



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

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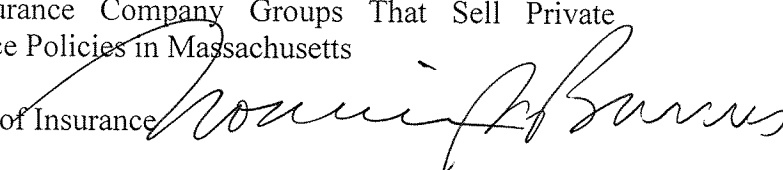
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**BULLETIN 2009-13**

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

FROM: Nonnie S. Burnes, Commissioner of Insurance 

DATE: September 18, 2009

RE: Regulatory Review Standards Applicable to Private Passenger Motor Vehicle Insurance Rate Filings in the Voluntary Market for Rates Effective on or after April 1, 2010

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In furtherance of my commitment to manage competition in our private passenger motor vehicle insurance market, I am continuing certain transitional procedures with regard to the Division of Insurance's ("Division") review of insurance companies' rate filings with effective dates on or after April 1, 2010. It is my intention that these procedures will maintain the heightened level of transparency that the Division has achieved in the competitive rate filing and review process, as well as continue to motivate companies to keep premiums for consumers as low as possible.

A rate filing that results in any vehicle premium for the basic coverage package that is higher than the premium threshold described in Exhibit 1 may be subject to an adjudicatory hearing.<sup>1</sup>

Further, any rate filing that proposes any premium for bodily injury liability, personal injury protection, property damage liability, collision, or comprehensive that is more than 25% higher than the coverage premium that would have applied to the same risk 12 months prior to the effective date of the policy may be subject to an adjudicatory hearing.

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<sup>1</sup> The residual market premium threshold applies to the total premium for the basic coverage package, including all expense loadings of the insurer.

Compliance with the above premium thresholds shall be based on a vehicle premium calculated assuming that there has been no change in the operator's circumstances in the 12 months immediately preceding the policy effective date including, but not limited to, coverages or coverage options purchased, the operator assigned to the vehicle, the operator's at-fault accident and traffic law violation record, the number of years the operator has been licensed, the number of miles the vehicle is driven annually, the model year or rate symbol of the vehicle and the garaging location of the vehicle.

Exhibit 2 provides additional guidance regarding the minimum actuarial support required to justify changes to rating territory relativities.

For the purpose of creating a system of rates that is both compliant and competitive, any actuarially sound rate capping methodology may be used and shall be disclosed by the filer in its rate filing. Capping total premiums at a policy level based on a comparison with the policy premium generated under the prior rate level is not considered an actuarially sound rate capping methodology for private passenger motor vehicle insurance rates and is not permitted.

Any insurer or insurance company group that did not issue private passenger motor vehicle insurance policies in the Commonwealth prior to April 1, 2010 will be required to justify its proposed rates relative to the thresholds contained in this Bulletin.

All rate filings for private passenger motor vehicle insurance policies with effective dates on or after April 1, 2010 shall be accompanied by specific filing forms and checklists, as required by the Division, including a certification by an Officer of the filer's organization that the change in the vehicle premium satisfies the requisite premium thresholds. Specific filing requirements will be available on the Division's website no later than October 2, 2009.

If you have any questions regarding this Bulletin, please contact Cara Blank, Property Casualty Actuary at 617-521-7344 or [cara.blank@state.ma.us](mailto:cara.blank@state.ma.us).

## Exhibit 1

### Residual Market Basic Coverage Package Premium Thresholds

#### Basic Coverage Package

- 20/40 bodily injury liability (including guest and out-of-state coverage)
- \$8,000 personal injury protection, no deductible
- \$5,000 property damage liability
- 20/40 uninsured motorist coverage

#### Premium Threshold

The residual market premium threshold only applies to operators that meet both of the following criteria, and shall be the residual market premium for the basic coverage package based on the residual market rates and rating plans in effect on or after the proposed effective date of the filing.

#### Operator Criteria for Premium Threshold

- The rated operator has been continuously insured without a lapse in coverage during the 12 months preceding the effective date of the policy; and
- At the time the coverage selections page is issued, the rated operator has accrued no more than 4 merit rating points under the CAR private passenger automobile insurance rate manual, and a claim payment has not been made under any or all of the above coverages to or on behalf of the insured in connection with more than one accident during the three years preceding the effective date of the policy.

## Exhibit 2

### Actuarial Supporting Information for Changes in Rating Territory Relativities

Insurer rate filings shall contain the insurer's actual loss experience by rating territory if the filing proposes to change rating territory relativities. Such rate filings also shall reflect the following adjustments or data:

1. The filing shall include the insurer's rating territory relativities based on losses with CAR ID codes 0, 1 or 8;
2. The filing may include industry rating territory relativities based on losses with CAR ID codes 0, 1, or 8;
3. The insurer's indicated rating territory relativities shall accurately capture the effects of other rating attributes in its classification plan, including, but not limited to rating for at-fault accidents and traffic violations, years licensed, and risk categories or companies used for policy placement;
4. Insurer's who use multi-variate statistical tools to develop their classification plans shall include in the filing the indicated rating territory relativity calculated after all other rating factors in the classification plan have been fixed at their proposed levels.

Any generally accepted actuarial credibility standard may be used in the determination of the indicated rating territory relativity. The rate filing shall include reference to the source of any credibility standard relied upon.

The filing shall contain an exhibit displaying the current rating territory relativity, the proposed rating territory relativity, and the proposed change in that relativity for each rating territory for all operators.