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BULLETIN 2007-16

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

FROM: Nonnie S. Burnes, Commissioner of Insurance

DATE: December 21, 2007

RE: Comparison of Private Passenger Motor Vehicle Insurance Premiums Pursuant to M.G.L. c. 175, § 113H Using Voluntary Rates on File for Insurer and Residual Market Rates on File for Commonwealth Automobile Reinsurers

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This Bulletin informs insurance companies and insurance company groups (collectively "insurers") and insurance producers selling or servicing private passenger motor vehicle insurance policies about the appropriate method to determine the private passenger automobile insurance policy premium when policyholders obtain coverage through the residual market.

For the purpose of this Bulletin, "residual market" includes private passenger motor vehicle insurance policies an insurer chooses to reinsure through Commonwealth Automobile Reinsurers ("CAR") and policies assigned to an insurer through the Massachusetts Automobile Insurance Plan ("MAIP"). "Voluntary market" refers to private passenger motor vehicle insurance policies voluntarily written by an insurer for a premium calculated based on the insurer's rates on file with the Division of Insurance ("Division").

Pursuant to M.G.L. c. 175, § 113H, private passenger motor vehicle insurance policyholders who obtain coverage through the residual market shall pay a premium that is the lesser of: (1) the policy premium calculated based on the insurer's rates in effect for the voluntary market; or (2) the policy premium calculated based on rates in effect for the residual market. For the purpose of making this premium comparison, the following shall apply:

1. Coverage. The coverage that is the basis of the premium calculation and comparison shall be the coverage limits selected by the policyholder, as well as the policy contracts, forms, and endorsements listed in the rate manual, as available in the residual market. Additionally, for the purpose of premium comparison, the voluntary and residual market premiums shall reflect the same coverage options.

2. Rating Factors. The residual market premium shall be calculated using base rates and all applicable rating factors, discounts, surcharges, coverage limit factors, and other charges for which the operators and vehicles qualify, as contained in the residual market rate manual. The ceding or assigned insurer's voluntary premium shall be calculated using base rates and all applicable rating factors, discounts, surcharges, coverage limit factors, and other charges for which the operators and vehicles qualify as contained in that insurer's rate manual. Such insurer's voluntary premium also shall be calculated using downward deviations filed by that insurer for which the operators qualify as group member pursuant to a group marketing plan.

   For new applicants assigned to an insurer through the MAIP, the assigned insurer shall obtain any supplemental information from the applicant it requires to calculate such insurer's voluntary market premium quote for the purpose of making the above-described premium comparison within five business days of the assignment. At the time of policy assignment, the insurance producer shall bind coverage and collect a deposit from the applicant not to exceed 25% of the residual market premium applicable to that applicant's policy. Thereafter, the assigned insurer shall issue such policy based on the lower of the voluntary market or residual market policy premium within 20 business days of the policy assignment.

3. When to Compare Policy Premiums. The premium comparison described in this Bulletin for private passenger motor vehicle insurance policies written through the residual market shall be required only at policy inception and policy renewal.

If you have any questions regarding this Bulletin, please contact Cara Blank at 617-521-7344 or at cara.blank@state.ma.us.