

SERFF Tracking Number: ZURC-125461474 State: Arkansas
Filing Company: Universal Underwriters Insurance Company State Tracking Number: EFT \$125
Company Tracking Number: CW OL 26560
TOI: 17.0 Other Liability - Claims Made/Occurrence Sub-TOI: 17.0022 Other
Product Name: GAP rate filing
Project Name/Number: /

Filing at a Glance

Company: Universal Underwriters Insurance Company

Product Name: GAP rate filing SERFF Tr Num: ZURC-125461474 State: Arkansas
TOI: 17.0 Other Liability - Claims SERFF Status: Closed State Tr Num: EFT \$125
Made/Occurrence
Sub-TOI: 17.0022 Other Co Tr Num: CW OL 26560 State Status: Fees verified and received
Filing Type: Rate/Rule Co Status: Not Applicable Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding
Disposition Date: 02/15/2008
Authors: Karen Allen, Cynthia Winans, Terri Smith
Date Submitted: 02/04/2008 Disposition Status: Exempt from Review
Effective Date Requested (New): Effective Date (New):
Effective Date Requested (Renewal): 02/07/2008 Effective Date (Renewal):
State Filing Description:

General Information

Project Name: Status of Filing in Domicile:
Project Number: Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 02/15/2008
State Status Changed: 02/15/2008 Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:

Universal Underwriters Insurance Company hereby files a revision to their Guaranteed Auto Protection (GAP) program currently on file with your state. We have enclosed a revised Rates & Rules Manual for your review. This manual will be used with GAP Reimbursement policy V17760JY.

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The Rates & Rules Manual being submitted will replace the current rate page, GAP REIM (02/04).

Specifically, we propose to replace the existing rating structure to more accurately reflect the current GAP and automotive finance markets. The revised rating rules were developed based on the increased risks associated with longer term financial loans and higher interest rates.

Company and Contact

Filing Contact Information

Karen Allen, Supervisor karen.allen@zurichna.com
 7045 College Blvd (800) 821-7803 [Phone]
 Overland Park, KS 66211 (913) 906-2194[FAX]

Filing Company Information

Universal Underwriters Insurance Company CoCode: 41181 State of Domicile: Kansas
 7045 College Blvd. Group Code: 212 Company Type: Property and
 Overland Park, KS 66211 Group Name: Zurich North Casualty
 (800) 821-7803 ext. [Phone] American State ID Number:
 FEIN Number: 43-1249228

Filing Fees

Fee Required? Yes
 Fee Amount: \$125.00
 Retaliatory? No
 Fee Explanation: \$100. rate
 \$25. independent rule
 Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Universal Underwriters Insurance Company	\$125.00	02/04/2008	17802337

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Edith Roberts	02/15/2008	02/15/2008

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Disposition

Disposition Date: 02/15/2008
 Effective Date (New):
 Effective Date (Renewal):
 Status: Exempt from Review
 Comment:

Company Name:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):	Overall % Indicated Change:
Universal Underwriters Insurance Company	22.000%	\$	626	\$75,464	%	%	23.300%

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Actuarial Memo	Accepted for Informational Purposes	Yes
Rate	Rates & Rules Manual	Accepted for Informational Purposes	Yes

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Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type:

Increase

Overall Percentage of Last Rate Revision:

37.200%

Effective Date of Last Rate Revision:

05/01/2004

Filing Method of Last Filing:

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
Universal Underwriters Insurance Company	23.300%	22.000%		626	\$75,464	%	%

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	Rates & Rules Manual	GAP DW Premium (8/07)	Replacement	GAP DW Premium (8-07).pdf

Universal Underwriters Insurance Company
7045 College Boulevard, Overland Park, Kansas 66211

Guaranteed Auto Protection (GAP)

Rates & Rules Manual

Program Description

Universal Underwriters Insurance Company markets a GAP program to automobile dealerships. Under this program, the customer would have the option to purchase GAP coverage from the automobile dealer which sold or leased them the vehicle. Under the GAP coverage, the dealership agrees to cancel a portion of the customer's financial obligations in the event of a total loss (including theft) of the vehicle. GAP generally covers any deficiency between the proceeds from the customer's auto insurance and the outstanding balance of the customer's financing agreement at the time of loss. The dealership's obligations are insured by a policy issued by Universal Underwriters Insurance Company.

Eligibility Guidelines

1. GAP coverage cannot be sold in conjunction with a financing agreement that already includes GAP coverage. GAP coverage cannot be sold when the vehicle is covered from other GAP sources such as the customer's auto insurance.
2. The dealer must be a creditor in the transaction.
3. GAP coverage is available only at the time the financing agreement is executed.
4. Term of the financing agreement must less than or equal to 84 months. The term of GAP coverage must match the term of the financing agreement.
5. Total amount financed in the financing agreement must be less than or equal to \$100,000.
6. The following vehicles are not eligible for coverage:
 - a. Used for commercial purposes;
 - b. Have a branded title which included salvage titles;
 - c. Used as emergency vehicles or police cars, taxicabs or buses;
 - d. Vehicles used in racing or other competitions;
 - e. Conversion vans except those converted by the manufacturer or a conversion company approved by the manufacturer.

Rates

A. Base Premium

Financing Agreement Term (Months)	Financing Agreement A.P.R.	
	<12.0%	≥12.0%
≤ 71	\$80	\$140
> 72	\$165	\$265

B. Schedule Rating Plan

Rates with regard to all GAP Agreements written through a single production source (dealer / lender) are subject to modification based on anticipated risk characteristics which are not fully considered within the rate promulgation. The maximum rate adjustment shall be 25%, variable by financing agreement term and A.P.R.	
Criteria for Rate Modification	Credit/Debit Range
1. Mix of Vehicles – higher/lower damageability; higher lower theft incidence; higher/lower concentration of performance vehicles.	-15% to +15%
2. Average Amount Financed / Capitalized Cost – higher/lower than average for make and dealer class.	-10% to +10%
3. Dealer participation in a reinsurance arrangement.	-10% to +10%
4. Financing as a Percent of Vehicle Value – higher/ lower than average for dealer class.	-15% to +15%
5. Overall Lending Practices – Conservative/Aggressive.	-15% to +15%
6. Loss Frequency – higher/lower theft incidence; higher/lower physical damage incidence.	-15% to +15%

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Supporting Document Schedules

Satisfied -Name: Actuarial Memo

Review Status:

Accepted for Informational 02/15/2008
Purposes

Comments:

Attachments:

Actuarial Memo.pdf
GAP Actuarial Exhibit A.pdf
GAP Actuarial Exhibit B.pdf

Universal Underwriters Insurance Company
Guaranteed Auto Protection Policy
Actuarial Memorandum

Exhibit A shows the determination of the indicated rate change. All premiums are based on the current standard program rates. The average loan amount has been increasing; all incurred loss ratios have been increased to reflect the 2006 policy year average loan amount. The rate indication based on the contract provisions used in determining the current program is an 11.6% increase.

Exhibit A also shows the indicated rate change after contract changes are reflected. The refund provision has been recently changed from rule of 78 to prorata. This decreases the retained premiums by an estimated 4.6%. Note that 20% of the GAP contracts do cancel so the change in the refund provision has a big impact.

The current rates were established using the contract provision that GAP payments would not be made on the portion of the unpaid net balance that was the result of the amount by which the original amount financed exceeded 130% of the manufacturer's suggested retail price. This filing is increasing the 130% factor to 150%. This increase losses by 5.4% based on a review of our claims data.

The indicated rate increase is 23.3% reflecting the prorata refunds and 150% provision.

Exhibit B illustrates that the proposed program has a 22.0% rate increase. This is below the 23.3% rate indication.

EXHIBIT A

**Universal Underwriters Insurance Company
GAP Coverage as of 05/31/2007**

Indicated Rate Change

Policy Year	WP	EP	Earned %	Incurred Losses	LR	Average Loan	2006 Loan/ Loan	Adjust. LR	Weight
2001	3,204,860	3,202,536	100%	2,423,170	75.7%	19,246	1.19441	90.4%	25%
2002	5,425,173	5,347,876	99%	4,131,225	77.2%	20,498	1.12146	86.6%	25%
2003	8,575,043	7,932,311	93%	5,277,467	66.5%	21,804	1.05428	70.1%	20%
2004	11,076,366	8,893,460	80%	5,648,485	63.5%	22,330	1.02945	65.4%	15%
2005	9,739,443	5,775,213	59%	4,083,379	70.7%	22,468	1.02310	72.3%	10%
2006	12,594,939	3,824,722	30%	3,165,278	82.8%	22,988	1.00000	82.8%	5%
2007	4,574,966	388,899	9%	400,671	103.0%				0%
	55,190,789	35,365,017		25,129,675	71.1%		0		100%

Weighted Incurred Loss Ratio 79.5%
 Target Incurred Loss Ratio 71.2%
 Indicated Rate Increase- before changes in contract provisions 11.6%

After changes in contract provisions*
 Weighted Adjusted Incurred Loss Ratio 87.8%

Indicated Rate Increase- after changes in contract provisions 23.3%

***Increases due to contract changes**

prorata refund:	4.6% decrease in earned premium
Increase in coverage limit to 150%	5.4% increase in losses

The impact of any schedule rating has been removed.
 For the rate analysis, all contracts were valued at the standard rates.

EXPENSE EXHIBIT

Losses	71.2%
Loss Expenses	4.8%
Taxes	3.0%
Expenses	20.0%
Profit & Contingencies	1.0%
TOTAL	100.0%

EXHIBIT B

**Universal Underwriters Insurance Company
GAP Coverage as of 05/31/2007**

Proposed Rate Change

Current Contract Mix

TERM MONTHS	INTEREST RATE		Total
	<12%	>12%	
0 - 66	35.09%	12.23%	47.32%
67 - 71	0.36%	0.23%	0.59%
72+	37.64%	14.45%	52.09%
Total	73.10%	26.90%	100.00%

Current Rates

TERM MONTHS	INTEREST RATE		Total
	<12%	>12%	
0 - 66	\$80.00	\$130.00	\$92.92
67 - 71	\$130.00	\$180.00	\$149.60
72+	\$130.00	\$180.00	\$143.87
Total	\$105.99	\$157.28	\$119.79

Average

Proposed Rates

TERM MONTHS	INTEREST RATE		Total
	<12%	>12%	
0 - 66	\$80.00	\$140.00	\$95.50
67 - 71	\$80.00	\$140.00	\$103.52
72+	\$165.00	\$265.00	\$192.73
Total	\$123.77	\$207.11	\$146.19

Average

Proposed Rate Increase

1. Average rate for current program \$119.79
2. Average rate for proposed program \$146.19
3. Proposed rate increase: (2)/(1)-1 22.0%