Filing at a Glance

Companies: Direct Insurance Company, Direct National Insurance Company

Product Name: 200808-AR-PPA-DIC&DNIC-Rules	SERFF Tr Num: DRCT-125772695	State: Arkansas
TOI: 19.0 Personal Auto	SERFF Status: Closed	State Tr Num: #254107 $25
Sub-TOI: 19.0001 Private Passenger Auto (PPA)	Co Tr Num: 200808-AR-PPA-DIC&DNIC-RULES	State Status: Fees verified and received
Filing Type: Rule	Co Status:	Reviewer(s): Alexa Grissom, Betty Montesi
	Authors: Philip Deal, Ken Hampton	Disposition Date: 09/02/2008
	Date Submitted: 08/12/2008	Disposition Status: Filed
Effective Date Requested (New): 09/01/2008		Effective Date (New): 09/17/2008
Effective Date Requested (Renewal): 09/01/2008		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: 09/02/2008	
State Status Changed: 08/19/2008	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

With this filing, Direct Insurance Company and Direct National Insurance Company propose new payment plan options to their private passenger automobile program. We are also including these changes to the motorcycle program which is an endorsement to the private passenger automobile program. Details of the filing can be found in the enclosed filing memorandum.

These changes will have no impact to current policyholders and will result in a 0.0% overall effect. The proposed

effective date for this change is September 1, 2008 for new and renewal business.

Company and Contact

Filing Contact Information

Philip Deal, Product Manager	philip.deal@directgeneral.com
1281 Murfreesboro Road	(615) 399-5378 [Phone]
Nashville, TN 37217	(615) 366-3766[FAX]

Filing Company Information

Direct Insurance Company	CoCode: 37220	State of Domicile: Tennessee
1281 Murfreesboro Road	Group Code: 1213	Company Type:
Nashvillle, TN 37217	Group Name:	State ID Number:
(615) 399-5375 ext. [Phone]	FEIN Number: 62-1461730	

Direct National Insurance Company	CoCode: 23736	State of Domicile: Arkansas
1281 Murfreesboro Road	Group Code: 1213	Company Type:
Nashville, TN 37217	Group Name:	State ID Number:
(615) 399-5375 ext. [Phone]	FEIN Number: 43-0622945	

Filing Fees

Fee Required?	Yes
Fee Amount:	$25.00
Retaliatory?	No
Fee Explanation:	
Per Company:	No

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
00254107	$25.00	08/12/2008

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	09/02/2008	09/02/2008

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	**Created By**	**Created On**	**Date Submitted**	**Responded By**	**Created On**	**Date Submitted**
Pending Industry Response	Alexa Grissom	08/25/2008	08/25/2008	Philip Deal	08/28/2008	08/28/2008
Pending Industry Response	Alexa Grissom	08/19/2008	08/19/2008	Philip Deal	08/20/2008	08/20/2008

Disposition

Disposition Date: 09/02/2008
Effective Date (New): 09/17/2008
Effective Date (Renewal):
Status: Filed
Comment:

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings	
Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	$0
Effect of Rate Filing - Number of Policyholders Affected	0

SERFF Tracking Number:	*DRCT-125772695*	*State:*	*Arkansas*
First Filing Company:	*Direct Insurance Company, ...*	*State Tracking Number:*	*#254107 $25*
Company Tracking Number:	*200808-AR-PPA-DIC&DNIC-RULES*		
TOI:	*19.0 Personal Auto*	*Sub-TOI:*	*19.0001 Private Passenger Auto (PPA)*
Product Name:	*200808-AR-PPA-DIC&DNIC-Rules*		
Project Name/Number:	*/*		

Item Type	Item Name	Item Status	Public Access
Supporting Document	A-1 Private Passenger Auto Abstract	Filed	Yes
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	Filing Memo	Filed	Yes
Rate	DIC PPA Manual	Filed	Yes
Rate	DNIC PPA Manual	Filed	Yes
Rate	DIC&DNIC MC Manual	Filed	Yes

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	08/25/2008
Submitted Date	08/25/2008
Respond By Date	

Dear Philip Deal,

This will acknowledge receipt of the captioned filing. You may wish to add a statement that you are aware of and in compliance with Ark. Code Ann. 23-79-152.

Please feel free to contact me if you have questions.
Sincerely,
Alexa Grissom

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	08/28/2008
Submitted Date	08/28/2008

Dear Alexa Grissom,

Comments:

Response 1

Comments: We have reviewed Ark. Code Ann. 23-79-152 and are in compliance with the code.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,

Ken Hampton, Philip Deal

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	08/19/2008
Submitted Date	08/19/2008
Respond By Date	

Dear Philip Deal,

This will acknowledge receipt of the captioned filing. Please review Ark. Code Ann. 23-79-152 and the rule in all three manuals that says, "all accidents are considered chargeable unless the insured can demonstrate..." Not at fault accidents may not increase the insureds premium or negatively impact the risk rating of he person.

Please feel free to contact me if you have questions.
Sincerely,
Alexa Grissom

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	08/20/2008
Submitted Date	08/20/2008

Dear Alexa Grissom,

Comments:

Response 1

Comments: According to our violation point table (all manuals), the insured is not charged any points for not at fault accidents (NAF). Please advise on changes we should make to the manual.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

SERFF Tracking Number:	*DRCT-125772695*	*State:*	*Arkansas*
First Filing Company:	*Direct Insurance Company, ...*	*State Tracking Number:*	*#254107 $25*
Company Tracking Number:	*200808-AR-PPA-DIC&DNIC-RULES*		
TOI:	*19.0 Personal Auto*	*Sub-TOI:*	*19.0001 Private Passenger Auto (PPA)*
Product Name:	*200808-AR-PPA-DIC&DNIC-Rules*		
Project Name/Number:	*/*		

Sincerely,

Ken Hampton, Philip Deal

Rate Information

Rate data does NOT apply to filing.

Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Number:	Attachments
Filed	DIC PPA Manual	Rule 17	New		200808-AR-DIC-PPA-Rules.pdf 200808-AR-DIC-PPA-Rules-Redline.pdf
Filed	DNIC PPA Manual	Rule 17	New		200808-AR-DNIC-PPA-Rules.pdf 200808-AR-DNIC-PPA-Rules-Redline.pdf
Filed	DIC&DNIC MC Manual	Rule 20	New		200808-AR-DIC&DNIC-MC-Rules.pdf 200808-AR-DIC&DNIC-MC-Rules-Redline.pdf

Direct Insurance Company

Underwriting Rules / Rating Guidelines

State of

Arkansas

ARKANSAS

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RULE 1. BINDING AUTHORITY

1. Agent binding authority is three (3) days. The signed application and required down payment must be received within three (3) working days of when coverage is bound.

2. Backdating of the effective date is not permitted.

3. The application must be fully completed, including the insured's signature(s).

4. When Physical Damage coverage is written, a pre-insurance inspection form must be completed for vehicles in all territories prior to binding. Please note all existing damage. Inspections are not required on renewal policies.

5. Physical damage coverage may not be written or bound in any area where there is a flash flood, hailstorm, hurricane, tornado or tropical storm warning, watch or occurrence.

RULE 2. SR-22 / FINANCIAL RESPONSIBILITY FILING

A $10.00 fee and a surcharge are applied per filing.

RULE 3. UNACCEPTABLE RISKS

DIRECT reserves the right to determine the final acceptability of any risk. The agent in determining the acceptability of the risk should use the following guidelines.

1. Unacceptable Drivers

   a. Operators not possessing valid proof of residence. Acceptable proof includes each of the following:

      1) a lease for an apartment, house, modular unit, or manufactured home with a Arkansas address signed by the applicant;
      2) a current utility bill showing the address of the applicant-payor;
      3) a receipt for personal property taxes paid;
      4) a valid student ID for a Arkansas school or university;
      5) a valid Arkansas vehicle registration;
      6) a valid unexpired Arkansas driver's license;
      7) a receipt for real property taxes paid to a Arkansas locality;
      8) a document similar to that described in #3, issued by the consulate or embassy of another country that would be accepted by the Arkansas Division of Motor Vehicles;
      9) a pay stub with the payee's address;
      10) a monthly or quarterly financial statement from a Arkansas regulated financial institution; or
      11) a valid military ID.

      Risks in which the driver(s) has recently moved to Arkansas will be accepted assuming that he/she provides DIRECT with a copy of at least one of these documents within thirty (30) days of policy inception. Risks not providing this proof of residency will be cancelled.

   b. Persons not residing in Arkansas at least six (6) months of the year.

   c. Members of the armed forces not stationed permanently in Arkansas.

   d. Drivers designated as "Habitual Traffic Offenders" on their MVR.

e. Drivers who have had a policy cancelled by DIRECT for loss experience or misrepresentation.

f. Drivers without a verifiable garaging address.

g. Applicants who have been convicted of insurance fraud.

2. Unacceptable Vehicles

a. Vehicles used for emergency, racing, delivery messenger, livery, limousine, or taxi service, including vehicles used to haul nursery or school children, migrant workers, hotel/motel guests, and medical/dental/optical patients, food vendors, food/newspaper/mail delivery, towing/repossession, etc.

b. Rental vehicles or short-term leased vehicles (less than 6 months).

c. Any vehicle which is leased or rented by the applicant to other operators or loaned on a regular basis.

d. Vehicles not garaged in Arkansas for at least six (6) months a year.

e. Recreation vehicles designed for off-road use or dune buggies unless a corresponding recreational vehicle endorsement is purchased.

f. Motor homes and travel trailers.

g. Antique vehicles, homebuilt vehicles or kit cars.

h. Any vehicle carrying explosives or flammable substances.

i. Vehicles from more than one (1) household listed on a single policy. **Exception:** Does not apply to acceptable student risks.

j. Vans, pickups and utility vehicles used in business, unless they are used in one (1) of the artisan occupations listed in the VEHICLE USE section of this manual.

k. Flatbed trucks, stake trucks and dump trucks.

l. Cut-away vans, step vans, and vehicles with right hand steering.

m. Stated value policies.

n. Driver training vehicles or those cars used for driver training.

o. Vehicles titled to any governmental body, estate, receivership, corporation or partnership.

p. Physical damage on any vehicle on which DIRECT has previously paid a total loss claim and which is retained by the Insured.

q. Vehicles 1984 model year and prior (for physical damage coverage).

r. Physical damage coverage on any vehicle with a new cost value exceeding $75,000.

s. Vehicles with logos or advertising on them, whether removable or permanent.

t. Any vehicles with a permit to dismantle.

u. Vehicles modified/altered/restored mechanically or structurally which results in a change in performance or appearance.

v. Vehicles with modified suspensions including all lowered chassis vehicles, or vehicles with chassis raised more than 6 inches above the normal factory height.

w. Any vehicle 1969 model year and prior.

x. Vehicles equipped with cooking equipment or bathrooms.

y. Policy with two (2) or more business use vehicles.

RULE 4. NON-OWNER COVERAGE

A Named Operator policy may be written when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

1. Only Liability BI, PD, PIP, UM and UIM may be written.

2. Permissive operator coverage is not included.

3. Use the vehicle use code “NO’ when rating.

RULE 5. ENDORSEMENTS

1. All premium change endorsements will reflect the rates and rules in force at the inception of the policy period.

2. Premium charges will be calculated pro-rata.

3. Midterm premium adjustments will be made as a result of a change in:

   a. autos insured by the policy;

   b. drivers added to or excluded from the policy; and

   c. coverage and deductibles.

4. Mid-term premium adjustments will not be made as a result of:

   a. driver point changes (unless to recognize adding/deleting a driver);

   b. attained age of driver; or

   c. rating territory.

5. Return premium of $10.00 or less will not be refunded unless requested in writing by the insured.

6. Written Endorsements: The following must be submitted in writing and must have the insured’s signature and date signed:

   a. add, delete or change coverage/increase or decrease deductibles.

   b. add or delete vehicles (unless sold or replaced).

c. driver exclusions.

d. rejection of PIP, UM and UIM.

e. add or delete operators / SR-22 filings.

RULE 6. CANCELLATIONS

1. DIRECT may cancel the policy for any reason within the first sixty (60) days of the policy period, provided that the date of cancellation is at least twenty (20) days after the date of mailing.

2. After the first sixty (60) days of the policy period, DIRECT may cancel the policy with twenty (20) day written notice provided that the cancellation is for one (1) or more of the following reasons:

   a. Misrepresentation by the insured of any material fact in the procurement or renewal of this policy or in the submission of claims under this policy.

   b. The Named Insured or any driver of the insured vehicle is **convicted** of:

      1) driving while intoxicated;

      2) homicide or assault arising out of the use of a motor vehicle; or

      3) three (3) separate convictions of speeding or reckless driving or combination of the two (2) during the policy period, including (3) months prior to the effective date of the policy.

   c. Non-payment of premium (a written notice of cancellation will be mailed or delivered to the last known mailing address of the named insured and any loss payee at least 10 days prior to the effective date of the cancellation.)

3. In the event a policy has three (3) “losses”, where loss is defined as money paid out to an insured or third party in satisfaction of a claim, during a twelve (12) month term the policy will be non-renewed giving at least thirty (30) days advance notice. Claims arising from “natural causes” will not be considered when evaluating the loss history.

4. The mailing of notice of cancellation or non-renewal to the insured’s address as shown on the Declarations Page will be proof of cancellation or non-renewal.

5. The insured may cancel the policy by mailing or electronically submitting a signed written request stating the future date that the Insured wishes the cancellation to be effective. The cancellation may not be earlier than the date the request is received unless the request is from the premium finance company. If the request is from the premium finance company, we may elect, at our sole option, to cancel the policy as of the effective date stated in the notice

6. An insufficient down payment will result in a flat cancellation and coverage will be null and void. An insufficient payment or nonpayment of any installment by the due date will result in a cancel notice being sent to the Insured at least ten (10) days in advance of cancellation. If payment is received in our office by the cancel date, the policy will be reinstated.

7. In the event of a total loss, coverage continues until the insured sends a cancellation request to DIRECT.

8. When the cancellation request is due to duplicate coverage and the requested cancellation date is prior to the received date, DIRECT requires proof of duplicate coverage in order to honor the requested cancellation date.

9. DIRECT cannot cancel or non-renew solely because of the administrative revocation or suspension of the driver's license of the owner or operator of the motor vehicle under Arkansas Code 5-65-104.

10. Premium computations for cancellations are as follows:

    a. Requested by insured: Return premium shall be calculated on a short rate basis.

    b. Non-payment of premium: Return premium shall be calculated on a 100% pro-rata basis.

    c. Request of premium finance company: Return premium shall be calculated on a 100% pro-rata basis.

    d. Request of company: Return premium shall be calculated on a 100% pro-rata basis.

RULE 7. MATERIAL MISREPRESENTATIONS OF RISK

1. If statements in the application differ from records of the Department of Motor Vehicles, the proper additional or return premium will be processed without prior notice. Additionally, the company may elect to cancel for undisclosed violations.

2. Among the information most often misrepresented is:

    a. drivers (list or exclude all persons age 14 and older in the household);

    b. driving record;

    c. vehicle type and use;

    d. garaging address; and

    e. state of residency.

RULE 8. RENEWALS

1. A renewal quote will be sent to the insured thirty (30) days prior to expiration, along with instructions to pay DIRECT directly.

2. Payment must be <u>received</u> by DIRECT prior to expiration to ensure continuous coverage.

3. Renewal payments received after the policy expires could result in renewal with a lapse.

4. The Renewal discount will not apply if the policy had a lapse in coverage in the prior 12 months.

5. The Renewal discount will be applicable if the policy is renewed within 10 days of the expiration date and no lapse in coverage in the prior 12 months.

6. Renewal Rate Level Capping:

    a. Renewal premiums will be capped at 10%.

    b. The premium is calculated for the renewal term (True Renewal Premium) and compared to the premium from the current term (Current Term Premium). If the True Renewal Premium exceeds the Current Term Premium by more than 10%, the Final Renewal Premium increase will be capped at 10%.

c. If a rating characteristic change is made in the prior term or at the time of renewal, the Current Term Premium will be calculated using the new rating characteristic. It will then be compared to the True Renewal Premium calculated using the same characteristics.

d. To calculate the Final Renewal Premium, a factor is applied to each vehicle and coverage. Factor = (Current Term Premium * 1.10) / True Renewal Premium

e. This factor will be used each time a change is made to the policy for the term of the policy.

f. The factor will be re-calculated at each renewal. **Note:** The Current Term Premium used at the second and subsequent renewal will be calculated using any "Factor" applied in the previous renewal.

RULE 9. LIABILITY COVERAGE

1. Bodily Injury (BI)

   a. The following limits are available:

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

2. Property Damage (PD)

   a. The following limits are available:

      1) $25,000 per occurrence;

      2) $50,000 per occurrence; and

      3) $100,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

3. Uninsured Motorist (UMB/UMP) / Underinsured Motorist (UDB)

   a. The following limits are available for Uninsured Motorist Bodily Injury (UMB) and Underinsured Motorists Bodily Injury (UDB):

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. The following limits are available for Uninsured Motorist Property Damage (UMP):

1) $25,000 per occurrence;

2) $50,000 per occurrence; and

3) $100,000 per occurrence.

c. If this coverage is not desired, the insured must sign the Uninsured Motorist rejection form. If this signed form does not accompany the application, these coverages will automatically be added at the Bodily Injury and Property Damage limits and the appropriate premium will be charged.

d. Coverage must be written on all cars of a multi-car policy at the same limits.

e. Uninsured coverage cannot exceed the liability coverage limits.

f. UDB will be offered after UMB is accepted.

4. Personal Injury Protection (PIP)

a. The following benefits are provided:

1) $5,000 Medical/Hospital;

2) Income Disability; and

3) $5,000 Accidental Death.

5. Medical Payments (MP)

a. Medical Payments is optional.

b. It can only be written on policies with Liability coverage.

c. Medical Payments limits must be the same on all vehicles on the policy.

d. Limits available:

1) $250;

2) $500;

3) $1,000; and

4) $2,000.

6. Accidental Death (AD)

a. Accidental Death is an optional coverage, providing $5,000 paid to the Named Insured's estate as specified in the policy.

RULE 10. PHYSICAL DAMAGE COVERAGE

1. Comprehensive/Collision (CMP/COL)

a. The following deductibles are available:

1) $100;

2) $250;

3) $500;

4) $750; and

5) $1,000.

b. A $250 deductible applies to lienholders upon repossession with damage.

c. Both Comprehensive and Collision must be written where Physical Damage coverage is chosen.

d. The same deductible must be chosen for Collision and Comprehensive.

2. Towing (TOW)

a. Towing is an optional coverage, providing up to $25 reimbursement per occurrence.

b. Coverage may only be written on cars providing Comprehensive and Collision coverages.

3. Rental Car (RNT)

a. Rental is an optional coverage, providing $10/day reimbursement up to $300.

b. It may only be written on cars providing Comprehensive and Collision coverages.

RULE 11. RATING PROCEDURES

1. Annual policies are rated with a factor of 1.90 times the semi-annual rate.

2. The premium for each coverage and vehicle shall be rounded to the nearest dollar. $0.50 and over will be rounded up.

3. Determine Territory code from APPENDIX 1: TERRITORY DEFINITIONS. Do not use “Bureau” definitions. Use the zip code where the vehicle is principally garaged, not the mailing zip code.

4. Vehicle Symbols:

a. Determine Liability and Physical Damage Vehicle Rating Symbol from APPENDIX 3: VEHICLE SYMBOLS.

b. Interim rating symbol determination for unlisted vehicles:

1) 1984 and prior are not listed in APPENDIX 3: VEHICLE SYMBOLS:

a) Use the liability symbol in the rate tables, which is most descriptive of the vehicle, e.g., T for truck, F for 4x4 trucks, V for van, C for convertible, etc.

b) Physical Damage coverage is not available; use Physical Damage symbol “Z”.

2) 2004 and subsequent:

a) If APPENDIX 3: VEHICLE SYMBOLS displays a rating symbol for the prior model year version of the same vehicle, use the prior model year's symbol for the new model year vehicle.

b) If APPENDIX 3: VEHICLE SYMBOLS does not display a symbol for the prior model year version of the same vehicle, assign a symbol based on the cost new (MSRP) of the auto using the Price/Symbol Chart located in the rate tables.

5. Model Year – If the factors are not displayed for the model year in Appendix 2. Multiply the factor for the latest model year by 1.05 for each subsequent year.

RULE 12. POLICY FEES

1. Policy Fee: $15.00 earned at inception on each new and renewal policy.

2. SR-22: $10.00 per filing.

3. Reinstatement Fee: $5.00 for each policy where cancellation notice has been issued and the insured desires continuation of coverage.

4. Installment Billing Fee: $7.00 per installment or $2.00 per EFT installment.

5. Late Fee: $10.00 for each late installment payment.

6. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

RULE 13. DISCOUNTS

1. Safe Driver Discount

   a. A credit applies if all operators are violation and accident free for the preceding twelve (12) months.

   b. This discount applies to both new and renewal business.

   c. This discount will apply to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.

2. Prior Insurance (New Business)

   a. A credit applies for the first year of a policy. The discount applies to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverage.

   b. Applicant must provide verification of at least 6 months of continuous prior liability coverage, with no more than seven (7) days of lapse in previous coverage allowed.

   c. Acceptable verification of prior coverage will be a renewal quote or a letter from the prior agent or insurance company.

   d. A photocopy of the acceptable verification listed above must accompany the New Business.

3. Renewal Discount

   a. Credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverage as follows:

      1) 12 month renewal
      2) 24 month renewal
      3) 36 month and subsequent renewals

   b. The Renewal discount will not apply if the policy had a lapse in coverage in the prior 12 months.

   c. The Renewal discount will be applicable if the policy is renewed within 10 days of the expiration date and no lapse in coverage in the prior 12 months.

4. Multi-Car Discount

   a. A credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverage if carried on each auto.

   b. More than one (1) car must be covered on the same policy.

5. Senior Citizen Discount

   a. A credit applies to Bodily Injury, Comprehensive and Collision coverages.

   b. This discount is available to drivers 55 and older. Applicants must submit a copy of the certificate indicating successful completion of a Motor Vehicle Accident Prevention Course, which has been approved by the State of Arkansas. If previously received by company, no further proof is required at renewal.

   c. This discount applies only to the driver completing the course.

   d. This discount is valid for thirty-six (36) months following course completion.

   e. Discount does not apply if course is taken as a punishment specified by a court or other governmental entity resulting from a moving violation.

6. College Graduate Discount

   a. A credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Comprehensive and Collision coverages.

   b. Available to drivers under the age of twenty-five (25) who have graduated from a college or university and whose cumulative scholastic records show that the insured attained one (1) of the following:

      1) If letter grades are used, had a grade average of “B” or higher; or

      2) Had at least a 3 point average on a 4 point scale (or equivalent).

   c. A copy of his/her college transcript is required and must accompany the application for the discount to apply. If previously received by company, no further proof is required at renewal.

7. Maximum Discount

   The maximum allowable discount is 45% per policy. Discounts are multiplicative not additive, e.g., a 10% discount and a 5% discount is not 15%, but 1-(1-10%) x (1-5%) = 14.5%.

RULE 14. DRIVER CLASSES

1. The highest rated driver is matched to the highest rated vehicle.

2. The driver classification to be used in the rating of DIRECT automobile policies is a combination of gender, marital status and age.

3. Where there are more cars than drivers on a policy, additional cars will be rated with Class 1 with zero (0) points.

4. Report all persons fourteen (14) years of age and older living in the insured's household, whether or not they are licensed. These persons must be included in the rating or must be specifically excluded.

5. Married class includes legally married and residing with spouse.

6. Single class includes persons who are single, divorced, separated, widowed or living together while not married.

7. Roommates must be included in the rating of a policy unless specifically excluded.

8. In the event that DIRECT discovers a previously undeclared operator at any time during the policy period, DIRECT deserves the right to:

   a. void for misrepresentation; or

   b. add the operator to the policy as of the effective date of the policy period and add a violation code of 402. This point surcharge will only be applied to the policy period for which they are added. At renewal the surcharge will be removed. (We will run an MVR at the time the driver is added and add all prior violations to the policy. These will not be removed at renewal.) If the operator is involved in an at-fault-accident, the accident will be added and charged at renewal.

RULE 15. DRIVING RECORD/POINT COUNT PROCEDURES

1. Point values are assessed for all accidents and violations which occur in the thirty-five (35) month period immediately preceding the policy inception date.

2. Multiple Violations: If two (2) or more violations or an accident and a violation result from the same incident, we will charge only for the highest rated violation or accident.

3. Violation Point Class:

Description	Points 1st Occurrence	Points 2nd Occurrence	Points Each Additional Occurrence
AAF – At-Fault Accident	4	6	9
DWI – Driving Under the Influence	1	2	5
IND – No Charge	0	0	0
MAJ – Major Violation	4	4	4
MIN – Minor Violation	2	3	2

NAF – Not-At-Fault	0	0	0
SPD – Speeding	2	1	1

4. Point Assignments:

Description	Violation Code	Violation Point Class
At-Fault Accident	301	AAF
Auto Theft/Felony Motor Vehicle	605	MAJ
Careless/Improper Operation	101	MAJ
Comprehensive Claim	007	IND
Drag Racing	118	MAJ
Drive Under Influence Drugs / Alcohol	602	DWI
Drive while License Revoked / Suspended	302	MIN
Driving without License	303	MIN
Failure to Follow Traffic Device / Sign	110	MIN
Failure to Yield	111	MIN
Fleeing from Police	606	MAJ
Following too Close	112	MIN
Foreign Driver's License	401	MAJ
Improper Backing	113	MIN
Improper Passing	114	MIN

Description	Violation Code	Violation Point Class
Improper Turn	124	MIN
Leaving the Scene	608	MAJ
Minor Moving Violation	115	MIN
Not-At-Fault Accident	011	NAF
Open Bottle	116	DWI
Passing a Stopped School Bus	117	MAJ
Reckless Driving	305	MAJ
Speeding	201	SPD
Suspended, Revoked or Cancelled License	404	MAJ
Undisclosed Driver	402	MAJ
Unverifiable Driving Record	403	MAJ
Vehicular Homicide	601	MAJ
Without Owner's Consent	603	MAJ
Wrong Way on One-Way Street	107	MIN

5. All accidents will be considered chargeable unless the Named Insured demonstrates (1) one of the following:

   a. Applicant's automobile was lawfully parked.

   b. Judgment or reimbursement was obtained from responsible party.

c. Struck in rear and not convicted of a moving traffic violation.

d. Struck by hit-and-run driver and such accident were reported by applicant to proper authorities within twenty-four (24) hours.

e. Applicant was not convicted of a moving traffic violation in connection with the accident and the other operator of the vehicle involved in such accident was convicted of a moving traffic violation.

f. Applicant was finally adjudicated not to be liable by a court of competent jurisdiction.

g. Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, falling objects or by contact with animals or fowl.

h. Applicant was operating vehicle other than a private passenger auto, motor home or motorcycle at time of accident.

i. In receipt of a traffic citation which was dismissed or nolle prosequi.

6. If the operator at the time of accident/violation was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad, or any Law Enforcement Agency, the accident/violation is not chargeable.

7. Driver's License Status – Operators not possessing a valid driver's license will be assigned a surcharge. Specific situations are addressed below:

   a. Individuals serving full-time in the military and permanently stationed in Arkansas are not required to obtain an Arkansas license and will not be surcharged.

   b. Foreign and International Driver's Licenses: Drivers who have a valid foreign or international driver's license but not a valid U.S. license will be surcharged. The surcharge will apply until the insured is able to submit proof of a valid U.S. license having been in effect for at least twelve (12) months. Assign the Foreign Driver's License surcharge, i.e. code 401.

   c. Assign Unverifiable Driving Record surcharge, i.e. code 403:

      1) A major violation will be charged on any driver whose driving record cannot be verified by a state's Bureau of Motor Vehicles (not including drivers under 19).

      2) The charge will be removed effective the policy inception date if DIRECT receives a valid current MVR (contains at least 12 months of driving history). The MVR must be no more than thirty (30) days old and must be received within sixty (60) days of the policy inception.

      3) Drivers with a learner's permit will not be charged for an Unverifiable Driving Record during the first policy term. The Unverifiable Driving Record points will be assessed during the second and subsequent policy terms if an MVR remains unobtainable.

   d. Any driver whose license is suspended, revoked or cancelled will be surcharged. Once proof can be provided of the driver's license reinstatement, the surcharge can be removed effective the date of the license reinstatement. To have the surcharge removed, the driver needs to have their license reinstated and be able to show proof of a valid Arkansas license. Assign the Suspended, Revoked or Cancelled License surcharge, i.e. code 404.

   e. Note that only one of these above surcharges will apply, i.e. they are mutually exclusive

RULE 16. VEHICLE USE

Vehicle Use Relativity Table	BI	PD	PIP	UMB	UDB	MP	CMP	COL
Pleasure (PL)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Business Use (BU)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Non-Owner (NO)	0.90	0.90	0.90	0.90	0.90	N/A	N/A	N/A

1. Pleasure Use (PL): Includes vehicles driven for pleasure, to and from work or school and for farm/ranch use. There should be no regular business use of the vehicle in connection with the driver's occupation, profession, or business other than commuting to and from work or school.

2. Business Use (BU):

   a. A surcharge will be applied to risks in which the automobile is used regularly in support of the insured's business or profession.

   b. DIRECT will only accept the risk if the vehicle is individually owned.

   c. The following professions are deemed acceptable:

      1) Sales;

      2) Lawyers;

      3) Clergymen;

      4) Realtors; and

      5) Visiting Nurses.

   d. Artisan Risks: Pickups, vans and utility vehicles.

      1) When the business use of these vehicles consists solely of carrying tools and supplies between the Named Insured's home and the job site, DIRECT will accept the risk subject to the following:

         a) the vehicle is individually owned;

         b) the vehicle is operated solely by the Named Insured and family members;

         c) the insured has no more than one (1) vehicle in this category; and

         d) the vehicle is visiting no more than three (3) job sites per day.

      2) The occupations that fall under the category of Artisan are the following:

         a) Aluminum Contractors;

         b) Air Conditioning/Heating;

         c) Bricklayers/Masonry;

         d) Cabinet Installers;

         e) Carpenters;

         f) Concrete Contractors;

         g) Electrical Contractors;

         h) Fence Installers;

i) Glass Installers;

j) Interior Decorators;

k) Painters;

l) Plaster/Stucco Contractors;

m) Repair – Appliances;

n) Repair – Handyman;

o) Screened Enclosure Erectors;

p) Surveyors;

q) Swimming Pool Installers; and

r) Tree Surgeons.

e. Risks will not be accepted in those instances where there is for-hire pickup and delivery of goods or debris, flammable or explosives are transported or where the vehicle is hauling equipment with a weight in excess of 2,000 pounds or has a GVW of 10,000 pounds or more.

3. Non-Owner (NO): Used when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

RULE 17. PAYMENT PLANS

The total premium including fees is due at the beginning of the policy period, unless the insured elects one (1) of the following installment plan options.

			NEW BUSINESS		RENEWAL BUSINESS	
Policy Term	Due Dates*	Number of Installments	Down Payment	Installment Percent	Down Payment	Installment Percent
6			100.0000%		100.0000%	
6	3 mos. from inception	1	50.0000%	50.0000%	50.0000%	50.0000%
6	2 and 4 mos. from inception	2	40.0000%	30.0000%	40.0000%	30.0000%
6	Monthly	4	41.6800%	14.5800%	41.6800%	14.5800%
6	Monthly	4	30.0000%	17.5000%	30.0000%	17.5000%
6	Monthly	4	N/A	N/A	25.0000%	18.7500%
6	Monthly - EFT Required	4	25.0000%	18.7500%	25.0000%	18.7500%
6	Monthly - EFT Required	4	20.0000%	20.0000%	20.0000%	20.0000%
6	Monthly	5	30.0000%	14.0000%	30.0000%	14.0000%
6	Monthly	5	N/A	N/A	25.0000%	15.0000%
6	20/27	5	25.0000%	15.0000%	25.0000%	15.0000%
6	20/27	5	N/A	N/A	22.0000%	15.6000%
6	7/28	5	20.2400%	15.9520%	17.6000%	16.4800%
6	8/28	5	20.9600%	15.8080%	18.2300%	16.3540%
6	9/28	5	21.6900%	15.6620%	18.8600%	16.2280%
6	10/28	5	22.4100%	15.5180%	19.4900%	16.1020%
6	11/28	5	23.1300%	15.3740%	20.1100%	15.9780%
6	12/28	5	23.8500%	15.2300%	20.7400%	15.8520%
6	13/28	5	24.5800%	15.0840%	21.3700%	15.7260%
6	14/28	5	21.9000%	15.6200%	21.9000%	15.6200%
6	14/28	5	N/A	N/A	22.0000%	15.6000%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	15/28	5	26.0200%	14.7960%	22.6300%	15.4740%
6	16/28	5	26.7500%	14.6500%	23.2600%	15.3480%
6	17/28	5	27.4700%	14.5060%	23.8900%	15.2220%
6	18/28	5	28.1900%	14.3620%	24.5100%	15.0980%
6	19/28	5	28.9100%	14.2180%	25.1400%	14.9720%
6	20/28	5	29.6400%	14.0720%	25.7700%	14.8460%
6	21/28	5	30.3600%	13.9280%	26.4000%	14.7200%
6	7/30	5	18.0000%	16.4000%	15.0000%	17.0000%
6	8/30	5	18.5000%	16.3000%	15.4200%	16.9160%
6	9/30	5	19.0000%	16.2000%	15.8300%	16.8340%
6	10/30	5	19.5000%	16.1000%	16.2500%	16.7500%
6	11/30	5	20.0000%	16.0000%	16.6700%	16.6660%
6	12/30	5	20.5000%	15.9000%	17.0800%	16.5840%
6	13/30	5	21.0000%	15.8000%	17.5000%	16.5000%
6	14/30	5	21.5000%	15.7000%	17.9200%	16.4160%
6	15/30	5	22.0000%	15.6000%	18.3300%	16.3340%
6	16/30	5	22.5000%	15.5000%	18.7500%	16.2500%
6	17/30	5	23.0000%	15.4000%	19.1700%	16.1660%
6	18/30	5	23.5000%	15.3000%	19.5800%	16.0840%
6	19/30	5	24.0000%	15.2000%	20.0000%	16.0000%
6	20/30	5	24.5000%	15.1000%	20.4200%	15.9160%
6	21/30	5	25.0000%	15.0000%	20.8300%	15.8340%
6	22/30	5	25.5000%	14.9000%	21.2500%	15.7500%
6	23/30	5	26.0000%	14.8000%	21.6700%	15.6660%
6	24/30	5	26.5000%	14.7000%	22.0800%	15.5840%
6	25/30	5	27.0000%	14.6000%	22.5000%	15.5000%
6	26/30	5	27.5000%	14.5000%	22.9200%	15.4160%
6	27/30	5	28.0000%	14.4000%	23.3300%	15.3340%
6	28/30	5	28.5000%	14.3000%	23.7500%	15.2500%
6	29/30	5	29.0000%	14.2000%	24.1700%	15.1660%
6	30/30	5	29.5000%	14.1000%	24.5800%	15.0840%
6	31/30	5	30.0000%	14.0000%	25.0000%	15.0000%
12			100.0000%		100.0000%	
12	3, 7 and 10 mos. from inception	3	25.0000%	25.0000%	25.0000%	25.0000%
12	Monthly	10	30.0000%	7.0000%	N/A	N/A
12	Monthly	10	25.0000%	7.5000%	25.0000%	7.5000%
12	Monthly	10	20.0000%	8.0000%	20.0000%	8.0000%
12	Monthly	10	16.7000%	8.3300%	16.7000%	8.3300%
12	Monthly	10	15.0000%	8.5000%	N/A	N/A

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	Monthly - EFT Required	10	12.5000%	8.7500%	12.5000%	8.7500%
12	Monthly	11	15.0000%	7.7273%	15.0000%	7.7273%
12	Monthly	11	N/A	N/A	12.5000%	7.9545%
12	20/27	12	27.0000%	6.0800%	20.8000%	6.6000%
12	20/27	12	15.0000%	7.0834%	15.0000%	7.0834%
12	20/27	12	13.5000%	7.2100%	N/A	N/A
12	20/27	5	N/A	N/A	11.0000%	17.8000%
12	7/28	12	10.1200%	7.4900%	8.8000%	7.6000%
12	8/28	12	10.4800%	7.4600%	9.1100%	7.5742%
12	9/28	12	10.8400%	7.4300%	9.4300%	7.5475%
12	10/28	12	11.2000%	7.4000%	9.7400%	7.5217%
12	11/28	12	11.5700%	7.3692%	10.0600%	7.4950%
12	12/28	12	11.9300%	7.3392%	10.3700%	7.4692%
12	13/28	12	12.2900%	7.3092%	10.6900%	7.4425%
12	14/28	12	25.2000%	6.2300%	16.0000%	7.0000%
12	14/28	12	12.6500%	7.2800%	N/A	N/A
12	14/28	5	N/A	N/A	11.0000%	17.8000%
12	15/28	12	13.0100%	7.2492%	11.3100%	7.3908%
12	16/28	12	13.3700%	7.2192%	11.6300%	7.3642%
12	17/28	12	13.7300%	7.1892%	11.9400%	7.3383%
12	18/28	12	14.1000%	7.1583%	12.2600%	7.3117%
12	19/28	12	14.4600%	7.1283%	12.5700%	7.2858%
12	20/28	12	14.8200%	7.0983%	12.8900%	7.2592%
12	21/28	12	15.1800%	7.0683%	13.2000%	7.2333%
12	7/30	11	9.0000%	8.2727%	7.5000%	8.4091%
12	8/30	11	9.2500%	8.2500%	7.7100%	8.3900%
12	9/30	11	9.5000%	8.2273%	7.9200%	8.3709%
12	10/30	11	9.7500%	8.2045%	8.1300%	8.3518%
12	11/30	11	10.0000%	8.1818%	8.3300%	8.3336%
12	12/30	11	10.2500%	8.1591%	8.5400%	8.3145%
12	13/30	11	10.5000%	8.1364%	8.7500%	8.2955%
12	14/30	11	10.7500%	8.1136%	8.9600%	8.2764%
12	15/30	11	11.0000%	8.0909%	9.1700%	8.2573%
12	16/30	11	11.2500%	8.0682%	9.3800%	8.2382%
12	17/30	11	11.5000%	8.0455%	9.5800%	8.2200%
12	18/30	11	11.7500%	8.0227%	9.7900%	8.2009%
12	19/30	11	12.0000%	8.0000%	10.0000%	8.1818%
12	20/30	11	12.2500%	7.9773%	10.2100%	8.1627%
12	21/30	11	12.5000%	7.9545%	10.4200%	8.1436%
12	22/30	11	12.7500%	7.9318%	10.6300%	8.1245%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	23/30	11	13.0000%	7.9091%	10.8300%	8.1064%
12	24/30	11	13.2500%	7.8864%	11.0400%	8.0873%
12	25/30	11	13.5000%	7.8636%	11.2500%	8.0682%
12	26/30	11	13.7500%	7.8409%	11.4600%	8.0491%
12	27/30	11	14.0000%	7.8182%	11.6700%	8.0300%
12	28/30	11	14.2500%	7.7955%	11.8800%	8.0109%
12	29/30	11	14.5000%	7.7727%	12.0800%	7.9927%
12	30/30	11	14.7500%	7.7500%	12.2900%	7.9736%
12	31/30	11	15.0000%	7.7273%	12.5000%	7.9545%

* Due dates in the form of xx/dd is defined as: the first installment is due (xx) days after the inception of the policy, with remaining installments due every (dd) days thereafter.

1. Processing Fee: A fully earned $25.00 installment processing fee is due at inception of policy.

APPENDIX 1: TERRITORY DEFINITIONS

ZIP Code	System Territory
71601	060
71602	060
71603	060
71611	060
71612	060
71613	060
71630	146
71631	011
71635	146
71638	146
71639	146
71640	146
71642	146
71643	147
71644	136
71646	146
71647	012
71649	019
71651	011
71652	146
71653	146
71654	146
71655	146
71656	146
71657	146
71658	146
71659	136
71660	142
71661	146
71662	146
71663	146
71665	146
71666	146
71667	147
71670	146
71671	011
71674	146
71675	146
71676	146
71677	146
71678	145
71701	015
71711	015
71720	002
71721	001
71722	016
71724	007
71725	004
71726	009
71728	001

ZIP Code	System Territory
71730	007
71731	007
71740	009
71742	005
71743	001
71744	008
71745	008
71747	013
71748	143
71749	009
71750	007
71751	009
71752	009
71753	047
71754	047
71758	009
71759	007
71762	009
71763	006
71764	009
71765	013
71766	005
71768	007
71769	019
71770	047
71772	001
71801	050
71802	050
71820	026
71822	026
71823	024
71825	024
71826	047
71827	009
71828	018
71831	026
71832	025
71833	025
71834	047
71835	017
71836	026
71837	047
71838	026
71839	047
71840	047
71841	025
71842	024
71844	017
71845	048
71846	024

ZIP Code	System Territory
71847	024
71851	024
71852	024
71853	027
71854	048
71855	024
71857	014
71858	049
71859	024
71860	048
71861	048
71862	024
71864	016
71865	024
71866	024
71901	029
71902	029
71903	029
71909	029
71910	029
71913	029
71914	029
71920	028
71921	028
71922	014
71923	003
71929	029
71932	022
71933	029
71935	028
71937	022
71940	030
71941	003
71942	019
71943	028
71944	022
71945	022
71949	061
71950	028
71952	022
71953	022
71956	029
71957	020
71958	022
71959	022
71960	020
71961	021
71962	003
71964	029
71965	021

ZIP Code	System Territory
71968	029
71969	021
71970	021
71971	022
71972	022
71973	022
71998	019
71999	019
72001	072
72002	064
72003	122
72004	123
72005	094
72006	092
72007	131
72010	093
72011	063
72012	135
72013	103
72014	091
72015	063
72016	076
72017	130
72018	063
72020	116
72021	121
72022	201
72023	067
72024	124
72025	074
72026	122
72027	072
72028	106
72029	122
72030	072
72031	106
72032	129
72033	129
72034	129
72035	075
72036	127
72037	059
72038	122
72039	132
72040	135
72041	122
72042	122
72043	101
72044	110
72045	133

ZIP Code	System Territory
72046	059
72047	131
72048	118
72051	108
72052	135
72053	057
72055	120
72057	144
72058	132
72059	092
72060	135
72061	132
72063	072
72064	122
72065	064
72066	135
72067	106
72068	135
72069	122
72070	072
72071	019
72072	122
72073	122
72074	127
72075	101
72076	066
72078	066
72079	060
72080	072
72081	113
72082	135
72083	128
72084	062
72085	135
72086	059
72087	061
72088	072
72089	201
72099	066
72101	092
72102	135
72103	201
72104	200
72105	019
72106	129
72107	076
72108	121
72110	072
72111	131
72112	101
72113	064
72114	065
72115	065
72116	064

ZIP Code	System Territory
72117	064
72118	064
72119	065
72120	066
72121	114
72122	201
72123	092
72124	203
72125	072
72126	072
72127	076
72128	062
72129	062
72130	110
72131	134
72132	060
72133	120
72134	122
72135	064
72136	134
72137	134
72139	093
72140	122
72141	072
72142	066
72143	135
72145	135
72149	135
72150	063
72152	060
72153	104
72156	072
72157	072
72160	122
72164	057
72165	101
72166	117
72167	063
72168	058
72169	101
72170	122
72173	128
72175	119
72176	131
72178	135
72179	114
72180	064
72181	132
72182	058
72183	057
72189	092
72190	201
72198	202
72199	201

ZIP Code	System Territory
72201	057
72202	057
72203	057
72204	057
72205	064
72206	057
72207	064
72209	056
72210	064
72211	064
72212	064
72214	057
72215	064
72216	057
72217	064
72219	056
72221	064
72222	064
72223	064
72225	064
72227	064
72231	064
72260	057
72295	057
72301	158
72303	206
72310	054
72311	154
72312	154
72313	054
72314	019
72315	054
72316	054
72319	054
72320	153
72321	054
72322	148
72324	089
72325	205
72326	148
72327	155
72328	126
72329	054
72330	054
72331	151
72332	155
72333	153
72335	153
72336	204
72338	054
72339	155
72340	154
72341	156
72342	157

ZIP Code	System Territory
72346	151
72347	089
72348	156
72350	054
72351	054
72352	154
72353	153
72354	051
72355	154
72358	054
72359	153
72360	154
72364	158
72365	053
72366	157
72367	125
72368	154
72369	154
72370	054
72372	153
72373	149
72374	157
72376	155
72377	053
72379	137
72381	019
72383	157
72384	155
72386	051
72387	150
72389	154
72390	157
72391	054
72392	154
72394	151
72395	054
72396	150
72401	055
72402	055
72403	055
72404	053
72410	140
72411	053
72412	141
72413	141
72414	053
72415	138
72416	141
72417	053
72419	053
72421	097
72422	141
72424	141
72425	141

ZIP Code	System Territory
72426	054
72427	097
72428	054
72429	089
72430	141
72431	101
72432	052
72433	140
72434	138
72435	141
72436	141
72437	053
72438	054
72439	055
72440	138
72441	141
72442	054
72443	053
72444	141
72445	140
72447	053
72449	141
72450	053
72451	053
72453	141
72454	053
72455	141
72456	141
72457	096
72458	138
72459	138
72460	138
72461	053
72462	141
72464	141
72465	139
72466	138
72467	053
72469	138
72470	141
72471	096
72472	051
72473	102
72474	053
72475	089
72476	140
72478	141
72479	089
72482	100
72501	116
72503	116
72512	100
72513	100
72515	099

ZIP Code	System Territory
72516	019
72517	099
72519	046
72520	099
72521	100
72522	095
72523	114
72524	101
72525	100
72526	115
72527	116
72528	098
72529	100
72530	109
72531	098
72532	100
72533	108
72534	116
72536	099
72537	046
72538	098
72539	100
72540	099
72542	100
72543	112
72544	046
72545	112
72546	114
72550	114
72553	116
72554	100
72555	115
72556	099
72557	019
72560	108
72561	111
72562	101
72564	101
72565	099
72566	099
72567	115
72568	116
72569	138
72571	101
72572	096
72573	111
72575	116
72576	099
72577	100
72578	098
72579	116
72581	114
72583	098
72584	099

ZIP Code	System Territory
72585	099
72587	099
72601	041
72602	041
72610	019
72611	042
72613	034
72615	041
72616	042
72617	045
72619	046
72623	046
72624	042
72626	046
72628	040
72629	106
72630	041
72631	042
72632	034
72633	042
72634	046
72635	046
72636	044
72638	042
72639	105
72640	042
72641	042
72642	046
72644	041
72645	038
72648	042
72650	038
72651	046
72653	046
72654	046
72655	042
72657	108
72658	046
72660	042
72661	046
72662	042
72663	108
72666	042
72668	046
72669	042
72670	042
72672	041
72675	044
72677	041
72679	107
72680	108
72682	041
72683	042
72685	042

ZIP Code	System Territory
72686	037
72687	041
72701	032
72702	032
72703	032
72704	032
72711	032
72712	032
72714	032
72715	032
72716	032
72717	086
72718	032
72719	032
72721	042
72722	032
72727	032
72728	032
72729	080
72730	032
72732	031
72733	031
72734	032
72735	032
72736	032
72737	032
72738	035
72739	032
72740	035
72741	032
72742	042
72744	032
72745	032
72747	032
72749	086
72751	032
72752	042
72753	032
72756	032
72757	032
72758	032
72760	042
72761	032
72762	032
72764	032
72765	032
72766	032
72768	032
72769	032
72770	032
72773	042
72774	032
72776	042
72801	074

ZIP Code	System Territory
72802	074
72811	074
72812	074
72820	071
72821	071
72823	074
72824	071
72826	071
72827	071
72828	071
72829	074
72830	071
72832	071
72833	071
72834	074
72835	073
72837	074
72838	069
72839	071
72840	071
72841	069

ZIP Code	System Territory
72842	071
72843	072
72845	071
72846	071
72847	074
72851	071
72852	043
72853	073
72854	070
72855	071
72856	036
72857	071
72858	074
72860	071
72863	071
72865	071
72901	081
72902	084
72903	084
72904	084
72905	084

ZIP Code	System Territory
72906	084
72908	084
72913	084
72914	084
72916	084
72917	084
72918	084
72919	084
72921	084
72923	084
72924	077
72926	023
72927	088
72928	071
72930	068
72932	087
72933	083
72934	087
72935	084
72936	084
72937	085

ZIP Code	System Territory
72938	079
72940	079
72941	084
72943	071
72944	077
72945	079
72946	087
72947	082
72948	087
72949	088
72950	069
72951	071
72952	082
72955	087
72956	084
72957	084
72958	077
72959	033

APPENDIX 2: PREMIUM CALCULATIONS

Abbreviations:

BR	Base Rate
CF	Class Factor
SF	Symbol Factor
DF	Deductible Factor
IL	Increased Limit Factor
MY	Model Year Factor
PF	Point Factor
TF	Term Factor
CR	Renewal Cap Factor

SD	Safe Driver Discount
RD	Renewal Discount
MC	Multi-Car Discount
SR	Senior Driver Discount
PI	Prior Insurance Discount
VU	Vehicle Use
CG	College Graduate Discount
MX	Maximum Discount

Calculation Notes:
All rounding is done after all factor and discounts multiplication is completed. If a factor is shown in the calculation methodology below is not applicable, replace such discount or factor with a factor of 1.00.

Bodily Injury Calculation:
BR*IL*((CF+PF)-1)*SF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-SR)*(1-MC)*(1-CG)]*VU*TF*CR

Property Damage Calculation:
BR*IL*((CF+PF)-1)*SF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-MC)*(1-CG)]*VU*TF*CR

Personal Injury Protection Calculation:
BR*IL*((CF+PF)-1)*SF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-MC)*(1-CG)]*VU*TF*CR

Uninsured/Underinsured Motorists Calculation:
BR*IL*CF*VU*TF*CR

Medical Payments Calculation:
BR*IL*CF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-MC)]*VU*TF*CR

Comprehensive Calculation:
BR*((CF+PF)-1)*SF*MY*DF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-SR)*(1-MC)*(1-CG)]*VU*TF*CR

Collision Calculation:
BR*((CF+PF)-1)*SF*MY*DF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-SR)*(1-MC)*(1-CG)]*VU*TF*CR

Accidental Death Calculation:
BR*TF*CR

Towing Coverage Calculation:
BR*TF*CR

Rental Coverage Calculation:
BR*TF*CR

APPENDIX 3: VEHICLE SYMBOLS

Vehicle Symbols are listed in a separate binder.

Direct Insurance Company

Underwriting Rules / Rating Guidelines

State of

Arkansas

ARKANSAS

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RULE 1. BINDING AUTHORITY

1. Agent binding authority is three (3) days. The signed application and required down payment must be received within three (3) working days of when coverage is bound.

2. Backdating of the effective date is not permitted.

3. The application must be fully completed, including the insured's signature(s).

4. When Physical Damage coverage is written, a pre-insurance inspection form must be completed for vehicles in all territories prior to binding. Please note all existing damage. Inspections are not required on renewal policies.

5. Physical damage coverage may not be written or bound in any area where there is a flash flood, hailstorm, hurricane, tornado or tropical storm warning, watch or occurrence.

RULE 2. SR-22 / FINANCIAL RESPONSIBILITY FILING

A $10.00 fee and a surcharge are applied per filing.

RULE 3. UNACCEPTABLE RISKS

DIRECT reserves the right to determine the final acceptability of any risk. The agent in determining the acceptability of the risk should use the following guidelines.

1. Unacceptable Drivers

   a. Operators not possessing valid proof of residence. Acceptable proof includes each of the following:

      1) a lease for an apartment, house, modular unit, or manufactured home with a Arkansas address signed by the applicant;
      2) a current utility bill showing the address of the applicant-payor;
      3) a receipt for personal property taxes paid;
      4) a valid student ID for a Arkansas school or university;
      5) a valid Arkansas vehicle registration;
      6) a valid unexpired Arkansas driver's license;
      7) a receipt for real property taxes paid to a Arkansas locality;
      8) a document similar to that described in #3, issued by the consulate or embassy of another country that would be accepted by the Arkansas Division of Motor Vehicles;
      9) a pay stub with the payee's address;
      10) a monthly or quarterly financial statement from a Arkansas regulated financial institution; or
      11) a valid military ID.

      Risks in which the driver(s) has recently moved to Arkansas will be accepted assuming that he/she provides DIRECT with a copy of at least one of these documents within thirty (30) days of policy inception. Risks not providing this proof of residency will be cancelled.

   b. Persons not residing in Arkansas at least six (6) months of the year.

   c. Members of the armed forces not stationed permanently in Arkansas.

   d. Drivers designated as "Habitual Traffic Offenders" on their MVR.

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e. Drivers who have had a policy cancelled by DIRECT for loss experience or misrepresentation.

f. Drivers without a verifiable garaging address.

g. Applicants who have been convicted of insurance fraud.

2. Unacceptable Vehicles

a. Vehicles used for emergency, racing, delivery messenger, livery, limousine, or taxi service, including vehicles used to haul nursery or school children, migrant workers, hotel/motel guests, and medical/dental/optical patients, food vendors, food/newspaper/mail delivery, towing/repossession, etc.

b. Rental vehicles or short-term leased vehicles (less than 6 months).

c. Any vehicle which is leased or rented by the applicant to other operators or loaned on a regular basis.

d. Vehicles not garaged in Arkansas for at least six (6) months a year.

e. Recreation vehicles designed for off-road use or dune buggies unless a corresponding recreational vehicle endorsement is purchased.

f. Motor homes and travel trailers.

g. Antique vehicles, homebuilt vehicles or kit cars.

h. Any vehicle carrying explosives or flammable substances.

i. Vehicles from more than one (1) household listed on a single policy. **Exception:** Does not apply to acceptable student risks.

j. Vans, pickups and utility vehicles used in business, unless they are used in one (1) of the artisan occupations listed in the VEHICLE USE section of this manual.

k. Flatbed trucks, stake trucks and dump trucks.

l. Cut-away vans, step vans, and vehicles with right hand steering.

m. Stated value policies.

n. Driver training vehicles or those cars used for driver training.

o. Vehicles titled to any governmental body, estate, receivership, corporation or partnership.

p. Physical damage on any vehicle on which DIRECT has previously paid a total loss claim and which is retained by the Insured.

q. Vehicles 1984 model year and prior (for physical damage coverage).

r. Physical damage coverage on any vehicle with a new cost value exceeding $75,000.

s. Vehicles with logos or advertising on them, whether removable or permanent.

t. Any vehicles with a permit to dismantle.

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u. Vehicles modified/altered/restored mechanically or structurally which results in a change in performance or appearance.

v. Vehicles with modified suspensions including all lowered chassis vehicles, or vehicles with chassis raised more than 6 inches above the normal factory height.

w. Any vehicle 1969 model year and prior.

x. Vehicles equipped with cooking equipment or bathrooms.

y. Policy with two (2) or more business use vehicles.

RULE 4. NON-OWNER COVERAGE

A Named Operator policy may be written when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

1. Only Liability BI, PD, PIP, UM and UIM may be written.

2. Permissive operator coverage is not included.

3. Use the vehicle use code “NO’ when rating.

RULE 5. ENDORSEMENTS

1. All premium change endorsements will reflect the rates and rules in force at the inception of the policy period.

2. Premium charges will be calculated pro-rata.

3. Midterm premium adjustments will be made as a result of a change in:

   a. autos insured by the policy;

   b. drivers added to or excluded from the policy; and

   c. coverage and deductibles.

4. Mid-term premium adjustments will not be made as a result of:

   a. driver point changes (unless to recognize adding/deleting a driver);

   b. attained age of driver; or

   c. rating territory.

5. Return premium of $10.00 or less will not be refunded unless requested in writing by the insured.

6. Written Endorsements: The following must be submitted in writing and must have the insured’s signature and date signed:

   a. add, delete or change coverage/increase or decrease deductibles.

   b. add or delete vehicles (unless sold or replaced).

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c. driver exclusions.

d. rejection of PIP, UM and UIM.

e. add or delete operators / SR-22 filings.

RULE 6. CANCELLATIONS

1. DIRECT may cancel the policy for any reason within the first sixty (60) days of the policy period, provided that the date of cancellation is at least twenty (20) days after the date of mailing.

2. After the first sixty (60) days of the policy period, DIRECT may cancel the policy with twenty (20) day written notice provided that the cancellation is for one (1) or more of the following reasons:

   a. Misrepresentation by the insured of any material fact in the procurement or renewal of this policy or in the submission of claims under this policy.

   b. The Named Insured or any driver of the insured vehicle is **convicted** of:

      1) driving while intoxicated;

      2) homicide or assault arising out of the use of a motor vehicle; or

      3) three (3) separate convictions of speeding or reckless driving or combination of the two (2) during the policy period, including (3) months prior to the effective date of the policy.

   c. Non-payment of premium (a written notice of cancellation will be mailed or delivered to the last known mailing address of the named insured and any loss payee at least 10 days prior to the effective date of the cancellation.)

3. In the event a policy has three (3) “losses”, where loss is defined as money paid out to an insured or third party in satisfaction of a claim, during a twelve (12) month term the policy will be non-renewed giving at least thirty (30) days advance notice. Claims arising from “natural causes” will not be considered when evaluating the loss history.

4. The mailing of notice of cancellation or non-renewal to the insured’s address as shown on the Declarations Page will be proof of cancellation or non-renewal.

5. The insured may cancel the policy by mailing or electronically submitting a signed written request stating the future date that the Insured wishes the cancellation to be effective. The cancellation may not be earlier than the date the request is received unless the request is from the premium finance company. If the request is from the premium finance company, we may elect, at our sole option, to cancel the policy as of the effective date stated in the notice

6. An insufficient down payment will result in a flat cancellation and coverage will be null and void. An insufficient payment or nonpayment of any installment by the due date will result in a cancel notice being sent to the Insured at least ten (10) days in advance of cancellation. If payment is received in our office by the cancel date, the policy will be reinstated.

7. In the event of a total loss, coverage continues until the insured sends a cancellation request to DIRECT.

8. When the cancellation request is due to duplicate coverage and the requested cancellation date is prior to the received date, DIRECT requires proof of duplicate coverage in order to honor the requested cancellation date.

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9. DIRECT cannot cancel or non-renew solely because of the administrative revocation or suspension of the driver's license of the owner or operator of the motor vehicle under Arkansas Code 5-65-104.

10. Premium computations for cancellations are as follows:

    a. Requested by insured: Return premium shall be calculated on a short rate basis.

    b. Non-payment of premium: Return premium shall be calculated on a 100% pro-rata basis.

    c. Request of premium finance company: Return premium shall be calculated on a 100% pro-rata basis.

    d. Request of company: Return premium shall be calculated on a 100% pro-rata basis.

RULE 7. MATERIAL MISREPRESENTATIONS OF RISK

1. If statements in the application differ from records of the Department of Motor Vehicles, the proper additional or return premium will be processed without prior notice. Additionally, the company may elect to cancel for undisclosed violations.

2. Among the information most often misrepresented is:

    a. drivers (list or exclude all persons age 14 and older in the household);

    b. driving record;

    c. vehicle type and use;

    d. garaging address; and

    e. state of residency.

RULE 8. RENEWALS

1. A renewal quote will be sent to the insured thirty (30) days prior to expiration, along with instructions to pay DIRECT directly.

2. Payment must be received by DIRECT prior to expiration to ensure continuous coverage.

3. Renewal payments received after the policy expires could result in renewal with a lapse.

4. The Renewal discount will not apply if the policy had a lapse in coverage in the prior 12 months.

5. The Renewal discount will be applicable if the policy is renewed within 10 days of the expiration date and no lapse in coverage in the prior 12 months.

6. Renewal Rate Level Capping:

    a. Renewal premiums will be capped at 10%.

    b. The premium is calculated for the renewal term (True Renewal Premium) and compared to the premium from the current term (Current Term Premium). If the True Renewal Premium exceeds the Current Term Premium by more than 10%, the Final Renewal Premium increase will be capped at 10%.

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c. If a rating characteristic change is made in the prior term or at the time of renewal, the Current Term Premium will be calculated using the new rating characteristic. It will then be compared to the True Renewal Premium calculated using the same characteristics.

d. To calculate the Final Renewal Premium, a factor is applied to each vehicle and coverage. Factor = (Current Term Premium * 1.10) / True Renewal Premium

e. This factor will be used each time a change is made to the policy for the term of the policy.

f. The factor will be re-calculated at each renewal. **Note:** The Current Term Premium used at the second and subsequent renewal will be calculated using any "Factor" applied in the previous renewal.

RULE 9. LIABILITY COVERAGE

1. Bodily Injury (BI)

   a. The following limits are available:

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

2. Property Damage (PD)

   a. The following limits are available:

      1) $25,000 per occurrence;

      2) $50,000 per occurrence; and

      3) $100,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

3. Uninsured Motorist (UMB/UMP) / Underinsured Motorist (UDB)

   a. The following limits are available for Uninsured Motorist Bodily Injury (UMB) and Underinsured Motorists Bodily Injury (UDB):

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. The following limits are available for Uninsured Motorist Property Damage (UMP):

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1) $25,000 per occurrence;

2) $50,000 per occurrence; and

3) $100,000 per occurrence.

c. If this coverage is not desired, the insured must sign the Uninsured Motorist rejection form. If this signed form does not accompany the application, these coverages will automatically be added at the Bodily Injury and Property Damage limits and the appropriate premium will be charged.

d. Coverage must be written on all cars of a multi-car policy at the same limits.

e. Uninsured coverage cannot exceed the liability coverage limits.

f. UDB will be offered after UMB is accepted.

4. Personal Injury Protection (PIP)

a. The following benefits are provided:

1) $5,000 Medical/Hospital;

2) Income Disability; and

3) $5,000 Accidental Death.

5. Medical Payments (MP)

a. Medical Payments is optional.

b. It can only be written on policies with Liability coverage.

c. Medical Payments limits must be the same on all vehicles on the policy.

d. Limits available:

1) $250;

2) $500;

3) $1,000; and

4) $2,000.

6. Accidental Death (AD)

a. Accidental Death is an optional coverage, providing $5,000 paid to the Named Insured's estate as specified in the policy.

RULE 10. PHYSICAL DAMAGE COVERAGE

1. Comprehensive/Collision (CMP/COL)

a. The following deductibles are available:

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1) $100;

2) $250;

3) $500;

4) $750; and

5) $1,000.

b. A $250 deductible applies to lienholders upon repossession with damage.

c. Both Comprehensive and Collision must be written where Physical Damage coverage is chosen.

d. The same deductible must be chosen for Collision and Comprehensive.

2. Towing (TOW)

a. Towing is an optional coverage, providing up to $25 reimbursement per occurrence.

b. Coverage may only be written on cars providing Comprehensive and Collision coverages.

3. Rental Car (RNT)

a. Rental is an optional coverage, providing $10/day reimbursement up to $300.

b. It may only be written on cars providing Comprehensive and Collision coverages.

RULE 11. RATING PROCEDURES

1. Annual policies are rated with a factor of 1.90 times the semi-annual rate.

2. The premium for each coverage and vehicle shall be rounded to the nearest dollar. $0.50 and over will be rounded up.

3. Determine Territory code from APPENDIX 1: TERRITORY DEFINITIONS. Do not use “Bureau” definitions. Use the zip code where the vehicle is principally garaged, not the mailing zip code.

4. Vehicle Symbols:

a. Determine Liability and Physical Damage Vehicle Rating Symbol from APPENDIX 3: VEHICLE SYMBOLS.

b. Interim rating symbol determination for unlisted vehicles:

1) 1984 and prior are not listed in APPENDIX 3: VEHICLE SYMBOLS:

a) Use the liability symbol in the rate tables, which is most descriptive of the vehicle, e.g., T for truck, F for 4x4 trucks, V for van, C for convertible, etc.

b) Physical Damage coverage is not available; use Physical Damage symbol “Z”.

2) 2004 and subsequent:

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a) If APPENDIX 3: VEHICLE SYMBOLS displays a rating symbol for the prior model year version of the same vehicle, use the prior model year's symbol for the new model year vehicle.

b) If APPENDIX 3: VEHICLE SYMBOLS does not display a symbol for the prior model year version of the same vehicle, assign a symbol based on the cost new (MSRP) of the auto using the Price/Symbol Chart located in the rate tables.

5. Model Year – If the factors are not displayed for the model year in Appendix 2. Multiply the factor for the latest model year by 1.05 for each subsequent year.

RULE 12. POLICY FEES

1. Policy Fee: $15.00 earned at inception on each new and renewal policy.

2. SR-22: $10.00 per filing.

3. Reinstatement Fee: $5.00 for each policy where cancellation notice has been issued and the insured desires continuation of coverage.

4. Installment Billing Fee: $7.00 per installment or $2.00 per EFT installment.

5. Late Fee: $10.00 for each late installment payment.

6. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

RULE 13. DISCOUNTS

1. Safe Driver Discount

   a. A credit applies if all operators are violation and accident free for the preceding twelve (12) months.

   b. This discount applies to both new and renewal business.

   c. This discount will apply to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.

2. Prior Insurance (New Business)

   a. A credit applies for the first year of a policy. The discount applies to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverage.

   b. Applicant must provide verification of at least 6 months of continuous prior liability coverage, with no more than seven (7) days of lapse in previous coverage allowed.

   c. Acceptable verification of prior coverage will be a renewal quote or a letter from the prior agent or insurance company.

   d. A photocopy of the acceptable verification listed above must accompany the New Business.

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3. Renewal Discount

   a. Credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverage as follows:

      1) 12 month renewal
      2) 24 month renewal
      3) 36 month and subsequent renewals

   b. The Renewal discount will not apply if the policy had a lapse in coverage in the prior 12 months.

   c. The Renewal discount will be applicable if the policy is renewed within 10 days of the expiration date and no lapse in coverage in the prior 12 months.

4. Multi-Car Discount

   a. A credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverage if carried on each auto.

   b. More than one (1) car must be covered on the same policy.

5. Senior Citizen Discount

   a. A credit applies to Bodily Injury, Comprehensive and Collision coverages.

   b. This discount is available to drivers 55 and older. Applicants must submit a copy of the certificate indicating successful completion of a Motor Vehicle Accident Prevention Course, which has been approved by the State of Arkansas. If previously received by company, no further proof is required at renewal.

   c. This discount applies only to the driver completing the course.

   d. This discount is valid for thirty-six (36) months following course completion.

   e. Discount does not apply if course is taken as a punishment specified by a court or other governmental entity resulting from a moving violation.

6. College Graduate Discount

   a. A credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Comprehensive and Collision coverages.

   b. Available to drivers under the age of twenty-five (25) who have graduated from a college or university and whose cumulative scholastic records show that the insured attained one (1) of the following:

      1) If letter grades are used, had a grade average of “B” or higher; or

      2) Had at least a 3 point average on a 4 point scale (or equivalent).

   c. A copy of his/her college transcript is required and must accompany the application for the discount to apply. If previously received by company, no further proof is required at renewal.

7. Maximum Discount

   The maximum allowable discount is 45% per policy. Discounts are multiplicative not additive, e.g., a 10% discount and a 5% discount is not 15%, but 1-(1-10%) x (1-5%) = 14.5%.

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RULE 14. DRIVER CLASSES

1. The highest rated driver is matched to the highest rated vehicle.

2. The driver classification to be used in the rating of DIRECT automobile policies is a combination of gender, marital status and age.

3. Where there are more cars than drivers on a policy, additional cars will be rated with Class 1 with zero (0) points.

4. Report all persons fourteen (14) years of age and older living in the insured's household, whether or not they are licensed. These persons must be included in the rating or must be specifically excluded.

5. Married class includes legally married and residing with spouse.

6. Single class includes persons who are single, divorced, separated, widowed or living together while not married.

7. Roommates must be included in the rating of a policy unless specifically excluded.

8. In the event that DIRECT discovers a previously undeclared operator at any time during the policy period, DIRECT deserves the right to:

   a. void for misrepresentation; or

   b. add the operator to the policy as of the effective date of the policy period and add a violation code of 402. This point surcharge will only be applied to the policy period for which they are added. At renewal the surcharge will be removed. (We will run an MVR at the time the driver is added and add all prior violations to the policy. These will not be removed at renewal.) If the operator is involved in an at-fault-accident, the accident will be added and charged at renewal.

RULE 15. DRIVING RECORD/POINT COUNT PROCEDURES

1. Point values are assessed for all accidents and violations which occur in the thirty-five (35) month period immediately preceding the policy inception date.

2. Multiple Violations: If two (2) or more violations or an accident and a violation result from the same incident, we will charge only for the highest rated violation or accident.

3. Violation Point Class:

Description	Points 1st Occurrence	Points 2nd Occurrence	Points Each Additional Occurrence
AAF – At-Fault Accident	4	6	9
DWI – Driving Under the Influence	1	2	5
IND – No Charge	0	0	0
MAJ – Major Violation	4	4	4
MIN – Minor Violation	2	3	2

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NAF – Not-At-Fault	0	0	0
SPD – Speeding	2	1	1

4. Point Assignments:

Description	Violation Code	Violation Point Class
At-Fault Accident	301	AAF
Auto Theft/Felony Motor Vehicle	605	MAJ
Careless/Improper Operation	101	MAJ
Comprehensive Claim	007	IND
Drag Racing	118	MAJ
Drive Under Influence Drugs / Alcohol	602	DWI
Drive while License Revoked / Suspended	302	MIN
Driving without License	303	MIN
Failure to Follow Traffic Device / Sign	110	MIN
Failure to Yield	111	MIN
Fleeing from Police	606	MAJ
Following too Close	112	MIN
Foreign Driver's License	401	MAJ
Improper Backing	113	MIN
Improper Passing	114	MIN

Description	Violation Code	Violation Point Class
Improper Turn	124	MIN
Leaving the Scene	608	MAJ
Minor Moving Violation	115	MIN
Not-At-Fault Accident	011	NAF
Open Bottle	116	DWI
Passing a Stopped School Bus	117	MAJ
Reckless Driving	305	MAJ
Speeding	201	SPD
Suspended, Revoked or Cancelled License	404	MAJ
Undisclosed Driver	402	MAJ
Unverifiable Driving Record	403	MAJ
Vehicular Homicide	601	MAJ
Without Owner's Consent	603	MAJ
Wrong Way on One-Way Street	107	MIN

5. All accidents will be considered chargeable unless the Named Insured demonstrates (1) one of the following:

   a. Applicant's automobile was lawfully parked.

   b. Judgment or reimbursement was obtained from responsible party.

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c. Struck in rear and not convicted of a moving traffic violation.

d. Struck by hit-and-run driver and such accident were reported by applicant to proper authorities within twenty-four (24) hours.

e. Applicant was not convicted of a moving traffic violation in connection with the accident and the other operator of the vehicle involved in such accident was convicted of a moving traffic violation.

f. Applicant was finally adjudicated not to be liable by a court of competent jurisdiction.

g. Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, falling objects or by contact with animals or fowl.

h. Applicant was operating vehicle other than a private passenger auto, motor home or motorcycle at time of accident.

i. In receipt of a traffic citation which was dismissed or nolle prosequi.

6. If the operator at the time of accident/violation was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad, or any Law Enforcement Agency, the accident/violation is not chargeable.

7. Driver's License Status – Operators not possessing a valid driver's license will be assigned a surcharge. Specific situations are addressed below:

   a. Individuals serving full-time in the military and permanently stationed in Arkansas are not required to obtain an Arkansas license and will not be surcharged.

   b. Foreign and International Driver's Licenses: Drivers who have a valid foreign or international driver's license but not a valid U.S. license will be surcharged. The surcharge will apply until the insured is able to submit proof of a valid U.S. license having been in effect for at least twelve (12) months. Assign the Foreign Driver's License surcharge, i.e. code 401.

   c. Assign Unverifiable Driving Record surcharge, i.e. code 403:

      1) A major violation will be charged on any driver whose driving record cannot be verified by a state's Bureau of Motor Vehicles (not including drivers under 19).

      2) The charge will be removed effective the policy inception date if DIRECT receives a valid current MVR (contains at least 12 months of driving history). The MVR must be no more than thirty (30) days old and must be received within sixty (60) days of the policy inception.

      3) Drivers with a learner's permit will not be charged for an Unverifiable Driving Record during the first policy term. The Unverifiable Driving Record points will be assessed during the second and subsequent policy terms if an MVR remains unobtainable.

   d. Any driver whose license is suspended, revoked or cancelled will be surcharged. Once proof can be provided of the driver's license reinstatement, the surcharge can be removed effective the date of the license reinstatement. To have the surcharge removed, the driver needs to have their license reinstated and be able to show proof of a valid Arkansas license. Assign the Suspended, Revoked or Cancelled License surcharge, i.e. code 404.

   e. Note that only one of these above surcharges will apply, i.e. they are mutually exclusive

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RULE 16. VEHICLE USE

Vehicle Use Relativity Table	BI	PD	PIP	UMB	UDB	MP	CMP	COL
Pleasure (PL)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Business Use (BU)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Non-Owner (NO)	0.90	0.90	0.90	0.90	0.90	N/A	N/A	N/A

1. Pleasure Use (PL): Includes vehicles driven for pleasure, to and from work or school and for farm/ranch use. There should be no regular business use of the vehicle in connection with the driver's occupation, profession, or business other than commuting to and from work or school.

2. Business Use (BU):

   a. A surcharge will be applied to risks in which the automobile is used regularly in support of the insured's business or profession.

   b. DIRECT will only accept the risk if the vehicle is individually owned.

   c. The following professions are deemed acceptable:

      1) Sales;

      2) Lawyers;

      3) Clergymen;

      4) Realtors; and

      5) Visiting Nurses.

   d. Artisan Risks: Pickups, vans and utility vehicles.

      1) When the business use of these vehicles consists solely of carrying tools and supplies between the Named Insured's home and the job site, DIRECT will accept the risk subject to the following:

         a) the vehicle is individually owned;

         b) the vehicle is operated solely by the Named Insured and family members;

         c) the insured has no more than one (1) vehicle in this category; and

         d) the vehicle is visiting no more than three (3) job sites per day.

      2) The occupations that fall under the category of Artisan are the following:

         a) Aluminum Contractors;

         b) Air Conditioning/Heating;

         c) Bricklayers/Masonry;

         d) Cabinet Installers;

         e) Carpenters;

         f) Concrete Contractors;

         g) Electrical Contractors;

         h) Fence Installers;

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i) Glass Installers;

j) Interior Decorators;

k) Painters;

l) Plaster/Stucco Contractors;

m) Repair – Appliances;

n) Repair – Handyman;

o) Screened Enclosure Erectors;

p) Surveyors;

q) Swimming Pool Installers; and

r) Tree Surgeons.

e. Risks will not be accepted in those instances where there is for-hire pickup and delivery of goods or debris, flammable or explosives are transported or where the vehicle is hauling equipment with a weight in excess of 2,000 pounds or has a GVW of 10,000 pounds or more.

3. Non-Owner (NO): Used when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

RULE 17. PAYMENT PLANS

The total premium including fees is due at the beginning of the policy period, unless the insured elects one (1) of the following installment plan options.

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6			100.0000%		100.0000%	
6	3 mos. from inception	1	50.0000%	50.0000%	50.0000%	50.0000%
6	2 and 4 mos. from inception	2	40.0000%	30.0000%	40.0000%	30.0000%
6	Monthly	4	41.6800%	14.5800%	41.6800%	14.5800%
6	Monthly	4	30.0000%	17.5000%	30.0000%	17.5000%
6	Monthly	4	N/A	N/A	25.0000%	18.7500%
6	Monthly - EFT Required	4	25.0000%	18.7500%	25.0000%	18.7500%
6	Monthly - EFT Required	4	20.0000%	20.0000%	20.0000%	20.0000%
6	Monthly	5	30.0000%	14.0000%	30.0000%	14.0000%
6	Monthly	5	N/A	N/A	25.0000%	15.0000%
6	20/27	5	25.0000%	15.0000%	25.0000%	15.0000%
6	20/27	5	N/A	N/A	22.0000%	15.6000%
6	7/28	5	20.2400%	15.9520%	17.6000%	16.4800%
6	8/28	5	20.9600%	15.8080%	18.2300%	16.3540%
6	9/28	5	21.6900%	15.6620%	18.8600%	16.2280%
6	10/28	5	22.4100%	15.5180%	19.4900%	16.1020%
6	11/28	5	23.1300%	15.3740%	20.1100%	15.9780%
6	12/28	5	23.8500%	15.2300%	20.7400%	15.8520%
6	13/28	5	24.5800%	15.0840%	21.3700%	15.7260%
6	14/28	5	21.9000%	15.6200%	21.9000%	15.6200%
6	14/28	5	N/A	N/A	22.0000%	15.6000%

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	15/28	5	26.0200%	14.7960%	22.6300%	15.4740%
6	16/28	5	26.7500%	14.6500%	23.2600%	15.3480%
6	17/28	5	27.4700%	14.5060%	23.8900%	15.2220%
6	18/28	5	28.1900%	14.3620%	24.5100%	15.0980%
6	19/28	5	28.9100%	14.2180%	25.1400%	14.9720%
6	20/28	5	29.6400%	14.0720%	25.7700%	14.8460%
6	21/28	5	30.3600%	13.9280%	26.4000%	14.7200%
6	7/30	5	18.0000%	16.4000%	15.0000%	17.0000%
6	8/30	5	18.5000%	16.3000%	15.4200%	16.9160%
6	9/30	5	19.0000%	16.2000%	15.8300%	16.8340%
6	10/30	5	19.5000%	16.1000%	16.2500%	16.7500%
6	11/30	5	20.0000%	16.0000%	16.6700%	16.6660%
6	12/30	5	20.5000%	15.9000%	17.0800%	16.5840%
6	13/30	5	21.0000%	15.8000%	17.5000%	16.5000%
6	14/30	5	21.5000%	15.7000%	17.9200%	16.4160%
6	15/30	5	22.0000%	15.6000%	18.3300%	16.3340%
6	16/30	5	22.5000%	15.5000%	18.7500%	16.2500%
6	17/30	5	23.0000%	15.4000%	19.1700%	16.1660%
6	18/30	5	23.5000%	15.3000%	19.5800%	16.0840%
6	19/30	5	24.0000%	15.2000%	20.0000%	16.0000%
6	20/30	5	24.5000%	15.1000%	20.4200%	15.9160%
6	21/30	5	25.0000%	15.0000%	20.8300%	15.8340%
6	22/30	5	25.5000%	14.9000%	21.2500%	15.7500%
6	23/30	5	26.0000%	14.8000%	21.6700%	15.6660%
6	24/30	5	26.5000%	14.7000%	22.0800%	15.5840%
6	25/30	5	27.0000%	14.6000%	22.5000%	15.5000%
6	26/30	5	27.5000%	14.5000%	22.9200%	15.4160%
6	27/30	5	28.0000%	14.4000%	23.3300%	15.3340%
6	28/30	5	28.5000%	14.3000%	23.7500%	15.2500%
6	29/30	5	29.0000%	14.2000%	24.1700%	15.1660%
6	30/30	5	29.5000%	14.1000%	24.5800%	15.0840%
6	31/30	5	30.0000%	14.0000%	25.0000%	15.0000%
12	-	-	100.0000%	-	100.0000%	-
12	3, 7 and 10 mos. from inception	3	25.0000%	25.0000%	25.0000%	25.0000%
12	Monthly	10	30.0000%	7.0000%	N/A	N/A
12	Monthly	10	25.0000%	7.5000%	25.0000%	7.5000%
12	Monthly	10	20.0000%	8.0000%	20.0000%	8.0000%
12	Monthly	10	16.7000%	8.3300%	16.7000%	8.3300%
12	Monthly	10	15.0000%	8.5000%	N/A	N/A

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	Monthly - EFT Required	10	12.5000%	8.7500%	12.5000%	8.7500%
12	Monthly	11	15.0000%	7.7273%	15.0000%	7.7273%
12	Monthly	11	N/A	N/A	12.5000%	7.9545%
12	20/27	12	27.0000%	6.0800%	20.8000%	6.6000%
12	20/27	12	15.0000%	7.0834%	15.0000%	7.0834%
12	20/27	12	13.5000%	7.2100%	N/A	N/A
12	20/27	5	N/A	N/A	11.0000%	17.8000%
12	7/28	12	10.1200%	7.4900%	8.8000%	7.6000%
12	8/28	12	10.4800%	7.4600%	9.1100%	7.5742%
12	9/28	12	10.8400%	7.4300%	9.4300%	7.5475%
12	10/28	12	11.2000%	7.4000%	9.7400%	7.5217%
12	11/28	12	11.5700%	7.3692%	10.0600%	7.4950%
12	12/28	12	11.9300%	7.3392%	10.3700%	7.4692%
12	13/28	12	12.2900%	7.3092%	10.6900%	7.4425%
12	14/28	12	25.2000%	6.2300%	16.0000%	7.0000%
12	14/28	12	12.6500%	7.2800%	N/A	N/A
12	14/28	5	N/A	N/A	11.0000%	17.8000%
12	15/28	12	13.0100%	7.2492%	11.3100%	7.3908%
12	16/28	12	13.3700%	7.2192%	11.6300%	7.3642%
12	17/28	12	13.7300%	7.1892%	11.9400%	7.3383%
12	18/28	12	14.1000%	7.1583%	12.2600%	7.3117%
12	19/28	12	14.4600%	7.1283%	12.5700%	7.2858%
12	20/28	12	14.8200%	7.0983%	12.8900%	7.2592%
12	21/28	12	15.1800%	7.0683%	13.2000%	7.2333%
12	7/30	11	9.0000%	8.2727%	7.5000%	8.4091%
12	8/30	11	9.2500%	8.2500%	7.7100%	8.3900%
12	9/30	11	9.5000%	8.2273%	7.9200%	8.3709%
12	10/30	11	9.7500%	8.2045%	8.1300%	8.3518%
12	11/30	11	10.0000%	8.1818%	8.3300%	8.3336%
12	12/30	11	10.2500%	8.1591%	8.5400%	8.3145%
12	13/30	11	10.5000%	8.1364%	8.7500%	8.2955%
12	14/30	11	10.7500%	8.1136%	8.9600%	8.2764%
12	15/30	11	11.0000%	8.0909%	9.1700%	8.2573%
12	16/30	11	11.2500%	8.0682%	9.3800%	8.2382%
12	17/30	11	11.5000%	8.0455%	9.5800%	8.2200%
12	18/30	11	11.7500%	8.0227%	9.7900%	8.2009%
12	19/30	11	12.0000%	8.0000%	10.0000%	8.1818%
12	20/30	11	12.2500%	7.9773%	10.2100%	8.1627%
12	21/30	11	12.5000%	7.9545%	10.4200%	8.1436%
12	22/30	11	12.7500%	7.9318%	10.6300%	8.1245%

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	23/30	11	13.0000%	7.9091%	10.8300%	8.1064%
12	24/30	11	13.2500%	7.8864%	11.0400%	8.0873%
12	25/30	11	13.5000%	7.8636%	11.2500%	8.0682%
12	26/30	11	13.7500%	7.8409%	11.4600%	8.0491%
12	27/30	11	14.0000%	7.8182%	11.6700%	8.0300%
12	28/30	11	14.2500%	7.7955%	11.8800%	8.0109%
12	29/30	11	14.5000%	7.7727%	12.0800%	7.9927%
12	30/30	11	14.7500%	7.7500%	12.2900%	7.9736%
12	31/30	11	15.0000%	7.7273%	12.5000%	7.9545%

* Due dates in the form of xx/dd is defined as: the first installment is due (xx) days after the inception of the policy, with remaining installments due every (dd) days thereafter.

1. Processing Fee: A fully earned $25.00 installment processing fee is due at inception of policy.

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APPENDIX 1: TERRITORY DEFINITIONS

ZIP Code	System Territory
71601	060
71602	060
71603	060
71611	060
71612	060
71613	060
71630	146
71631	011
71635	146
71638	146
71639	146
71640	146
71642	146
71643	147
71644	136
71646	146
71647	012
71649	019
71651	011
71652	146
71653	146
71654	146
71655	146
71656	146
71657	146
71658	146
71659	136
71660	142
71661	146
71662	146
71663	146
71665	146
71666	146
71667	147
71670	146
71671	011
71674	146
71675	146
71676	146
71677	146
71678	145
71701	015
71711	015
71720	002
71721	001
71722	016
71724	007
71725	004
71726	009
71728	001

ZIP Code	System Territory
71730	007
71731	007
71740	009
71742	005
71743	001
71744	008
71745	008
71747	013
71748	143
71749	009
71750	007
71751	009
71752	009
71753	047
71754	047
71758	009
71759	007
71762	009
71763	006
71764	009
71765	013
71766	005
71768	007
71769	019
71770	047
71772	001
71801	050
71802	050
71820	026
71822	026
71823	024
71825	024
71826	047
71827	009
71828	018
71831	026
71832	025
71833	025
71834	047
71835	017
71836	026
71837	047
71838	026
71839	047
71840	047
71841	025
71842	024
71844	017
71845	048
71846	024

ZIP Code	System Territory
71847	024
71851	024
71852	024
71853	027
71854	048
71855	024
71857	014
71858	049
71859	024
71860	048
71861	048
71862	024
71864	016
71865	024
71866	024
71901	029
71902	029
71903	029
71909	029
71910	029
71913	029
71914	029
71920	028
71921	028
71922	014
71923	003
71929	029
71932	022
71933	029
71935	028
71937	022
71940	030
71941	003
71942	019
71943	028
71944	022
71945	022
71949	061
71950	028
71952	022
71953	022
71956	029
71957	020
71958	022
71959	022
71960	020
71961	021
71962	003
71964	029
71965	021

ZIP Code	System Territory
71968	029
71969	021
71970	021
71971	022
71972	022
71973	022
71998	019
71999	019
72001	072
72002	064
72003	122
72004	123
72005	094
72006	092
72007	131
72010	093
72011	063
72012	135
72013	103
72014	091
72015	063
72016	076
72017	130
72018	063
72020	116
72021	121
72022	201
72023	067
72024	124
72025	074
72026	122
72027	072
72028	106
72029	122
72030	072
72031	106
72032	129
72033	129
72034	129
72035	075
72036	127
72037	059
72038	122
72039	132
72040	135
72041	122
72042	122
72043	101
72044	110
72045	133

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ZIP Code	System Territory
72046	059
72047	131
72048	118
72051	108
72052	135
72053	057
72055	120
72057	144
72058	132
72059	092
72060	135
72061	132
72063	072
72064	122
72065	064
72066	135
72067	106
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72069	122
72070	072
72071	019
72072	122
72073	122
72074	127
72075	101
72076	066
72078	066
72079	060
72080	072
72081	113
72082	135
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72084	062
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72086	059
72087	061
72088	072
72089	201
72099	066
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72103	201
72104	200
72105	019
72106	129
72107	076
72108	121
72110	072
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72115	065
72116	064

ZIP Code	System Territory
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72122	201
72123	092
72124	203
72125	072
72126	072
72127	076
72128	062
72129	062
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72135	064
72136	134
72137	134
72139	093
72140	122
72141	072
72142	066
72143	135
72145	135
72149	135
72150	063
72152	060
72153	104
72156	072
72157	072
72160	122
72164	057
72165	101
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72167	063
72168	058
72169	101
72170	122
72173	128
72175	119
72176	131
72178	135
72179	114
72180	064
72181	132
72182	058
72183	057
72189	092
72190	201
72198	202
72199	201

ZIP Code	System Territory
72201	057
72202	057
72203	057
72204	057
72205	064
72206	057
72207	064
72209	056
72210	064
72211	064
72212	064
72214	057
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72216	057
72217	064
72219	056
72221	064
72222	064
72223	064
72225	064
72227	064
72231	064
72260	057
72295	057
72301	158
72303	206
72310	054
72311	154
72312	154
72313	054
72314	019
72315	054
72316	054
72319	054
72320	153
72321	054
72322	148
72324	089
72325	205
72326	148
72327	155
72328	126
72329	054
72330	054
72331	151
72332	155
72333	153
72335	153
72336	204
72338	054
72339	155
72340	154
72341	156
72342	157

ZIP Code	System Territory
72346	151
72347	089
72348	156
72350	054
72351	054
72352	154
72353	153
72354	051
72355	154
72358	054
72359	153
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72364	158
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72368	154
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72372	153
72373	149
72374	157
72376	155
72377	053
72379	137
72381	019
72383	157
72384	155
72386	051
72387	150
72389	154
72390	157
72391	054
72392	154
72394	151
72395	054
72396	150
72401	055
72402	055
72403	055
72404	053
72410	140
72411	053
72412	141
72413	141
72414	053
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72416	141
72417	053
72419	053
72421	097
72422	141
72424	141
72425	141

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ZIP Code	System Territory
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72429	089
72430	141
72431	101
72432	052
72433	140
72434	138
72435	141
72436	141
72437	053
72438	054
72439	055
72440	138
72441	141
72442	054
72443	053
72444	141
72445	140
72447	053
72449	141
72450	053
72451	053
72453	141
72454	053
72455	141
72456	141
72457	096
72458	138
72459	138
72460	138
72461	053
72462	141
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72466	138
72467	053
72469	138
72470	141
72471	096
72472	051
72473	102
72474	053
72475	089
72476	140
72478	141
72479	089
72482	100
72501	116
72503	116
72512	100
72513	100
72515	099

ZIP Code	System Territory
72516	019
72517	099
72519	046
72520	099
72521	100
72522	095
72523	114
72524	101
72525	100
72526	115
72527	116
72528	098
72529	100
72530	109
72531	098
72532	100
72533	108
72534	116
72536	099
72537	046
72538	098
72539	100
72540	099
72542	100
72543	112
72544	046
72545	112
72546	114
72550	114
72553	116
72554	100
72555	115
72556	099
72557	019
72560	108
72561	111
72562	101
72564	101
72565	099
72566	099
72567	115
72568	116
72569	138
72571	101
72572	096
72573	111
72575	116
72576	099
72577	100
72578	098
72579	116
72581	114
72583	098
72584	099

ZIP Code	System Territory
72585	099
72587	099
72601	041
72602	041
72610	019
72611	042
72613	034
72615	041
72616	042
72617	045
72619	046
72623	046
72624	042
72626	046
72628	040
72629	106
72630	041
72631	042
72632	034
72633	042
72634	046
72635	046
72636	044
72638	042
72639	105
72640	042
72641	042
72642	046
72644	041
72645	038
72648	042
72650	038
72651	046
72653	046
72654	046
72655	042
72657	108
72658	046
72660	042
72661	046
72662	042
72663	108
72666	042
72668	046
72669	042
72670	042
72672	041
72675	044
72677	041
72679	107
72680	108
72682	041
72683	042
72685	042

ZIP Code	System Territory
72686	037
72687	041
72701	032
72702	032
72703	032
72704	032
72711	032
72712	032
72714	032
72715	032
72716	032
72717	086
72718	032
72719	032
72721	042
72722	032
72727	032
72728	032
72729	080
72730	032
72732	031
72733	031
72734	032
72735	032
72736	032
72737	032
72738	035
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72742	042
72744	032
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72749	086
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72769	032
72770	032
72773	042
72774	032
72776	042
72801	074

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ZIP Code	System Territory
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72811	074
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72824	071
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72827	071
72828	071
72829	074
72830	071
72832	071
72833	071
72834	074
72835	073
72837	074
72838	069
72839	071
72840	071
72841	069

ZIP Code	System Territory
72842	071
72843	072
72845	071
72846	071
72847	074
72851	071
72852	043
72853	073
72854	070
72855	071
72856	036
72857	071
72858	074
72860	071
72863	071
72865	071
72901	081
72902	084
72903	084
72904	084
72905	084

ZIP Code	System Territory
72906	084
72908	084
72913	084
72914	084
72916	084
72917	084
72918	084
72919	084
72921	084
72923	084
72924	077
72926	023
72927	088
72928	071
72930	068
72932	087
72933	083
72934	087
72935	084
72936	084
72937	085

ZIP Code	System Territory
72938	079
72940	079
72941	084
72943	071
72944	077
72945	079
72946	087
72947	082
72948	087
72949	088
72950	069
72951	071
72952	082
72955	087
72956	084
72957	084
72958	077
72959	033

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APPENDIX 2: PREMIUM CALCULATIONS

Abbreviations:

BR	Base Rate
CF	Class Factor
SF	Symbol Factor
DF	Deductible Factor
IL	Increased Limit Factor
MY	Model Year Factor
PF	Point Factor
TF	Term Factor
CR	Renewal Cap Factor

SD	Safe Driver Discount
RD	Renewal Discount
MC	Multi-Car Discount
SR	Senior Driver Discount
PI	Prior Insurance Discount
VU	Vehicle Use
CG	College Graduate Discount
MX	Maximum Discount

Calculation Notes:
All rounding is done after all factor and discounts multiplication is completed. If a factor is shown in the calculation methodology below is not applicable, replace such discount or factor with a factor of 1.00.

Bodily Injury Calculation:
BR*IL*((CF+PF)-1)*SF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-SR)*(1-MC)*(1-CG)]*VU*TF*CR

Property Damage Calculation:
BR*IL*((CF+PF)-1)*SF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-MC)*(1-CG)]*VU*TF*CR

Personal Injury Protection Calculation:
BR*IL*((CF+PF)-1)*SF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-MC)*(1-CG)]*VU*TF*CR

Uninsured/Underinsured Motorists Calculation:
BR*IL*CF*VU*TF*CR

Medical Payments Calculation:
BR*IL*CF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-MC)]*VU*TF*CR

Comprehensive Calculation:
BR*((CF+PF)-1)*SF*MY*DF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-SR)*(1-MC)*(1-CG)]*VU*TF*CR

Collision Calculation:
BR*((CF+PF)-1)*SF*MY*DF*MAX[1-MX,(1-SD)*(1-PI)*(1-RD)*(1-SR)*(1-MC)*(1-CG)]*VU*TF*CR

Accidental Death Calculation:
BR*TF*CR

Towing Coverage Calculation:
BR*TF*CR

Rental Coverage Calculation:
BR*TF*CR

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APPENDIX 3: VEHICLE SYMBOLS

Vehicle Symbols are listed in a separate binder.

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Policy Term	Policy Type	Down Payment	Number of Installments	Due Dates
6 mo	New & Renewal	100%		
6 mo	New & Renewal	50%	1 @ 50%	3 months from inception
6 mo	New & Renewal	40%	2 @ 30%	Inception day on months 2 & 4
6 mo	New & Renewal	41.68%	4 @ 14.58%	Monthly from inception
6 mo	New & Renewal	30%	4 @ 17.5%	Monthly from inception
6 mo	New & Renewal	30%	5 @ 14%	Monthly from inception
6 mo	New	30%	10 @ 7%	Monthly from inception
6 mo	Renewal	25%	4 @ 18.75%	Monthly from inception
6 mo	Renewal	25%	5 @ 15%	Monthly from inception
6 mo - EFT Required	New & Renewal	25%	4 @ 18.75%	Monthly from inception
6 mo - EFT Required	New & Renewal	20%	4 @ 20%	Monthly from inception
6 mo	New & Renewal	21.9%	5 @ 15.62%	14/28*
6 mo	New	25.2%	12 @ 6.23%	14/28*
6 mo	Renewal	22%	5 @ 15.6%	14/28*
6 mo	New & Renewal	25%	5 @ 15%	20/27**
6 mo	New	27%	12 @ 6.08%	20/27**
6 mo	Renewal	22%	5 @ 15.6%	20/27**
12 mo	New & Renewal	100%		
12 mo	New & Renewal	25%	3 @ 25%	Inception day on months 3, 7 & 10
12 mo	New & Renewal	25%	10 @ 7.5%	Monthly from inception
12 mo	New & Renewal	20%	10 @ 8%	Monthly from inception
12 mo	New & Renewal	16.7%	10 @ 8.33%	Monthly from inception
12 mo	New & Renewal	15%	11 @ 7.7273%	Monthly from inception
12 mo	New	15%	10 @ 8.5%	Monthly from inception
12 mo	Renewal	12.5%	4 @ 21.88%	Monthly from inception
12 mo	Renewal	12.5%	11 @ 7.9545%	Monthly from inception
12 mo	New & Renewal	16%	12 @ 7%	14/28*
12 mo	New	12.65%	12 @ 7.28%	14/28*
12 mo	Renewal	11%	5 @ 17.8%	14/28*
12 mo	New & Renewal	20.8%	12 @ 6.6%	20/27**
12 mo	New	13.5%	12 @ 7.21%	20/27**
12 mo	Renewal	11%	5 @ 17.8%	20/27**
12 mo - EFT Required	New & Renewal	12.5%	10 @ 8.75%	Monthly from inception
12 mo	New & Renewal	15%	4 @ 7.09% + 8 @7.08%	20/27**

Direct National Insurance Company

Underwriting Rules / Rating Guidelines

State of

Arkansas

ARKANSAS

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RULE 1. BINDING AUTHORITY

1. Agent binding authority is three (3) days. The signed application and required down payment must be received within three (3) working days of when coverage is bound.

2. Backdating of the effective date is not permitted.

3. The application must be fully completed, including the insured's signature(s).

4. When Physical Damage coverage is written, a pre-insurance inspection form must be completed for vehicles in all territories prior to binding. Please note all existing damage. Inspections are not required on renewal policies.

5. Physical damage coverage may not be written or bound in any area where there is a flash flood, hailstorm, hurricane, tornado or tropical storm warning, watch or occurrence.

RULE 2. SR-22 / FINANCIAL RESPONSIBILITY FILING

A $10.00 fee is applied per filing.

RULE 3. UNACCEPTABLE RISKS

DIRECT reserves the right to determine the final acceptability of any risk. The agent in determining the acceptability of the risk should use the following guidelines.

1. Unacceptable Drivers

   a. Operators not possessing valid proof of residence. Acceptable proof includes each of the following:

      1) a lease for an apartment, house, modular unit, or manufactured home with a Arkansas address signed by the applicant;
      2) a current utility bill showing the address of the applicant-payor;
      3) a receipt for personal property taxes paid;
      4) a valid student ID for a Arkansas school or university;
      5) a valid Arkansas vehicle registration;
      6) a valid unexpired Arkansas driver's license;
      7) a receipt for real property taxes paid to a Arkansas locality;
      8) a document similar to that described in #3, issued by the consulate or embassy of another country that would be accepted by the Arkansas Division of Motor Vehicles;
      9) a pay stub with the payee's address;
      10) a monthly or quarterly financial statement from a Arkansas regulated financial institution; or
      11) a valid military ID.

      Risks in which the driver(s) has recently moved to Arkansas will be accepted assuming that he/she provides DIRECT with a copy of at least one of these documents within thirty (30) days of policy inception. Risks not providing this proof of residency will be cancelled.

   b. Persons not residing in Arkansas at least six (6) months of the year.

   c. Members of the armed forces not stationed permanently in Arkansas.

   d. Drivers designated as "Habitual Traffic Offenders" on their MVR.

e. Drivers who have had a policy cancelled by DIRECT for loss experience or misrepresentation.

f. Drivers without a verifiable garaging address.

g. Applicants who have been convicted of insurance fraud.

2. Unacceptable Vehicles

a. Vehicles used for emergency, racing, delivery messenger, livery, limousine, or taxi service, including vehicles used to haul nursery or school children, migrant workers, hotel/motel guests, and medical/dental/optical patients, food vendors, food/newspaper/mail delivery, towing/repossession, etc.

b. Rental vehicles or short-term leased vehicles (less than 6 months).

c. Any vehicle which is leased or rented by the applicant to other operators or loaned on a regular basis.

d. Vehicles not garaged in Arkansas for at least six (6) months a year.

e. Recreation vehicles designed for off-road use or dune buggies unless a corresponding recreational vehicle endorsement is purchased.

f. Motor homes and travel trailers.

g. Antique vehicles, homebuilt vehicles or kit cars.

h. Any vehicle carrying explosives or flammable substances.

i. Vehicles from more than one (1) household listed on a single policy. **Exception:** Does not apply to acceptable student risks attending school in Arkansas.

j. Vans, pickups and utility vehicles used in business, unless they are used in one (1) of the artisan occupations listed in the VEHICLE USE section of this manual.

k. Flatbed trucks, stake trucks, and dump trucks.

l. Cut-away vans, step vans, and vehicles with right hand steering.

m. Stated value policies.

n. Driver training vehicles or those cars used for driver training.

o. Vehicles titled to any governmental body, estate, receivership, corporation or partnership.

p. Vehicles with logos or advertising on them, whether removable or permanent.

q. Any vehicles with a permit to dismantle.

r. Vehicles modified/altered/restored mechanically or structurally which results in a change in performance or appearance.

s. Vehicles with modified suspensions including all lowered chassis vehicles or vehicles with chassis raised more than six (6) inches above the normal factory height.

t. Any vehicle 1969 model year and prior.

u. Vehicles equipped with cooking equipment or bathrooms.

v. Policy with two (2) or more business use vehicles.

w. Physical damage on any vehicle:

1) on which DIRECT has previously paid a total loss claim and which is retained by the insured.

2) 1984 model year and prior.

3) with a new cost value exceeding $75,000.

RULE 4. NON-OWNER COVERAGE

A Named Operator policy may be written when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

1. Only Liability BI, PD, PIP, UMB, UDB, UMP and Accidental Death may be written.

2. Permissive operator coverage is not included.

3. Use the vehicle use code “NO’ when rating.

RULE 5. ENDORSEMENTS

1. All premium change endorsements will reflect the rates and rules in force at the inception of the policy period.

2. Premium charges will be calculated pro-rata.

3. Midterm premium adjustments will be made as a result of a change in:

   a. autos insured by the policy;

   b. drivers added to or excluded from the policy; and

   c. coverage and deductibles.

4. Mid-term premium adjustments will not be made as a result of:

   a. driver point changes (unless to recognize adding/deleting a driver);

   b. attained age of driver; or

   c. rating territory.

5. Return premium of $10.00 or less will not be refunded unless requested in writing by the insured.

6. Written Endorsements: The following must be submitted in writing and must have the insured’s signature and date signed:

   a. add, delete or change coverage/increase or decrease deductibles.

   b. add or delete vehicles (unless sold or replaced).

c. driver exclusions.

d. rejection of PIP, UMB, UDB and UMP.

e. add or delete operators / SR-22 filings.

RULE 6. CANCELLATIONS

1. DIRECT may cancel the policy for any reason within the first sixty (60) days of the policy period, provided that the date of cancellation is at least twenty (20) days after the date of mailing.

2. After the first sixty (60) days of the policy period, DIRECT may cancel the policy with twenty (20) day written notice provided that the cancellation is for one (1) or more of the following reasons:

   a. Misrepresentation by the insured of any material fact in the procurement or renewal of this policy or in the submission of claims under this policy.

   b. The Named Insured or any driver of the insured vehicle is **convicted** of:

      1) driving while intoxicated;

      2) homicide or assault arising out of the use of a motor vehicle; or

      3) three (3) separate convictions of speeding or reckless driving or combination of the two (2) during the policy period, including (3) months prior to the effective date of the policy.

   c. Non-payment of premium (a written notice of cancellation will be mailed or delivered to the last known mailing address of the named insured and any loss payee at least 10 days prior to the effective date of the cancellation.)

3. In the event a policy has three (3) “losses”, where loss is defined as money paid out to an insured or third party in satisfaction of a claim, during a twelve (12) month term the policy will be non-renewed giving at least thirty (30) days advance notice. Claims arising from “natural causes” will not be considered when evaluating the loss history.

4. The mailing of notice of cancellation or non-renewal to the insured’s address as shown on the Declarations Page will be proof of cancellation or non-renewal.

5. The insured may cancel the policy by mailing or electronically submitting a signed written request stating the future date that the Insured wishes the cancellation to be effective. The cancellation may not be earlier than the date the request is received unless the request is from the premium finance company. If the request is from the premium finance company, we may elect, at our sole option, to cancel the policy as of the effective date stated in the notice

6. An insufficient down payment will result in a flat cancellation and coverage will be null and void. An insufficient payment or nonpayment of any installment by the due date will result in a cancel notice being sent to the Insured at least ten (10) days in advance of cancellation. If payment is received in our office by the cancel date, the policy will be reinstated.

7. In the event of a total loss, coverage continues until the insured sends a cancellation request to DIRECT.

8. When the cancellation request is due to duplicate coverage and the requested cancellation date is prior to the received date, DIRECT requires proof of duplicate coverage in order to honor the requested cancellation date.

9. DIRECT cannot cancel or non-renew solely because of the administrative revocation or suspension of the driver's license of the owner or operator of the motor vehicle under Arkansas Code 5-65-104.

10. Premium computations for cancellations are as follows:

    a. Requested by insured: Return premium shall be calculated on a short rate basis.

    b. Non-payment of premium: Return premium shall be calculated on a 100% pro-rata basis.

    c. Request of premium finance company: Return premium shall be calculated on a 100% pro-rata basis.

    d. Request of company: Return premium shall be calculated on a 100% pro-rata basis.

RULE 7. MATERIAL MISREPRESENTATIONS OF RISK

1. If statements in the application differ from records of the Department of Motor Vehicles, the proper additional or return premium will be processed without prior notice. Additionally, the company may elect to cancel for undisclosed violations.

2. Among the information most often misrepresented is:

    a. drivers (list or exclude all persons age 14 and older in the household);

    b. driving record;

    c. vehicle type and use;

    d. garaging address; and

    e. state of residency.

RULE 8. RENEWALS

1. A renewal quote will be sent to the insured thirty (30) days prior to expiration, along with instructions to pay DIRECT directly.

2. Payment must be <u>received</u> by DIRECT prior to expiration to ensure continuous coverage.

3. Renewal payments received after the policy expires could result in renewal with a lapse.

4. If the policy had a lapse in coverage in the prior twelve (12) months, renewal will result in business tier "R".

5. Renewal Rate Level Capping:

    a. Renewal premiums will be capped at 10%.

    b. The premium is calculated for the renewal term (True Renewal Premium) and compared to the premium from the current term (Current Term Premium). If the True Renewal Premium exceeds the Current Term Premium by more than 10%, the Final Renewal Premium increase will be capped at 10%.

c. If a rating characteristic change is made in the prior term or at the time of renewal, the Current Term Premium will be calculated using the new rating characteristic. It will then be compared to the True Renewal Premium calculated using the same characteristics.

d. To calculate the Final Renewal Premium, a factor is applied to each vehicle and coverage. Factor = (Current Term Premium * 1.10) / True Renewal Premium

e. This factor will be used each time a change is made to the policy for the term of the policy.

f. The factor will be re-calculated at each renewal. **Note:** The Current Term Premium used at the second and subsequent renewal will be calculated using any "Factor" applied in the previous renewal.

RULE 9. LIABILITY COVERAGE

1. Bodily Injury (BI)

   a. The following limits are available:

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

2. Property Damage (PD)

   a. The following limits are available:

      1) $25,000 per occurrence;

      2) $50,000 per occurrence; and

      3) $100,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

3. Uninsured Motorist (UMB/UMP) / Underinsured Motorist (UDB)

   a. The following limits are available for Uninsured Motorist Bodily Injury (UMB) and Underinsured Motorists Bodily Injury (UDB):

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. The following limits are available for Uninsured Motorist Property Damage (UMP):

1) $25,000 per occurrence;

2) $50,000 per occurrence; and

3) $100,000 per occurrence.

c. If this coverage is not desired, the insured must sign the Uninsured/Underinsured Motorist rejection form. If this signed form does not accompany the application, these coverages will automatically be added at the Bodily Injury and Property Damage limits and the appropriate premium will be charged.

d. Coverage must be written on all cars of a multi-car policy at the same limits.

e. Uninsured coverage cannot exceed the liability coverage limits.

f. UDB will be offered after UMB is accepted.

4. Personal Injury Protection (PIP)

a. The following benefits are provided:

1) $5,000 Medical/Hospital;

2) Income Disability; and

3) $5,000 Accidental Death.

b. If any or all of these options are not desired, the insured must sign the Personal Injury Protection rejection form. If this signed form does not accompany the application, all options will automatically be added and the appropriate premium will be charged.

5. Medical Payments (MP)

a. Medical Payments is optional.

b. It can only be written on policies with Liability coverage.

c. Medical Payments limits must be the same on all vehicles on the policy.

d. Limits available:

1) $250;

2) $500;

3) $1,000; and

4) $2,000.

6. Accidental Death (AD)

a. Accidental Death is an optional coverage, providing $5,000 paid to the Named Insured's estate as specified in the policy.

b. Semi-annual premium is $10.

RULE 10. PHYSICAL DAMAGE COVERAGE

1. Comprehensive/Collision (CMP/COL)

    a. The following deductibles are available:

        1) $100;

        2) $250;

        3) $500;

        4) $750; and

        5) $1,000.

    b. A $250 deductible applies to lienholders upon repossession with damage.

    c. Both Comprehensive and Collision must be written where Physical Damage coverage is chosen.

    d. The same deductible must be chosen for Collision and Comprehensive.

2. Towing (TVW)

    a. Towing is an optional coverage, providing up to $25 reimbursement per occurrence.

    b. Semi-annual premium is $12 per vehicle.

    c. Coverage may only be written on cars providing Comprehensive and Collision coverages.

3. Rental Car (RTW)

    a. Rental is an optional coverage, providing $10/day reimbursement up to $300.

    b. Semi-annual premium is $25 per vehicle.

    c. It may only be written on cars providing Comprehensive and Collision coverages.

RULE 11. RATING PROCEDURES

1. Annual policies are rated with a factor of 1.90 times the semi-annual rate.

2. The premium for each coverage and vehicle shall be rounded to the nearest dollar. $0.50 and over will be rounded up.

3. Determine Territory code from APPENDIX 1: TERRITORY DEFINITIONS. Do not use “Bureau” definitions. Use the zip code where the vehicle is principally garaged, not the mailing zip code.

4. Vehicle Symbols:

    a. Determine Liability and Physical Damage Vehicle Rating Symbol from APPENDIX 3: VEHICLE SYMBOLS.

    b. Interim rating symbol determination for unlisted vehicles:

1) 1984 and prior are not listed in APPENDIX 3: VEHICLE SYMBOLS:

a) Use the liability symbol in the rate tables, which is most descriptive of the vehicle, e.g., T for truck, F for 4x4 trucks, V for van, C for convertible, etc.

b) Physical Damage coverage is not available; use Physical Damage symbol "Z".

2) 2004 and subsequent:

a) If APPENDIX 3: VEHICLE SYMBOLS displays a rating symbol for the prior model year version of the same vehicle, use the prior model year's symbol for the new model year vehicle.

b) If APPENDIX 3: VEHICLE SYMBOLS does not display a symbol for the prior model year version of the same vehicle, assign a symbol based on the cost new (MSRP) of the auto using the Price/Symbol Chart located in the rate tables.

5. Vehicle Age is determined using the policy effective date year and the vehicle model year.

RULE 12. POLICY FEES

1. Policy Fee: $15.00 earned at inception on each new and renewal policy.

2. SR-22: $10.00 per filing.

3. Reinstatement Fee: $5.00 for each policy where cancellation notice has been issued and the insured desires continuation of coverage.

4. Installment Billing Fee: $7.00 per installment or $2.00 per EFT installment.

5. Late Fee: $10.00 for each late installment payment.

6. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

RULE 13. DISCOUNTS

1. Safe Driver Discount

a. A 5% credit if all operators are violation and accident free for the preceding twelve (12) months.

b. This discount applies to both new and renewal business.

c. This discount will apply to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.

2. Multi-Car Discount

a. The following credits will apply:

1) a 22% credit to Bodily Injury and Property Damage coverages;

2) a 15% credit to Personal Injury Protection coverage;

3) a 20% credit to Medical Payments; and

4) a 10% credit applies to Comprehensive and Collision coverages;

if carried on each auto.

b. More than one (1) car must be covered on the same policy.

3. Senior Citizen Discount

a. A 5% credit applies to Bodily Injury, Comprehensive and Collision coverages.

b. This discount is available to drivers 55 and older. Applicants must submit a copy of the certificate indicating successful completion of a Motor Vehicle Accident Prevention Course, which has been approved by the State of Arkansas. If previously received by the company, no further proof is required at renewal.

c. This discount applies only to the driver completing the course.

d. This discount is valid for thirty-six (36) months following course completion.

e. Discount does not apply if course is taken as a punishment specified by a court or other governmental entity resulting from a moving violation.

4. College Graduate Discount

a. A 5% credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Comprehensive and Collision coverages.

b. Available to drivers under the age of twenty-five (25) who have graduated from a college or university and whose cumulative scholastic records show that the insured attained one (1) of the following:

1) If letter grades are used, had a grade average of “B” or higher; or

2) Had at least a 3 point average on a 4 point scale (or equivalent).

c. A copy of his/her college transcript is required and must accompany the application for the discount to apply. If previously received by the company, no further proof is required at renewal.

5. Maximum Discount

The maximum allowable discount is 45% per policy. Discounts are multiplicative not additive, e.g., a 10% discount and a 5% discount is not 15%, but 1-(1-10%) x (1-5%) = 14.5%.

RULE 14. DRIVER CLASSES

1. The highest rated driver is matched to the highest rated vehicle.

2. The driver classification to be used in the rating of DIRECT automobile policies is a combination of gender, marital status and age.

3. Where there are more cars than drivers on a policy, additional cars will be rated with Class 1 with zero (0) points.

4. Report all persons fourteen (14) years of age and older living in the insured’s household, whether or not they are licensed. These persons must be included in the rating or must be specifically excluded.

5. Married class includes legally married and residing with spouse.

6. Single class includes persons who are single, divorced, separated, widowed or living together while not married.

7. Roommates must be included in the rating of a policy unless specifically excluded.

8. In the event that DIRECT discovers a previously undeclared operator at any time during the policy period, DIRECT deserves the right to:

   a. void for misrepresentation; or

   b. add the operator to the policy as of the effective date of the policy period and add a violation code of 402. This point surcharge will only be applied to the policy period for which they are added. At renewal the surcharge will be removed. (We will run an MVR at the time the driver is added and add all prior violations to the policy. These will not be removed at renewal.) If the operator is involved in an at-fault-accident, the accident will be added and charged at renewal.

RULE 15. DRIVING RECORD/POINT COUNT PROCEDURES

1. Point values are assessed for all accidents and violations which occur in the thirty-five (35) month period immediately preceding the policy inception date.

2. Multiple Violations: If two (2) or more violations or an accident and a violation result from the same incident, we will charge only for the highest rated violation or accident.

3. Violation Point Class:

Description	Points 1st Occurrence	Points 2nd Occurrence	Points Each Additional Occurrence
AAF – At-Fault Accident	4	6	9
DWI – Driving Under the Influence	1	2	5
IND – No Charge	0	0	0
MAJ – Major Violation	4	4	4
MIN – Minor Violation	2	3	2
NAF – Not-At-Fault	0	0	0
SPD – Speeding	2	1	1

4. Point Assignments:

Description	Violation Code	Violation Point Class
At-Fault Accident	301	AAF
Auto Theft/Felony Motor Vehicle	605	MAJ

Description	Violation Code	Violation Point Class
Careless/Improper Operation	101	MAJ
Comprehensive Claim	007	IND

Description	Violation Code	Violation Point Class
Drag Racing	118	MAJ
Drive Under Influence Drugs / Alcohol	602	DWI
Drive while License Revoked / Suspended	302	MIN
Driving without License	303	MIN
Failure to Follow Traffic Device / Sign	110	MIN
Failure to Yield	111	MIN
Fleeing from Police	606	MAJ
Following too Close	112	MIN
Foreign Driver's License	401	MAJ
Improper Backing	113	MIN
Improper Passing	114	MIN
Improper Turn	124	MIN
Leaving the Scene	608	MAJ

Description	Violation Code	Violation Point Class
Minor Moving Violation	115	MIN
Not-At-Fault Accident	011	NAF
Open Bottle	116	DWI
Passing a Stopped School Bus	117	MAJ
Reckless Driving	305	MAJ
Speeding	201	SPD
Suspended, Revoked or Cancelled License	404	MAJ
Undisclosed Driver	402	MAJ
Unverifiable Driving Record	403	MAJ
Vehicular Homicide	601	MAJ
Without Owner's Consent	603	MAJ
Wrong Way on One-Way Street	107	MIN

5. All accidents will be considered chargeable unless the Named Insured demonstrates (1) one of the following:

   a. Applicant's automobile was lawfully parked.

   b. Judgment or reimbursement was obtained from responsible party.

   c. Struck in rear and not convicted of a moving traffic violation.

   d. Struck by hit-and-run driver and such accident were reported by applicant to proper authorities within twenty-four (24) hours.

   e. Applicant was not convicted of a moving traffic violation in connection with the accident and the other operator of the vehicle involved in such accident was convicted of a moving traffic violation.

   f. Applicant was finally adjudicated not to be liable by a court of competent jurisdiction.

   g. Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, falling objects or by contact with animals or fowl.

h. Applicant was operating vehicle other than a private passenger auto, motor home or motorcycle at time of accident.

i. In receipt of a traffic citation which was dismissed or nolle prosequi.

6. If the operator at the time of accident/violation was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad, or any Law Enforcement Agency, the accident/violation is not chargeable.

7. Driver's License Status – Operators not possessing a valid driver's license will be assigned a surcharge. Specific situations are addressed below:

   a. Individuals serving full-time in the military and permanently stationed in Arkansas are not required to obtain an Arkansas license and will not be surcharged.

   b. Foreign and International Driver's Licenses: Drivers who have a valid foreign or international driver's license but not a valid U.S. license will be surcharged. The surcharge will apply until the insured is able to submit proof of a valid U.S. license having been in effect for at least twelve (12) months. Assign the Foreign Driver's License surcharge, i.e. code 401.

   c. Assign Unverifiable Driving Record surcharge, i.e. code 403:

      1) A major violation will be charged on any driver whose driving record cannot be verified by a state's Bureau of Motor Vehicles (not including drivers under 19).

      2) The charge will be removed effective the policy inception date if DIRECT receives a valid current MVR (contains at least 12 months of driving history). The MVR must be no more than thirty (30) days old and must be received within sixty (60) days of the policy inception.

      3) Drivers with a learner's permit will not be charged for an Unverifiable Driving Record during the first policy term. The Unverifiable Driving Record points will be assessed during the second and subsequent policy terms if an MVR remains unobtainable.

   d. Any driver whose license is suspended, revoked or cancelled will be surcharged. Once proof can be provided of the driver's license reinstatement, the surcharge can be removed effective the date of the license reinstatement. To have the surcharge removed, the driver needs to have their license reinstated and be able to show proof of a valid Arkansas license. Assign the Suspended, Revoked or Cancelled License surcharge, i.e. code 404.

   e. Note that only one of these above surcharges will apply, i.e. they are mutually exclusive

RULE 16. VEHICLE USE

Vehicle Use Relativity Table	BI	PD	PIP	UMB	UMP	UDB	MP	CMP	COL
Pleasure (PL)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Business Use (BU)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Non-Owner (NO)	0.90	0.90	0.90	0.90	0.90	0.90	N/A	N/A	N/A

1. Pleasure Use (PL): Includes vehicles driven for pleasure, to and from work or school and for farm/ranch use. There should be no regular business use of the vehicle in connection with the driver's occupation, profession, or business other than commuting to and from work or school.

2. Business Use (BU):

a. A surcharge will be applied to risks in which the automobile is used regularly in support of the insured's business or profession.

b. DIRECT will only accept the risk if the vehicle is individually owned.

c. The following professions are deemed acceptable:

1) Sales;

2) Lawyers;

3) Clergymen;

4) Realtors; and

5) Visiting Nurses.

d. Artisan Risks: Pickups, vans and utility vehicles.

1) When the business use of these vehicles consists solely of carrying tools and supplies between the Named Insured's home and the job site, DIRECT will accept the risk subject to the following:

a) the vehicle is individually owned;

b) the vehicle is operated solely by the Named Insured and family members;

c) the insured has no more than one (1) vehicle in this category; and

d) the vehicle is visiting no more than three (3) job sites per day.

2) The occupations that fall under the category of Artisan are the following:

a) Aluminum Contractors;

b) Air Conditioning/Heating;

c) Bricklayers/Masonry;

d) Cabinet Installers;

e) Carpenters;

f) Concrete Contractors;

g) Electrical Contractors;

h) Fence Installers;

i) Glass Installers;

j) Interior Decorators;

k) Painters;

l) Plaster/Stucco Contractors;

m) Repair – Appliances;

n) Repair – Handyman;

o) Screened Enclosure Erectors;

p) Surveyors;

q) Swimming Pool Installers; and

r) Tree Surgeons.

e. Risks will not be accepted in those instances where there is for-hire pickup and delivery of goods or debris, flammable or explosives are transported or where the vehicle is hauling equipment with a weight in excess of 2,000 pounds or has a GVW of 10,000 pounds or more.

3. Non-Owner (NO): Used when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

RULE 17. PAYMENT PLANS

The total premium including fees is due at the beginning of the policy period, unless the insured elects one (1) of the following installment plan options.

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6			100.0000%		100.0000%	
6	3 mos. from inception	1	50.0000%	50.0000%	50.0000%	50.0000%
6	2 and 4 mos. from inception	2	40.0000%	30.0000%	40.0000%	30.0000%
6	Monthly	4	41.6800%	14.5800%	41.6800%	14.5800%
6	Monthly	4	30.0000%	17.5000%	30.0000%	17.5000%
6	Monthly	4	N/A	N/A	25.0000%	18.7500%
6	Monthly - EFT Required	4	25.0000%	18.7500%	25.0000%	18.7500%
6	Monthly - EFT Required	4	20.0000%	20.0000%	20.0000%	20.0000%
6	Monthly	5	30.0000%	14.0000%	30.0000%	14.0000%
6	Monthly	5	N/A	N/A	25.0000%	15.0000%
6	20/27	5	25.0000%	15.0000%	25.0000%	15.0000%
6	20/27	5	N/A	N/A	22.0000%	15.6000%
6	7/28	5	20.2400%	15.9520%	17.6000%	16.4800%
6	8/28	5	20.9600%	15.8080%	18.2300%	16.3540%
6	9/28	5	21.6900%	15.6620%	18.8600%	16.2280%
6	10/28	5	22.4100%	15.5180%	19.4900%	16.1020%
6	11/28	5	23.1300%	15.3740%	20.1100%	15.9780%
6	12/28	5	23.8500%	15.2300%	20.7400%	15.8520%
6	13/28	5	24.5800%	15.0840%	21.3700%	15.7260%
6	14/28	5	21.9000%	15.6200%	21.9000%	15.6200%
6	14/28	5	N/A	N/A	22.0000%	15.6000%
6	15/28	5	26.0200%	14.7960%	22.6300%	15.4740%
6	16/28	5	26.7500%	14.6500%	23.2600%	15.3480%
6	17/28	5	27.4700%	14.5060%	23.8900%	15.2220%
6	18/28	5	28.1900%	14.3620%	24.5100%	15.0980%
6	19/28	5	28.9100%	14.2180%	25.1400%	14.9720%
6	20/28	5	29.6400%	14.0720%	25.7700%	14.8460%
6	21/28	5	30.3600%	13.9280%	26.4000%	14.7200%
6	7/30	5	18.0000%	16.4000%	15.0000%	17.0000%
6	8/30	5	18.5000%	16.3000%	15.4200%	16.9160%
6	9/30	5	19.0000%	16.2000%	15.8300%	16.8340%
6	10/30	5	19.5000%	16.1000%	16.2500%	16.7500%
6	11/30	5	20.0000%	16.0000%	16.6700%	16.6660%
6	12/30	5	20.5000%	15.9000%	17.0800%	16.5840%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	13/30	5	21.0000%	15.8000%	17.5000%	16.5000%
6	14/30	5	21.5000%	15.7000%	17.9200%	16.4160%
6	15/30	5	22.0000%	15.6000%	18.3300%	16.3340%
6	16/30	5	22.5000%	15.5000%	18.7500%	16.2500%
6	17/30	5	23.0000%	15.4000%	19.1700%	16.1660%
6	18/30	5	23.5000%	15.3000%	19.5800%	16.0840%
6	19/30	5	24.0000%	15.2000%	20.0000%	16.0000%
6	20/30	5	24.5000%	15.1000%	20.4200%	15.9160%
6	21/30	5	25.0000%	15.0000%	20.8300%	15.8340%
6	22/30	5	25.5000%	14.9000%	21.2500%	15.7500%
6	23/30	5	26.0000%	14.8000%	21.6700%	15.6660%
6	24/30	5	26.5000%	14.7000%	22.0800%	15.5840%
6	25/30	5	27.0000%	14.6000%	22.5000%	15.5000%
6	26/30	5	27.5000%	14.5000%	22.9200%	15.4160%
6	27/30	5	28.0000%	14.4000%	23.3300%	15.3340%
6	28/30	5	28.5000%	14.3000%	23.7500%	15.2500%
6	29/30	5	29.0000%	14.2000%	24.1700%	15.1660%
6	30/30	5	29.5000%	14.1000%	24.5800%	15.0840%
6	31/30	5	30.0000%	14.0000%	25.0000%	15.0000%
12			100.0000%		100.0000%	
12	3, 7 and 10 mos. from inception	3	25.0000%	25.0000%	25.0000%	25.0000%
12	Monthly	10	30.0000%	7.0000%	N/A	N/A
12	Monthly	10	25.0000%	7.5000%	25.0000%	7.5000%
12	Monthly	10	20.0000%	8.0000%	20.0000%	8.0000%
12	Monthly	10	16.7000%	8.3300%	16.7000%	8.3300%
12	Monthly	10	15.0000%	8.5000%	N/A	N/A
12	Monthly - EFT Required	10	12.5000%	8.7500%	12.5000%	8.7500%
12	Monthly	11	15.0000%	7.7273%	15.0000%	7.7273%
12	Monthly	11	N/A	N/A	12.5000%	7.9545%
12	20/27	12	27.0000%	6.0800%	20.8000%	6.6000%
12	20/27	12	15.0000%	7.0834%	15.0000%	7.0834%
12	20/27	12	13.5000%	7.2100%	N/A	N/A
12	20/27	5	N/A	N/A	11.0000%	17.8000%
12	7/28	12	10.1200%	7.4900%	8.8000%	7.6000%
12	8/28	12	10.4800%	7.4600%	9.1100%	7.5742%
12	9/28	12	10.8400%	7.4300%	9.4300%	7.5475%
12	10/28	12	11.2000%	7.4000%	9.7400%	7.5217%
12	11/28	12	11.5700%	7.3692%	10.0600%	7.4950%
12	12/28	12	11.9300%	7.3392%	10.3700%	7.4692%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	13/28	12	12.2900%	7.3092%	10.6900%	7.4425%
12	14/28	12	25.2000%	6.2300%	16.0000%	7.0000%
12	14/28	12	12.6500%	7.2800%	N/A	N/A
12	14/28	5	N/A	N/A	11.0000%	17.8000%
12	15/28	12	13.0100%	7.2492%	11.3100%	7.3908%
12	16/28	12	13.3700%	7.2192%	11.6300%	7.3642%
12	17/28	12	13.7300%	7.1892%	11.9400%	7.3383%
12	18/28	12	14.1000%	7.1583%	12.2600%	7.3117%
12	19/28	12	14.4600%	7.1283%	12.5700%	7.2858%
12	20/28	12	14.8200%	7.0983%	12.8900%	7.2592%
12	21/28	12	15.1800%	7.0683%	13.2000%	7.2333%
12	7/30	11	9.0000%	8.2727%	7.5000%	8.4091%
12	8/30	11	9.2500%	8.2500%	7.7100%	8.3900%
12	9/30	11	9.5000%	8.2273%	7.9200%	8.3709%
12	10/30	11	9.7500%	8.2045%	8.1300%	8.3518%
12	11/30	11	10.0000%	8.1818%	8.3300%	8.3336%
12	12/30	11	10.2500%	8.1591%	8.5400%	8.3145%
12	13/30	11	10.5000%	8.1364%	8.7500%	8.2955%
12	14/30	11	10.7500%	8.1136%	8.9600%	8.2764%
12	15/30	11	11.0000%	8.0909%	9.1700%	8.2573%
12	16/30	11	11.2500%	8.0682%	9.3800%	8.2382%
12	17/30	11	11.5000%	8.0455%	9.5800%	8.2200%
12	18/30	11	11.7500%	8.0227%	9.7900%	8.2009%
12	19/30	11	12.0000%	8.0000%	10.0000%	8.1818%
12	20/30	11	12.2500%	7.9773%	10.2100%	8.1627%
12	21/30	11	12.5000%	7.9545%	10.4200%	8.1436%
12	22/30	11	12.7500%	7.9318%	10.6300%	8.1245%
12	23/30	11	13.0000%	7.9091%	10.8300%	8.1064%
12	24/30	11	13.2500%	7.8864%	11.0400%	8.0873%
12	25/30	11	13.5000%	7.8636%	11.2500%	8.0682%
12	26/30	11	13.7500%	7.8409%	11.4600%	8.0491%
12	27/30	11	14.0000%	7.8182%	11.6700%	8.0300%
12	28/30	11	14.2500%	7.7955%	11.8800%	8.0109%
12	29/30	11	14.5000%	7.7727%	12.0800%	7.9927%
12	30/30	11	14.7500%	7.7500%	12.2900%	7.9736%
12	31/30	11	15.0000%	7.7273%	12.5000%	7.9545%

* Due dates in the form of xx/dd is defined as: the first installment is due (xx) days after the inception of the policy, with remaining installments due every (dd) days thereafter.

1. Processing Fee: A fully earned $25.00 installment processing fee is due at inception of policy.

2. Installment Fee: $7.00 per installment, or $2.00 per EFT installment, excluding the down payment.

3. Late Fee: A late fee of $10.00 will be charged on any installment postmarked or received after the installment due date.

4. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

RULE 18. BUSINESS TIERS

Policy Description	Business Tier
New Business – No Prior Insurance	N
New Business – With Prior Insurance of 25/50 limits	P
New Business – With Prior Insurance greater than 25/50 limits	H
Renewal Business – 1st term	1
Renewal Business – 2nd term	2
Renewal Business – 3rd term	3
Renewal Business – With lapse in coverage in previous 12 months	R

1. The premium will be determined by a combination of Business Tier and Insurance Score.

2. Qualifications for Business Tier "P" ;

   a. Applicant must provide verification of at least six (6) months of continuous prior liability coverage, prior limits of 25/50, with no more than seven (7) days of lapse in previous coverage allowed.

   b. The only acceptable verification of prior coverage will be a renewal quote or letter from the prior agent or insurance company.

   c. A photocopy of the acceptable verification listed above must accompany the application for the discount to apply.

3. Qualifications for Business Tier "H";

   a. Applicant must provide verification of at least six (6) months of continuous prior liability coverage, prior limits greater than 25/50, with no more than seven (7) days of lapse in previous coverage allowed.

   b. The only acceptable verification of prior coverage will be a renewal quote or letter from the prior agent or insurance company.

   c. A photocopy of the acceptable verification listed above must accompany the application for the discount to apply.

4. Qualifications for Business Tier "R": Renewal policies with a lapse in coverage in the previous twelve (12) months.

5. Qualifications for Business Tier "1": First term renewals with no lapse in coverage in the previous twelve (12) months.

6. Qualifications for Business Tier "2": Second term renewals with no lapse in coverage in the previous twelve (12) months.

7. Qualifications for Business Tier “3”: Third term renewals with no lapse in coverage in the previous twelve (12) months.

8. Qualifications for Business Tier “N”: Does not qualify for either Business Tier “P”,”H”, “R”, “1”, “2” or “3”.

APPENDIX 1: TERRITORY DEFINITIONS

ZIP Code	System Territory
71601	232
71602	233
71603	170
71611	232
71612	233
71613	170
71630	172
71631	102
71635	173
71638	172
71639	172
71640	172
71642	173
71643	171
71644	150
71646	173
71647	102
71649	298
71651	102
71652	172
71653	172
71654	172
71655	173
71656	173
71657	173
71658	173
71659	150
71660	174
71661	173
71662	172
71663	173
71665	172
71666	172
71667	171
71670	173
71671	102
71674	172
71675	173
71676	173
71677	173
71678	171
71701	103
71711	103
71720	102
71721	107
71722	106
71724	105
71725	104
71726	103
71728	107

ZIP Code	System Territory
71730	105
71731	105
71740	103
71742	102
71743	107
71744	102
71745	102
71747	105
71748	174
71749	105
71750	105
71751	103
71752	103
71753	213
71754	213
71758	105
71759	105
71762	105
71763	104
71764	103
71765	105
71766	102
71768	105
71769	298
71770	213
71772	107
71801	215
71802	215
71820	189
71822	189
71823	190
71825	189
71826	213
71827	103
71828	106
71831	189
71832	190
71833	189
71834	216
71835	107
71836	189
71837	216
71838	189
71839	216
71840	216
71841	190
71842	190
71844	107
71845	213
71846	190

ZIP Code	System Territory
71847	189
71851	189
71852	189
71853	188
71854	216
71855	189
71857	107
71858	214
71859	189
71860	213
71861	213
71862	189
71864	106
71865	189
71866	189
71901	235
71902	235
71903	235
71909	112
71910	112
71913	112
71914	112
71920	193
71921	193
71922	107
71923	108
71929	111
71932	190
71933	192
71935	194
71937	190
71940	193
71941	101
71942	109
71943	193
71944	190
71945	190
71949	112
71950	193
71952	189
71953	190
71956	112
71957	191
71958	189
71959	189
71960	191
71961	191
71962	108
71964	112
71965	191

ZIP Code	System Territory
71968	112
71969	191
71970	191
71971	189
71972	190
71973	190
71998	298
71999	110
72001	115
72002	406
72003	154
72004	152
72005	134
72006	133
72007	161
72010	135
72011	237
72012	163
72013	132
72014	133
72015	235
72016	120
72017	159
72018	235
72020	138
72021	157
72022	236
72023	262
72024	155
72025	116
72026	154
72027	115
72028	136
72029	157
72030	115
72031	136
72032	252
72033	252
72034	252
72035	254
72036	158
72037	225
72038	154
72039	253
72040	159
72041	154
72042	154
72043	143
72044	139
72045	163

ZIP Code	System Territory
72046	225
72047	264
72048	153
72051	140
72052	163
72053	227
72055	154
72057	175
72058	255
72059	133
72060	163
72061	255
72063	115
72064	154
72065	224
72066	159
72067	136
72068	163
72069	157
72070	115
72071	298
72072	226
72073	154
72074	158
72075	143
72076	258
72078	258
72079	149
72080	115
72081	137
72082	163
72083	265
72084	109
72085	163
72086	267
72087	235
72088	132
72089	236
72099	258
72101	133
72102	163
72103	236
72104	400
72105	111
72106	251
72107	120
72108	157
72110	115
72111	264
72112	143
72113	407
72114	228
72115	228
72116	256

ZIP Code	System Territory
72117	268
72118	256
72119	228
72120	258
72121	139
72122	113
72123	133
72124	409
72125	115
72126	115
72127	120
72128	234
72129	234
72130	139
72131	162
72132	149
72133	154
72134	157
72135	250
72136	263
72137	263
72139	135
72140	154
72141	117
72142	266
72143	163
72145	163
72149	163
72150	234
72152	148
72153	132
72156	115
72157	115
72160	154
72164	227
72165	144
72166	153
72167	112
72168	152
72169	143
72170	154
72173	261
72175	152
72176	160
72178	163
72179	139
72180	250
72181	255
72182	152
72183	227
72189	133
72190	408
72198	405
72199	251

ZIP Code	System Territory
72201	229
72202	230
72203	230
72204	231
72205	239
72206	227
72207	239
72209	231
72210	238
72211	240
72212	259
72214	231
72215	239
72216	227
72217	239
72219	231
72221	240
72222	259
72223	257
72225	239
72227	260
72231	268
72260	230
72295	230
72301	186
72303	403
72310	220
72311	180
72312	180
72313	220
72314	298
72315	220
72316	220
72319	220
72320	181
72321	220
72322	182
72324	134
72325	404
72326	182
72327	187
72328	401
72329	220
72330	220
72331	182
72332	182
72333	180
72335	179
72336	402
72338	220
72339	187
72340	178
72341	185
72342	184

ZIP Code	System Territory
72346	179
72347	134
72348	183
72350	220
72351	220
72352	180
72353	180
72354	219
72355	180
72358	220
72359	179
72360	180
72364	186
72365	219
72366	184
72367	156
72368	180
72369	180
72370	220
72372	179
72373	177
72374	184
72376	187
72377	219
72379	151
72381	298
72383	184
72384	187
72386	219
72387	176
72389	180
72390	184
72391	220
72392	178
72394	179
72395	220
72396	176
72401	217
72402	217
72403	217
72404	221
72410	165
72411	221
72412	168
72413	169
72414	221
72415	164
72416	168
72417	222
72419	221
72421	145
72422	169
72424	169
72425	168

ZIP Code	System Territory
72426	220
72427	145
72428	220
72429	134
72430	169
72431	143
72432	218
72433	165
72434	164
72435	169
72436	168
72437	221
72438	220
72439	168
72440	164
72441	169
72442	220
72443	221
72444	169
72445	165
72447	221
72449	169
72450	221
72451	221
72453	169
72454	223
72455	169
72456	169
72457	164
72458	164
72459	164
72460	167
72461	223
72462	169
72464	169
72465	165
72466	164
72467	221
72469	164
72470	169
72471	143
72472	219
72473	143
72474	221
72475	134
72476	165
72478	169
72479	134
72482	146
72501	138
72503	138
72512	146
72513	146
72515	147

ZIP Code	System Territory
72516	298
72517	147
72519	209
72520	147
72521	146
72522	144
72523	139
72524	144
72525	146
72526	139
72527	138
72528	147
72529	146
72530	139
72531	147
72532	146
72533	140
72534	138
72536	147
72537	210
72538	147
72539	146
72540	147
72542	146
72543	136
72544	210
72545	136
72546	139
72550	139
72553	138
72554	146
72555	140
72556	147
72557	298
72560	140
72561	141
72562	144
72564	144
72565	147
72566	147
72567	140
72568	138
72569	166
72571	144
72572	143
72573	141
72575	138
72576	147
72577	146
72578	147
72579	138
72581	139
72583	147
72584	147

ZIP Code	System Territory
72585	147
72587	147
72601	211
72602	211
72610	298
72611	211
72613	195
72615	211
72616	211
72617	210
72619	206
72623	210
72624	208
72626	210
72628	208
72629	136
72630	211
72631	211
72632	195
72633	211
72634	206
72635	210
72636	208
72638	211
72639	136
72640	208
72641	208
72642	210
72644	211
72645	205
72648	208
72650	205
72651	210
72653	210
72654	210
72655	208
72657	140
72658	210
72660	211
72661	206
72662	211
72663	140
72666	208
72668	206
72669	208
72670	208
72672	207
72675	208
72677	207
72679	142
72680	140
72682	207
72683	208
72685	208

ZIP Code	System Territory
72686	203
72687	207
72701	196
72702	196
72703	196
72704	196
72711	198
72712	198
72714	199
72715	199
72716	198
72717	127
72718	242
72719	244
72721	211
72722	245
72727	200
72728	198
72729	127
72730	196
72732	197
72733	197
72734	245
72735	196
72736	245
72737	196
72738	195
72739	245
72740	195
72741	196
72742	211
72744	201
72745	198
72747	245
72749	127
72751	198
72752	211
72753	196
72756	241
72757	241
72758	242
72760	211
72761	245
72762	198
72764	196
72765	196
72766	196
72768	245
72769	243
72770	198
72773	211
72774	196
72776	211
72801	119

ZIP Code	System Territory
72802	119
72811	119
72812	119
72820	119
72821	119
72823	119
72824	116
72826	119
72827	116
72828	116
72829	116
72830	119
72832	119
72833	116
72834	116
72835	119
72837	119
72838	114
72839	119
72840	119
72841	114

ZIP Code	System Territory
72842	116
72843	118
72845	119
72846	119
72847	119
72851	119
72852	212
72853	116
72854	119
72855	119
72856	204
72857	116
72858	119
72860	116
72863	119
72865	119
72901	248
72902	249
72903	249
72904	249
72905	130

ZIP Code	System Territory
72906	249
72908	130
72913	249
72914	249
72916	249
72917	249
72918	130
72919	249
72921	130
72923	130
72924	123
72926	191
72927	125
72928	119
72930	121
72932	130
72933	129
72934	128
72935	130
72936	130
72937	249

ZIP Code	System Territory
72938	124
72940	247
72941	130
72943	119
72944	246
72945	247
72946	128
72947	128
72948	128
72949	126
72950	114
72951	119
72952	131
72955	130
72956	130
72957	130
72958	122
72959	202

APPENDIX 2: PREMIUM CALCULATIONS

Abbreviations:

BR	Base Rate
CP	Class Point Factor
SF	Symbol Factor
DF	Deductible Factor
IL	Increased Limit Factor
VA	Vehicle Age Factor
TF	Term Factor

SD	Safe Driver Discount
BT	Business Tier
MC	Multi-Car Discount
SR	Senior Driver Discount
CR	Renewal Cap Factor
VU	Vehicle Use
CG	College Graduate Discount

Calculation Notes:
All rounding is done after all factor and discounts multiplication is completed. If a factor is shown in the calculation methodology below is not applicable, replace such discount or factor with a factor of 1.00.

Bodily Injury Calculation:
BR*IL*CP*SF*VA*BT*MAX(.55,SD*SR*MC*CG)*VU*TF*CR

Property Damage Calculation:
BR*IL*CP*SF*VA*BT*MAX(.55,SD*MC*CG)*VU*TF*CR

Personal Injury Protection Calculation:
BR*CP*SF*MAX(.55,SD*MC*CG)*VU*TF*CR

Uninsured/Underinsured Motorists Calculation:
BR*IL*CP*BT*VU*TF*CR

Medical Payments Calculation:
BR*IL*CP*MAX(.55,SD*MC)*VU*TF*CR

Comprehensive Calculation:
BR*CP*SF*VA*DF*BT*MAX(.55,SD*SR*MC*CG)*VU*TF*CR

Collision Calculation:
BR*CP*SF*VA*DF*BT*MAX(.55,SD*SR*MC*CG)*VU*TF*CR

APPENDIX 3: VEHICLE SYMBOLS

Vehicle Symbols are listed in a separate binder.

Direct National Insurance Company

Underwriting Rules / Rating Guidelines

State of

Arkansas

ARKANSAS

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RULE 1. BINDING AUTHORITY

1. Agent binding authority is three (3) days. The signed application and required down payment must be received within three (3) working days of when coverage is bound.

2. Backdating of the effective date is not permitted.

3. The application must be fully completed, including the insured's signature(s).

4. When Physical Damage coverage is written, a pre-insurance inspection form must be completed for vehicles in all territories prior to binding. Please note all existing damage. Inspections are not required on renewal policies.

5. Physical damage coverage may not be written or bound in any area where there is a flash flood, hailstorm, hurricane, tornado or tropical storm warning, watch or occurrence.

RULE 2. SR-22 / FINANCIAL RESPONSIBILITY FILING

A $10.00 fee is applied per filing.

RULE 3. UNACCEPTABLE RISKS

DIRECT reserves the right to determine the final acceptability of any risk. The agent in determining the acceptability of the risk should use the following guidelines.

1. Unacceptable Drivers

   a. Operators not possessing valid proof of residence. Acceptable proof includes each of the following:

      1) a lease for an apartment, house, modular unit, or manufactured home with a Arkansas address signed by the applicant;
      2) a current utility bill showing the address of the applicant-payor;
      3) a receipt for personal property taxes paid;
      4) a valid student ID for a Arkansas school or university;
      5) a valid Arkansas vehicle registration;
      6) a valid unexpired Arkansas driver's license;
      7) a receipt for real property taxes paid to a Arkansas locality;
      8) a document similar to that described in #3, issued by the consulate or embassy of another country that would be accepted by the Arkansas Division of Motor Vehicles;
      9) a pay stub with the payee's address;
      10) a monthly or quarterly financial statement from a Arkansas regulated financial institution; or
      11) a valid military ID.

      Risks in which the driver(s) has recently moved to Arkansas will be accepted assuming that he/she provides DIRECT with a copy of at least one of these documents within thirty (30) days of policy inception. Risks not providing this proof of residency will be cancelled.

   b. Persons not residing in Arkansas at least six (6) months of the year.

   c. Members of the armed forces not stationed permanently in Arkansas.

   d. Drivers designated as "Habitual Traffic Offenders" on their MVR.

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e. Drivers who have had a policy cancelled by DIRECT for loss experience or misrepresentation.

f. Drivers without a verifiable garaging address.

g. Applicants who have been convicted of insurance fraud.

2. Unacceptable Vehicles

a. Vehicles used for emergency, racing, delivery messenger, livery, limousine, or taxi service, including vehicles used to haul nursery or school children, migrant workers, hotel/motel guests, and medical/dental/optical patients, food vendors, food/newspaper/mail delivery, towing/repossession, etc.

b. Rental vehicles or short-term leased vehicles (less than 6 months).

c. Any vehicle which is leased or rented by the applicant to other operators or loaned on a regular basis.

d. Vehicles not garaged in Arkansas for at least six (6) months a year.

e. Recreation vehicles designed for off-road use or dune buggies unless a corresponding recreational vehicle endorsement is purchased.

f. Motor homes and travel trailers.

g. Antique vehicles, homebuilt vehicles or kit cars.

h. Any vehicle carrying explosives or flammable substances.

i. Vehicles from more than one (1) household listed on a single policy. **Exception:** Does not apply to acceptable student risks attending school in Arkansas.

j. Vans, pickups and utility vehicles used in business, unless they are used in one (1) of the artisan occupations listed in the VEHICLE USE section of this manual.

k. Flatbed trucks, stake trucks, and dump trucks.

l. Cut-away vans, step vans, and vehicles with right hand steering.

m. Stated value policies.

n. Driver training vehicles or those cars used for driver training.

o. Vehicles titled to any governmental body, estate, receivership, corporation or partnership.

p. Vehicles with logos or advertising on them, whether removable or permanent.

q. Any vehicles with a permit to dismantle.

r. Vehicles modified/altered/restored mechanically or structurally which results in a change in performance or appearance.

s. Vehicles with modified suspensions including all lowered chassis vehicles or vehicles with chassis raised more than six (6) inches above the normal factory height.

t. Any vehicle 1969 model year and prior.

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u. Vehicles equipped with cooking equipment or bathrooms.

v. Policy with two (2) or more business use vehicles.

w. Physical damage on any vehicle:

1) on which DIRECT has previously paid a total loss claim and which is retained by the insured.

2) 1984 model year and prior.

3) with a new cost value exceeding $75,000.

RULE 4. NON-OWNER COVERAGE

A Named Operator policy may be written when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

1. Only Liability BI, PD, PIP, UMB, UDB, UMP and Accidental Death may be written.

2. Permissive operator coverage is not included.

3. Use the vehicle use code “NO’ when rating.

RULE 5. ENDORSEMENTS

1. All premium change endorsements will reflect the rates and rules in force at the inception of the policy period.

2. Premium charges will be calculated pro-rata.

3. Midterm premium adjustments will be made as a result of a change in:

   a. autos insured by the policy;

   b. drivers added to or excluded from the policy; and

   c. coverage and deductibles.

4. Mid-term premium adjustments will not be made as a result of:

   a. driver point changes (unless to recognize adding/deleting a driver);

   b. attained age of driver; or

   c. rating territory.

5. Return premium of $10.00 or less will not be refunded unless requested in writing by the insured.

6. Written Endorsements: The following must be submitted in writing and must have the insured’s signature and date signed:

   a. add, delete or change coverage/increase or decrease deductibles.

   b. add or delete vehicles (unless sold or replaced).

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c. driver exclusions.

d. rejection of PIP, UMB, UDB and UMP.

e. add or delete operators / SR-22 filings.

RULE 6. CANCELLATIONS

1. DIRECT may cancel the policy for any reason within the first sixty (60) days of the policy period, provided that the date of cancellation is at least twenty (20) days after the date of mailing.

2. After the first sixty (60) days of the policy period, DIRECT may cancel the policy with twenty (20) day written notice provided that the cancellation is for one (1) or more of the following reasons:

   a. Misrepresentation by the insured of any material fact in the procurement or renewal of this policy or in the submission of claims under this policy.

   b. The Named Insured or any driver of the insured vehicle is **convicted** of:

      1) driving while intoxicated;

      2) homicide or assault arising out of the use of a motor vehicle; or

      3) three (3) separate convictions of speeding or reckless driving or combination of the two (2) during the policy period, including (3) months prior to the effective date of the policy.

   c. Non-payment of premium (a written notice of cancellation will be mailed or delivered to the last known mailing address of the named insured and any loss payee at least 10 days prior to the effective date of the cancellation.)

3. In the event a policy has three (3) “losses”, where loss is defined as money paid out to an insured or third party in satisfaction of a claim, during a twelve (12) month term the policy will be non-renewed giving at least thirty (30) days advance notice. Claims arising from “natural causes” will not be considered when evaluating the loss history.

4. The mailing of notice of cancellation or non-renewal to the insured’s address as shown on the Declarations Page will be proof of cancellation or non-renewal.

5. The insured may cancel the policy by mailing or electronically submitting a signed written request stating the future date that the Insured wishes the cancellation to be effective. The cancellation may not be earlier than the date the request is received unless the request is from the premium finance company. If the request is from the premium finance company, we may elect, at our sole option, to cancel the policy as of the effective date stated in the notice

6. An insufficient down payment will result in a flat cancellation and coverage will be null and void. An insufficient payment or nonpayment of any installment by the due date will result in a cancel notice being sent to the Insured at least ten (10) days in advance of cancellation. If payment is received in our office by the cancel date, the policy will be reinstated.

7. In the event of a total loss, coverage continues until the insured sends a cancellation request to DIRECT.

8. When the cancellation request is due to duplicate coverage and the requested cancellation date is prior to the received date, DIRECT requires proof of duplicate coverage in order to honor the requested cancellation date.

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9. DIRECT cannot cancel or non-renew solely because of the administrative revocation or suspension of the driver's license of the owner or operator of the motor vehicle under Arkansas Code 5-65-104.

10. Premium computations for cancellations are as follows:

    a. Requested by insured: Return premium shall be calculated on a short rate basis.

    b. Non-payment of premium: Return premium shall be calculated on a 100% pro-rata basis.

    c. Request of premium finance company: Return premium shall be calculated on a 100% pro-rata basis.

    d. Request of company: Return premium shall be calculated on a 100% pro-rata basis.

RULE 7. MATERIAL MISREPRESENTATIONS OF RISK

1. If statements in the application differ from records of the Department of Motor Vehicles, the proper additional or return premium will be processed without prior notice. Additionally, the company may elect to cancel for undisclosed violations.

2. Among the information most often misrepresented is:

    a. drivers (list or exclude all persons age 14 and older in the household);

    b. driving record;

    c. vehicle type and use;

    d. garaging address; and

    e. state of residency.

RULE 8. RENEWALS

1. A renewal quote will be sent to the insured thirty (30) days prior to expiration, along with instructions to pay DIRECT directly.

2. Payment must be received by DIRECT prior to expiration to ensure continuous coverage.

3. Renewal payments received after the policy expires could result in renewal with a lapse.

4. If the policy had a lapse in coverage in the prior twelve (12) months, renewal will result in business tier "R".

5. Renewal Rate Level Capping:

    a. Renewal premiums will be capped at 10%.

    b. The premium is calculated for the renewal term (True Renewal Premium) and compared to the premium from the current term (Current Term Premium). If the True Renewal Premium exceeds the Current Term Premium by more than 10%, the Final Renewal Premium increase will be capped at 10%.

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c. If a rating characteristic change is made in the prior term or at the time of renewal, the Current Term Premium will be calculated using the new rating characteristic. It will then be compared to the True Renewal Premium calculated using the same characteristics.

d. To calculate the Final Renewal Premium, a factor is applied to each vehicle and coverage. Factor = (Current Term Premium * 1.10) / True Renewal Premium

e. This factor will be used each time a change is made to the policy for the term of the policy.

f. The factor will be re-calculated at each renewal. **Note:** The Current Term Premium used at the second and subsequent renewal will be calculated using any "Factor" applied in the previous renewal.

RULE 9. LIABILITY COVERAGE

1. Bodily Injury (BI)

   a. The following limits are available:

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

2. Property Damage (PD)

   a. The following limits are available:

      1) $25,000 per occurrence;

      2) $50,000 per occurrence; and

      3) $100,000 per occurrence.

   b. Must be written on all vehicles of a multi-vehicle policy.

   c. Limits must be the same for all vehicles.

3. Uninsured Motorist (UMB/UMP) / Underinsured Motorist (UDB)

   a. The following limits are available for Uninsured Motorist Bodily Injury (UMB) and Underinsured Motorists Bodily Injury (UDB):

      1) $25,000 per person/$50,000 per occurrence;

      2) $50,000 per person/$100,000 per occurrence; and

      3) $100,000 per person/$300,000 per occurrence.

   b. The following limits are available for Uninsured Motorist Property Damage (UMP):

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1) $25,000 per occurrence;

2) $50,000 per occurrence; and

3) $100,000 per occurrence.

c. If this coverage is not desired, the insured must sign the Uninsured/Underinsured Motorist rejection form. If this signed form does not accompany the application, these coverages will automatically be added at the Bodily Injury and Property Damage limits and the appropriate premium will be charged.

d. Coverage must be written on all cars of a multi-car policy at the same limits.

e. Uninsured coverage cannot exceed the liability coverage limits.

f. UDB will be offered after UMB is accepted.

4. Personal Injury Protection (PIP)

a. The following benefits are provided:

1) $5,000 Medical/Hospital;

2) Income Disability; and

3) $5,000 Accidental Death.

b. If any or all of these options are not desired, the insured must sign the Personal Injury Protection rejection form. If this signed form does not accompany the application, all options will automatically be added and the appropriate premium will be charged.

5. Medical Payments (MP)

a. Medical Payments is optional.

b. It can only be written on policies with Liability coverage.

c. Medical Payments limits must be the same on all vehicles on the policy.

d. Limits available:

1) $250;

2) $500;

3) $1,000; and

4) $2,000.

6. Accidental Death (AD)

a. Accidental Death is an optional coverage, providing $5,000 paid to the Named Insured's estate as specified in the policy.

b. Semi-annual premium is $10.

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RULE 10. PHYSICAL DAMAGE COVERAGE

1. Comprehensive/Collision (CMP/COL)

   a. The following deductibles are available:

      1) $100;

      2) $250;

      3) $500;

      4) $750; and

      5) $1,000.

   b. A $250 deductible applies to lienholders upon repossession with damage.

   c. Both Comprehensive and Collision must be written where Physical Damage coverage is chosen.

   d. The same deductible must be chosen for Collision and Comprehensive.

2. Towing (TVW)

   a. Towing is an optional coverage, providing up to $25 reimbursement per occurrence.

   b. Semi-annual premium is $12 per vehicle.

   c. Coverage may only be written on cars providing Comprehensive and Collision coverages.

3. Rental Car (RTW)

   a. Rental is an optional coverage, providing $10/day reimbursement up to $300.

   b. Semi-annual premium is $25 per vehicle.

   c. It may only be written on cars providing Comprehensive and Collision coverages.

RULE 11. RATING PROCEDURES

1. Annual policies are rated with a factor of 1.90 times the semi-annual rate.

2. The premium for each coverage and vehicle shall be rounded to the nearest dollar. $0.50 and over will be rounded up.

3. Determine Territory code from APPENDIX 1: TERRITORY DEFINITIONS. Do not use “Bureau” definitions. Use the zip code where the vehicle is principally garaged, not the mailing zip code.

4. Vehicle Symbols:

   a. Determine Liability and Physical Damage Vehicle Rating Symbol from APPENDIX 3: VEHICLE SYMBOLS.

   b. Interim rating symbol determination for unlisted vehicles:

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1) 1984 and prior are not listed in APPENDIX 3: VEHICLE SYMBOLS:

   a) Use the liability symbol in the rate tables, which is most descriptive of the vehicle, e.g., T for truck, F for 4x4 trucks, V for van, C for convertible, etc.

   b) Physical Damage coverage is not available; use Physical Damage symbol "Z".

2) 2004 and subsequent:

   a) If APPENDIX 3: VEHICLE SYMBOLS displays a rating symbol for the prior model year version of the same vehicle, use the prior model year's symbol for the new model year vehicle.

   b) If APPENDIX 3: VEHICLE SYMBOLS does not display a symbol for the prior model year version of the same vehicle, assign a symbol based on the cost new (MSRP) of the auto using the Price/Symbol Chart located in the rate tables.

5. Vehicle Age is determined using the policy effective date year and the vehicle model year.

RULE 12. POLICY FEES

1. Policy Fee: $15.00 earned at inception on each new and renewal policy.

2. SR-22: $10.00 per filing.

3. Reinstatement Fee: $5.00 for each policy where cancellation notice has been issued and the insured desires continuation of coverage.

4. Installment Billing Fee: $7.00 per installment or $2.00 per EFT installment.

5. Late Fee: $10.00 for each late installment payment.

6. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

RULE 13. DISCOUNTS

1. Safe Driver Discount

   a. A 5% credit if all operators are violation and accident free for the preceding twelve (12) months.

   b. This discount applies to both new and renewal business.

   c. This discount will apply to Bodily Injury, Property Damage, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.

2. Multi-Car Discount

   a. The following credits will apply:

      1) a 22% credit to Bodily Injury and Property Damage coverages;

      2) a 15% credit to Personal Injury Protection coverage;

      3) a 20% credit to Medical Payments; and

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4) a 10% credit applies to Comprehensive and Collision coverages;

if carried on each auto.

b. More than one (1) car must be covered on the same policy.

3. Senior Citizen Discount

a. A 5% credit applies to Bodily Injury, Comprehensive and Collision coverages.

b. This discount is available to drivers 55 and older. Applicants must submit a copy of the certificate indicating successful completion of a Motor Vehicle Accident Prevention Course, which has been approved by the State of Arkansas. If previously received by the company, no further proof is required at renewal.

c. This discount applies only to the driver completing the course.

d. This discount is valid for thirty-six (36) months following course completion.

e. Discount does not apply if course is taken as a punishment specified by a court or other governmental entity resulting from a moving violation.

4. College Graduate Discount

a. A 5% credit applies to Bodily Injury, Property Damage, Personal Injury Protection, Comprehensive and Collision coverages.

b. Available to drivers under the age of twenty-five (25) who have graduated from a college or university and whose cumulative scholastic records show that the insured attained one (1) of the following:

1) If letter grades are used, had a grade average of “B” or higher; or

2) Had at least a 3 point average on a 4 point scale (or equivalent).

c. A copy of his/her college transcript is required and must accompany the application for the discount to apply. If previously received by the company, no further proof is required at renewal.

5. Maximum Discount

The maximum allowable discount is 45% per policy. Discounts are multiplicative not additive, e.g., a 10% discount and a 5% discount is not 15%, but 1-(1-10%) x (1-5%) = 14.5%.

RULE 14. DRIVER CLASSES

1. The highest rated driver is matched to the highest rated vehicle.

2. The driver classification to be used in the rating of DIRECT automobile policies is a combination of gender, marital status and age.

3. Where there are more cars than drivers on a policy, additional cars will be rated with Class 1 with zero (0) points.

4. Report all persons fourteen (14) years of age and older living in the insured’s household, whether or not they are licensed. These persons must be included in the rating or must be specifically excluded.

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5. Married class includes legally married and residing with spouse.

6. Single class includes persons who are single, divorced, separated, widowed or living together while not married.

7. Roommates must be included in the rating of a policy unless specifically excluded.

8. In the event that DIRECT discovers a previously undeclared operator at any time during the policy period, DIRECT deserves the right to:

   a. void for misrepresentation; or

   b. add the operator to the policy as of the effective date of the policy period and add a violation code of 402. This point surcharge will only be applied to the policy period for which they are added. At renewal the surcharge will be removed. (We will run an MVR at the time the driver is added and add all prior violations to the policy. These will not be removed at renewal.) If the operator is involved in an at-fault-accident, the accident will be added and charged at renewal.

RULE 15. DRIVING RECORD/POINT COUNT PROCEDURES

1. Point values are assessed for all accidents and violations which occur in the thirty-five (35) month period immediately preceding the policy inception date.

2. Multiple Violations: If two (2) or more violations or an accident and a violation result from the same incident, we will charge only for the highest rated violation or accident.

3. Violation Point Class:

Description	Points 1st Occurrence	Points 2nd Occurrence	Points Each Additional Occurrence
AAF – At-Fault Accident	4	6	9
DWI – Driving Under the Influence	1	2	5
IND – No Charge	0	0	0
MAJ – Major Violation	4	4	4
MIN – Minor Violation	2	3	2
NAF – Not-At-Fault	0	0	0
SPD – Speeding	2	1	1

4. Point Assignments:

Description	Violation Code	Violation Point Class
At-Fault Accident	301	AAF
Auto Theft/Felony Motor Vehicle	605	MAJ

Description	Violation Code	Violation Point Class
Careless/Improper Operation	101	MAJ
Comprehensive Claim	007	IND

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Description	Violation Code	Violation Point Class
Drag Racing	118	MAJ
Drive Under Influence Drugs / Alcohol	602	DWI
Drive while License Revoked / Suspended	302	MIN
Driving without License	303	MIN
Failure to Follow Traffic Device / Sign	110	MIN
Failure to Yield	111	MIN
Fleeing from Police	606	MAJ
Following too Close	112	MIN
Foreign Driver's License	401	MAJ
Improper Backing	113	MIN
Improper Passing	114	MIN
Improper Turn	124	MIN
Leaving the Scene	608	MAJ

Description	Violation Code	Violation Point Class
Minor Moving Violation	115	MIN
Not-At-Fault Accident	011	NAF
Open Bottle	116	DWI
Passing a Stopped School Bus	117	MAJ
Reckless Driving	305	MAJ
Speeding	201	SPD
Suspended, Revoked or Cancelled License	404	MAJ
Undisclosed Driver	402	MAJ
Unverifiable Driving Record	403	MAJ
Vehicular Homicide	601	MAJ
Without Owner's Consent	603	MAJ
Wrong Way on One-Way Street	107	MIN

5. All accidents will be considered chargeable unless the Named Insured demonstrates (1) one of the following:

   a. Applicant's automobile was lawfully parked.

   b. Judgment or reimbursement was obtained from responsible party.

   c. Struck in rear and not convicted of a moving traffic violation.

   d. Struck by hit-and-run driver and such accident were reported by applicant to proper authorities within twenty-four (24) hours.

   e. Applicant was not convicted of a moving traffic violation in connection with the accident and the other operator of the vehicle involved in such accident was convicted of a moving traffic violation.

   f. Applicant was finally adjudicated not to be liable by a court of competent jurisdiction.

   g. Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, falling objects or by contact with animals or fowl.

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h. Applicant was operating vehicle other than a private passenger auto, motor home or motorcycle at time of accident.

i. In receipt of a traffic citation which was dismissed or nolle prosequi.

6. If the operator at the time of accident/violation was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad, or any Law Enforcement Agency, the accident/violation is not chargeable.

7. Driver's License Status – Operators not possessing a valid driver's license will be assigned a surcharge. Specific situations are addressed below:

   a. Individuals serving full-time in the military and permanently stationed in Arkansas are not required to obtain an Arkansas license and will not be surcharged.

   b. Foreign and International Driver's Licenses: Drivers who have a valid foreign or international driver's license but not a valid U.S. license will be surcharged. The surcharge will apply until the insured is able to submit proof of a valid U.S. license having been in effect for at least twelve (12) months. Assign the Foreign Driver's License surcharge, i.e. code 401.

   c. Assign Unverifiable Driving Record surcharge, i.e. code 403:

      1) A major violation will be charged on any driver whose driving record cannot be verified by a state's Bureau of Motor Vehicles (not including drivers under 19).

      2) The charge will be removed effective the policy inception date if DIRECT receives a valid current MVR (contains at least 12 months of driving history). The MVR must be no more than thirty (30) days old and must be received within sixty (60) days of the policy inception.

      3) Drivers with a learner's permit will not be charged for an Unverifiable Driving Record during the first policy term. The Unverifiable Driving Record points will be assessed during the second and subsequent policy terms if an MVR remains unobtainable.

   d. Any driver whose license is suspended, revoked or cancelled will be surcharged. Once proof can be provided of the driver's license reinstatement, the surcharge can be removed effective the date of the license reinstatement. To have the surcharge removed, the driver needs to have their license reinstated and be able to show proof of a valid Arkansas license. Assign the Suspended, Revoked or Cancelled License surcharge, i.e. code 404.

   e. Note that only one of these above surcharges will apply, i.e. they are mutually exclusive

RULE 16. VEHICLE USE

Vehicle Use Relativity Table	BI	PD	PIP	UMB	UMP	UDB	MP	CMP	COL
Pleasure (PL)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Business Use (BU)	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Non-Owner (NO)	0.90	0.90	0.90	0.90	0.90	0.90	N/A	N/A	N/A

1. Pleasure Use (PL): Includes vehicles driven for pleasure, to and from work or school and for farm/ranch use. There should be no regular business use of the vehicle in connection with the driver's occupation, profession, or business other than commuting to and from work or school.

2. Business Use (BU):

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a. A surcharge will be applied to risks in which the automobile is used regularly in support of the insured's business or profession.

b. DIRECT will only accept the risk if the vehicle is individually owned.

c. The following professions are deemed acceptable:

1) Sales;

2) Lawyers;

3) Clergymen;

4) Realtors; and

5) Visiting Nurses.

d. Artisan Risks: Pickups, vans and utility vehicles.

1) When the business use of these vehicles consists solely of carrying tools and supplies between the Named Insured's home and the job site, DIRECT will accept the risk subject to the following:

a) the vehicle is individually owned;

b) the vehicle is operated solely by the Named Insured and family members;

c) the insured has no more than one (1) vehicle in this category; and

d) the vehicle is visiting no more than three (3) job sites per day.

2) The occupations that fall under the category of Artisan are the following:

a) Aluminum Contractors;

b) Air Conditioning/Heating;

c) Bricklayers/Masonry;

d) Cabinet Installers;

e) Carpenters;

f) Concrete Contractors;

g) Electrical Contractors;

h) Fence Installers;

i) Glass Installers;

j) Interior Decorators;

k) Painters;

l) Plaster/Stucco Contractors;

m) Repair – Appliances;

n) Repair – Handyman;

o) Screened Enclosure Erectors;

p) Surveyors;

q) Swimming Pool Installers; and

r) Tree Surgeons.

e. Risks will not be accepted in those instances where there is for-hire pickup and delivery of goods or debris, flammable or explosives are transported or where the vehicle is hauling equipment with a weight in excess of 2,000 pounds or has a GVW of 10,000 pounds or more.

3. Non-Owner (NO): Used when the insured needs coverage only for his/her personal operation of a vehicle not owned by him/her or a family member.

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RULE 17. PAYMENT PLANS

The total premium including fees is due at the beginning of the policy period, unless the insured elects one (1) of the following installment plan options.

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	-	-	100.0000%	-	100.0000%	-
6	3 mos. from inception	1	50.0000%	50.0000%	50.0000%	50.0000%
6	2 and 4 mos. from inception	2	40.0000%	30.0000%	40.0000%	30.0000%
6	Monthly	4	41.6800%	14.5800%	41.6800%	14.5800%
6	Monthly	4	30.0000%	17.5000%	30.0000%	17.5000%
6	Monthly	4	N/A	N/A	25.0000%	18.7500%
6	Monthly - EFT Required	4	25.0000%	18.7500%	25.0000%	18.7500%
6	Monthly - EFT Required	4	20.0000%	20.0000%	20.0000%	20.0000%
6	Monthly	5	30.0000%	14.0000%	30.0000%	14.0000%
6	Monthly	5	N/A	N/A	25.0000%	15.0000%
6	20/27	5	25.0000%	15.0000%	25.0000%	15.0000%
6	20/27	5	N/A	N/A	22.0000%	15.6000%
6	7/28	5	20.2400%	15.9520%	17.6000%	16.4800%
6	8/28	5	20.9600%	15.8080%	18.2300%	16.3540%
6	9/28	5	21.6900%	15.6620%	18.8600%	16.2280%
6	10/28	5	22.4100%	15.5180%	19.4900%	16.1020%
6	11/28	5	23.1300%	15.3740%	20.1100%	15.9780%
6	12/28	5	23.8500%	15.2300%	20.7400%	15.8520%
6	13/28	5	24.5800%	15.0840%	21.3700%	15.7260%
6	14/28	5	21.9000%	15.6200%	21.9000%	15.6200%
6	14/28	5	N/A	N/A	22.0000%	15.6000%
6	15/28	5	26.0200%	14.7960%	22.6300%	15.4740%
6	16/28	5	26.7500%	14.6500%	23.2600%	15.3480%
6	17/28	5	27.4700%	14.5060%	23.8900%	15.2220%
6	18/28	5	28.1900%	14.3620%	24.5100%	15.0980%
6	19/28	5	28.9100%	14.2180%	25.1400%	14.9720%
6	20/28	5	29.6400%	14.0720%	25.7700%	14.8460%
6	21/28	5	30.3600%	13.9280%	26.4000%	14.7200%
6	7/30	5	18.0000%	16.4000%	15.0000%	17.0000%
6	8/30	5	18.5000%	16.3000%	15.4200%	16.9160%
6	9/30	5	19.0000%	16.2000%	15.8300%	16.8340%
6	10/30	5	19.5000%	16.1000%	16.2500%	16.7500%
6	11/30	5	20.0000%	16.0000%	16.6700%	16.6660%
6	12/30	5	20.5000%	15.9000%	17.0800%	16.5840%

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-	-	-	NEW BUSINESS		RENEWAL BUSINESS	
Policy Term	Due Dates*	Number of Installments	Down Payment	Installment Percent	Down Payment	Installment Percent
6	13/30	5	21.0000%	15.8000%	17.5000%	16.5000%
6	14/30	5	21.5000%	15.7000%	17.9200%	16.4160%
6	15/30	5	22.0000%	15.6000%	18.3300%	16.3340%
6	16/30	5	22.5000%	15.5000%	18.7500%	16.2500%
6	17/30	5	23.0000%	15.4000%	19.1700%	16.1660%
6	18/30	5	23.5000%	15.3000%	19.5800%	16.0840%
6	19/30	5	24.0000%	15.2000%	20.0000%	16.0000%
6	20/30	5	24.5000%	15.1000%	20.4200%	15.9160%
6	21/30	5	25.0000%	15.0000%	20.8300%	15.8340%
6	22/30	5	25.5000%	14.9000%	21.2500%	15.7500%
6	23/30	5	26.0000%	14.8000%	21.6700%	15.6660%
6	24/30	5	26.5000%	14.7000%	22.0800%	15.5840%
6	25/30	5	27.0000%	14.6000%	22.5000%	15.5000%
6	26/30	5	27.5000%	14.5000%	22.9200%	15.4160%
6	27/30	5	28.0000%	14.4000%	23.3300%	15.3340%
6	28/30	5	28.5000%	14.3000%	23.7500%	15.2500%
6	29/30	5	29.0000%	14.2000%	24.1700%	15.1660%
6	30/30	5	29.5000%	14.1000%	24.5800%	15.0840%
6	31/30	5	30.0000%	14.0000%	25.0000%	15.0000%
12	-	-	100.0000%	-	100.0000%	-
12	3, 7 and 10 mos. from inception	3	25.0000%	25.0000%	25.0000%	25.0000%
12	Monthly	10	30.0000%	7.0000%	N/A	N/A
12	Monthly	10	25.0000%	7.5000%	25.0000%	7.5000%
12	Monthly	10	20.0000%	8.0000%	20.0000%	8.0000%
12	Monthly	10	16.7000%	8.3300%	16.7000%	8.3300%
12	Monthly	10	15.0000%	8.5000%	N/A	N/A
12	Monthly - EFT Required	10	12.5000%	8.7500%	12.5000%	8.7500%
12	Monthly	11	15.0000%	7.7273%	15.0000%	7.7273%
12	Monthly	11	N/A	N/A	12.5000%	7.9545%
12	20/27	12	27.0000%	6.0800%	20.8000%	6.6000%
12	20/27	12	15.0000%	7.0834%	15.0000%	7.0834%
12	20/27	12	13.5000%	7.2100%	N/A	N/A
12	20/27	5	N/A	N/A	11.0000%	17.8000%
12	7/28	12	10.1200%	7.4900%	8.8000%	7.6000%
12	8/28	12	10.4800%	7.4600%	9.1100%	7.5742%
12	9/28	12	10.8400%	7.4300%	9.4300%	7.5475%
12	10/28	12	11.2000%	7.4000%	9.7400%	7.5217%
12	11/28	12	11.5700%	7.3692%	10.0600%	7.4950%
12	12/28	12	11.9300%	7.3392%	10.3700%	7.4692%

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	13/28	12	12.2900%	7.3092%	10.6900%	7.4425%
12	14/28	12	25.2000%	6.2300%	16.0000%	7.0000%
12	14/28	12	12.6500%	7.2800%	N/A	N/A
12	14/28	5	N/A	N/A	11.0000%	17.8000%
12	15/28	12	13.0100%	7.2492%	11.3100%	7.3908%
12	16/28	12	13.3700%	7.2192%	11.6300%	7.3642%
12	17/28	12	13.7300%	7.1892%	11.9400%	7.3383%
12	18/28	12	14.1000%	7.1583%	12.2600%	7.3117%
12	19/28	12	14.4600%	7.1283%	12.5700%	7.2858%
12	20/28	12	14.8200%	7.0983%	12.8900%	7.2592%
12	21/28	12	15.1800%	7.0683%	13.2000%	7.2333%
12	7/30	11	9.0000%	8.2727%	7.5000%	8.4091%
12	8/30	11	9.2500%	8.2500%	7.7100%	8.3900%
12	9/30	11	9.5000%	8.2273%	7.9200%	8.3709%
12	10/30	11	9.7500%	8.2045%	8.1300%	8.3518%
12	11/30	11	10.0000%	8.1818%	8.3300%	8.3336%
12	12/30	11	10.2500%	8.1591%	8.5400%	8.3145%
12	13/30	11	10.5000%	8.1364%	8.7500%	8.2955%
12	14/30	11	10.7500%	8.1136%	8.9600%	8.2764%
12	15/30	11	11.0000%	8.0909%	9.1700%	8.2573%
12	16/30	11	11.2500%	8.0682%	9.3800%	8.2382%
12	17/30	11	11.5000%	8.0455%	9.5800%	8.2200%
12	18/30	11	11.7500%	8.0227%	9.7900%	8.2009%
12	19/30	11	12.0000%	8.0000%	10.0000%	8.1818%
12	20/30	11	12.2500%	7.9773%	10.2100%	8.1627%
12	21/30	11	12.5000%	7.9545%	10.4200%	8.1436%
12	22/30	11	12.7500%	7.9318%	10.6300%	8.1245%
12	23/30	11	13.0000%	7.9091%	10.8300%	8.1064%
12	24/30	11	13.2500%	7.8864%	11.0400%	8.0873%
12	25/30	11	13.5000%	7.8636%	11.2500%	8.0682%
12	26/30	11	13.7500%	7.8409%	11.4600%	8.0491%
12	27/30	11	14.0000%	7.8182%	11.6700%	8.0300%
12	28/30	11	14.2500%	7.7955%	11.8800%	8.0109%
12	29/30	11	14.5000%	7.7727%	12.0800%	7.9927%
12	30/30	11	14.7500%	7.7500%	12.2900%	7.9736%
12	31/30	11	15.0000%	7.7273%	12.5000%	7.9545%

* Due dates in the form of xx/dd is defined as: the first installment is due (xx) days after the inception of the policy, with remaining installments due every (dd) days thereafter.

1. Processing Fee: A fully earned $25.00 installment processing fee is due at inception of policy.

2. Installment Fee: $7.00 per installment, or $2.00 per EFT installment, excluding the down payment.

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3. Late Fee: A late fee of $10.00 will be charged on any installment postmarked or received after the installment due date.

4. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

RULE 18. BUSINESS TIERS

Policy Description	Business Tier
New Business – No Prior Insurance	N
New Business – With Prior Insurance of 25/50 limits	P
New Business – With Prior Insurance greater than 25/50 limits	H
Renewal Business – 1st term	1
Renewal Business – 2nd term	2
Renewal Business – 3rd term	3
Renewal Business – With lapse in coverage in previous 12 months	R

1. The premium will be determined by a combination of Business Tier and Insurance Score.

2. Qualifications for Business Tier "P" ;

   a. Applicant must provide verification of at least six (6) months of continuous prior liability coverage, prior limits of 25/50, with no more than seven (7) days of lapse in previous coverage allowed.

   b. The only acceptable verification of prior coverage will be a renewal quote or letter from the prior agent or insurance company.

   c. A photocopy of the acceptable verification listed above must accompany the application for the discount to apply.

3. Qualifications for Business Tier "H";

   a. Applicant must provide verification of at least six (6) months of continuous prior liability coverage, prior limits greater than 25/50, with no more than seven (7) days of lapse in previous coverage allowed.

   b. The only acceptable verification of prior coverage will be a renewal quote or letter from the prior agent or insurance company.

   c. A photocopy of the acceptable verification listed above must accompany the application for the discount to apply.

4. Qualifications for Business Tier "R": Renewal policies with a lapse in coverage in the previous twelve (12) months.

5. Qualifications for Business Tier "1": First term renewals with no lapse in coverage in the previous twelve (12) months.

6. Qualifications for Business Tier "2": Second term renewals with no lapse in coverage in the previous twelve (12) months.

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7. Qualifications for Business Tier “3”: Third term renewals with no lapse in coverage in the previous twelve (12) months.

8. Qualifications for Business Tier “N”: Does not qualify for either Business Tier “P”,”H”, “R”, “1”, “2” or “3”.

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APPENDIX 1: TERRITORY DEFINITIONS

ZIP Code	System Territory
71601	232
71602	233
71603	170
71611	232
71612	233
71613	170
71630	172
71631	102
71635	173
71638	172
71639	172
71640	172
71642	173
71643	171
71644	150
71646	173
71647	102
71649	298
71651	102
71652	172
71653	172
71654	172
71655	173
71656	173
71657	173
71658	173
71659	150
71660	174
71661	173
71662	172
71663	173
71665	172
71666	172
71667	171
71670	173
71671	102
71674	172
71675	173
71676	173
71677	173
71678	171
71701	103
71711	103
71720	102
71721	107
71722	106
71724	105
71725	104
71726	103
71728	107

ZIP Code	System Territory
71730	105
71731	105
71740	103
71742	102
71743	107
71744	102
71745	102
71747	105
71748	174
71749	105
71750	105
71751	103
71752	103
71753	213
71754	213
71758	105
71759	105
71762	105
71763	104
71764	103
71765	105
71766	102
71768	105
71769	298
71770	213
71772	107
71801	215
71802	215
71820	189
71822	189
71823	190
71825	189
71826	213
71827	103
71828	106
71831	189
71832	190
71833	189
71834	216
71835	107
71836	189
71837	216
71838	189
71839	216
71840	216
71841	190
71842	190
71844	107
71845	213
71846	190

ZIP Code	System Territory
71847	189
71851	189
71852	189
71853	188
71854	216
71855	189
71857	107
71858	214
71859	189
71860	213
71861	213
71862	189
71864	106
71865	189
71866	189
71901	235
71902	235
71903	235
71909	112
71910	112
71913	112
71914	112
71920	193
71921	193
71922	107
71923	108
71929	111
71932	190
71933	192
71935	194
71937	190
71940	193
71941	101
71942	109
71943	193
71944	190
71945	190
71949	112
71950	193
71952	189
71953	190
71956	112
71957	191
71958	189
71959	189
71960	191
71961	191
71962	108
71964	112
71965	191

ZIP Code	System Territory
71968	112
71969	191
71970	191
71971	189
71972	190
71973	190
71998	298
71999	110
72001	115
72002	406
72003	154
72004	152
72005	134
72006	133
72007	161
72010	135
72011	237
72012	163
72013	132
72014	133
72015	235
72016	120
72017	159
72018	235
72020	138
72021	157
72022	236
72023	262
72024	155
72025	116
72026	154
72027	115
72028	136
72029	157
72030	115
72031	136
72032	252
72033	252
72034	252
72035	254
72036	158
72037	225
72038	154
72039	253
72040	159
72041	154
72042	154
72043	143
72044	139
72045	163

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ZIP Code	System Territory
72046	225
72047	264
72048	153
72051	140
72052	163
72053	227
72055	154
72057	175
72058	255
72059	133
72060	163
72061	255
72063	115
72064	154
72065	224
72066	159
72067	136
72068	163
72069	157
72070	115
72071	298
72072	226
72073	154
72074	158
72075	143
72076	258
72078	258
72079	149
72080	115
72081	137
72082	163
72083	265
72084	109
72085	163
72086	267
72087	235
72088	132
72089	236
72099	258
72101	133
72102	163
72103	236
72104	400
72105	111
72106	251
72107	120
72108	157
72110	115
72111	264
72112	143
72113	407
72114	228
72115	228
72116	256

ZIP Code	System Territory
72117	268
72118	256
72119	228
72120	258
72121	139
72122	113
72123	133
72124	409
72125	115
72126	115
72127	120
72128	234
72129	234
72130	139
72131	162
72132	149
72133	154
72134	157
72135	250
72136	263
72137	263
72139	135
72140	154
72141	117
72142	266
72143	163
72145	163
72149	163
72150	234
72152	148
72153	132
72156	115
72157	115
72160	154
72164	227
72165	144
72166	153
72167	112
72168	152
72169	143
72170	154
72173	261
72175	152
72176	160
72178	163
72179	139
72180	250
72181	255
72182	152
72183	227
72189	133
72190	408
72198	405
72199	251

ZIP Code	System Territory
72201	229
72202	230
72203	230
72204	231
72205	239
72206	227
72207	239
72209	231
72210	238
72211	240
72212	259
72214	231
72215	239
72216	227
72217	239
72219	231
72221	240
72222	259
72223	257
72225	239
72227	260
72231	268
72260	230
72295	230
72301	186
72303	403
72310	220
72311	180
72312	180
72313	220
72314	298
72315	220
72316	220
72319	220
72320	181
72321	220
72322	182
72324	134
72325	404
72326	182
72327	187
72328	401
72329	220
72330	220
72331	182
72332	182
72333	180
72335	179
72336	402
72338	220
72339	187
72340	178
72341	185
72342	184

ZIP Code	System Territory
72346	179
72347	134
72348	183
72350	220
72351	220
72352	180
72353	180
72354	219
72355	180
72358	220
72359	179
72360	180
72364	186
72365	219
72366	184
72367	156
72368	180
72369	180
72370	220
72372	179
72373	177
72374	184
72376	187
72377	219
72379	151
72381	298
72383	184
72384	187
72386	219
72387	176
72389	180
72390	184
72391	220
72392	178
72394	179
72395	220
72396	176
72401	217
72402	217
72403	217
72404	221
72410	165
72411	221
72412	168
72413	169
72414	221
72415	164
72416	168
72417	222
72419	221
72421	145
72422	169
72424	169
72425	168

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ZIP Code	System Territory
72426	220
72427	145
72428	220
72429	134
72430	169
72431	143
72432	218
72433	165
72434	164
72435	169
72436	168
72437	221
72438	220
72439	168
72440	164
72441	169
72442	220
72443	221
72444	169
72445	165
72447	221
72449	169
72450	221
72451	221
72453	169
72454	223
72455	169
72456	169
72457	164
72458	164
72459	164
72460	167
72461	223
72462	169
72464	169
72465	165
72466	164
72467	221
72469	164
72470	169
72471	143
72472	219
72473	143
72474	221
72475	134
72476	165
72478	169
72479	134
72482	146
72501	138
72503	138
72512	146
72513	146
72515	147

ZIP Code	System Territory
72516	298
72517	147
72519	209
72520	147
72521	146
72522	144
72523	139
72524	144
72525	146
72526	139
72527	138
72528	147
72529	146
72530	139
72531	147
72532	146
72533	140
72534	138
72536	147
72537	210
72538	147
72539	146
72540	147
72542	146
72543	136
72544	210
72545	136
72546	139
72550	139
72553	138
72554	146
72555	140
72556	147
72557	298
72560	140
72561	141
72562	144
72564	144
72565	147
72566	147
72567	140
72568	138
72569	166
72571	144
72572	143
72573	141
72575	138
72576	147
72577	146
72578	147
72579	138
72581	139
72583	147
72584	147

ZIP Code	System Territory
72585	147
72587	147
72601	211
72602	211
72610	298
72611	211
72613	195
72615	211
72616	211
72617	210
72619	206
72623	210
72624	208
72626	210
72628	208
72629	136
72630	211
72631	211
72632	195
72633	211
72634	206
72635	210
72636	208
72638	211
72639	136
72640	208
72641	208
72642	210
72644	211
72645	205
72648	208
72650	205
72651	210
72653	210
72654	210
72655	208
72657	140
72658	210
72660	211
72661	206
72662	211
72663	140
72666	208
72668	206
72669	208
72670	208
72672	207
72675	208
72677	207
72679	142
72680	140
72682	207
72683	208
72685	208

ZIP Code	System Territory
72686	203
72687	207
72701	196
72702	196
72703	196
72704	196
72711	198
72712	198
72714	199
72715	199
72716	198
72717	127
72718	242
72719	244
72721	211
72722	245
72727	200
72728	198
72729	127
72730	196
72732	197
72733	197
72734	245
72735	196
72736	245
72737	196
72738	195
72739	245
72740	195
72741	196
72742	211
72744	201
72745	198
72747	245
72749	127
72751	198
72752	211
72753	196
72756	241
72757	241
72758	242
72760	211
72761	245
72762	198
72764	196
72765	196
72766	196
72768	245
72769	243
72770	198
72773	211
72774	196
72776	211
72801	119

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ZIP Code	System Territory
72802	119
72811	119
72812	119
72820	119
72821	119
72823	119
72824	116
72826	119
72827	116
72828	116
72829	116
72830	119
72832	119
72833	116
72834	116
72835	119
72837	119
72838	114
72839	119
72840	119
72841	114

ZIP Code	System Territory
72842	116
72843	118
72845	119
72846	119
72847	119
72851	119
72852	212
72853	116
72854	119
72855	119
72856	204
72857	116
72858	119
72860	116
72863	119
72865	119
72901	248
72902	249
72903	249
72904	249
72905	130

ZIP Code	System Territory
72906	249
72908	130
72913	249
72914	249
72916	249
72917	249
72918	130
72919	249
72921	130
72923	130
72924	123
72926	191
72927	125
72928	119
72930	121
72932	130
72933	129
72934	128
72935	130
72936	130
72937	249

ZIP Code	System Territory
72938	124
72940	247
72941	130
72943	119
72944	246
72945	247
72946	128
72947	128
72948	128
72949	126
72950	114
72951	119
72952	131
72955	130
72956	130
72957	130
72958	122
72959	202

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APPENDIX 2: PREMIUM CALCULATIONS

Abbreviations:

BR	Base Rate
CP	Class Point Factor
SF	Symbol Factor
DF	Deductible Factor
IL	Increased Limit Factor
VA	Vehicle Age Factor
TF	Term Factor

SD	Safe Driver Discount
BT	Business Tier
MC	Multi-Car Discount
SR	Senior Driver Discount
CR	Renewal Cap Factor
VU	Vehicle Use
CG	College Graduate Discount

Calculation Notes:
All rounding is done after all factor and discounts multiplication is completed. If a factor is shown in the calculation methodology below is not applicable, replace such discount or factor with a factor of 1.00.

Bodily Injury Calculation:
BR*IL*CP*SF*VA*BT*MAX(.55,SD*SR*MC*CG)*VU*TF*CR

Property Damage Calculation:
BR*IL*CP*SF*VA*BT*MAX(.55,SD*MC*CG)*VU*TF*CR

Personal Injury Protection Calculation:
BR*CP*SF*MAX(.55,SD*MC*CG)*VU*TF*CR

Uninsured/Underinsured Motorists Calculation:
BR*IL*CP*BT*VU*TF*CR

Medical Payments Calculation:
BR*IL*CP*MAX(.55,SD*MC)*VU*TF*CR

Comprehensive Calculation:
BR*CP*SF*VA*DF*BT*MAX(.55,SD*SR*MC*CG)*VU*TF*CR

Collision Calculation:
BR*CP*SF*VA*DF*BT*MAX(.55,SD*SR*MC*CG)*VU*TF*CR

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APPENDIX 3: VEHICLE SYMBOLS

Vehicle Symbols are listed in a separate binder.

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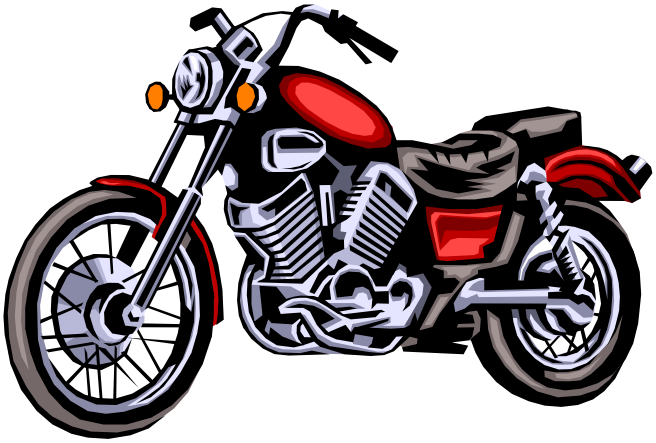
Page 15: [1] Deleted **Phil Deal** **8/12/2008 8:34:00 AM**

Policy Term	Policy Type	Down Payment	Number of Installments	Due Dates
6 mo	New & Renewal	100%		
6 mo	New & Renewal	50%	1 @ 50%	3 months from inception
6 mo	New & Renewal	40%	2 @ 30%	Inception day on months 2 & 4
6 mo	New & Renewal	41.68%	4 @ 14.58%	Monthly from inception
6 mo	New & Renewal	30%	4 @ 17.5%	Monthly from inception
6 mo	New & Renewal	30%	5 @ 14%	Monthly from inception
6 mo	New	30%	10 @ 7%	Monthly from inception
6 mo	Renewal	25%	4 @ 18.75%	Monthly from inception
6 mo	Renewal	25%	5 @ 15%	Monthly from inception
6 mo - EFT Required	New & Renewal	25%	4 @ 18.75%	Monthly from inception
6 mo - EFT Required	New & Renewal	20%	4 @ 20%	Monthly from inception
6 mo	New & Renewal	21.9%	5 @ 15.62%	14/28*
6 mo	New	25.2%	12 @ 6.23%	14/28*
6 mo	Renewal	22%	5 @ 15.6%	14/28*
6 mo	New & Renewal	25%	5 @ 15%	20/27**
6 mo	New	27%	12 @ 6.08%	20/27**
6 mo	Renewal	22%	5 @ 15.6%	20/27**
12 mo	New & Renewal	100%		
12 mo	New & Renewal	25%	3 @ 25%	Inception day on months 3, 7 & 10
12 mo	New & Renewal	25%	10 @ 7.5%	Monthly from inception
12 mo	New & Renewal	20%	10 @ 8%	Monthly from inception
12 mo	New & Renewal	16.7%	10 @ 8.33%	Monthly from inception
12 mo	New & Renewal	15%	11 @ 7.7273%	Monthly from inception
12 mo	New	15%	10 @ 8.5%	Monthly from inception
12 mo	Renewal	12.5%	4 @ 21.88%	Monthly from inception
12 mo	Renewal	12.5%	11 @ 7.9545%	Monthly from inception
12 mo	New & Renewal	16%	12 @ 7%	14/28*
12 mo	New	12.65%	12 @ 7.28%	14/28*
12 mo	Renewal	11%	5 @ 17.8%	14/28*
12 mo	New & Renewal	20.8%	12 @ 6.6%	20/27**
12 mo	New	13.5%	12 @ 7.21%	20/27**
12 mo	Renewal	11%	5 @ 17.8%	20/27**
12 mo - EFT Required	New & Renewal	12.5%	10 @ 8.75%	Monthly from inception
12 mo	New & Renewal	15%	4 @ 7.09% + 8 @7.08%	20/27**

MOTORCYCLE



Direct Insurance Company

Direct National Insurance Company

Arkansas

September 2008

UNDERWRITING RULES/RATING GUIDELINES

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RULE 1. DEFINITIONS

1. A motorcycle is defined as a motorcycle, cycle, motor scooter, motorbike, moped, tike or all-terrain vehicle (ATV) designed for travel on public roads, that has:
    a. At least two (2) wheels, but not more than three (3) wheels, except in the case of an all-terrain vehicle, which is a 4-, 6- or 8-wheeled vehicle equipped with a motorcycle engine and designed for off-road use;
    b. Completely open-air driver's seating; and
    c. A motorcycle handle-grip steering device.
2. The definition of "motorcycle" does not include:
    a. Any motorcycle with an electric motor or with no motor or engine;
    b. Snowmobiles;
    c. Dune buggies;
    d. Golf carts;
    e. Cushman 3- and 4-wheeled vehicles;
    f. Any motorcycle with an after-market frame;
    g. Custom or kit motorcycles with no listed NADA value; or
    h. A sidecar is considered part of a motorcycle if it is installed by the original equipment manufacturer. A trailer is considered part of a motorcycle if it is specifically designed to be pulled behind a motorcycle.
3. Unless otherwise noted, the use of the term "motorcycle" throughout this document will encompass all units noted in the definition of "motorcycle."

RULE 2. BINDING AUTHORITY

1. Agent binding authority is three (3) days. The signed application and required down payment must be received within three (3) working days of when the coverage is bound.
2. Backdating the effective date is prohibited.
3. The application must be fully completed, including the insured's signature(s).
4. When Uninsured Motorist Property Damage or Physical Damage coverage is written, a pre-insurance inspection form must be completed for motorcycles in all territories prior to binding. Please note all existing damage and optional or added equipment. Inspections are not required on renewal policies.
5. Physical damage coverage may not be written or bound in any area where there is a flash flood, hailstorm, hurricane, tornado, or tropical storm warning, watch or occurrence.
6. A copy (or copies) of the vehicle registration(s) and driver's license(s) must be submitted with each application and endorsement.

RULE 3. SR-22 / FINANCIAL RESPONSIBILITY FILINGS

A $10.00 fee is applied per filing.

RULE 4. UNACCEPTABLE RISKS

DIRECT reserves the right to determine the final acceptability of any risk. In determining the acceptability of the risk, the agent should use the following guidelines.

1. Unacceptable Drivers

   a. Operators not possessing valid proof of residence. Acceptable proof includes each of the following:

      1) a lease for an apartment, house, modular unit, or manufactured home with a Arkansas address signed by the applicant;
      2) a current utility bill showing the address of the applicant-payor;
      3) a receipt for personal property taxes paid;
      4) a valid student ID for a Arkansas school or university;
      5) a valid Arkansas vehicle registration;
      6) a valid unexpired Arkansas driver's license;
      7) a receipt for real property taxes paid to a Arkansas locality;
      8) a document similar to that described in #3, issued by the consulate or embassy of another country that would be accepted by the Arkansas Division of Motor Vehicles;
      9) a pay stub with the payee's address;
      10) a monthly or quarterly financial statement from a Arkansas regulated financial institution; or
      11) a valid military ID.

      Risks in which the driver(s) has recently moved to Arkansas will be accepted assuming that he/she provides DIRECT with a copy of at least one of these documents within thirty (30) days of policy inception. Risks not providing this proof of residency will be cancelled.

   b. Persons not residing in Arkansas at least six (6) months out of the year.

   c. Persons without a verifiable garaging/storage address.

   d. Members of the armed forces not stationed permanently in Arkansas.

   e. Driver's designated as "Habitual Traffic Offenders" on their MVR.

   f. Drivers who have had a policy cancelled by DIRECT for loss experience or misrepresentation.

   g. Applicants who have been convicted of insurance fraud.

2. Unacceptable Motorcycles/Vehicles

   a. Motorcycles used for racing, speed tests, stunt jumping, delivery messenger, livery, limousine, or taxi service, including food vendors, food/newspaper/mail delivery, etc.

   b. Motorcycles used for business, commercial or emergency use.

   c. Rental motorcycles or short-term leased motorcycles (less than 6 months).

   d. Any motorcycle that is leased or rented by the applicant to other operators or loaned on a regular basis.

   e. Motorcycles not garaged in Arkansas for at least six (6) months a year.

   f. Motorcycles over twenty-five (25) years old.

   g. Any motorcycle with "ape hanger" handlebars that are fifteen (15) inches or more above the seat.

   h. Any motorcycle with an after-market frame.

   i. Any motorcycle with a state assigned vehicle identification number (VIN).

   j. Motorcycles from more than one household listed on a single policy. **Exception:** Does not apply to acceptable student risks.

   k. Stated or agreed value policies.

   l. Motorcycles titled to any governmental body, estate, receivership, corporation or partnership.

   m. Any motorcycle without a listed NADA value.

n. Any motorcycle constructed from a kit or otherwise constructed anywhere other than a motorcycle manufacturing factory.

o. Motorcycle training vehicles or any vehicle used for motorcycle training.

p. Any motorcycle with a market value in excess of $75,000.

q. Any motorcycle with less than two (2) wheels or more than eight (8) wheels. In addition, ATVs with three (3) wheels are not permitted.

r. Any motorcycle with a permanent roof structure.

s. Any motorcycle carrying explosive or flammable substances.

t. Motorcycles with logos or advertising on them, whether removable or permanent.

u. Motorcycles (other than ATVs) that are not licensed for street use in the state of Arkansas.

v. Any motorcycle with a permit to dismantle.

w. Physical damage coverage on any motorcycle:

   1) on which DIRECT has previously paid a total loss claim and which is retained by the insured.

   2) with a salvage title.

RULE 5. NON-OWNER COVERAGE

A named operator policy will not be allowed for a motorcycle or ATV.

RULE 6. ENDORSEMENTS

1. All premium change endorsements will reflect the rates and rules in force at the inception of the policy period.
2. Premium charges will be calculated pro-rata.
3. Midterm premium adjustments will be made as a result of change in:
   a. motorcycles insured by the policy.
   b. drivers added to or excluded from the policy.
   c. coverage and deductibles.
4. Midterm premium adjustments will not be made as a result of:
   a. driver point changes (unless to recognize adding/deleting a driver).
   b. attained age of the driver.
   c. rating territory.
5. Return premium of $10.00 or less will not be refunded unless requested in writing by the insured.
6. Additional/Replacement vehicle: The insured has thirty (30) days to notify DIRECT of his/her desire to endorse on an additional or replacement vehicle for coverage. Any additional coverage will become effective when reported to DIRECT.
7. Additional drivers must be reported to DIRECT within thirty (30) days.
8. The following must be submitted in writing and must have the insured’s signature and date signed:
   a. Add, delete or change coverage or increase/decrease deductibles/limits.
   b. Add or delete motorcycles (unless sold or replaced).
   c. Driver exclusions.

d. Rejection of UM, UMPD or UIM.

e. Add or delete operators / SR-22 filings.

RULE 7. CANCELLATIONS

1. The company may cancel the policy for any reason within the first sixty (60) days of the policy period, provided that the date of cancellation is at least twenty (20) days after the date of mailing.
2. After the first sixty (60) days of the policy period, DIRECT may cancel the policy with twenty (20) days written notice provided that the cancellation is for one or more of the following reasons:
   a. Misrepresentation by the insured of any material fact in the procurement or renewal of this policy or in the submission of claims under this policy.
   b. The named insured or any driver of the insured vehicle is convicted of:
      1) driving while intoxicated;
      2) homicide or assault arising out of the use of a motor vehicle; or
      3) three (3) separate convictions of speeding or reckless driving or a combination of the two (2) during the policy period, including three (3) months prior to the effective date of the policy.
   c. Non-payment of premium: A written notice of cancellation will be mailed or delivered to the last known mailing address of the named insured and any loss payee at least ten (10) days prior to the effective date of the cancellation.
3. In the event a policy has three (3) “losses”, where “loss” is defined as money paid out to an insured or third party in satisfaction of a claim, during a 12-month term the policy will be non-renewed with at least thirty (30) day advance notice. Claims arising from “natural causes” will not be considered when evaluating the loss history.
4. The mailing of notice of cancellation or non-renewal to the insured’s address as shown on the declarations page will be proof of cancellation or non-renewal.
5. The insured may cancel the policy by mailing or electronically submitting a signed written request stating the future date that the insured wishes the cancellation to be effective. The cancellation may not be earlier than the date the request is received unless the request is from the premium finance company. If the request is from the premium finance company, we may elect, at our sole option, to cancel the policy as of the effective date stated in the notice.
6. Insufficient down payment will result in a flat cancellation and coverage will be null and void. An insufficient payment or nonpayment of any installment by the due date will result in a cancel notice being sent to the insured at least ten (10) days in advance of cancellation. If payment is received in our office by the cancel date, the policy may be reinstated.
7. In the event of a total loss, coverage continues until the insured sends a cancellation request to DIRECT.
8. When the cancellation request is due to duplicate coverage and the requested cancellation date is prior to the received date, DIRECT requires proof of duplicate coverage in order to honor the requested cancellation date.
9. DIRECT cannot cancel or nonrenew solely because of the administrative revocation or suspension of the driver’s license of the owner or operator of the motor vehicle under Arkansas Code 5-65-104.
10. Premium computations for cancellations are as follows:
    a. Requested by the insured: The return premium shall be calculated on a short rate basis.
    b. Non-payment of premium: The return premium shall be calculated on a 100% pro-rata basis.
    c. Request of premium finance company: The return premium shall be calculated on a 100% pro-rata basis.

d. Request of company: The return premium shall be calculated on a 100% pro-rata basis.

RULE 8. MATERIAL MISREPRESENTATION OF RISK

1. If statements in the application differ from previous records of the Department of Motor Vehicles, the proper additional or return premium will be processed without prior notice. Additionally, the company may elect to cancel for undisclosed violations.
2. Among the information most often misrepresented is:
   a. Drivers (list or exclude all persons age 14 and older in the household);
   b. Driving record;
   c. Vehicle type and use;
   d. Garaging address;
   e. State of residency.

RULE 9. RENEWALS

1. A renewal quote will be sent to the insured at least thirty (30) days prior to expiration, along with instructions to pay DIRECT directly.
2. Payment must be received by DIRECT prior to expiration to ensure continuous coverage.
3. Renewal payments that are received after the policy expires could result in renewal with a lapse in coverage.

RULE 10. LIABILITY COVERAGE

If a motorcycle is written on a policy with an automobile the limits for the automobile and the motorcycle must be the same for all coverage unless otherwise noted below.

1. Bodily Injury (BI)
   a. Bodily Injury is a required coverage.
   b. The following limits are available:
      1) $25,000 per person/$50,000 per occurrence;
      2) $50,000 per person/$100,000 per occurrence; and
      3) $100,000 per person/$300,000 per occurrence.
   c. Must be written on all vehicles of a multi-vehicle policy.
   d. Limits must be the same for all vehicles.
2. Property Damage (PD)
   a. Property Damage is a required coverage.
   b. The following limits are available:
      1) $25,000 per occurrence;
      2) $50,000 per occurrence; and
      3) $100,000 per occurrence.
   c. Must be written on all vehicles of a multi-vehicle policy.
   d. Limits must be the same for all vehicles.

3. Guest Passenger (PLB)
    a. Guest Passenger is a required coverage.
    b. This coverage must match the selected Bodily Injury limit.
    c. Must be written on all vehicles of a multi-vehicle policy.
4. Uninsured Motorist (UM) and Underinsured Motorist (UIM)
    a. Uninsured Motorist and Underinsured Motorist are optional coverages.
    b. The following limits are available for UM and UIM:
        1) $25,000 per person/$50,000 per occurrence;
        2) $50,000 per person/$100,000 per occurrence; and
        3) $100,000 per person/$300,000 per occurrence.
    c. The following limits are available for UMPD:
        1) $25,000 per occurrence;
        2) $50,000 per occurrence; and
        3) $100,000 per occurrence.
    d. Uninsured Motorist Property Damage is written with a $250 deductible.
    e. If this coverage is not desired, the insured <u>must</u> sign the Uninsured/Underinsured Motorist rejection form. If this signed form does not accompany the application, this coverage will automatically be added at the selected Bodily Injury and Property Damage limits and the appropriate premium will be charged.
    f. Underinsured Motorist is only available when Uninsured Motorist coverage is selected.
    g. Coverage must be written on all vehicles of a multi-vehicle policy at the same limits.
    h. Neither Uninsured Motorist nor Underinsured Motorist coverage can exceed the liability coverage limits.
5. Personal Injury Protection (PIP)
    a. The following benefits are available:
        1) $5,000 Medical/Hospital;
        2) Income Disability; and
        3) $5,000 Accidental Death.
    b. If any or all of these options are not desired, the insured <u>must</u> sign the PIP rejection form. If this signed form does not accompany the application, all options will automatically be added and the appropriate premium will be charged.
6. Medical Payments (MP)
    a. Medical Payments is an optional coverage.
    b. It can only be written on policies with Liability coverage.
    c. Medical Payments Coverage limits must be the same on all vehicles on the policy.
    d. Limits available:
        1) $250;
        2) $500;
        3) $1,000; and

4) $2,000.

RULE 11. PHYSICAL DAMAGE COVERAGE

1. Comprehensive/Collision (CMP/COL)
   a. The following deductibles are available:
      1) $100
      2) $250
      3) $500
      4) $750
      5) $1,000
         a) A $250 deductible to Lienholder upon repossession with damage.
   b. Both Comprehensive and Collision must be written where Physical Damage coverage is chosen.
   c. The same deductible must be chosen for Collision and Comprehensive.
2. Motorcycle Towing (TOW)
   a. Towing is an optional coverage, providing up to $50 reimbursement per occurrence.
   b. Semi-annual premium is $4 per vehicle.
   c. Coverage may only be written on motorcycles providing Comprehensive/Collision coverage.
3. Custom Parts and Equipment
   a. Coverage provides Physical Damage protection to equipment, devices, accessories, enhancements, and changes other than those installed by the original manufacturer, which are permanently installed or attached and alter the appearance or performance of a motorcycle. This includes, but is not limited to:
      1) Electronic equipment, antennas and other devices used exclusively to send or receive audio, visual or data signals or playback recorded media, other than those which are OEM installed, that are permanently installed on the vehicle using bolts or brackets, including slide-out brackets;
      2) Sidecars that are not installed by the original equipment manufacturer;
      3) Dealer-added items as part of the original sale;
      4) Trike conversion kits;
      5) Custom paint, custom plating or custom exhaust; and
      6) Safety riding apparel, including helmets. Coverage is only provided in event of a Collision loss. Theft is not covered.
   b. If Comprehensive and Collision coverages are written on the covered motorcycle, $500 of custom parts and equipment coverage is included. Additional Custom Parts or Equipment coverage may be purchased.
   c. The deductible for Custom Parts and Equipment Coverage are the same as Comprehensive and Collision deductibles.
   d. Maximum insurable value of Custom Parts and Equipment is $15,000. Maximum payment for custom paint is $500. Maximum payment for any and all helmets involved in any one **collision** is $500. Theft of a helmet is not covered.

RULE 12. LAYAWAY

1. If Comprehensive coverage is selected on a 12-month policy, premiums will be reduced by 20% on Bodily Injury, Property Damage, Guest Passenger, Uninsured Motorist Bodily Injury, Uninsured Motorist Property Damage, Underinsured Motorist Bodily Injury, Medical Payments, Personal Injury Protection and Collision coverages to allow credit for no usage between December 1st and March 1st, as this is when motorcycle(s) are normally not ridden.
2. Layaway options are not available for policies with listed ATVs or SR-22 (Financial Responsibility Filings).
3. If there is a lien on the insured motorcycle, the Layaway discount will not be available while the lien is in effect.

RULE 13. RATING PROCEDURES

1. Annual policies are rated with a factor of 1.90 times the semi-annual rate.
2. The premium for each coverage and vehicle shall be rounded to the nearest dollar. $0.50 and over will be rounded up.
3. Determine Territory code from APPENDIX 1: TERRITORY DEFINITIONS. Use the zip code where the vehicle is principally garaged, not the mailing zip code. For new zip codes not found in APPENDIX 1: TERRITORY DEFINITIONS, use the territory the zip code was derived from (e.g., if 33333 in territory 001 is split into 33333 and 33334 then 33334 would be assigned territory 001.)
4. Determine the age of the motorcycle.

Age Group Code	Definition
0	All motorcycles of the current model year
1	All motorcycles of the 1st preceding model year
2	All motorcycles of the 2nd preceding model year
3	All motorcycles of the 3rd preceding model year
4	All motorcycles of the 4th preceding model year
5	All motorcycles of the 5th preceding model year
6	All motorcycles of the 6th preceding model year
7	All motorcycles of the 7th preceding model year
8	All other motorcycles

   a. Current model year shall change effective October 1, of each calendar year regardless of actual introductory dates of the several makes and models.

   b. Any motorcycle with a model year subsequent to the current model year (e.g., a 2007 motorcycle in July, 2006) will be considered as age group 0.

   c. For rebuilt or structurally altered motorcycles, the age of the frame determines the age of the cycle.

RULE 14. POLICY FEES

1. Policy Fee: $15.00 earned at inception on each new and renewal policy. If a policy is written with both an automobile and a motorcycle, the maximum policy fee will be $15.00.
2. SR-22: $10.00 per filing.
3. Reinstatement Fee: $5.00 for each policy where cancellation notice has been issued and the insured desires continuation of coverage.
4. Installment Billing Fee: $7.00 per installment.

5. Late fee: $10.00 for each late installment payment.
6. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.
7. Minimum written premium on annual policies is $75. Minimum written premium on semi-annual policies is $50.

RULE 15. INSURANCE SCORE (DNIC only)

DIRECT will use the insured's insurance score to place the risk in different rating levels. However, this score will not be used for underwriting purposes or to decline a policy.

RULE 16. DISCOUNTS

1. Prior Insurance Discount
   a. A 10% credit for the first year of a policy. The discount applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.
   b. Applicant must provide verification of at least six (6) months of continuous prior coverage, with no more than seven (7) days of lapse in previous coverage allowed.
   c. Applicant must provide a copy of a valid motorcycle license at the time of application for the discount to apply.
   d. Acceptable verification of prior coverage will be a renewal quote or a letter from the prior agent or insurance company.
   e. A photocopy of the acceptable verification listed above must accompany the New Business.
   f. This applies to new business only.
2. Bronze/Silver/Gold Member Discount
   a. Credit applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages as follows:
      1) Bronze Members will receive a 20% discount for 12- and 18-month renewals;
      2) Silver Members will receive a 20% discount for 24- and 30-month renewals; and
      3) Gold Member will receive a 20% discount for 36-month and subsequent renewals.
   b. This discount will not apply if the policy had a lapse in coverage in the prior twelve (12) months.
   c. This discount will be applicable if the policy is renewed within ten (10) days of the expiration date and no lapse in coverage in the prior twelve (12) months.
3. The Safe Choice Discount
   a. 5% credit if all operators are violation- and accident-free for the preceding 12 months. This discount applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.
   b. This discount applies to new and renewal business.
4. Multi-Cycle Discount 1
   a. Applies to the policy when more than one motorcycle or ATV is insured.
   b. 10% discount will apply to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.

5. Multi-Cycle Discount 2
    a. Applies to the policy when three or more motorcycles or ATVs are insured.
    b. 15% discount will apply to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages if carried on each vehicle.
6. Multi-Vehicle Discount
    a. Applies to the policy when more than one automobile, motorcycle or ATV is insured.
    b. 5% discount will apply to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Uninsured Motorist Bodily Injury, Underinsured Motorist Bodily Injury, Uninsured Motorist Property Damage, Custom Parts and Equipment, Comprehensive and Collision coverages.
    c. The Multi-Vehicle Discount will not be granted on vehicles that receive the Multi-Cycle 1 or Multi-Cycle 2 Discounts.
7. Senior Citizen Discount
    a. A 5% credit applies to Bodily Injury, Guest Passenger, Comprehensive and Collision coverages.
    b. This discount is only available to drivers that are 55-years-old and older. Applicants must submit a copy of the certificate indicating successful completion of a Motor Vehicle Accident Prevention Course, which has been approved by the state of Arkansas. If previously received by the company, no further proof is required at renewal.
    c. This discount applies only to the driver completing the course.
    d. This discount is valid for 36 months following course completion.
    e. Discount does not apply if course is taken as a punishment specified by a court or other governmental entity resulting from a moving violation.
    f. This discount applies only to coverage on the insured motorcycle.
8. Direct Smart Start Discount
    a. A 10% credit applies to Bodily Injury, Property Damage and Guest Passenger for any driver who has completed a state-approved rider safety course.
    b. This discount applies only to coverage on the insured motorcycle.
    c. This discount does not apply to any insured ATVs.
    d. The course must have been completed within the three (3) years prior to the effective date. If previously received by the company, no further proof is required at renewal.
    e. Rider does not qualify for the discount if the course is completed pursuant to a court order.
9. Riders Association Discount
    a. A 10% credit applies to Bodily Injury and Property Damage.
    b. This discount applies to members of AMA (American Motorcyclist Association), American Voyager Association, GWRRA (Goldwing Road Riders Association), HOG (Harley Owners Group) and HRCA (Honda Riders Club of America).
    c. A copy of the Association ID or membership card must be presented to receive discount. If previously received by the company, no further proof is required at renewal.
10. Alumni Rewards Discount
    a. A 5% credit applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Comprehensive and Collision coverages.

b. This is available to drivers under the age of 25 that have graduated from a college or university, and whose cumulative scholastic records show that the insured attained one of the following:

   1) If letter grades are used, a grade average of “B” or higher; or

   2) At least a 3 point average on a 4 point scale (or equivalent).

c. A copy of their college transcript is required and must accompany the application for the discount to apply. If previously received by the company, no further proof is required at renewal.

11. Maximum Allowable Discount

    Maximum allowable discount is 45% per coverage. Discounts are multiplicative not additive, i.e.: a 10% discount and a 5% discount is not 15%, but 1-(1-10%)x (1-5%)=14.5%

RULE 17. DRIVER CLASSES

1. Driver Class Rating

   a. Assign a principle operator to all motorcycles and ATVs on the policy. If there are more motorcycles or ATVs than operators, an operator may be assigned to more than one cycle.

   b. The driver classification to be used in the rating of DIRECT motorcycle and ATV policies is a combination of marital status and age of insured(s).

   c. Report all persons 14 years of age and older that live in the insured’s household, whether or not they are licensed. These persons must be included in the rating or must be specifically excluded.

   d. Married class includes legally married and residing with spouse.

   e. Single class includes persons who are single, divorced, separated, widowed or living together while not married.

   f. Roommates must be included in the rating of a policy unless specifically excluded.

   g. In the event that DIRECT discovers a previously undeclared operator at any time during the policy period DIRECT reserves the right to:

      1) Void for misrepresentation, or;

      2) Add the operator to the policy as of the effective date of the policy period and add a violation code of 402. This point surcharge will only be applied to the policy period for which they are added. At renewal the surcharge will be removed. (We will run an MVR at the time the driver is added and add all prior violations to the policy. These will not be removed at renewal.) If the operator is involved in an at-fault accident, the accident will be added and charged at renewal.

RULE 18. DRIVING RECORD/POINT COUNT PROCEDURES

1. Point values are assessed for all accidents and violations that occur in the 35 month period immediately preceding the policy inception date. Points will be assigned for both automobile and motorcycle accidents and/or violations.

2. Multiple Violations: If two or more violations or an accident and a violation result from the same incident, we will charge only for the highest rated violation or accident.

3. Violation Point Class

Description	Points 1st Occurrence	Points 2nd Occurrence	Points Each Additional Occurrence
AAF – At-fault Accident	4	6	9
DWI – Driving Under the Influence	1	2	5

IND – No Charge	0	0	0
MAJ – Major Violation	4	4	4
MIN – Minor Violation	2	3	2
NAF – Not-at-fault	0	0	0
SPD – Speeding	2	1	1

4. Point Assignments

Description	Violation Code	Violation Point Class
At-Fault Accident	301	AAF
Auto Theft/Felony Motor Vehicle	605	MAJ
Careless/Improper Operation	101	MAJ
Comp Claim	007	IND
Drag Racing	118	MAJ
Drive Under Influence drugs/alcohol	602	DWI
Drive while license revoked/suspend	302	MIN
Drive without license	303	MIN
Failure to follow traffic device/sign	110	MIN
Failure to Yield	111	MIN
Fleeing from Police	606	MAJ
Following too Close	112	MIN
Foreign Driver's License	401	MAJ
Improper Backing	113	MIN
Improper Passing	114	MIN

Description	Violation Code	Violation Point Class
Improper Turn	124	MIN
Leaving the Scene	608	MAJ
Minor Moving Violation	115	MIN
Not-At-Fault Accident	011	NAF
Open Bottle	116	DWI
Passing a stopped School Bus	117	MAJ
Reckless Driving	305	MAJ
Speeding	201	SPD
Suspended, Revoked or Cancelled License	404	MAJ
Undisclosed Driver	402	MAJ
Unverifiable Driving Record	403	MAJ
Vehicular Homicide	601	MAJ
Without Owners Consent	603	MAJ
Wrong Way on 1 way street	107	MIN

5. Violation Point Class Point Assignments: All accidents will be considered chargeable unless the Named Insured demonstrates one of the following:
   a. Applicant's vehicle was lawfully parked.
   b. Judgment or reimbursement was obtained from responsible party.
   c. Struck in rear and not convicted of a moving traffic violation.
   d. Struck by hit-and-run driver and such accident were reported by applicant to proper authorities within 24 hours.
   e. Applicant was not convicted of a moving traffic violation in connection with the accident, and the other operator of the vehicle involved in such accident was convicted of a moving traffic violation.
   f. Applicant was finally adjudicated not to be liable by a court of competent jurisdiction.
   g. Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, falling objects or by contact with animals or fowl.
   h. Applicant was operating vehicle other than a private passenger auto, motor home or motorcycle at time of accident.
   i. The operator at the time of accident was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad or any Law Enforcement Agency.
   j. In receipt of a traffic citation that was dismissed or nolle prosequi.

k. The operator at the time of accident/violation was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad or any Law Enforcement Agency.

6. Driver's License Status – Operators not possessing a valid driver's license will be assigned a surcharge. Specific situations are addressed below:

   a. Individuals serving full-time in the military and permanently stationed in Arkansas are not required to obtain an Arkansas license and will not be surcharged.

   b. Foreign and International Driver's Licenses: Drivers who have a valid foreign or international driver's license but not a valid U.S. license will be surcharged. The surcharge will apply until the insured is able to submit proof of a valid U.S. license having been effect for at least twelve (12) months. When entering the license information, enter "XX" in the state field and assign the Foreign Driver's License surcharge, i.e. code 401.

   c. Assign Unverifiable Driving Record surcharge, i.e. code 403:

      1) A major violation will be charged on any driver whose driving record cannot be verified by a state's Bureau of Motor Vehicles (not including drivers under 19).

      2) The charge will be removed effective back to the policy inception date if DIRECT receives a valid, current MVR containing at least twelve (12) months of driving history. The MVR must be no more than thirty (30) days old and must be received within sixty (60) days of the policy inception.

      3) Drivers with learner's permits will not be surcharged during the first policy term. Unverifiable Driving Record points will be assessed during the second and subsequent policy terms if an MVR remains unobtainable.

   d. Any driver whose license is suspended, revoked or cancelled will be surcharged. Once proof can be provided of the driver's license reinstatement, the surcharge can be removed effective the date of the license reinstatement. To have the surcharge removed, the driver needs to have their license reinstated and be able to show proof of a valid Arkansas license. Assign the Suspended, Revoked or Cancelled License surcharge, i.e. code 404.

RULE 19. MOTORCYCLE USE

1. Pleasure Use (PL): Includes motorcycles driven for pleasure, to and from work or school and for farm/ranch use. There should be no regular business use of the motorcycle in connection with the driver's occupation, profession, or business other than commuting to and from work or school.
2. Business Use is not allowed on motorcycles or ATVs.
3. Non-Owner (NO) is not allowed on motorcycles or ATVs.

RULE 20. PAYMENT PLANS

The following installment plan options are available:

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6			100.0000%		100.0000%	
6	3 mos. from inception	1	50.0000%	50.0000%	50.0000%	50.0000%
6	2 and 4 mos. from inception	2	40.0000%	30.0000%	40.0000%	30.0000%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	Monthly	4	41.6800%	14.5800%	41.6800%	14.5800%
6	Monthly	4	30.0000%	17.5000%	30.0000%	17.5000%
6	Monthly	4	N/A	N/A	25.0000%	18.7500%
6	Monthly - EFT Required	4	25.0000%	18.7500%	25.0000%	18.7500%
6	Monthly - EFT Required	4	20.0000%	20.0000%	20.0000%	20.0000%
6	Monthly	5	30.0000%	14.0000%	30.0000%	14.0000%
6	Monthly	5	N/A	N/A	25.0000%	15.0000%
6	20/27	5	25.0000%	15.0000%	25.0000%	15.0000%
6	20/27	5	N/A	N/A	22.0000%	15.6000%
6	7/28	5	20.2400%	15.9520%	17.6000%	16.4800%
6	8/28	5	20.9600%	15.8080%	18.2300%	16.3540%
6	9/28	5	21.6900%	15.6620%	18.8600%	16.2280%
6	10/28	5	22.4100%	15.5180%	19.4900%	16.1020%
6	11/28	5	23.1300%	15.3740%	20.1100%	15.9780%
6	12/28	5	23.8500%	15.2300%	20.7400%	15.8520%
6	13/28	5	24.5800%	15.0840%	21.3700%	15.7260%
6	14/28	5	21.9000%	15.6200%	21.9000%	15.6200%
6	14/28	5	N/A	N/A	22.0000%	15.6000%
6	15/28	5	26.0200%	14.7960%	22.6300%	15.4740%
6	16/28	5	26.7500%	14.6500%	23.2600%	15.3480%
6	17/28	5	27.4700%	14.5060%	23.8900%	15.2220%
6	18/28	5	28.1900%	14.3620%	24.5100%	15.0980%
6	19/28	5	28.9100%	14.2180%	25.1400%	14.9720%
6	20/28	5	29.6400%	14.0720%	25.7700%	14.8460%
6	21/28	5	30.3600%	13.9280%	26.4000%	14.7200%
6	7/30	5	18.0000%	16.4000%	15.0000%	17.0000%
6	8/30	5	18.5000%	16.3000%	15.4200%	16.9160%
6	9/30	5	19.0000%	16.2000%	15.8300%	16.8340%
6	10/30	5	19.5000%	16.1000%	16.2500%	16.7500%
6	11/30	5	20.0000%	16.0000%	16.6700%	16.6660%
6	12/30	5	20.5000%	15.9000%	17.0800%	16.5840%
6	13/30	5	21.0000%	15.8000%	17.5000%	16.5000%
6	14/30	5	21.5000%	15.7000%	17.9200%	16.4160%
6	15/30	5	22.0000%	15.6000%	18.3300%	16.3340%
6	16/30	5	22.5000%	15.5000%	18.7500%	16.2500%
6	17/30	5	23.0000%	15.4000%	19.1700%	16.1660%
6	18/30	5	23.5000%	15.3000%	19.5800%	16.0840%
6	19/30	5	24.0000%	15.2000%	20.0000%	16.0000%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	20/30	5	24.5000%	15.1000%	20.4200%	15.9160%
6	21/30	5	25.0000%	15.0000%	20.8300%	15.8340%
6	22/30	5	25.5000%	14.9000%	21.2500%	15.7500%
6	23/30	5	26.0000%	14.8000%	21.6700%	15.6660%
6	24/30	5	26.5000%	14.7000%	22.0800%	15.5840%
6	25/30	5	27.0000%	14.6000%	22.5000%	15.5000%
6	26/30	5	27.5000%	14.5000%	22.9200%	15.4160%
6	27/30	5	28.0000%	14.4000%	23.3300%	15.3340%
6	28/30	5	28.5000%	14.3000%	23.7500%	15.2500%
6	29/30	5	29.0000%	14.2000%	24.1700%	15.1660%
6	30/30	5	29.5000%	14.1000%	24.5800%	15.0840%
6	31/30	5	30.0000%	14.0000%	25.0000%	15.0000%
12			100.0000%		100.0000%	
12	3, 7 and 10 mos. from inception	3	25.0000%	25.0000%	25.0000%	25.0000%
12	Monthly	10	30.0000%	7.0000%	N/A	N/A
12	Monthly	10	25.0000%	7.5000%	25.0000%	7.5000%
12	Monthly	10	20.0000%	8.0000%	20.0000%	8.0000%
12	Monthly	10	16.7000%	8.3300%	16.7000%	8.3300%
12	Monthly	10	15.0000%	8.5000%	N/A	N/A
12	Monthly - EFT Required	10	12.5000%	8.7500%	12.5000%	8.7500%
12	Monthly	11	15.0000%	7.7273%	15.0000%	7.7273%
12	Monthly	11	N/A	N/A	12.5000%	7.9545%
12	20/27	12	27.0000%	6.0800%	20.8000%	6.6000%
12	20/27	12	15.0000%	7.0834%	15.0000%	7.0834%
12	20/27	12	13.5000%	7.2100%	N/A	N/A
12	20/27	5	N/A	N/A	11.0000%	17.8000%
12	7/28	12	10.1200%	7.4900%	8.8000%	7.6000%
12	8/28	12	10.4800%	7.4600%	9.1100%	7.5742%
12	9/28	12	10.8400%	7.4300%	9.4300%	7.5475%
12	10/28	12	11.2000%	7.4000%	9.7400%	7.5217%
12	11/28	12	11.5700%	7.3692%	10.0600%	7.4950%
12	12/28	12	11.9300%	7.3392%	10.3700%	7.4692%
12	13/28	12	12.2900%	7.3092%	10.6900%	7.4425%
12	14/28	12	25.2000%	6.2300%	16.0000%	7.0000%
12	14/28	12	12.6500%	7.2800%	N/A	N/A
12	14/28	5	N/A	N/A	11.0000%	17.8000%
12	15/28	12	13.0100%	7.2492%	11.3100%	7.3908%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	16/28	12	13.3700%	7.2192%	11.6300%	7.3642%
12	17/28	12	13.7300%	7.1892%	11.9400%	7.3383%
12	18/28	12	14.1000%	7.1583%	12.2600%	7.3117%
12	19/28	12	14.4600%	7.1283%	12.5700%	7.2858%
12	20/28	12	14.8200%	7.0983%	12.8900%	7.2592%
12	21/28	12	15.1800%	7.0683%	13.2000%	7.2333%
12	7/30	11	9.0000%	8.2727%	7.5000%	8.4091%
12	8/30	11	9.2500%	8.2500%	7.7100%	8.3900%
12	9/30	11	9.5000%	8.2273%	7.9200%	8.3709%
12	10/30	11	9.7500%	8.2045%	8.1300%	8.3518%
12	11/30	11	10.0000%	8.1818%	8.3300%	8.3336%
12	12/30	11	10.2500%	8.1591%	8.5400%	8.3145%
12	13/30	11	10.5000%	8.1364%	8.7500%	8.2955%
12	14/30	11	10.7500%	8.1136%	8.9600%	8.2764%
12	15/30	11	11.0000%	8.0909%	9.1700%	8.2573%
12	16/30	11	11.2500%	8.0682%	9.3800%	8.2382%
12	17/30	11	11.5000%	8.0455%	9.5800%	8.2200%
12	18/30	11	11.7500%	8.0227%	9.7900%	8.2009%
12	19/30	11	12.0000%	8.0000%	10.0000%	8.1818%
12	20/30	11	12.2500%	7.9773%	10.2100%	8.1627%
12	21/30	11	12.5000%	7.9545%	10.4200%	8.1436%
12	22/30	11	12.7500%	7.9318%	10.6300%	8.1245%
12	23/30	11	13.0000%	7.9091%	10.8300%	8.1064%
12	24/30	11	13.2500%	7.8864%	11.0400%	8.0873%
12	25/30	11	13.5000%	7.8636%	11.2500%	8.0682%
12	26/30	11	13.7500%	7.8409%	11.4600%	8.0491%
12	27/30	11	14.0000%	7.8182%	11.6700%	8.0300%
12	28/30	11	14.2500%	7.7955%	11.8800%	8.0109%
12	29/30	11	14.5000%	7.7727%	12.0800%	7.9927%
12	30/30	11	14.7500%	7.7500%	12.2900%	7.9736%
12	31/30	11	15.0000%	7.7273%	12.5000%	7.9545%

* Due dates in the form of xx/dd is defined as: the first installment is due (xx) days after the inception of the policy, with remaining installments due every (dd) days thereafter.

1. Processing Fee: A fully earned $25.00 installment processing fee is due at inception of policy.
2. Installment Fee: $7.00 per installment or $2.00 per EFT installment, excluding the down payment.
3. Late Fee: A late fee of $10.00 will be charged on any installment postmarked or received after the installment due date.
4. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

APPENDIX 1: TERRITORY DEFINITIONS

ZIP Code	MC Territory
71601	1
71602	1
71603	1
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71612	1
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71630	1
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ZIP Code	MC Territory
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ZIP Code	MC Territory
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ZIP Code	MC Territory
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ZIP Code	MC Territory
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ZIP Code	MC Territory
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ZIP Code	MC Territory
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ZIP Code	MC Territory
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72742	1
72744	1
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72747	1
72749	1
72751	1
72752	1
72753	1

ZIP Code	MC Territory
72756	1
72757	1
72758	1
72760	1
72761	1
72762	1
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72768	1
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ZIP Code	MC Territory
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72857	1
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ZIP Code	MC Territory
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72951	1

ZIP Code	MC Territory
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72955	1

ZIP Code	MC Territory
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72957	1

ZIP Code	MC Territory
72958	1
72959	1

APPENDIX 2: PREMIUM CALCULATIONS

Abbreviations:

BR	**Base Rate**
CF	**Class Factor**
VF	**Vehicle Factor**
DF	**Deductible Factor**
IL	**Increased Limit Factor**
IS*	**Insurance Score Factor**
VA	**Vehicle Age**
PF	**Point Factor**
TF	**Term Factor**
MA	**Prior Insurance Discount**
MB, MD, ME	**Bronze/Silver/Gold Member Discount**

MF	**Multi-Cycle Discount 1**
MG	**Multi-Cycle Discount 2**
MV	**Multi-Vehicle Discount**
SR	**Senior Driver Discount**
LY	**Layaway Period Discount**
MS	**Direct Street Smart Discount**
AS	**Association Discount**
CG	**Alumni Rewards Discount**
SD	**The Safe Choice Discount**
MX	**Maximum Discount**

*Applies to DNIC only

Calculation Notes:

All rounding is done after all factors and discounts multiplication is completed. If a factor shown in the calculation methodology below is not applicable, replace such discount or factor with a factor of 1.00.

Bodily Injury Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-MS)*(1-AS)*(1-CG)]*TF

Property Damage Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-MS)*(1-AS)*(1-CG)]*TF

Guest Passenger Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-MS)*(1-CG)]*TF

Uninsured Motorist Bodily Injury Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MV)]*TF

Uninsured Motorist Property Damage Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MV)]*TF

Underinsured Motorist Bodily Injury Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MV)]*TF

Medical Payments Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)]*TF

Personal Injury Protection Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-CG)]*TF

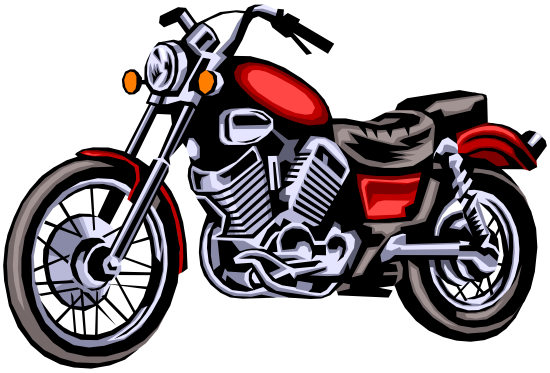
Comprehensive Calculation:
BR*CF*PF*VF*IS*DF*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-MG)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-CG)]*TF

Collision Calculation:
BR*CF*PF*VF*IS*DF*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-CG)]*TF

APPENDIX 3: SYMBOL DESIGNATIONS

Vehicle Code	Vehicle Description
M0	High Perf B, 0-600cc
M2	High Perf B 601-850cc
M3	High Perf B 851-950cc
M4	High Perf B 951+cc
M8	Custom Bike
MA	Harley Tour all cc sizes
MB	Harley Cruisers, 0-1210cc
MC	Harley Cruisers, 1211-1350cc
MD	Harley Cruisers, 1351+cc
ME	Harley Sportsters, 0-950cc
MF	Harley Sportsters, 951+cc
MG	Tour, Non-Harley, 0-1210cc
MH	Tour, Non-Harley, 1211+cc
MI	Sport Tour, all cc sizes
MJ	Cruisers, Non-Harley, 0-450 cc
MK	Cruisers, Non-Harley, 451-950cc
ML	Cruisers, Non-Harley, 951-1210cc
MM	Cruisers, Non-Harley 1211+cc
MN	Regular, 0-100 cc
MO	Regular, 101-370 cc
MP	Regular, 371-575 cc
MQ	Regular, 576-750 cc
MR	Regular, 751-950 cc
MS	Regular, 951-1210 cc
MT	Regular, 1211+ cc
MU	Sport A, 0-750 cc
MV	Sport A, 751+ cc
MW	Sport B, all cc sizes
MX	High Perf A, 0-600 cc
MY	High Perf A 601-850 cc
MZ	High Perf A, 851+ cc
R0	ATV Standard, 0-300 cc
R1	ATV Standard, 301-525 cc
R2	ATV Standard, 526+ cc
R3	ATV Sport, 0-370 cc
R4	ATV Sport, 371-600 cc
R5	ATV Sport, 601+ cc
R6	ATV Utility, all

MOTORCYCLE



Direct Insurance Company

Direct National Insurance Company

Arkansas

September 2008

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UNDERWRITING RULES/RATING GUIDELINES

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RULE 1. DEFINITIONS

1. A motorcycle is defined as a motorcycle, cycle, motor scooter, motorbike, moped, tike or all-terrain vehicle (ATV) designed for travel on public roads, that has:
   a. At least two (2) wheels, but not more than three (3) wheels, except in the case of an all-terrain vehicle, which is a 4-, 6- or 8-wheeled vehicle equipped with a motorcycle engine and designed for off-road use;
   b. Completely open-air driver's seating; and
   c. A motorcycle handle-grip steering device.
2. The definition of "motorcycle" does not include:
   a. Any motorcycle with an electric motor or with no motor or engine;
   b. Snowmobiles;
   c. Dune buggies;
   d. Golf carts;
   e. Cushman 3- and 4-wheeled vehicles;
   f. Any motorcycle with an after-market frame;
   g. Custom or kit motorcycles with no listed NADA value; or
   h. A sidecar is considered part of a motorcycle if it is installed by the original equipment manufacturer. A trailer is considered part of a motorcycle if it is specifically designed to be pulled behind a motorcycle.
3. Unless otherwise noted, the use of the term "motorcycle" throughout this document will encompass all units noted in the definition of "motorcycle."

RULE 2. BINDING AUTHORITY

1. Agent binding authority is three (3) days. The signed application and required down payment must be received within three (3) working days of when the coverage is bound.
2. Backdating the effective date is prohibited.
3. The application must be fully completed, including the insured's signature(s).
4. When Uninsured Motorist Property Damage or Physical Damage coverage is written, a pre-insurance inspection form must be completed for motorcycles in all territories prior to binding. Please note all existing damage and optional or added equipment. Inspections are not required on renewal policies.
5. Physical damage coverage may not be written or bound in any area where there is a flash flood, hailstorm, hurricane, tornado, or tropical storm warning, watch or occurrence.
6. A copy (or copies) of the vehicle registration(s) and driver's license(s) must be submitted with each application and endorsement.

RULE 3. SR-22 / FINANCIAL RESPONSIBILITY FILINGS

A $10.00 fee is applied per filing.

RULE 4. UNACCEPTABLE RISKS

DIRECT reserves the right to determine the final acceptability of any risk. In determining the acceptability of the risk, the agent should use the following guidelines.

1. Unacceptable Drivers

   a. Operators not possessing valid proof of residence. Acceptable proof includes each of the following:

      1) a lease for an apartment, house, modular unit, or manufactured home with a Arkansas address signed by the applicant;
      2) a current utility bill showing the address of the applicant-payor;
      3) a receipt for personal property taxes paid;
      4) a valid student ID for a Arkansas school or university;
      5) a valid Arkansas vehicle registration;
      6) a valid unexpired Arkansas driver's license;
      7) a receipt for real property taxes paid to a Arkansas locality;
      8) a document similar to that described in #3, issued by the consulate or embassy of another country that would be accepted by the Arkansas Division of Motor Vehicles;
      9) a pay stub with the payee's address;
      10) a monthly or quarterly financial statement from a Arkansas regulated financial institution; or
      11) a valid military ID.

      Risks in which the driver(s) has recently moved to Arkansas will be accepted assuming that he/she provides DIRECT with a copy of at least one of these documents within thirty (30) days of policy inception. Risks not providing this proof of residency will be cancelled.

   b. Persons not residing in Arkansas at least six (6) months out of the year.

   c. Persons without a verifiable garaging/storage address.

   d. Members of the armed forces not stationed permanently in Arkansas.

   e. Driver's designated as "Habitual Traffic Offenders" on their MVR.

   f. Drivers who have had a policy cancelled by DIRECT for loss experience or misrepresentation.

   g. Applicants who have been convicted of insurance fraud.

2. Unacceptable Motorcycles/Vehicles

   a. Motorcycles used for racing, speed tests, stunt jumping, delivery messenger, livery, limousine, or taxi service, including food vendors, food/newspaper/mail delivery, etc.

   b. Motorcycles used for business, commercial or emergency use.

   c. Rental motorcycles or short-term leased motorcycles (less than 6 months).

   d. Any motorcycle that is leased or rented by the applicant to other operators or loaned on a regular basis.

   e. Motorcycles not garaged in Arkansas for at least six (6) months a year.

   f. Motorcycles over twenty-five (25) years old.

   g. Any motorcycle with "ape hanger" handlebars that are fifteen (15) inches or more above the seat.

   h. Any motorcycle with an after-market frame.

   i. Any motorcycle with a state assigned vehicle identification number (VIN).

   j. Motorcycles from more than one household listed on a single policy. **Exception:** Does not apply to acceptable student risks.

   k. Stated or agreed value policies.

   l. Motorcycles titled to any governmental body, estate, receivership, corporation or partnership.

   m. Any motorcycle without a listed NADA value.

n. Any motorcycle constructed from a kit or otherwise constructed anywhere other than a motorcycle manufacturing factory.

o. Motorcycle training vehicles or any vehicle used for motorcycle training.

p. Any motorcycle with a market value in excess of $75,000.

q. Any motorcycle with less than two (2) wheels or more than eight (8) wheels. In addition, ATVs with three (3) wheels are not permitted.

r. Any motorcycle with a permanent roof structure.

s. Any motorcycle carrying explosive or flammable substances.

t. Motorcycles with logos or advertising on them, whether removable or permanent.

u. Motorcycles (other than ATVs) that are not licensed for street use in the state of Arkansas.

v. Any motorcycle with a permit to dismantle.

w. Physical damage coverage on any motorcycle:

   1) on which DIRECT has previously paid a total loss claim and which is retained by the insured.

   2) with a salvage title.

RULE 5. NON-OWNER COVERAGE

A named operator policy will not be allowed for a motorcycle or ATV.

RULE 6. ENDORSEMENTS

1. All premium change endorsements will reflect the rates and rules in force at the inception of the policy period.
2. Premium charges will be calculated pro-rata.
3. Midterm premium adjustments will be made as a result of change in:
   a. motorcycles insured by the policy.
   b. drivers added to or excluded from the policy.
   c. coverage and deductibles.
4. Midterm premium adjustments will not be made as a result of:
   a. driver point changes (unless to recognize adding/deleting a driver).
   b. attained age of the driver.
   c. rating territory.
5. Return premium of $10.00 or less will not be refunded unless requested in writing by the insured.
6. Additional/Replacement vehicle: The insured has thirty (30) days to notify DIRECT of his/her desire to endorse on an additional or replacement vehicle for coverage. Any additional coverage will become effective when reported to DIRECT.
7. Additional drivers must be reported to DIRECT within thirty (30) days.
8. The following must be submitted in writing and must have the insured's signature and date signed:
   a. Add, delete or change coverage or increase/decrease deductibles/limits.
   b. Add or delete motorcycles (unless sold or replaced).
   c. Driver exclusions.

d. Rejection of UM, UMPD or UIM.

e. Add or delete operators / SR-22 filings.

RULE 7. CANCELLATIONS

1. The company may cancel the policy for any reason within the first sixty (60) days of the policy period, provided that the date of cancellation is at least twenty (20) days after the date of mailing.
2. After the first sixty (60) days of the policy period, DIRECT may cancel the policy with twenty (20) days written notice provided that the cancellation is for one or more of the following reasons:
   a. Misrepresentation by the insured of any material fact in the procurement or renewal of this policy or in the submission of claims under this policy.
   b. The named insured or any driver of the insured vehicle is convicted of:
      1) driving while intoxicated;
      2) homicide or assault arising out of the use of a motor vehicle; or
      3) three (3) separate convictions of speeding or reckless driving or a combination of the two (2) during the policy period, including three (3) months prior to the effective date of the policy.
   c. Non-payment of premium: A written notice of cancellation will be mailed or delivered to the last known mailing address of the named insured and any loss payee at least ten (10) days prior to the effective date of the cancellation.
3. In the event a policy has three (3) “losses”, where “loss” is defined as money paid out to an insured or third party in satisfaction of a claim, during a 12-month term the policy will be non-renewed with at least thirty (30) day advance notice. Claims arising from “natural causes” will not be considered when evaluating the loss history.
4. The mailing of notice of cancellation or non-renewal to the insured’s address as shown on the declarations page will be proof of cancellation or non-renewal.
5. The insured may cancel the policy by mailing or electronically submitting a signed written request stating the future date that the insured wishes the cancellation to be effective. The cancellation may not be earlier than the date the request is received unless the request is from the premium finance company. If the request is from the premium finance company, we may elect, at our sole option, to cancel the policy as of the effective date stated in the notice.
6. Insufficient down payment will result in a flat cancellation and coverage will be null and void. An insufficient payment or nonpayment of any installment by the due date will result in a cancel notice being sent to the insured at least ten (10) days in advance of cancellation. If payment is received in our office by the cancel date, the policy may be reinstated.
7. In the event of a total loss, coverage continues until the insured sends a cancellation request to DIRECT.
8. When the cancellation request is due to duplicate coverage and the requested cancellation date is prior to the received date, DIRECT requires proof of duplicate coverage in order to honor the requested cancellation date.
9. DIRECT cannot cancel or nonrenew solely because of the administrative revocation or suspension of the driver’s license of the owner or operator of the motor vehicle under Arkansas Code 5-65-104.
10. Premium computations for cancellations are as follows:
    a. Requested by the insured: The return premium shall be calculated on a short rate basis.
    b. Non-payment of premium: The return premium shall be calculated on a 100% pro-rata basis.
    c. Request of premium finance company: The return premium shall be calculated on a 100% pro-rata basis.

d. Request of company: The return premium shall be calculated on a 100% pro-rata basis.

RULE 8. MATERIAL MISREPRESENTATION OF RISK

1. If statements in the application differ from previous records of the Department of Motor Vehicles, the proper additional or return premium will be processed without prior notice. Additionally, the company may elect to cancel for undisclosed violations.
2. Among the information most often misrepresented is:
   a. Drivers (list or exclude all persons age 14 and older in the household);
   b. Driving record;
   c. Vehicle type and use;
   d. Garaging address;
   e. State of residency.

RULE 9. RENEWALS

1. A renewal quote will be sent to the insured at least thirty (30) days prior to expiration, along with instructions to pay DIRECT directly.
2. Payment must be received by DIRECT prior to expiration to ensure continuous coverage.
3. Renewal payments that are received after the policy expires could result in renewal with a lapse in coverage.

RULE 10. LIABILITY COVERAGE

If a motorcycle is written on a policy with an automobile the limits for the automobile and the motorcycle must be the same for all coverage unless otherwise noted below.

1. Bodily Injury (BI)
   a. Bodily Injury is a required coverage.
   b. The following limits are available:
      1) $25,000 per person/$50,000 per occurrence;
      2) $50,000 per person/$100,000 per occurrence; and
      3) $100,000 per person/$300,000 per occurrence.
   c. Must be written on all vehicles of a multi-vehicle policy.
   d. Limits must be the same for all vehicles.
2. Property Damage (PD)
   a. Property Damage is a required coverage.
   b. The following limits are available:
      1) $25,000 per occurrence;
      2) $50,000 per occurrence; and
      3) $100,000 per occurrence.
   c. Must be written on all vehicles of a multi-vehicle policy.
   d. Limits must be the same for all vehicles.

3. Guest Passenger (PLB)
    a. Guest Passenger is a required coverage.
    b. This coverage must match the selected Bodily Injury limit.
    c. Must be written on all vehicles of a multi-vehicle policy.
4. Uninsured Motorist (UM) and Underinsured Motorist (UIM)
    a. Uninsured Motorist and Underinsured Motorist are optional coverages.
    b. The following limits are available for UM and UIM:
        1) $25,000 per person/$50,000 per occurrence;
        2) $50,000 per person/$100,000 per occurrence; and
        3) $100,000 per person/$300,000 per occurrence.
    c. The following limits are available for UMPD:
        1) $25,000 per occurrence;
        2) $50,000 per occurrence; and
        3) $100,000 per occurrence.
    d. Uninsured Motorist Property Damage is written with a $250 deductible.
    e. If this coverage is not desired, the insured <u>must</u> sign the Uninsured/Underinsured Motorist rejection form. If this signed form does not accompany the application, this coverage will automatically be added at the selected Bodily Injury and Property Damage limits and the appropriate premium will be charged.
    f. Underinsured Motorist is only available when Uninsured Motorist coverage is selected.
    g. Coverage must be written on all vehicles of a multi-vehicle policy at the same limits.
    h. Neither Uninsured Motorist nor Underinsured Motorist coverage can exceed the liability coverage limits.
5. Personal Injury Protection (PIP)
    a. The following benefits are available:
        1) $5,000 Medical/Hospital;
        2) Income Disability; and
        3) $5,000 Accidental Death.
    b. If any or all of these options are not desired, the insured <u>must</u> sign the PIP rejection form. If this signed form does not accompany the application, all options will automatically be added and the appropriate premium will be charged.
6. Medical Payments (MP)
    a. Medical Payments is an optional coverage.
    b. It can only be written on policies with Liability coverage.
    c. Medical Payments Coverage limits must be the same on all vehicles on the policy.
    d. Limits available:
        1) $250;
        2) $500;
        3) $1,000; and

4) $2,000.

RULE 11. PHYSICAL DAMAGE COVERAGE

1. Comprehensive/Collision (CMP/COL)
   a. The following deductibles are available:
      1) $100
      2) $250
      3) $500
      4) $750
      5) $1,000
         a) A $250 deductible to Lienholder upon repossession with damage.
   b. Both Comprehensive and Collision must be written where Physical Damage coverage is chosen.
   c. The same deductible must be chosen for Collision and Comprehensive.
2. Motorcycle Towing (TOW)
   a. Towing is an optional coverage, providing up to $50 reimbursement per occurrence.
   b. Semi-annual premium is $4 per vehicle.
   c. Coverage may only be written on motorcycles providing Comprehensive/Collision coverage.
3. Custom Parts and Equipment
   a. Coverage provides Physical Damage protection to equipment, devices, accessories, enhancements, and changes other than those installed by the original manufacturer, which are permanently installed or attached and alter the appearance or performance of a motorcycle. This includes, but is not limited to:
      1) Electronic equipment, antennas and other devices used exclusively to send or receive audio, visual or data signals or playback recorded media, other than those which are OEM installed, that are permanently installed on the vehicle using bolts or brackets, including slide-out brackets;
      2) Sidecars that are not installed by the original equipment manufacturer;
      3) Dealer-added items as part of the original sale;
      4) Trike conversion kits;
      5) Custom paint, custom plating or custom exhaust; and
      6) Safety riding apparel, including helmets. Coverage is only provided in event of a Collision loss. Theft is not covered.
   b. If Comprehensive and Collision coverages are written on the covered motorcycle, $500 of custom parts and equipment coverage is included. Additional Custom Parts or Equipment coverage may be purchased.
   c. The deductible for Custom Parts and Equipment Coverage are the same as Comprehensive and Collision deductibles.
   d. Maximum insurable value of Custom Parts and Equipment is $15,000. Maximum payment for custom paint is $500. Maximum payment for any and all helmets involved in any one **collision** is $500. Theft of a helmet is not covered.

RULE 12. LAYAWAY

1. If Comprehensive coverage is selected on a 12-month policy, premiums will be reduced by 20% on Bodily Injury, Property Damage, Guest Passenger, Uninsured Motorist Bodily Injury, Uninsured Motorist Property Damage, Underinsured Motorist Bodily Injury, Medical Payments, Personal Injury Protection and Collision coverages to allow credit for no usage between December 1st and March 1st, as this is when motorcycle(s) are normally not ridden.
2. Layaway options are not available for policies with listed ATVs or SR-22 (Financial Responsibility Filings).
3. If there is a lien on the insured motorcycle, the Layaway discount will not be available while the lien is in effect.

RULE 13. RATING PROCEDURES

1. Annual policies are rated with a factor of 1.90 times the semi-annual rate.
2. The premium for each coverage and vehicle shall be rounded to the nearest dollar. $0.50 and over will be rounded up.
3. Determine Territory code from APPENDIX 1: TERRITORY DEFINITIONS. Use the zip code where the vehicle is principally garaged, not the mailing zip code. For new zip codes not found in APPENDIX 1: TERRITORY DEFINITIONS, use the territory the zip code was derived from (e.g., if 33333 in territory 001 is split into 33333 and 33334 then 33334 would be assigned territory 001.)
4. Determine the age of the motorcycle.

Age Group Code	Definition
0	All motorcycles of the current model year
1	All motorcycles of the 1st preceding model year
2	All motorcycles of the 2nd preceding model year
3	All motorcycles of the 3rd preceding model year
4	All motorcycles of the 4th preceding model year
5	All motorcycles of the 5th preceding model year
6	All motorcycles of the 6th preceding model year
7	All motorcycles of the 7th preceding model year
8	All other motorcycles

   a. Current model year shall change effective October 1, of each calendar year regardless of actual introductory dates of the several makes and models.

   b. Any motorcycle with a model year subsequent to the current model year (e.g., a 2007 motorcycle in July, 2006) will be considered as age group 0.

   c. For rebuilt or structurally altered motorcycles, the age of the frame determines the age of the cycle.

RULE 14. POLICY FEES

1. Policy Fee: $15.00 earned at inception on each new and renewal policy. If a policy is written with both an automobile and a motorcycle, the maximum policy fee will be $15.00.
2. SR-22: $10.00 per filing.
3. Reinstatement Fee: $5.00 for each policy where cancellation notice has been issued and the insured desires continuation of coverage.
4. Installment Billing Fee: $7.00 per installment.

5. Late fee: $10.00 for each late installment payment.
6. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.
7. Minimum written premium on annual policies is $75. Minimum written premium on semi-annual policies is $50.

RULE 15. INSURANCE SCORE (DNIC only)

DIRECT will use the insured's insurance score to place the risk in different rating levels. However, this score will not be used for underwriting purposes or to decline a policy.

RULE 16. DISCOUNTS

1. Prior Insurance Discount
   a. A 10% credit for the first year of a policy. The discount applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.
   b. Applicant must provide verification of at least six (6) months of continuous prior coverage, with no more than seven (7) days of lapse in previous coverage allowed.
   c. Applicant must provide a copy of a valid motorcycle license at the time of application for the discount to apply.
   d. Acceptable verification of prior coverage will be a renewal quote or a letter from the prior agent or insurance company.
   e. A photocopy of the acceptable verification listed above must accompany the New Business.
   f. This applies to new business only.
2. Bronze/Silver/Gold Member Discount
   a. Credit applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages as follows:
      1) Bronze Members will receive a 20% discount for 12- and 18-month renewals;
      2) Silver Members will receive a 20% discount for 24- and 30-month renewals; and
      3) Gold Member will receive a 20% discount for 36-month and subsequent renewals.
   b. This discount will not apply if the policy had a lapse in coverage in the prior twelve (12) months.
   c. This discount will be applicable if the policy is renewed within ten (10) days of the expiration date and no lapse in coverage in the prior twelve (12) months.
3. The Safe Choice Discount
   a. 5% credit if all operators are violation- and accident-free for the preceding 12 months. This discount applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.
   b. This discount applies to new and renewal business.
4. Multi-Cycle Discount 1
   a. Applies to the policy when more than one motorcycle or ATV is insured.
   b. 10% discount will apply to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages.

5. Multi-Cycle Discount 2
    a. Applies to the policy when three or more motorcycles or ATVs are insured.
    b. 15% discount will apply to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Comprehensive and Collision coverages if carried on each vehicle.
6. Multi-Vehicle Discount
    a. Applies to the policy when more than one automobile, motorcycle or ATV is insured.
    b. 5% discount will apply to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Medical Payments, Uninsured Motorist Bodily Injury, Underinsured Motorist Bodily Injury, Uninsured Motorist Property Damage, Custom Parts and Equipment, Comprehensive and Collision coverages.
    c. The Multi-Vehicle Discount will not be granted on vehicles that receive the Multi-Cycle 1 or Multi-Cycle 2 Discounts.
7. Senior Citizen Discount
    a. A 5% credit applies to Bodily Injury, Guest Passenger, Comprehensive and Collision coverages.
    b. This discount is only available to drivers that are 55-years-old and older. Applicants must submit a copy of the certificate indicating successful completion of a Motor Vehicle Accident Prevention Course, which has been approved by the state of Arkansas. If previously received by the company, no further proof is required at renewal.
    c. This discount applies only to the driver completing the course.
    d. This discount is valid for 36 months following course completion.
    e. Discount does not apply if course is taken as a punishment specified by a court or other governmental entity resulting from a moving violation.
    f. This discount applies only to coverage on the insured motorcycle.
8. Direct Smart Start Discount
    a. A 10% credit applies to Bodily Injury, Property Damage and Guest Passenger for any driver who has completed a state-approved rider safety course.
    b. This discount applies only to coverage on the insured motorcycle.
    c. This discount does not apply to any insured ATVs.
    d. The course must have been completed within the three (3) years prior to the effective date. If previously received by the company, no further proof is required at renewal.
    e. Rider does not qualify for the discount if the course is completed pursuant to a court order.
9. Riders Association Discount
    a. A 10% credit applies to Bodily Injury and Property Damage.
    b. This discount applies to members of AMA (American Motorcyclist Association), American Voyager Association, GWRRA (Goldwing Road Riders Association), HOG (Harley Owners Group) and HRCA (Honda Riders Club of America).
    c. A copy of the Association ID or membership card must be presented to receive discount. If previously received by the company, no further proof is required at renewal.
10. Alumni Rewards Discount
    a. A 5% credit applies to Bodily Injury, Property Damage, Guest Passenger, Personal Injury Protection, Comprehensive and Collision coverages.

b. This is available to drivers under the age of 25 that have graduated from a college or university, and whose cumulative scholastic records show that the insured attained one of the following:

   1) If letter grades are used, a grade average of “B” or higher; or

   2) At least a 3 point average on a 4 point scale (or equivalent).

c. A copy of their college transcript is required and must accompany the application for the discount to apply. If previously received by the company, no further proof is required at renewal.

11. Maximum Allowable Discount

    Maximum allowable discount is 45% per coverage. Discounts are multiplicative not additive, i.e.: a 10% discount and a 5% discount is not 15%, but 1-(1-10%)x (1-5%)=14.5%

RULE 17. DRIVER CLASSES

1. Driver Class Rating

   a. Assign a principle operator to all motorcycles and ATVs on the policy. If there are more motorcycles or ATVs than operators, an operator may be assigned to more than one cycle.

   b. The driver classification to be used in the rating of DIRECT motorcycle and ATV policies is a combination of marital status and age of insured(s).

   c. Report all persons 14 years of age and older that live in the insured’s household, whether or not they are licensed. These persons must be included in the rating or must be specifically excluded.

   d. Married class includes legally married and residing with spouse.

   e. Single class includes persons who are single, divorced, separated, widowed or living together while not married.

   f. Roommates must be included in the rating of a policy unless specifically excluded.

   g. In the event that DIRECT discovers a previously undeclared operator at any time during the policy period DIRECT reserves the right to:

      1) Void for misrepresentation, or;

      2) Add the operator to the policy as of the effective date of the policy period and add a violation code of 402. This point surcharge will only be applied to the policy period for which they are added. At renewal the surcharge will be removed. (We will run an MVR at the time the driver is added and add all prior violations to the policy. These will not be removed at renewal.) If the operator is involved in an at-fault accident, the accident will be added and charged at renewal.

RULE 18. DRIVING RECORD/POINT COUNT PROCEDURES

1. Point values are assessed for all accidents and violations that occur in the 35 month period immediately preceding the policy inception date. Points will be assigned for both automobile and motorcycle accidents and/or violations.

2. Multiple Violations: If two or more violations or an accident and a violation result from the same incident, we will charge only for the highest rated violation or accident.

3. Violation Point Class

Description	Points 1st Occurrence	Points 2nd Occurrence	Points Each Additional Occurrence
AAF – At-fault Accident	4	6	9
DWI – Driving Under the Influence	1	2	5

IND – No Charge	0	0	0
MAJ – Major Violation	4	4	4
MIN – Minor Violation	2	3	2
NAF – Not-at-fault	0	0	0
SPD – Speeding	2	1	1

4. Point Assignments

Description	Violation Code	Violation Point Class
At-Fault Accident	301	AAF
Auto Theft/Felony Motor Vehicle	605	MAJ
Careless/Improper Operation	101	MAJ
Comp Claim	007	IND
Drag Racing	118	MAJ
Drive Under Influence drugs/alcohol	602	DWI
Drive while license revoked/suspend	302	MIN
Drive without license	303	MIN
Failure to follow traffic device/sign	110	MIN
Failure to Yield	111	MIN
Fleeing from Police	606	MAJ
Following too Close	112	MIN
Foreign Driver's License	401	MAJ
Improper Backing	113	MIN
Improper Passing	114	MIN

Description	Violation Code	Violation Point Class
Improper Turn	124	MIN
Leaving the Scene	608	MAJ
Minor Moving Violation	115	MIN
Not-At-Fault Accident	011	NAF
Open Bottle	116	DWI
Passing a stopped School Bus	117	MAJ
Reckless Driving	305	MAJ
Speeding	201	SPD
Suspended, Revoked or Cancelled License	404	MAJ
Undisclosed Driver	402	MAJ
Unverifiable Driving Record	403	MAJ
Vehicular Homicide	601	MAJ
Without Owners Consent	603	MAJ
Wrong Way on 1 way street	107	MIN

5. Violation Point Class Point Assignments: All accidents will be considered chargeable unless the Named Insured demonstrates one of the following:

   a. Applicant's vehicle was lawfully parked.

   b. Judgment or reimbursement was obtained from responsible party.

   c. Struck in rear and not convicted of a moving traffic violation.

   d. Struck by hit-and-run driver and such accident were reported by applicant to proper authorities within 24 hours.

   e. Applicant was not convicted of a moving traffic violation in connection with the accident, and the other operator of the vehicle involved in such accident was convicted of a moving traffic violation.

   f. Applicant was finally adjudicated not to be liable by a court of competent jurisdiction.

   g. Accidents involving Physical Damage, limited to and caused by flying gravel, missiles, falling objects or by contact with animals or fowl.

   h. Applicant was operating vehicle other than a private passenger auto, motor home or motorcycle at time of accident.

   i. The operator at the time of accident was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad or any Law Enforcement Agency.

   j. In receipt of a traffic citation that was dismissed or nolle prosequi.

k. The operator at the time of accident/violation was on duty as a paid or volunteer member of any Police or Fire Department, First-Aid Squad or any Law Enforcement Agency.

6. Driver's License Status – Operators not possessing a valid driver's license will be assigned a surcharge. Specific situations are addressed below:

   a. Individuals serving full-time in the military and permanently stationed in Arkansas are not required to obtain an Arkansas license and will not be surcharged.

   b. Foreign and International Driver's Licenses: Drivers who have a valid foreign or international driver's license but not a valid U.S. license will be surcharged. The surcharge will apply until the insured is able to submit proof of a valid U.S. license having been effect for at least twelve (12) months. When entering the license information, enter "XX" in the state field and assign the Foreign Driver's License surcharge, i.e. code 401.

   c. Assign Unverifiable Driving Record surcharge, i.e. code 403:

      1) A major violation will be charged on any driver whose driving record cannot be verified by a state's Bureau of Motor Vehicles (not including drivers under 19).

      2) The charge will be removed effective back to the policy inception date if DIRECT receives a valid, current MVR containing at least twelve (12) months of driving history. The MVR must be no more than thirty (30) days old and must be received within sixty (60) days of the policy inception.

      3) Drivers with learner's permits will not be surcharged during the first policy term. Unverifiable Driving Record points will be assessed during the second and subsequent policy terms if an MVR remains unobtainable.

   d. Any driver whose license is suspended, revoked or cancelled will be surcharged. Once proof can be provided of the driver's license reinstatement, the surcharge can be removed effective the date of the license reinstatement. To have the surcharge removed, the driver needs to have their license reinstated and be able to show proof of a valid Arkansas license. Assign the Suspended, Revoked or Cancelled License surcharge, i.e. code 404.

RULE 19. MOTORCYCLE USE

1. Pleasure Use (PL): Includes motorcycles driven for pleasure, to and from work or school and for farm/ranch use. There should be no regular business use of the motorcycle in connection with the driver's occupation, profession, or business other than commuting to and from work or school.
2. Business Use is not allowed on motorcycles or ATVs.
3. Non-Owner (NO) is not allowed on motorcycles or ATVs.

RULE 20. PAYMENT PLANS

The following installment plan options are available:

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Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
6	-	-	100.0000%	-	100.0000%	-
6	3 mos. from inception	1	50.0000%	50.0000%	50.0000%	50.0000%
6	2 and 4 mos. from inception	2	40.0000%	30.0000%	40.0000%	30.0000%

-	-	-	NEW BUSINESS		RENEWAL BUSINESS	
Policy Term	Due Dates*	Number of Installments	Down Payment	Installment Percent	Down Payment	Installment Percent
6	Monthly	4	41.6800%	14.5800%	41.6800%	14.5800%
6	Monthly	4	30.0000%	17.5000%	30.0000%	17.5000%
6	Monthly	4	N/A	N/A	25.0000%	18.7500%
6	Monthly - EFT Required	4	25.0000%	18.7500%	25.0000%	18.7500%
6	Monthly - EFT Required	4	20.0000%	20.0000%	20.0000%	20.0000%
6	Monthly	5	30.0000%	14.0000%	30.0000%	14.0000%
6	Monthly	5	N/A	N/A	25.0000%	15.0000%
6	20/27	5	25.0000%	15.0000%	25.0000%	15.0000%
6	20/27	5	N/A	N/A	22.0000%	15.6000%
6	7/28	5	20.2400%	15.9520%	17.6000%	16.4800%
6	8/28	5	20.9600%	15.8080%	18.2300%	16.3540%
6	9/28	5	21.6900%	15.6620%	18.8600%	16.2280%
6	10/28	5	22.4100%	15.5180%	19.4900%	16.1020%
6	11/28	5	23.1300%	15.3740%	20.1100%	15.9780%
6	12/28	5	23.8500%	15.2300%	20.7400%	15.8520%
6	13/28	5	24.5800%	15.0840%	21.3700%	15.7260%
6	14/28	5	21.9000%	15.6200%	21.9000%	15.6200%
6	14/28	5	N/A	N/A	22.0000%	15.6000%
6	15/28	5	26.0200%	14.7960%	22.6300%	15.4740%
6	16/28	5	26.7500%	14.6500%	23.2600%	15.3480%
6	17/28	5	27.4700%	14.5060%	23.8900%	15.2220%
6	18/28	5	28.1900%	14.3620%	24.5100%	15.0980%
6	19/28	5	28.9100%	14.2180%	25.1400%	14.9720%
6	20/28	5	29.6400%	14.0720%	25.7700%	14.8460%
6	21/28	5	30.3600%	13.9280%	26.4000%	14.7200%
6	7/30	5	18.0000%	16.4000%	15.0000%	17.0000%
6	8/30	5	18.5000%	16.3000%	15.4200%	16.9160%
6	9/30	5	19.0000%	16.2000%	15.8300%	16.8340%
6	10/30	5	19.5000%	16.1000%	16.2500%	16.7500%
6	11/30	5	20.0000%	16.0000%	16.6700%	16.6660%
6	12/30	5	20.5000%	15.9000%	17.0800%	16.5840%
6	13/30	5	21.0000%	15.8000%	17.5000%	16.5000%
6	14/30	5	21.5000%	15.7000%	17.9200%	16.4160%
6	15/30	5	22.0000%	15.6000%	18.3300%	16.3340%
6	16/30	5	22.5000%	15.5000%	18.7500%	16.2500%
6	17/30	5	23.0000%	15.4000%	19.1700%	16.1660%
6	18/30	5	23.5000%	15.3000%	19.5800%	16.0840%
6	19/30	5	24.0000%	15.2000%	20.0000%	16.0000%

-	-	-	NEW BUSINESS		RENEWAL BUSINESS	
Policy Term	Due Dates*	Number of Installments	Down Payment	Installment Percent	Down Payment	Installment Percent
6	20/30	5	24.5000%	15.1000%	20.4200%	15.9160%
6	21/30	5	25.0000%	15.0000%	20.8300%	15.8340%
6	22/30	5	25.5000%	14.9000%	21.2500%	15.7500%
6	23/30	5	26.0000%	14.8000%	21.6700%	15.6660%
6	24/30	5	26.5000%	14.7000%	22.0800%	15.5840%
6	25/30	5	27.0000%	14.6000%	22.5000%	15.5000%
6	26/30	5	27.5000%	14.5000%	22.9200%	15.4160%
6	27/30	5	28.0000%	14.4000%	23.3300%	15.3340%
6	28/30	5	28.5000%	14.3000%	23.7500%	15.2500%
6	29/30	5	29.0000%	14.2000%	24.1700%	15.1660%
6	30/30	5	29.5000%	14.1000%	24.5800%	15.0840%
6	31/30	5	30.0000%	14.0000%	25.0000%	15.0000%
12	-	-	100.0000%	-	100.0000%	-
12	3, 7 and 10 mos. from inception	3	25.0000%	25.0000%	25.0000%	25.0000%
12	Monthly	10	30.0000%	7.0000%	N/A	N/A
12	Monthly	10	25.0000%	7.5000%	25.0000%	7.5000%
12	Monthly	10	20.0000%	8.0000%	20.0000%	8.0000%
12	Monthly	10	16.7000%	8.3300%	16.7000%	8.3300%
12	Monthly	10	15.0000%	8.5000%	N/A	N/A
12	Monthly - EFT Required	10	12.5000%	8.7500%	12.5000%	8.7500%
12	Monthly	11	15.0000%	7.7273%	15.0000%	7.7273%
12	Monthly	11	N/A	N/A	12.5000%	7.9545%
12	20/27	12	27.0000%	6.0800%	20.8000%	6.6000%
12	20/27	12	15.0000%	7.0834%	15.0000%	7.0834%
12	20/27	12	13.5000%	7.2100%	N/A	N/A
12	20/27	5	N/A	N/A	11.0000%	17.8000%
12	7/28	12	10.1200%	7.4900%	8.8000%	7.6000%
12	8/28	12	10.4800%	7.4600%	9.1100%	7.5742%
12	9/28	12	10.8400%	7.4300%	9.4300%	7.5475%
12	10/28	12	11.2000%	7.4000%	9.7400%	7.5217%
12	11/28	12	11.5700%	7.3692%	10.0600%	7.4950%
12	12/28	12	11.9300%	7.3392%	10.3700%	7.4692%
12	13/28	12	12.2900%	7.3092%	10.6900%	7.4425%
12	14/28	12	25.2000%	6.2300%	16.0000%	7.0000%
12	14/28	12	12.6500%	7.2800%	N/A	N/A
12	14/28	5	N/A	N/A	11.0000%	17.8000%
12	15/28	12	13.0100%	7.2492%	11.3100%	7.3908%

Policy Term	Due Dates*	Number of Installments	NEW BUSINESS		RENEWAL BUSINESS	
			Down Payment	Installment Percent	Down Payment	Installment Percent
12	16/28	12	13.3700%	7.2192%	11.6300%	7.3642%
12	17/28	12	13.7300%	7.1892%	11.9400%	7.3383%
12	18/28	12	14.1000%	7.1583%	12.2600%	7.3117%
12	19/28	12	14.4600%	7.1283%	12.5700%	7.2858%
12	20/28	12	14.8200%	7.0983%	12.8900%	7.2592%
12	21/28	12	15.1800%	7.0683%	13.2000%	7.2333%
12	7/30	11	9.0000%	8.2727%	7.5000%	8.4091%
12	8/30	11	9.2500%	8.2500%	7.7100%	8.3900%
12	9/30	11	9.5000%	8.2273%	7.9200%	8.3709%
12	10/30	11	9.7500%	8.2045%	8.1300%	8.3518%
12	11/30	11	10.0000%	8.1818%	8.3300%	8.3336%
12	12/30	11	10.2500%	8.1591%	8.5400%	8.3145%
12	13/30	11	10.5000%	8.1364%	8.7500%	8.2955%
12	14/30	11	10.7500%	8.1136%	8.9600%	8.2764%
12	15/30	11	11.0000%	8.0909%	9.1700%	8.2573%
12	16/30	11	11.2500%	8.0682%	9.3800%	8.2382%
12	17/30	11	11.5000%	8.0455%	9.5800%	8.2200%
12	18/30	11	11.7500%	8.0227%	9.7900%	8.2009%
12	19/30	11	12.0000%	8.0000%	10.0000%	8.1818%
12	20/30	11	12.2500%	7.9773%	10.2100%	8.1627%
12	21/30	11	12.5000%	7.9545%	10.4200%	8.1436%
12	22/30	11	12.7500%	7.9318%	10.6300%	8.1245%
12	23/30	11	13.0000%	7.9091%	10.8300%	8.1064%
12	24/30	11	13.2500%	7.8864%	11.0400%	8.0873%
12	25/30	11	13.5000%	7.8636%	11.2500%	8.0682%
12	26/30	11	13.7500%	7.8409%	11.4600%	8.0491%
12	27/30	11	14.0000%	7.8182%	11.6700%	8.0300%
12	28/30	11	14.2500%	7.7955%	11.8800%	8.0109%
12	29/30	11	14.5000%	7.7727%	12.0800%	7.9927%
12	30/30	11	14.7500%	7.7500%	12.2900%	7.9736%
12	31/30	11	15.0000%	7.7273%	12.5000%	7.9545%

* Due dates in the form of xx/dd is defined as: the first installment is due (xx) days after the inception of the policy, with remaining installments due every (dd) days thereafter.

1. Processing Fee: A fully earned $25.00 installment processing fee is due at inception of policy.
2. Installment Fee: $7.00 per installment or $2.00 per EFT installment, excluding the down payment.
3. Late Fee: A late fee of $10.00 will be charged on any installment postmarked or received after the installment due date.
4. NSF Fee: $20.00 for each payment returned to the company for insufficient funds.

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APPENDIX 1: TERRITORY DEFINITIONS

ZIP Code	MC Territory
71601	1
71602	1
71603	1
71611	1
71612	1
71613	1
71630	1
71631	1
71635	1
71638	1
71639	1
71640	1
71642	1
71643	1
71644	1
71646	1
71647	1
71651	1
71652	1
71653	1
71654	1
71655	1
71656	1
71657	1
71658	1
71659	1
71660	1
71661	1
71662	1
71663	1
71665	1
71666	1
71667	1
71670	1
71671	1
71674	1
71675	1
71676	1
71677	1
71678	1
71701	1
71711	1

ZIP Code	MC Territory
71720	1
71721	1
71722	1
71724	1
71725	1
71726	1
71728	1
71730	1
71731	1
71740	1
71742	1
71743	1
71744	1
71745	1
71747	1
71748	1
71749	1
71750	1
71751	1
71752	1
71753	1
71754	1
71758	1
71759	1
71762	1
71763	1
71764	1
71765	1
71766	1
71768	1
71770	1
71772	1
71801	1
71802	1
71820	1
71822	1
71823	1
71825	1
71826	1
71827	1
71828	1
71831	1

ZIP Code	MC Territory
71832	1
71833	1
71834	1
71835	1
71836	1
71837	1
71838	1
71839	1
71840	1
71841	1
71842	1
71844	1
71845	1
71846	1
71847	1
71851	1
71852	1
71853	1
71854	1
71855	1
71857	1
71858	1
71859	1
71860	1
71861	1
71862	1
71864	1
71865	1
71866	1
71901	1
71902	1
71903	1
71909	1
71910	1
71913	1
71914	1
71920	1
71921	1
71922	1
71923	1
71929	1
71932	1

ZIP Code	MC Territory
71933	1
71935	1
71937	1
71940	1
71941	1
71942	1
71943	1
71944	1
71945	1
71949	1
71950	1
71952	1
71953	1
71956	1
71957	1
71958	1
71959	1
71960	1
71961	1
71962	1
71964	1
71965	1
71968	1
71969	1
71970	1
71971	1
71972	1
71973	1
71998	1
71999	1
72001	1
72002	2
72003	1
72004	1
72005	1
72006	1
72007	1
72010	1
72011	1
72012	1
72013	1
72014	1

ZIP Code	MC Territory
72015	1
72016	1
72017	1
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ZIP Code	MC Territory
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APPENDIX 2: PREMIUM CALCULATIONS

Abbreviations:

BR	**Base Rate**
CF	**Class Factor**
VF	**Vehicle Factor**
DF	**Deductible Factor**
IL	**Increased Limit Factor**
IS*	**Insurance Score Factor**
VA	**Vehicle Age**
PF	**Point Factor**
TF	**Term Factor**
MA	**Prior Insurance Discount**
MB, MD, ME	**Bronze/Silver/Gold Member Discount**

MF	**Multi-Cycle Discount 1**
MG	**Multi-Cycle Discount 2**
MV	**Multi-Vehicle Discount**
SR	**Senior Driver Discount**
LY	**Layaway Period Discount**
MS	**Direct Street Smart Discount**
AS	**Association Discount**
CG	**Alumni Rewards Discount**
SD	**The Safe Choice Discount**
MX	**Maximum Discount**

*Applies to DNIC only

Calculation Notes:

All rounding is done after all factors and discounts multiplication is completed. If a factor shown in the calculation methodology below is not applicable, replace such discount or factor with a factor of 1.00.

Bodily Injury Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-MS)*(1-AS)*(1-CG)]*TF

Property Damage Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-MS)*(1-AS)*(1-CG)]*TF

Guest Passenger Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-MS)*(1-CG)]*TF

Uninsured Motorist Bodily Injury Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MV)]*TF

Uninsured Motorist Property Damage Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MV)]*TF

Underinsured Motorist Bodily Injury Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MV)]*TF

Medical Payments Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)]*TF

Personal Injury Protection Calculation:
BR*IL*CF*PF*VF*IS*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-CG)]*TF

Comprehensive Calculation:
BR*CF*PF*VF*IS*DF*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-MG)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-CG)]*TF

Collision Calculation:
BR*CF*PF*VF*IS*DF*LY*VA*MAX[1-MX, (1-MA)*(1-MB)*(1-MD)*(1-ME)*(1-SD)*(1-MF)*(1-MG)*(1-MV)*(1-SR)*(1-CG)]*TF

APPENDIX 3: SYMBOL DESIGNATIONS

Vehicle Code	Vehicle Description
M0	High Perf B, 0-600cc
M2	High Perf B 601-850cc
M3	High Perf B 851-950cc
M4	High Perf B 951+cc
M8	Custom Bike
MA	Harley Tour all cc sizes
MB	Harley Cruisers, 0-1210cc
MC	Harley Cruisers, 1211-1350cc
MD	Harley Cruisers, 1351+cc
ME	Harley Sportsters, 0-950cc
MF	Harley Sportsters, 951+cc
MG	Tour, Non-Harley, 0-1210cc
MH	Tour, Non-Harley, 1211+cc
MI	Sport Tour, all cc sizes
MJ	Cruisers, Non-Harley, 0-450 cc
MK	Cruisers, Non-Harley, 451-950cc
ML	Cruisers, Non-Harley, 951-1210cc
MM	Cruisers, Non-Harley 1211+cc
MN	Regular, 0-100 cc
MO	Regular, 101-370 cc
MP	Regular, 371-575 cc
MQ	Regular, 576-750 cc
MR	Regular, 751-950 cc
MS	Regular, 951-1210 cc
MT	Regular, 1211+ cc
MU	Sport A, 0-750 cc
MV	Sport A, 751+ cc
MW	Sport B, all cc sizes
MX	High Perf A, 0-600 cc
MY	High Perf A 601-850 cc
MZ	High Perf A, 851+ cc
R0	ATV Standard, 0-300 cc
R1	ATV Standard, 301-525 cc
R2	ATV Standard, 526+ cc
R3	ATV Sport, 0-370 cc
R4	ATV Sport, 371-600 cc
R5	ATV Sport, 601+ cc
R6	ATV Utility, all

Page 13: [1] Deleted **Phil Deal** **8/12/2008 8:43:00 AM**

Policy Term	Policy Type	Down Payment	Number of Installments	Due Dates
6 mo	New & Renewal	100%		
6 mo	New & Renewal	50%	1 @ 50%	3 months from inception
6 mo	New & Renewal	40%	2 @ 30%	Inception day on months 2 & 4
6 mo	New & Renewal	41.68%	4 @ 14.58%	Monthly from inception
6 mo	New & Renewal	30%	4 @ 17.5%	Monthly from inception
6 mo	New & Renewal	30%	5 @ 14%	Monthly from inception
6 mo	New	30%	10 @ 7%	Monthly from inception
6 mo	Renewal	25%	4 @ 18.75%	Monthly from inception
6 mo	Renewal	25%	5 @ 15%	Monthly from inception
6 mo - EFT Required	New & Renewal	25%	4 @ 18.75%	Monthly from inception
6 mo - EFT Required	New & Renewal	20%	4 @ 20%	Monthly from inception
6 mo	New & Renewal	21.9%	5 @ 15.62%	14/28*
6 mo	New	25.2%	12 @ 6.23%	14/28*
6 mo	Renewal	22%	5 @ 15.6%	14/28*
6 mo	New & Renewal	25%	5 @ 15%	20/27**
6 mo	New	27%	12 @ 6.08%	20/27**
6 mo	Renewal	22%	5 @ 15.6%	20/27**
12 mo	New & Renewal	100%		
12 mo	New & Renewal	25%	3 @ 25%	Inception day on months 3, 7 & 10
12 mo	New & Renewal	25%	10 @ 7.5%	Monthly from inception
12 mo	New & Renewal	20%	10 @ 8%	Monthly from inception
12 mo	New & Renewal	16.7%	10 @ 8.33%	Monthly from inception
12 mo	New	15%	10 @ 8.5%	Monthly from inception
12 mo	New & Renewal	15%	11 @ 7.7273%	Monthly from inception
12 mo	Renewal	12.5%	4 @ 21.88%	Monthly from inception
12 mo	Renewal	12.5%	11 @ 7.9545%	Monthly from inception
12 mo	New & Renewal	16%	12 @ 7%	14/28*
12 mo	New	12.65%	12 @ 7.28%	14/28*
12 mo	Renewal	11%	5 @ 17.8%	14/28*
12 mo	New & Renewal	20.8%	12 @ 6.6%	20/27**
12 mo	New	13.5%	12 @ 7.21%	20/27**
12 mo	Renewal	11%	5 @ 17.8%	20/27**
12 mo - EFT Required	New & Renewal	12.5%	10 @ 8.75%	Monthly from inception
12 mo	New & Renewal	15%	4 @ 7.09% + 8 @7.08%	20/27**

Supporting Document Schedules

Satisfied -Name: A-1 Private Passenger Auto Abstract

Review Status: Filed 09/02/2008

Comments:

Attachments:

DIC A-1 Abstract.pdf

DNIC A-1 Abstract.pdf

Bypassed -Name: APCS-Auto Premium Comparison Survey

Review Status: Filed 09/02/2008

Bypass Reason: Rates are not changing with this filing.

Comments:

Bypassed -Name: NAIC loss cost data entry document

Review Status: Filed 09/02/2008

Bypass Reason: Not applicable

Comments:

Bypassed -Name: NAIC Loss Cost Filing Document for OTHER than Workers' Comp

Review Status: Filed 09/02/2008

Bypass Reason: Not applicable

Comments:

Satisfied -Name: Uniform Transmittal Document-Property & Casualty

Review Status: Filed 09/02/2008

Comments:

Attachments:

PC Transmittal Doc (DIC).pdf

PC Transmittal Doc (DNIC).pdf

Review Status:

Satisfied -Name: Filing Memo

Filed 09/02/2008

Comments:

Attachments:

Cover Letter.pdf

Filing memorandum.pdf

ARKANSAS INSURANCE DEPARTMENT

FORM A-1 PRIVATE PASSENGER AUTOMOBILE ABSTRACT

Instructions: All questions must be answered. If the answer is "none" or "Not applicable, so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent private passenger auto rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name Direct Insurance Company
NAIC # (including group #) 37720

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance? ☐ Yes ☒ No
   If yes, list the areas:

2. Do you furnish a market for young drivers? ☒ Yes ☐ No

3. Do require collateral business to support a youthful driver? ☐ Yes ☒ No

4. Do you insure drivers with an international or foreign driver's license? ☒ Yes ☐ No

5. Specify the percentage you allow in credit or discounts for the following:

a.	Driver over 55	5%
b.	Good Student Discount	N/A
c.	Multi-car Discount	20%
d.	Accident Free Discount*	5%
	Please Specify Qualification for Discount:	
	All operators are accident and violation free in preceding 12 mos.	
e.	Anti-Theft Discount	N/A
f.	Other (specify)	
	College Graduate	5%
	Prior Insurance	15%
	Renewal	15%

6. Do you have an installment payment plan for automobile insurance? ☒ Yes ☐ No
   If so, what is the fee for installment payments?
   $7 per installment

7. Does your company utilize a tiered rating plan? ☐ Yes ☒ No
   If so, list the programs and percentage difference and current volume for each plan:

Program	Percentage Difference	Volume
N/A	N/A	N/A

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature
Philip Deal
Printed Name
Product Manager
Title
615-399-5378
Telephone Number
philip.deal@directgeneral.com
Email address

ARKANSAS INSURANCE DEPARTMENT

FORM A-1 PRIVATE PASSENGER AUTOMOBILE ABSTRACT

Instructions: All questions must be answered. If the answer is "none" or "Not applicable, so state. If all questions are not answered, the filing will not be accepted for review by the Department. Use a separate abstract for each company if filing for a group. Subsequent private passenger auto rate/rule submissions that do not alter the information contained herein need not include this form.

Company Name Direct National Insurance Company
NAIC # (including group #) 23736

1. Are there any areas in the State of Arkansas in which your company will not write automobile insurance? ☐ Yes ☒ No
   If yes, list the areas:

2. Do you furnish a market for young drivers? ☒ Yes ☐ No

3. Do require collateral business to support a youthful driver? ☐ Yes ☒ No

4. Do you insure drivers with an international or foreign driver's license? ☒ Yes ☐ No

5. Specify the percentage you allow in credit or discounts for the following:

a.	Driver over 55	5%
b.	Good Student Discount	N/A
c.	Multi-car Discount	10% to 22%
d.	Accident Free Discount*	5%
	Please Specify Qualification for Discount:	
	All operators are accident and violation free in preceding 12 mos.	
e.	Anti-Theft Discount	N/A
f.	Other (specify)	
	College Graduate	5%

6. Do you have an installment payment plan for automobile insurance? ☒ Yes ☐ No
   If so, what is the fee for installment payments?
   $7 per installment

7. Does your company utilize a tiered rating plan? ☒ Yes ☐ No
   If so, list the programs and percentage difference and current volume for each plan:

Program	Percentage Difference	Volume
Tier N (New Business)		6,220,338
Tier P (Prior w/ min limits)	-7%	910,577
Tier H (Prior > min limits)	-15%	70,086

THE INFORMATION PROVIDED IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature

Philip Deal
Printed Name

Product Manager
Title

615-399-5378
Telephone Number

philip.deal@directgeneral.com
Email address

Property & Casualty Transmittal Document

Reset Form

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
	h. Subject Codes	

3.	Group Name	Group NAIC #
	Direct General Corporation	1213

4.	Company Name(s)	Domicile	NAIC #	FEIN #	State #
	Direct Insurance Company (DIC)	TN	37720	62-1461730	

5.	Company Tracking Number	200808-AR-PPA-DIC&DNIC-Rules

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Philip Deal 1281 Murfreesboro Road Nashville, TN 37217	Product Manager	615-399-5378	615-966-3795	philip.deal@directgeneral.com

7.	Signature of authorized filer	Philip Deal Digitally signed by Philip Deal DN: cn=Philip Deal, c=US Reason: I am the author of this document Date: 2008.06.06 07:56:36 -05'00'
8.	Please print name of authorized filer	Philip Deal

Filing information (see General Instructions for descriptions of these fields)

9.	**Type of Insurance (TOI)**	19.0 Personal Auto
10.	**Sub-Type of Insurance (Sub-TOI)**	19.0001 Private Passenger Auto (PPA)
11.	**State Specific Product code(s)(if applicable)[See State Specific Requirements]**	
12.	**Company Program Title** (Marketing title)	
13.	**Filing Type**	☐ Rate/Loss Cost ☑ Rules ☐ Rates/Rules ☐ Forms ☐ Combination Rates/Rules/Forms ☐ Withdrawal ☐ Other (give description)
14.	**Effective Date(s) Requested**	New: 09/01/2008 Renewal: 09/01/2008
15.	**Reference Filing?**	☐ Yes ☑ No
16.	**Reference Organization** (if applicable)	
17.	**Reference Organization # & Title**	
18.	**Company's Date of Filing**	08/12/2008
19.	**Status of filing in domicile**	☐ Not Filed ☐ Pending ☐ Authorized ☐ Disapproved

Property & Casualty Transmittal Document—

20.	**This filing transmittal is part of Company Tracking #**	200808-AR-PPA-DIC&DNIC-Rules

21.	**Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

With this filing, Direct Insurance Company introduces various payment plan options to their private passenger automobile program. We are also including these changes to the motorcycle program which is an endorsement to the private passenger automobile program. Details of the filing can be found in the enclosed filing memorandum.

These changes will have no impact to current policyholders and will result in a 0.0% overall effect. The proposed effective date for this change is September 1, 2008 for new and renewal business.

View Complete Filing Description

22.	**Filing Fees** (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: 00254107
Amount: 25.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

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FORM FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes forms)

(Do not refer to the body of the filing for the forms listing, unless allowed by state.)

1.	**This filing transmittal is part of Company Tracking #**	
2.	**This filing corresponds to rate/rule filing number** (Company tracking number of rate/rule filing, if applicable)	

3.	**Form Name /Description/Synopsis**	**Form # Include edition date**	**Replacement Or withdrawn?**	**If replacement, give form # it replaces**	**Previous state filing number,** if required by state
01			☐ New ☐ Replacement ☐ Withdrawn		
02			☐ New ☐ Replacement ☐ Withdrawn		
03			☐ New ☐ Replacement ☐ Withdrawn		
04			☐ New ☐ Replacement ☐ Withdrawn		
05			☐ New ☐ Replacement ☐ Withdrawn		
06			☐ New ☐ Replacement ☐ Withdrawn		
07			☐ New ☐ Replacement ☐ Withdrawn		
08			☐ New ☐ Replacement ☐ Withdrawn		
09			☐ New ☐ Replacement ☐ Withdrawn		
10			☐ New ☐ Replacement ☐ Withdrawn		

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RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	**This filing transmittal is part of Company Tracking #**	200808-PPA-DIC&DNIC-Rules

2.	**This filing corresponds to form filing number** (Company tracking number of form filing, if applicable)	

☐ Rate Increase ☐ Rate Decrease ☑ Rate Neutral (0%)

3.	**Filing Method (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

4a. Rate Change by Company (As Proposed)

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
DIC		0	0	0	0	0	0

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)

		COMPANY USE	STATE USE
5a	**Overall percentage rate indication (when applicable)**		
5b	**Overall percentage rate impact for this filing**	0	
5c	**Effect of Rate Filing – Written premium change for this program**	0	
5d	**Effect of Rate Filing – Number of policyholders affected**	0	

6.	**Overall percentage of last rate revision**	0.7%
7.	**Effective Date of last rate revision**	03/01/2007
8.	**Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

9.	**Rule # or Page # Submitted for Review**	**Replacement or withdrawn?**	**Previous state filing number, if required by state**
01	Rule 8, 13	☑ New ☐ Replacement ☐ Withdrawn	
02		☐ New ☐ Replacement ☐ Withdrawn	
03		☐ New ☐ Replacement ☐ Withdrawn	

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Property & Casualty Transmittal Document

Reset Form

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
	h. Subject Codes	

3.	Group Name	Group NAIC #
	Direct General Corporation	1213

4.	Company Name(s)	Domicile	NAIC #	FEIN #	State #
	Direct National Insurance Company (DNIC)	AR	23736	43-0622945	

5.	Company Tracking Number	200808-AR-PPA-DIC&DNIC-Rules

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Philip Deal 1281 Murfreesboro Road Nashville, TN 37217	Product Manager	615-399-5378	615-966-3795	philip.deal@directgeneral.com

7.	Signature of authorized filer	Philip Deal Digitally signed by Philip Deal DN: cn=Philip Deal, c=US Reason: I am the author of this document Date: 2008.06.06 07:59:22 -05'00'
8.	Please print name of authorized filer	Philip Deal

Filing information (see General Instructions for descriptions of these fields)

9.	**Type of Insurance (TOI)**	19.0 Personal Auto
10.	**Sub-Type of Insurance (Sub-TOI)**	19.0001 Private Passenger Auto (PPA)
11.	**State Specific Product code(s)(if applicable)[See State Specific Requirements]**	
12.	**Company Program Title** (Marketing title)	
13.	**Filing Type**	☐ Rate/Loss Cost ☑ Rules ☐ Rates/Rules ☐ Forms ☐ Combination Rates/Rules/Forms ☐ Withdrawal ☐ Other (give description)
14.	**Effective Date(s) Requested**	New: 09/01/2008 Renewal: 09/01/2008
15.	**Reference Filing?**	☐ Yes ☑ No
16.	**Reference Organization** (if applicable)	
17.	**Reference Organization # & Title**	
18.	**Company's Date of Filing**	08/12/2008
19.	**Status of filing in domicile**	☐ Not Filed ☐ Pending ☐ Authorized ☐ Disapproved

Property & Casualty Transmittal Document—

20.	**This filing transmittal is part of Company Tracking #**	200808-AR-PPA-DIC&DNIC-Rules

21.	**Filing Description** [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]

With this filing, Direct National Insurance Company introduces various payment plan options to their private passenger automobile program. We are also including this change to the motorcycle program which is an endorsement to the private passenger automobile program. Details of the filing can be found in the enclosed filing memorandum.

These changes will have no impact to current policyholders and will result in a 0.0% overall effect. The proposed effective date for this change is September 1, 2008 for new and renewal business.

View Complete Filing Description

22.	**Filing Fees** (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]

Check #: 00254107
Amount: 25.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

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FORM FILING SCHEDULE

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(Do not refer to the body of the filing for the forms listing, unless allowed by state.)

1.	**This filing transmittal is part of Company Tracking #**	
2.	**This filing corresponds to rate/rule filing number** (Company tracking number of rate/rule filing, if applicable)	

3.	**Form Name /Description/Synopsis**	**Form # Include edition date**	**Replacement Or withdrawn?**	**If replacement, give form # it replaces**	**Previous state filing number,** if required by state
01			☐ New ☐ Replacement ☐ Withdrawn		
02			☐ New ☐ Replacement ☐ Withdrawn		
03			☐ New ☐ Replacement ☐ Withdrawn		
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10			☐ New ☐ Replacement ☐ Withdrawn		

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RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	**This filing transmittal is part of Company Tracking #**	200808-AR-PPA-DIC&DNIC-Rules

2.	**This filing corresponds to form filing number** (Company tracking number of form filing, if applicable)	

☐ Rate Increase ☐ Rate Decrease ☑ Rate Neutral (0%)

3.	**Filing Method (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

4a. Rate Change by Company (As Proposed)

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
DNIC		0	0	0	0	0	0

4b. Rate Change by Company (As Accepted) For State Use Only

Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)

		COMPANY USE	STATE USE
5a	**Overall percentage rate indication (when applicable)**		
5b	**Overall percentage rate impact for this filing**	0	
5c	**Effect of Rate Filing – Written premium change for this program**	0	
5d	**Effect of Rate Filing – Number of policyholders affected**	0	

6.	**Overall percentage of last rate revision**	1.7%
7.	**Effective Date of last rate revision**	12/14/2006
8.	**Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)**	File & Use

9.	**Rule # or Page # Submitted for Review**	**Replacement or withdrawn?**	**Previous state filing number, if required by state**
01	Rule 8, 18	☑ New ☐ Replacement ☐ Withdrawn	
02		☐ New ☐ Replacement ☐ Withdrawn	
03		☐ New ☐ Replacement ☐ Withdrawn	

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Direct General Corporation
1281 Murfreesboro Road Nashville TN 37217

August 12, 2008

Alexa Grissom
Senior Rate and Form Analyst
Property and Casualty Division
Arkansas Insurance Department
1200 West 3rd Street
Little Rock, Arkansas 72201-1904

RE: Direct National Insurance Company, NAIC # 23736
Direct Insurance Company, NAIC #37720
Private Passenger Automobile Program
Filing #: 200808-AR-PPA-DIC&DNIC-Rules

Dear Ms. Grissom:

With this filing, Direct Insurance Company and Direct National Insurance Company propose new payment plan options to their private passenger automobile program. We are also including these changes to the motorcycle program which is an endorsement to the private passenger automobile program. Details of the filing can be found in the enclosed filing memorandum.

These changes will have no impact to current policyholders and will result in a 0.0% overall effect. The proposed effective date for this change is September 1, 2008 for new and renewal business.

The $25 filing fee check referencing the SERFF filing number is being sent via U.S. postal mail.

If you have any questions, please contact me at (615) 399-5378.

Sincerely,

Philip W. Deal
Product Manager

State of Arkansas
Private Passenger Automobile
Direct Insurance Company (DIC)
Direct National Insurance Company (DNIC)
Filing Memorandum

Direct Insurance Company and Direct National Insurance Company are filing new payment plan options to their Private Passenger Automobile program effective September 1, 2008 for new and renewal business. Also, included are guideline changes for our motorcycle program which is an endorsement to our private passenger automobile program. These changes will have no impact on current policyholders. The following rules have been revised for each company:

Direct Insurance Company

1. Rule 17 – Payment Plans – Changes have been made to this section of the underwriting guide which includes introducing various payment plan options.

Direct National Insurance Company

1. Rule 17 – Payment Plans – Changes have been made to this section of the underwriting guide which includes introducing various payment plan options.

Motorcycle Changes

1. Rule 20 – Payment Plans – Changes have been made to this section of the underwriting guide which includes introducing various payment plan options.

For more detail regarding the changes, please refer to the attached redline version of the underwriting guidelines.