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BULLETIN 2007-11

TO: Insurance Producers and Insurance Companies Soliciting, Negotiating, Selling or Servicing Private Passenger Motor Vehicle Insurance Policies in Massachusetts

FROM: Nonnie S. Burnes, Commissioner of Insurance

RE: Discounts Applicable to Private Passenger Motor Vehicle Insurance Premiums

DATE: October 26, 2007

This Bulletin informs insurance companies and insurance company groups (collectively "insurers") and insurance producers who sell or service private passenger motor vehicle insurance policies about required premium discounts that will continue to apply as the market transitions to managed price competition. The guidance provided in this Bulletin should be reflected in all rate and manual rule filings that affect policies with effective dates on and after April 1, 2008.

Required Discounts

1. Discounts for private passenger motor vehicles equipped with certain occupant safety features. Codified in 211 CMR 124.00, these discounts will continue to apply to policies with effective dates on or after April 1, 2008. To the extent an insurer can support actuarially a discount larger than the 25% specified in 211 CMR 124.00, a larger discount may be filed.

2. Discounts for private passenger motor vehicles equipped with an anti-theft mechanism. Codified in 211 CMR 86.00, these discounts will continue to apply to policies with effective dates on or after April 1, 2008. To the extent an insurer can support actuarially a discount larger than those specified in 211 CMR 86.00, the larger discount may be filed. If there are new anti-theft devices in existence that are not identified in 211 CMR 86.00, insurers may file for additional discounts based on these new devices provided the discounts are supported

actuarially.

3. The 25% premium reduction applicable to vehicles whose assigned operators have been licensed more than six years and are age 65 or older. The 25% premium reduction provided for in M.G.L. c. 175E, § 4 shall be applied as the final discount to the otherwise calculated premium for operators who are not yet 65 years of age.

4. Discounts for low annual mileage. This discount will continue to apply for policies with effective dates of April 1, 2008 through March 31, 2009. As provided for in 211 CMR 79.19, an annual mileage discount must be offered for policyholders who can demonstrate that the annual mileage of the vehicle was less than 5,000 miles during the previous year. The discount may be based on the actual mileage driven in the previous policy year as determined by a comparison of two odometer readings, at least six months apart, from the Registry of Motor Vehicles. Additional discount options may be proposed for vehicles with annual mileage greater than or less than 5,000 miles, with appropriate statistical support.

Optional Discounts

A number of other discounts customarily have been available to policyholders in the Commonwealth. The following provides guidance on rate and rule filings concerning these discounts.

1. Driver training discount. A 10% discount customarily has been offered to operators licensed three years or less who have completed driver training requirements pursuant to M.G.L. c. 90, § 8.

   Beginning on September 1, 2007, M.G.L. c. 90, § 8 requires new drivers to complete 12 hours of behind-the-wheel training in order to obtain a driver's license, which represents an increase of 6 hours of total training time. In addition, new drivers will have to complete 40 hours[1] of behind-the-wheel, adult supervised driving time which represents an increase of 28 hours of driving time.

   In light of these changes, historical loss data may be significantly different from the loss data expected under policies with effective dates on or after April 1, 2008. Consequently, any proposed reduction to the 10% existing driver training discount for the rates effective on after April 1, 2008 shall be disapproved. Any proposed increase to this discount based on judgment shall not exceed 20%.

2. Multi-Car discount. A 5% discount currently is available for the following coverages: bodily injury liability, personal injury protection, property damage liability, collision, limited collision, and comprehensive. Insurers may modify the multi-car discount.

[1] This may be reduced to 30 hours if the new driver has successfully completed a driver skills development program in a closed, off-road course, as licensed by the Registrar of Motor Vehicles pursuant to M.G.L. c. 90, § 32G ½.

New Discounts

Insurers may file for new discounts provided the filing contains sufficient actuarial support either through historic Massachusetts or countrywide loss pure premium or loss ratio data, competitor rate filings, or judgment. New discounts shall be defined clearly in the rules included in the insurer's rate manual, along with a clear description of the objective criteria by which a vehicle or policy qualifies or does not qualify for such a discount.

With the exception of the discount applicable to drivers age 65 years or more, insurers may file to change the order of calculations that apply in computing a vehicle premium. Insurers also may change the numeric rounding rules that apply to the premium calculation.

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.