

## MINNESOTA SURCHARGE DISCLOSURE STATEMENT

### Farmers Mutual Hail Insurance Company of Iowa

Effective Date: 12-1-2015

In accordance with Minnesota law, we are providing you with an explanation of our **Safe Driver Insurance Plan (revised 12/15)** and our Claims Experience Surcharge Rule, under which your policy has been rated. Through hypothetical examples, this disclosure statement illustrates how the plan and rule may affect your automobile insurance premium in the event of chargeable accidents and/or convictions or loss experience from non-SDIP claims. Please note that the examples contained in this statement are provided for illustrative purposes only and may not reflect or take into account all the characteristics used in determining your premium.

### WHAT IS THE SAFE DRIVER INSURANCE PLAN?

The Safe Driver Insurance Plan (hereafter referred to as SDIP) uses past experience (accidents & convictions) as part of the determination of your premium cost. The Plan uses a point system under which SDIP points are assigned for chargeable accidents and/or convictions. The system gives the lowest premium to drivers without points. Higher premiums are charged for drivers based upon the number of SDIP points accumulated during the preceding 36 months (the "experience period"). Premiums for the following coverages are affected: Bodily Injury & Property Damage Liability or Combined Single Limit Liability, Personal Injury Protection and Collision.

### DRIVING RECORD POINTS

#### A. Chargeable Accidents

SDIP points are assigned for each accident that occurred during the experience period, involving the applicant or any current resident operator, while operating an auto.

1. Two points are assigned for each auto accident that results in:
  - a. Bodily Injury, or death; or
  - b. TOTAL DAMAGE TO ALL PROPERTY INCLUDING HIS OR HER OWN IN EXCESS OF \$2,000 WITHOUT REGARD TO INSURANCE PAYMENTS.
2. One point is assigned for each auto accident that results in total damage to all property including his or her own that is less than the \$2,000 threshold reflected above.

#### B. Convictions

SDIP points are assigned for convictions during the experience period for motor vehicle violations of the applicant or any other currently resident operator, as follows:

1. Four points are assigned for conviction of:
  - a. Driving while in an intoxicated condition or under the influence of drugs, and also includes a driver's license record entry of "Implied Consent." Note that if an at fault accident occurs at the same time, we will charge for both.
  - b. Failure to stop and report when involved in an accident.
  - c. Felony involving use of motor vehicle.

- d. Driving a motor vehicle in a reckless manner which results in an injury to a person, and
  - e. Driving a motor vehicle during the period of time the driver's license is suspended or revoked.
2. Three points are assigned for conviction of:
- a. Careless/Reckless/Exhibition/Negligent Driving,
  - b. Distracted driving or illegal use of handheld device,
  - c. Passing stopped school bus,
  - d. Driving on the wrong side of the road,
  - e. Driving the wrong way on a one way street,
  - f. Failure to have vehicle under control,
  - g. Operating without a valid driver's license,
  - h. Any other moving motor vehicle violations involving possession, disbursement, or use of alcohol or drugs, other than those that apply under previously outlined Four point section,
  - i. Refusal to take alcohol or drug test, other than those that apply under previously outlined Four point section,
  - j. Evading or fleeing from police to avoid arrest,
  - k. Homicide or assault arising out of the operation of a motor vehicle,
  - l. Racing, or
  - m. The accumulation of points under a State Point System resulting in suspension or revocation of an operator's license.
3. Two points are assigned for conviction of any other moving violation resulting in suspension or revocation of an operator's license.
4. One point is assigned for each additional conviction of a moving motor vehicle violation not listed in (1), (2) or (3) above **in excess of one.**

## EXCEPTIONS

- 1. No points are assigned for accidents incurred by an operator demonstrated to be a named insured or a principal operator of an auto insured under a separate policy; and,
- 2. No points are assigned for accidents occurring under the following circumstances:
  - (a) Auto lawfully parked (if the parked vehicle rolls from the parked position, then any such accident is charged to the person who parked the auto); or
  - (b) The applicant or any operator residing in the same household or owner, reimbursed by, or on behalf of, a person who is responsible for the accident or has judgment against such person; or
  - (c) Auto is struck in the rear by another vehicle and the applicant or other resident operator has not been convicted of a moving traffic violation in connection with this accident; or
  - (d) Operator of the other auto involved in the accident was convicted of a moving traffic violation and the applicant or resident operator was not convicted of a moving traffic violation in connection with the accident; or

- (e) Auto operated by the applicant or any resident operator is struck by a “hit-and-run” vehicle, if the accident is reported to the proper authority within 24 hours by the applicant or resident operator; or
- (f) Accidents involving damage by contact with animals or fowl; or
- (g) Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, or falling objects; or
- (h) Accidents occurring when using auto in response to an emergency if the operator of the auto at the time of accident was a paid or volunteer member of any Police or Fire Department, First Aid Squad, or any law enforcement agency. This exception does not include an accident occurring after the auto ceases to be used in response to such emergency.
- (i) Accidents resulting in an amount being paid under PIP or Additional PIP and no payment is made for the same accident under the Liability or Collision Coverage. This exception does NOT apply to single vehicle accidents in which damage to property occurs.

**INEXPERIENCED OPERATOR**

- (1) If the principal or occasional operator of the auto has no points assigned for an accident or conviction but has been licensed less than two years, one point is assigned.
- (2) If the principal or occasional operator of the auto has been licensed for less than two years but **HAS** points assigned for an accident or conviction, assign points only for the accident or conviction, **NOT** for the principal or occasional operator’s inexperience.
- (3) If the principal or occasional operator qualifies for Inexperienced Operator points assignment but the policy also insures other operators who have points assigned for accidents or convictions, the total of all operator points are assigned if there is only one automobile.

**POINT AND SURCHARGE CALCULATION**

The number of points assigned determines the surcharge. Please note that these examples are hypothetical and are meant only to illustrate how some of the possible surcharges, expressed as a percent of premium, may affect your premium.

**Note**

Although the same SDIP factors apply to all risks in accordance with our Plan, the percentage impact on premium will vary depending on certain variables including, but not limited to, the age, sex and marital status of the classified operator and the use of the auto. As shown below, the percentage impact of the SDIP Factor on the premium of an Adult Operator (Pleasure Use) risk is greater than the impact on a 20 Year Old Unmarried Male (Occasional Operator with Driver Training).

# of SDIP Points	Adult Operator Pleasure Use			
	SDIP Factor	One Car	SDIP Factor	Multi Car
1 Point	.20	25%	.05	31%
2 Points	.60	75%	.45	92%
3 Points	1.10	138%	.95	169%
4 Points	1.80	225%	1.65	177%

# of SDIP Points	Unmarried Male age 20, occasional operator w/ Drivers Training			
	SDIP Factor	One Car	SDIP Factor	Multi Car
1 Point	.20	9%	.05	10%
2 Points	.60	28%	.45	30%
3 Points	1.10	51%	.95	55%
4 Points	1.80	84%	1.65	90%

Each driver is assigned to the highest rated vehicle they are a primary operator of. If they are only an occasional operator, they are assigned to the highest rated vehicle they occasionally operate. The SDIP points apply to the vehicle they are assigned to per above.

**HOW THIS MAY AFFECT YOU**

Please note that the following tables display hypothetical examples of how the surcharge plan works. These examples are based on premium information required by and set forth in Minnesota regulations. They are for illustrative purposes only.

**A. One Vehicle Insured**

This example is for an adult operator who drives the vehicle for pleasure use.

Coverage	Premium with NO Accident	Premium with 1 Chargeable Accident	Premium with 2 Chargeable Accidents
<b>Bodily Injury/ Property Damage</b>	\$ 80	\$ 140	\$ 260
<b>Uninsured Motorists</b>	5	5	5
<b>Personal Injury Protection</b>	40	70	130
<b>Comprehensive Collision</b>	25 50	25 88	25 164
<b>Total Premium</b>	\$ 200	\$ 328	\$ 584

**B. Two Vehicle Insured**

This example is for an adult operator who drives the vehicle for pleasure use and also a 21 year old unmarried female who uses the vehicle to drive to work. Each has their own separate accidents/violations creating SDIP Points.

Coverage Adult	Premium with NO Accident	Premium with 1 Chargeable Accident	Premium with 2 Chargeable Accidents
<b>Bodily Injury/Property Damage</b>	\$ 80	\$ 154	\$ 301
<b>Uninsured Motorists</b>	5	5	5
<b>Personal Injury Protection</b>	40	78	152
<b>Comprehensive</b>	25	25	25
<b>Collision</b>	50	96	189
<b>Total Premium</b>	\$ 200	\$ 358	\$ 672

Coverage Unmarried Female 21	Premium with NO Accident	Premium with 1 Chargeable Accident	Premium with 2 Chargeable Accidents
<b>Bodily Injury/Property Damage</b>	\$ 120	\$ 175	\$ 285
<b>Uninsured Motorists</b>	5	5	5
<b>Personal Injury Protection</b>	60	88	143
<b>Comprehensive</b>	40	40	40
<b>Collision</b>	75	110	180
<b>Total Premium</b>	\$ 300	\$ 365	\$ 653

These premiums are based on premium information and examples required by and set forth in Minnesota regulations and are illustrative only. They are hypothetical and there is no relation to actual premiums. The surcharge in dollars and as a percent of premium will vary in each example. The factors that change the premium include, but are not limited to, age, sex and marital status of the operator.

You may be able to determine the points assigned to you by looking at your policy. The front page information may include a six digit code such as 887110. The last digit shows the points. The zero in this example indicates no points.

**WHAT IS THE CLAIMS EXPERIENCE SURCHARGE RULE?**

The Claims Experience Surcharge Rule uses past claims experience as part of the determination of your premium cost. The Rule uses a calculation of the loss ratio after dismissing any claim under which SDIP points are assigned for chargeable accidents. Claims payments that result from Personal Injury Protection, weather related perils, glass repair, Transportation Expense or Towing and Labor coverage are also dismissed. The rule gives the lowest premium to policyholders with one or less such non-SDIP claims or policies with less than a 65% Claims Experience ratio. Higher premiums are charged on policies with at least 2 such claims and a 65% or greater loss ratio calculation. Premiums for the following coverages are affected: Bodily Injury & Property Damage Liability or Combined Single Limit Liability, Comprehensive and Collision.

**SURCHARGE CALCULATION**

Those policies with 2 or more claims in the 3 years prior, other than those exempted by the Rule, are subject to the Claims Experience ratio calculation. The Claims Experience ratio is determined by totaling the remaining loss payments in the last 3 years divided by the total premium the last 3 years. If that ratio is 65% to 120%, a 15% surcharge applies. If that ratio is in excess of 120%, a 30% surcharge applies. The Claims Experience ratio is determined by totaling the remaining loss payments in the last 3 years divided by the total premium the last 3 years. Examples of some claim payments that would be part of this calculation include: comprehensive animal or bird claims, hit & run payments, unlisted or permissive use operator payments and glass replacement payments.

Please note that the following examples are hypothetical and are meant only to illustrate how some of the possible surcharges, expressed as a percent of premium, may affect your premium.

Calculated ratio	One Car
65% to 120%	15%
121% or greater	30%

Coverage	Premium with Less than 65%	Premium with 65% to 120% ratio	Premium with 121% or greater ratio
<b>Bodily Injury/ Property Damage</b>	\$ 80	\$ 92	\$ 104
<b>Uninsured Motorists</b>	5	5	5
<b>Personal Injury Protection</b>	40	40	40
<b>Comprehensive Collision</b>	25 50	29 58	33 65
<b>Total Premium</b>	\$ 200	\$ 224	\$ 247

**For more information about these surcharges, please contact your agent or company.**