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This week, the Attorney General's Office will complete the process of reviewing the individual rate filings of auto insurers under the new managed competition system. The review up until this point has identified serious concerns regarding certain individual filings, and Informational Bulletin No. 3 noted that the Attorney General's Office is triggering adjudicatory rate hearings regarding Commerce, Safety, and Premier Insurance companies. Bulletin No. 3 also pointed out potential problems with the filings of State Farm and Fireman's Fund, and noted that the Attorney General's Office was providing those concerns to the Commissioner of Insurance for further review.

This Bulletin will focus on the larger picture of the managed competition marketplace, with the goal of putting the various company rate filings into context.

Under the new managed competition process, insurance companies were invited by the Commissioner to file their new proposed rates in two stages. First, the companies were asked to make initial rate filings. Then, after reviewing what their competitors requested, the companies were allowed to submit amended rate proposals. While most companies did make amended filings, few offered more than minor changes to their rating plans. The amended filings did not significantly affect the overall rate. The initial and amended changes of the companies were:

Company	Initial Filing	Amended Filing
Commerce	-6.0%*	no amendment
Safety	-6.1%	-6.3%
Arbella	-6.2%	-7.7%
Liberty	-10.7%	-10.7%
Metropolitan	-5.0%	-6.0%
Premier	-6.3%	-6.3%
Plymouth Rock	-3.8%	-7.3%
Amica	-7.9%	-7.9%
Hanover	-8.0%	-8.1%
OneBeacon	-2.1%	-7.2%
USAA	-15.5%	-15.5%
Encompass	-3.4%	-4.5%
Quincy Mutual	-10.0%	-10.0%
National Grange	-5.9%	-7.6%
Norfolk & Dedham	-7.0%	-8.5%

State Farm	-1.6%	no amendment
Fireman's Fund	-2.5%	no amendment
Electric Insurance	-4.8%	-9.0%
Farm Family	-8.2%	no amendment

On average, the filed rates are still higher than what rates would have been in the fixed and established process (the prior system would have resulted in a double digit average decrease in rates). The impact of the amended filings was small, changing aggregate rates by less than 1%. Moreover, many companies are still seeking surprisingly similar rate changes. Commerce, Safety, Metropolitan, and Premier all filed for rate decreases around -6% (the companies filed rate requests within 3/10ths of one percent of each other). These carriers represent almost 60% of the market. As noted above, the Attorney General's Office announced rate challenges to the Commerce, Safety and Premier filings, and is still reviewing Metropolitan's proposed rate request.

Aside from the disappointing average rate decreases in many company filings, another issue of concern is that several companies, including Commerce and Liberty Mutual, have *increased* their *manual* rates, which are used by the companies and their agents to determine the premium each policyholder actually pays. The filings show that the rates have been raised by about 10%, putting them essentially level with the Commissioner's cap on individual rate increases. It is to these, now higher manual rates, that companies then apply new "loyalty" and other discounts for preferred consumers. Reconciling these manual rate increases with the companies' overall announced rate reductions is a key part of verifying the rate figures claimed by the insurance companies.

The fact that manual rates are increasing may also raise issues for some territories. Given that discounts are not applied uniformly across the territories, rates for the average driver in an urban territory may rise in relation to the average rate in territories overall. We are concerned that many consumers will experience unexpected rate increases in the next year. It is important to emphasize that the filed rates in the chart above are *aggregate* rate changes, *not* changes that apply to all drivers.

In addition to reviewing the insurers' filed average rates, the Attorney General will inspect how different subgroups of consumers are affected by company rating plans. Within a given insurer rating plan, some consumers may see significant savings. Others, however, will not and may face up to ten percent increases.

The Attorney General is currently reviewing the remaining insurer rate requests to determine whether they are excessive, inadequate or unfairly discriminatory. The Attorney General's Office welcomes any additional information the insurers can provide that will assist in this review process.

*We have calculated Commerce's average rate decrease without its AAA discount in order to accurately compare the change from last year's rate. Like Commerce, other companies may similarly have included group discounts in their projected rate, making comparisons to prior years difficult. The Attorney General's Office is reviewing these filings to determine if their announced rate decreases include discounts which were not included in the calculation of the base rate for rate reduction purposes.