



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

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • Toll-free (877) 563-4467
<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

MIKE KENNEALY
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

EDWARD A. PALLESCHI
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

GARY D. ANDERSON
COMMISSIONER OF INSURANCE

Property & Casualty Insurance
Filing Guidance Notice 2021-D

TO: Carriers Offering Private Passenger Motor Vehicle Insurance in the Commonwealth of Massachusetts

FROM:  Matthew Mancini, Director, State Rating Bureau

DATE: July 22, 2021

RE: Private Passenger Motor Vehicle Rate/Rule Filings for 2021

The purpose of this notice is to supplement Filing Guidance Notice 2021-A, informing carriers of certain Division of Insurance (“Division”) expectations regarding the submission of Private Passenger Automobile (“PPA”) Rate/Rule Filings to take into account changing market dynamics associated with COVID-19.

Addressing the Impact of COVID-19 through Premium Adjustments

Throughout the pandemic, the Division has noted the critical role that insurance coverage plays in the stability of the Commonwealth’s economy and the protection of individuals and businesses, as well as the dramatic impact that COVID-19 has had on Massachusetts residents. The Division has reminded carriers about Bulletin 2020-05 (Flexibility in the Issuance and Administration of Insurance) and Bulletin 2020-30 (Continued Flexibility in the Issuance and Administration of Insurance), which were issued to help alleviate policyholders’ concerns about the financial impact of COVID-19 and maintaining insurance coverage during the public health emergency.

On April 13, 2020, to expedite relief to policyholders in the form of refunds, discounts, credits and dividends that were being contemplated by carriers to respond to Bulletin 2020-05, the Division issued Filing Guidance Notice 2020-B. Specifically, the Division required carriers to submit filings that would be used to notify policyholders of premium adjustments or that identified

actuarially appropriate criteria for such adjustments. The Division conducted its review of those filings on an accelerated basis so that policyholders received financial relief as quickly as possible. In light of COVID-19 presenting a nationally significant event, the National Association of Insurance Commissioners adopted certain interpretations of the Statements of Statutory Accounting Principles. One of those interpretations, INT 20-08 (COVID-19 Premium Refunds, Limited-Time Exceptions, Rate Reductions and Policyholder Dividends), addressed the accounting treatment by carriers of the expedited premium refunds, discounts, credits and dividends to policyholders. The special statutory accounting treatment was time-limited, expiring on January 1, 2021 and applying only to filings made prior to June 15, 2020, and carriers were required to make additional disclosures in their annual statements.

On March 11, 2021, the Division issued Filing Guidance Notice 2021-A to carriers writing PPA policies in the Commonwealth. With Filing Guidance Notice 2021-A, PPA carriers are expected to submit rate filings to the Division no later than June 30, 2021 and include 2020 claims experience and expenses and a view of future loss trends. These rate filings will ensure that carriers use 2020 experience and the resulting changes to consumer driving behavior when developing PPA insurance rates for 2021 and later. Please note the Division does not expect carriers to forward any motorcycle, Recreational Vehicle (RV) or antique vehicle rate filings to respond to Filing Guidance Notice 2021-A.

In order to help the Division to assign these filings to the appropriate staff for review, please indicate the following within the Filing Description of the SERFF record: "Submitted in Response to Filing Guidance Notices 2021-A."

Filing of Rates

As noted in Filing Guidance Notice 2021-A, the Division expects carriers to present an indication with data developed through March 31, 2021. Through this guidance, the Division updates the expected filing date identified in Filing Guidance Notice 2021-A; all filings are now expected to be submitted by no later than September 30, 2021.

Carriers should include in each rate filing a specific section describing their analysis and assessment of the impacts of the pandemic on the product(s) and how this has been accounted for in the filing. In addition to the information required by 211 CMR 79.05(4), all rate filings must include, at a minimum:

- Details of any premium relief that has been provided to policyholders since March 2020 as a result of the pandemic (including premium credits, refunds, discounts or dividends provided in accordance with Filing Guidance Notice 2020-B). Include the SERFF tracking number(s) for reference and an explanation of how that premium relief is reflected in the actuarial analysis supporting the filing.
- An explanation of how the carrier has reflected the impacts of COVID-19 in the assumptions for the rate level indications, including, but not limited to, addressing exposure changes and premium trend (e.g., reduction in operators or vehicles), changes in ultimate

losses, and loss trends (e.g., reduction in model year/symbol drift changes in claim frequency and claim severity, and average date of loss).

- An explanation as to how the past experience (through at least December 31, 2020) is predictive of future experience considering COVID-19, including what adjustments are being made to reflect rates for the next filing period.¹
- An explanation as to how the specific rating elements proposed to be changed could be impacted by the COVID-19 environment, i.e., please give thoughtful consideration to the elements selected to change.
- Year-over-year comparisons of accident year claim frequency, claim severity and pure premium by coverage on a 12-month moving or 4-quarter moving basis. Include an explanation as to how the year-over-year experience has been considered in the assumptions for projected rate level indications.
- Comparisons of actual to expected claim frequency and claim severity for 2020 so that the Division can determine whether the premium adjustments made pursuant to Filing Guidance Notice 2020-B were adequate and how the 2020 experience is impacting ratemaking in the filings submitted in accordance with this Filing Guidance Notice and Filing Guidance Notice 2021-A.
- A statement that the rate filing does not attempt to recoup premium reductions, refunds, credits, discounts or dividends provided in 2020 or 2021 related to COVID-19.

Each carrier must address the uncertainties due to the COVID-19/pandemic environment in projecting losses for the future period for the proposed rates with the new effective date. The Division's actuarial staff will carefully review all filings to make sure that 2020 experience is considered when calculating actuarially appropriate rates for 2021 and future years.

Implementation of Rate Changes

As noted in Filing Guidance Notice 2021-A, the Division expects carriers to present an indication with data developed through March 31, 2021, and carriers should implement changes no later than 90 days after rates are finalized by the Division.

The Division will continue to collect data and monitor to impact of COVID-19 on the Massachusetts insurance market.

Any questions about this Filing Guidance Notice may be directed to Matthew Mancini, Director of the State Rating Bureau, at matthew.mancini@mass.gov.

¹ The period between the effective date of rates filed under this guidance and the period the proposed rates are to be in effect. The filing should clearly state the period for which these rates will be in effect.