonstrated that **increased competition has occurred** (as measured by continually declining *HHI* figures) in our entire marketplace for every year in this time period. We have noted that the number of our residents having to seek mandatory automobile insurance coverage from our **residual market mechanism has decreased** in every year in this time period as well and more steeply so than prior to this statutory change. We have shown, through aggregation of rate filing data, that **personal automobile insurance rates have declined** overall since 2004, which is remarkable when considering the general rate of inflation over this same time period, yet we do note that the 2004 legislation, while likely to have had some degree of impact on these premiums, is also likely to have been less of a factor in those particular rate changes than the elimination of a third party bad faith cause of action which occurred during 2005. Finally, we can clearly demonstrate that a majority of our residents (*about 55% of all policies considering 2007 policy counts by non-renewal type group*) are **now less likely to be non-renewed** by their auto insurance carrier than they were before the passage of the 2004 legislation, and that because being non-renewed by your insurance carrier will have an adverse impact on your ability to obtain voluntary coverage elsewhere as well as the rate at which such coverage can be obtained, that this can be deemed to be a very favorable effect of this legislation as well.

Accordingly, it is found that the availability of personal automobile insurance in West Virginia has improved due to the passage of the 2004 legislation. This can be measured by the increase in competition within the marketplace, the decline in residual market applications, and the decrease in the percentage of policies which are being non-renewed by a majority (*measured by either premium volume or by policy count*) of insurers in our marketplace, all as having occurred subsequent to the passage of this particular legislation. Finally, it is likely that this legislation has also had a favorable effect, or minimally a stabilizing one, on personal auto insurance rates in West Virginia as well. Although the impact of the civil justice reforms which took place in 2005 are expected to have had a much more significant impact on personal automobile insurance rates (*and the relative degrees of impact occurring due to the 2004 legislation versus the 2005 legislation are effectively inseparable*), it is reasonable to assume that the 2004 legislation maintained downward pressure on personal auto insurance rates in general by resulting in fewer non-renewals overall being processed than before which would had the effect of having fewer insureds having to obtain coverage in either the non-standard market or the residual market where the costs of insurance are much higher.