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BULLETIN 2007-14

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

FROM: Nonnie S. Burnes, Commissioner of Insurance

RE: Filing Clarification Regarding the Model Year and Rate Symbol Factors Applicable to Private Passenger Motor Vehicle Insurance Policies Effective on April 1, 2008

DATE: November 13, 2007

This Bulletin provides guidance to insurance companies ("insurers") for the purpose of adapting the model year and rate symbol factors included in the Automobile Insurers Bureau's ("AIB") April 1, 2008 Advisory Filing ("AIB's Advisory Filing") to the insurers' specific vehicle mixes on a sound actuarial basis.

Insurers may use either of the following ratemaking options with regard to the model year and rate symbol rating factors filed for an effective date of April 1, 2008:

1. Insurers may adopt the model year and rate symbol relativities for model years 1989 - 2009 and symbols 1-27 that are shown on pages 479 and 500 of the AIB's Advisory Filing. These relativities should be converted to rating factors specific to the insurer using the following calculations:

    a. Calculate the overall weighted average model year and rate symbol relativity using the insurer's actual written exposures[1] for each model year and rate symbol combination as weights.

[1] The written exposures referenced in this Bulletin should correspond to the most recent year of premium or exposure experience underlying the insurance company's rate filing.

b. Re-base the relativities from pages 479 and 500 of the AIB's Advisory Filing to 1.000 by dividing them by the weighted average model year and rate symbol relativity calculated in a. above.

c. Calculate the percentage of the average premium that is to be effective on April 1, 2008 that is fixed using the insurer's actual loss and expense information. A method of calculating this percentage, shown on page 518 of the AIB's Advisory Filing, is acceptable, as are other actuarially sound techniques.

d. Calculate the flattened model year and rate symbol relativities to reflect that portion of the premium that is fixed. The calculation used in the AIB's Advisory Filing is {(Variable % of Premium) x (Relativity calculated in b.)} + (Fixed % of Premium). Other actuarially sound flattening techniques also may be used. The insurer should further calculate the overall weighted average flattened model year and rate symbol relativity using its own written exposures for each model year and rate symbol combination as weights.

e. Calculate the final model year and rate symbol factors by re-basing the relativities calculated in d. to 1.000. This is accomplished by dividing the relativities in d. by the overall weighted average model year and rate symbol relativity calculated in d. above.

Or

2. Insurers may retain the 2007 flattened model year and rate symbol factors for model years 1989 - 2008 and symbols 1-27 that are shown on pages 327 and 329 of the AIB's Advisory Filing with an adjustment for the aging of vehicles as described below.

a. Insurers shall introduce a model year rating category for 2009 model year vehicles. The insurer may accomplish this by using a common model year relativity for model years 1990-97 and adding 2009 as a model year, or by simply adding 2009 as an additional model year rating category to the existing model year rating categories, or by applying a factor to the 2008 model year and symbol relativity corresponding to the 2009 model year. Regardless of the option selected, the following factors should be applied to the 2008 model year and rate symbol rate (or factor) to be consistent with the model year relativities underlying the prior model years:

Coverage	2009 Model Year Factor Applicable to Model Year 2008
Collision	1.047
Comprehensive	1.008

b. Calculate the overall weighted average model year and rate symbol relativity using the insurer's actual written exposures for each model year and rate symbol combination as weights.

c. Re-base the 2007 model year and rate symbol rating factors from pages 327 and 329 of the AIB's Advisory Filing to 1.000 by dividing them by the overall weighted average model year and rate symbol factor calculated in b. above. Alternatively, the insurer may recognize the additional premium contemplated by model year and rate symbol rating factors directly in the calculation of its indicated rate changes to 2007 rates to obtain an result equivalent to that obtained by re-basing the 2007 model year and rate symbol factors to 1.000.

If you have any questions please contact Cara Blank, Property Casualty Actuary, at cara.blank@state.ma.us.