Michigan Personal Auto & Home Rate Changes Take Effect Feb. 1, 2016

Our business continues to be a balancing act between competitive rates and profitability. We remain committed to finding this balance, because achieving profitable results allows us to provide you a consistent, stable personal lines market so you can serve your policyholders and grow your agency.

While we can't control the industry trends that cause us to make rate increases, we can try to communicate the reasoning behind these changes. Your partnership and support is of utmost importance to us.

Below is an explanation of the changes we will be making in early 2016:

Auto

Frequency and severity of loss activity continues to have a major impact on our industry. The increase in frequency is attributed to more miles being driven, lower gasoline prices, improved economic conditions, and, unfortunately, more distracted driving. The increase in severity is driven by the rise in repair costs as vehicles continue to feature a greater number of technological features that are more expensive to fix or replace.

To maintain profitability amid these trends, effective Feb. 1, 2016, we will be taking a 4% increase in auto rates.* Not surprisingly, the majority of this rate increase will be applied to Personal Injury Protection (PIP) and Physical Damage coverages. PIP continues to be a challenge with the steady rise in medical costs, and Physical Damage is influenced by the same factors driving the increase in frequency of loss activity mentioned above. In contrast, other coverages will receive slight rate decreases.

Home

Even though we are experiencing unusual, above-temperature weather for this time of year, the frequency of severe weather events throughout the year continues to rise. Last year at this time, we experienced the greatest amount of catastrophe (CAT) losses in our company's history, and this past August, we were challenged with severe weather in the form of wind/hail activity, which caused additional CAT activity. To address this severe weather trend, we will be taking a modest 5.2% homeowner rate increase – also effective Feb. 1, 2016.*

**The auto and homeowner rate changes will also include territory adjustments. Certain geographical areas will deviate from the overall rate change (higher and lower) based on territory loss experience. Please consult with your Personal Lines Field Manager for specific changes in your area.*

Moving Group Program to Non-Group with Affinity Group Discounts

Other changes we are implementing are simply to improve ease of doing business, which is why we are moving back to one program for Personal Auto and Homeowners. As of Feb. 1, 2016, we will have the same base rates and eligibility rules for Group and Non-Group business with the only exception being our Affinity Group Discounts. The Affinity Group Program Discounts have been increased to offset the adjustment in base rates and keep the premium neutral with this specific change.

These rate increases and changes will position us well in 2016 to achieve our mutual goals of profitable growth and partnership. Should you or your staff have questions on these changes, please consult your Personal Lines Field Manager.

Thank you for your continued support of Frankenmuth Insurance. We appreciate all you do for us.