COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

One South Station • Boston, MA 02110-2208
(617) 521-7794 • FAX (617) 521-7475
TTY/TDD (617) 521-7490
http://www.mass.gov/doi

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

DANIEL O'CONNELL
SECRETARY OF HOUSING AND ECONOMIC DEVELOPMENT

DANIEL C. CRANE
DIRECTOR

NONNIE S. BURNES
COMMISSIONER OF INSURANCE

BULLETIN 2007-07

TO: Insurance Companies and Insurance Company Groups That Sell Private Passenger Motor Vehicle Insurance Policies in Massachusetts

FROM: Nonnie S. Burnes, Commissioner of Insurance

RE: Regulatory Review Standards Applicable to Private Passenger Motor Vehicle Insurance Rate Filings for Rates Effective April 1, 2008 through March 31, 2009

DATE: October 19, 2007

In furtherance of my commitment to manage competition in our private passenger motor vehicle insurance market, I am establishing certain procedures within the Division of Insurance ("Division") with regard to our review of insurance companies' rate filings. I anticipate that these additional procedures will produce a heightened level of transparency in this process and focus companies on keeping premiums for consumers as low as possible.

This Bulletin informs insurers and insurance company groups ("Filer") that will be filing private passenger motor vehicle insurance rates with the Division about our procedures for reviewing rate filings with effective dates during the period April 1, 2008 through March 31, 2009. All rate filings for policies with effective dates during this period shall be accompanied by specific filing forms and checklists as required by the Division.

A rate filing that results in an increase for any of the coverages listed in Exhibit 1 to *any*[1] vehicle premium that is greater than 10% of the total coverage premium that would have applied to the same vehicle based on the private passenger motor vehicle insurance rates effective for the

[1] This means any vehicle/operator/coverage/territory/discount/surcharge combination regardless of whether the Filer currently insures such a vehicle.

period April 1, 2007 through March 31, 2008 shall be subject to an adjudicatory hearing. A minimum of ten days notice will be given prior to such hearing. Additionally, the change in vehicle premium shall be calculated assuming that there is no change in the individual operator's circumstances from the prior policy year including, but not limited to, coverages or coverage options purchased, the operator assigned to the vehicle, the operator's at-fault accident and traffic violation record, the number of years the operator has been licensed, the number of miles the vehicle is driven annually, any other discount or surcharge potentially applicable to the vehicle[2], the model year and rate symbol of the vehicle, and the garaging location of the vehicle.

In order for the Division to review effectively a Filer's proposed rates, each Filer must complete filing forms that display estimates of the distribution of vehicles within the Massachusetts private passenger motor vehicle insurance market based on the percentage change from the 2007 vehicle premium produced by the Filer's proposed rates. An officer of the Filer's organization shall certify the veracity of the information provided on the filing forms, including the change in the vehicle premium based on the proposed rates from the 2007 vehicle premium.

For the purpose of creating a system of vehicle-based rates that produces a coverage level premium for any vehicle that is not more than 110% of what the 2007 premium would have been, any actuarially sound rate capping methodology[3] may be used and shall be disclosed by the Filer in its submission. Capping total premiums at a policy level after comparing that premium to the policy premium that would have applied under the private passenger motor vehicle insurance rates effective during the period April 1, 2007 and March 31, 2008 is not considered an actuarially sound rate capping methodology for private passenger motor vehicle insurance rates, and is not permitted for rates applicable to such policies effective between April 1, 2008 and March 31, 2009.

All insurers and insurance company groups that file rates to be effective for the period April 1, 2008 through March 31, 2009 will be subject to the provisions of this Bulletin. Consequently, any insurer or insurance company group that has not issued private passenger motor vehicle insurance policies in Massachusetts during the 2007 policy year similarly will be required to justify its submitted rates relative to the 2007 rates fixed and established by the Commissioner of Insurance in her Opinion, Findings and Decision on 2007 Private Passenger Automobile Insurance Rates, Docket No. R2006-07.

Details for completing the filing forms will be available on the Division's website no later than November 1, 2008. If you have any questions regarding this Bulletin, please contact Cara Blank, Property Casualty Actuary at 617-521-7344 or at cara.blank@state.ma.us.

---

[2] Any discount offered on vehicles for policies with effective dates between April 1, 2007 and March 31, 2008 under an approved group marketing plan shall not be considered for the purpose of measuring the premium change from the prior year.

[3] An actuarially sound rate capping methodology is one that is not unfairly discriminatory.

Exhibit 1

Coverages Subject to Certification

- Bodily Injury Liability (Parts A-1 and B combined)
- Property Damage Liability
- Personal Injury Protection
- Uninsured Motorists
- Underinsured Motorists
- Collision
- Limited Collision
- Comprehensive (excluding named peril and miscellaneous)

Current Rating Factors Determining Vehicle Premium		Measure % Changes		Current Rating Factors Determining Vehicle Premium
Operator Class/Territory	←	Base Change	→	Operator Class/Territory
Limit/Deductible	←	Factor Change	→	Limit/Deductible
Model Year (2007 and prior)	←	Factor Change	→	Model Year (2007 and prior)
Rate Symbol (1- X) (compare current symbol with same symbol in prior year)	←	Factor Change	→	Rate Symbol (1- X) (compare current symbol with same symbol in prior year)
Merit Rating	←	Factor Change	→	Merit Rating
Optional and Mandatory Discounts	←	Factor Change	→	Optional and Mandatory Discounts
Extra Risk Rating	←	Factor Change	→	Extra Risk Rating
				Years Licensed Adjustment
	←	Base Change	→	Tier Placement
	←	Factor Change	→	Additional Discounts or Surcharges