

Midvale Indemnity Company

Private Passenger Auto Program

TX Filing Memorandum

Filed for review are revisions to Texas Midvale Indemnity (MIC) Private Passenger Auto rules and rates. These rates are scheduled to be effective January 7, 2027 for new business and January 22, 2027 for renewal business. The revision includes base rate and factor changes, as well as an updated GLM. The overall proposed impact is 0.0%. This memo will detail the changes to the current rate plan.

Overall Rate Level

The proposed rate level distribution was calculated using our more tenured book of business written in American Family Connect Property and Casualty Insurance Company (AFCPC), while targeting a rate neutral overall change. Please see below for the proposed distribution of premium by coverage.

	(1)	(2)	(3)=(2)/(1)-1
Coverages	Current Average Inforce Premium	Proposed Average Inforce Premium	Proposed Change
BI	709	815	15.0%
COLL	550	542	-1.4%
COMP	476	371	-21.9%
MED	42	31	-27.2%
PD	469	454	-3.2%
PIP	77	70	-9.0%
UMUIMPD	142	110	-22.5%
UMUIM	233	258	10.8%
PAC	175	216	22.9%
ERS	22	18	-21.3%
RR	73	63	-13.6%
Total	2,815	2,815	0.0%

Rating Plan Construction

Elastic net generalized linear modeling (GLM) techniques were used to create the rating plan. Modeling was performed using 3.5 accident years (01/01/2021 to 06/30/2024) of private passenger auto experience from American Family Group policies effective during that period. Modeled variables include various characteristics about the vehicle, its operators and the policy, as well as actual losses.

An elastic net GLM was used to model loss costs with a Tweedie error distribution and log link function. Elastic net GLMs are a regularized regression method that guard against overfitting by applying a penalty term to the function minimized by the GLM. The data was divided into 70% train and 30% test splits based on random assignment. The 70% training set was further split into 4-fold cross-validation sets. To determine the elastic net parameters, a grid search was performed with cross-validation models fit on the training set. The optimal α and λ parameters were determined based on performance of the cross-validation predictions.

Modeling of rating variables was performed separately for each of the major coverages (Bodily Injury Liability (BI), Property Damage Liability (PD), Medical Expenses (MED), Personal Injury Protection (PIP), Uninsured & Underinsured Motorist – Bodily Injury (UM/UIM), Collision (COLL), Comprehensive (COMP), Emergency Roadside Service (ERS), and Rental Reimbursement (RR)). For the Comprehensive coverage, storm and non-storm losses were summed with a weighting factor to create a combined COMP target.

Please see Exhibit O – CW Lift Charts by Coverage for lift charts for each coverage. The upward sloping graphs and tight fit between predicted and actual loss costs confirms the rating plan is accurate and actuarially sound.

List of Factor Updates

Below is an exhaustive list of rating variables which contain factor updates, along with additional details about the factor updates. Additional details for new rating variables can be found in the Rate and Rules Manuals.

Variable	New / Existing / Removed Variable	Modeled?	Support	Supporting Exhibit / Additional Details
Accident Free Discount	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
ACE Factors	Removed	–	–	–
Adaptable Vehicle Factor	New	–	CW Analysis	Exhibit N – Non-Modeled Selections
Advanced Safety Discount	Removed	–	–	–
Auto Pay Discount	Existing	–	CW Analysis	Exhibit N – Non-Modeled Selections
Auto Safety Equipment Discount	Removed	–	–	–
Away at School Discount	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Cancel Letters Adjustment	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Claim and Violation Score (CVS)	Existing	Yes (Deviates)	CW Analysis	See additional details below
Class	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Connected Enrollment Discount	Removed	–	–	–
Early Bird Discount	Existing	–	Extending to Additional Coverages	See additional details below
External Telematics	Removed	–	–	–
Financial Responsibility Filing Premium Adjustment	Existing	Yes	Model	Exhibit M – Model Deviations
Full Coverage Discount	Existing	Yes (Deviates)	Keeping Current Factors	Exhibit M – Model Deviations

Variable	New / Existing / Removed Variable	Modeled?	Support	Supporting Exhibit / Additional Details
Full Pay Discount	Existing	Yes (Deviates)	Competitor Support	Exhibit M – Model Deviations
Good Student Discount	Existing	Yes (Deviates)	Competitor Support	Exhibit M – Model Deviations
Homeownership Discount	Existing	–	CW Analysis	Exhibit N – Non-Modeled Selections
Household Composition	Existing	Yes (Deviates)	State-Specific Analysis	Exhibit M – Model Deviations
Inexperienced Operator	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
International License Premium Adjustment	Existing	Yes	CW Analysis	Exhibit M – Model Deviations
Lapse Adjustment	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Loan or Lease Assistance	Existing	Yes	CW Analysis	Exhibit M – Model Deviations
Loyalty Discount	Existing	–	Keeping Current Factors	Exhibit N – Non-Modeled Selections
Mileage	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Model Year	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Multi Product Discount	Existing	Yes (Deviates)	Competitor Support	See additional details below
Multi Vehicle Discount	Existing	–	CW Analysis	Exhibit N – Non-Modeled Selections
Named Insured (NI) Prior Carrier Status	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
New Car Replacement	Existing	–	CW Analysis	Exhibit N – Non-Modeled Selections
Number of Prior Carrier Early Cancels	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Number of Prior Flat Cancels	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Number of Unique Prior Carriers	New	–	Structure Only - No Factor Changes	Rates Manual
OEM Parts	Existing	–	Keeping Current Factors	Rates Manual
PAC Adjustment Factor	Existing	–	–	–
Paperless Discount	Existing	Yes (Deviates)	Extending to Additional Coverages	Exhibit M – Model Deviations
Prior BI Per Occurrence Limit	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Prior Carrier Average Tenure	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations

Variable	New / Existing / Removed Variable	Modeled?	Support	Supporting Exhibit / Additional Details
Prior Carrier Lapse Count	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Prior Carrier Lapse Days	New	–	Structure Only - No Factor Changes	Rates Manual
Prior Collision Indicator	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Prior Insurance Score (PINS)	Removed	–	–	–
Proprietary Insurance Score (PRIS)	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Rental Reimbursement Limit	Existing	–	CW Analysis	Rates Manual
Steer into Savings Discount	Existing	Yes (Deviates)	Competitor Support	See additional details below
Symbol	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Tailored Telematics	Removed	–	–	–
Vehicle Age	Existing	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Vehicle History Score (VHS)	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Vehicle Use	Existing	–	CW Analysis	Exhibit N – Non-Modeled Selections
Verified Mileage	New	Yes (Deviates)	CW Analysis	Exhibit M – Model Deviations
Violation Free Discount	New	Yes (Deviates)	Structure Only - No Factor Changes	–

Additional Details

Claim and Violation Score (CVS)

Claim and Violation Score (CVS) is replacing the previously used Loss and Violation Score (LVS). The Claim and Violation Score (CVS) uses 3 years of experience and includes the following components:

- Prior Carrier Accidents
- At-Fault Accidents
- Largest At-Fault Accidents
- Driving Under the Influence (DUI) Violations
- Not-At-Fault Pre-Inception Accidents
- Not-At-Fault Post-Inception Accidents
- Undisclosed Operator At-Fault Accidents
- Other Comprehensive Excluding Glass Pre-Inception Claims
- Other Comprehensive Excluding Glass Post-Inception Claims
- Glass Pre-Inception Claims (Comprehensive coverage only)

- Glass Repair Post-Inception Claims (Comprehensive coverage only)
- Glass Replace Post-Inception Claims (Comprehensive coverage only)
- Emergency Roadside Service (ERS) Pre-Inception Claims
- Emergency Roadside Service (ERS) Post-Inception Claims (ERS coverage only)
- Storm Post-Inception Claims (Comprehensive coverage only)
- Number of No-Hit Motor Vehicle Records (MVRs) on Policy
- Number of Excluded Drivers on Policy

Most of these elements were used at the household level or individual driver level. Timing/tenure of the most recent incident, timing/tenure of the second most recent incident, the number of operators on the policy, the age of the youngest driver with the incident, and the number of incidents were also incorporated into the score. An additional factor is added to the component factor when the number of incidents is greater than 6.

To develop our final selected component factor, adjustments were made to the indicated factors to correct for reversals that were observed from the model. PIP factors were selected to match MED Pay factors, UM_UIM factors were selected to match BI factors, and UMPD_UIMPD factors were selected to match COLL factors due to a lack of credibility and inability to resolve reversals between components.

To create the score, each component of CVS was modeled as part of the generalized linear model (GLM) used to create our rate plan. The component factors are multiplied together and then scaled up by a factor of 100 to produce a final CVS score. The result is a scoring algorithm which varies by coverage.

Class

We are changing our current Non-Excess Class rating factor into a Class factor. It will no longer have the component Principal/Occasional. We are eliminating the Excess Class factor. Factors for all coverages are based on the model indicated factors.

Early Bird Discount

We are extending the Early Bird discount factors to the coverages PIP, UMPD_UIMPD, and UM_UIM.

Mileage

The rating variable has been replaced by “Verified Mileage”. Please see the Rate Manual for the updated structure.

Multi-Product Discount

We are updating the factors for our Multi-Product discount. Please see SERFF #CCMC-134831280 for support.

OEM Parts

The Vehicle Age column for this rating variable has been extended to include individual ages up to 11. No changes to factors are proposed. Please see the Rate Manual for the new levels.

Prior Insurance Variables

The following variables relating to prior insurance are replacing the previously used Prior Insurance Score (PINS):

- Named Insured (NI) Prior Carrier Status
- Number of Unique Prior Carriers
- Number of Prior Carrier Early Cancells

- Number of Prior Flat Cancels
- Prior Carrier Lapse Count
- Lapse Days Since Immediate Prior Carrier
- Prior Carrier Average Tenure
- Prior BI Per Occurrence Limit
- Prior Collision Indicator

Please refer to Exhibit M for details and factors. Selected factors are based on the model indicated factors and confidence intervals.

Proprietary Insurance Score

We are adopting a new credit model, with Proprietary Insurance Score (PRIS) replacing Insurance Score Group. Factors for all coverages are based on the model indicated factors. Please see Exhibit M - Model Deviations for model indicated and selected factors.

More information about this variable can be found in the Credit Modeling filing.

PAC Adjustment Factor

With this revision, we are updating our PAC Adjustment factors for Private Passenger Auto. Please see CONFIDENTIAL Filing Memorandum for more information about the PAC Adjustment Factor.

Premium Stabilization

We are revising premium stabilization as reflected in the table below. Premium stabilization will apply for 3 years.

6-Month Policies		12-Month Policies	
Uncapped Change	Capped Change	Uncapped Change	Capped Change
(-inf, -5%]	-5%	(-inf, -10%]	-10%
(-5%, +8%]	Uncapped	(-10%, +16%]	Uncapped
(+8%, +25%]	+8%	(+16%, +25%]	+16%
(+25%, +inf)	+15%	(+25%, +inf)	+30%

Steer Into Savings Discount

We are updating our Steer Into Savings discount. We used competitor support for this update from Allstate SERFF #ALSE-133716681. The competitor's Initial Rating Tier Determination uses the same qualifiers as our Steer Into Savings discount. The table below shows the largest discounts from Allstate's Initial Rating Tier Determination and our selected largest discounts we are implementing with this filing for our Steer Into Savings discount.

The competitor's largest discount was calculated as follows: First, the smallest tier factor that meets the qualifications shown in the table below was divided by the average tier factor. Then, their written premium (minus expenses) was adjusted to reflect the ratio from the first step. Finally, this adjusted written premium was divided by their actual written premium (minus expenses).

Coverage	Prior BI Limit	Prior Carrier Tenure	Current Largest Discount	*Competitor Largest Discount	Selected Largest Discount
*	>= 100k/300k	0 to 4 Years	7.0%	10.2%	10.0%
*	>= 100k/300k	5+ Years	7.0%	16.9%	15.0%

Symbol

With this revision, we are updating our Vehicle Symbol assignment model and factors. Please see CONFIDENTIAL Filing Memorandum for more information about the Vehicle Symbol model.

Vehicle History Score (VHS)

A vehicle's Vehicle History Score (VHS) is determined using the TransUnion VHS 2.1 model, with the No Mileage scorecard. Please see Exhibit M for selected factors and CONFIDENTIAL TUVHS Filing Memorandum for more information regarding this rating variable.

Verified Mileage

The "Mileage" rating variable has been replaced by "Verified Mileage". Please see the Rate Manual for the updated structure and Exhibit M - Model Selections for details regarding the factors. When mileage cannot be verified, then a self-reported mileage estimate from the customer is used to determine the rating factor. When a customer requests to override a verified mileage estimate, then both estimates are considered in determining the appropriate rating factor.

Rate Manual and Rules Manual Changes

With this filing we are reformatting our Rate Manual and Rule Manuals. The verbiage in many rules is not changing, but both the rate manual and the rule manual have been reindexed. We are providing full manuals with this filing, but no redline or updated pages versions. We believe these versions of the manual pages would not be helpful in reviewing the filing due to the index changes.