THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF CONSUMER AFFAIRS
DIVISION OF INSURANCE
280 FRIEND STREET, BOSTON, 02114
(617) 727-7189

GLORIA C. LARSON
SECRETARY

TO: All Companies Writing P & C Insurance in Massachusetts

FROM: Joseph Duffy, Acting Commissioner of Insurance

SUBJECT: Expiration of Company Rate Deviations

DATE: August 5, 1993

The following bulletin (SRB 93-03) details the rate filing alternatives that companies have prior to the expiration of approved rate deviations.

MASSACHUSETTS DIVISION OF INSURANCE
BULLETIN SRB 93-03

I APPLICATION

This bulletin applies to deviations from bureau rates which have been since superceded by bureau loss costs for all property and casualty lines of insurance excluding private passenger automobile insurance, workers' compensation insurance and residual markets. This bulletin is effective for all such deviations which expire on or after November 1, 1993.

II PURPOSE

This bulletin is designed to clarify the alternatives that are available to companies as they approach the expiration date of rate deviations previously approved by the Commissioner. Companies are not permitted to continue such deviations beyond the current expiration date. The expiration date of a rate deviation is one year from its effective date, or any shorter period previously authorized by the Commissioner. This bulletin has been established in order to eliminate the confusion that companies have experienced following the introduction of loss costs by rating bureaus and the resulting absence of bureau manual rates.

III GENERAL PROCEDURES

A company has three options prior to the expiration of a rate deviation when the rating bureau in question no longer supports a rate, but instead has loss costs in place for the particular line of insurance. These options are as follows:

1. Retain company pre-expiration rates

A filing to retain current rates must be accompanied by most recent five year premium and loss experience (page 14 data) in order to demonstrate reasonableness of rates. Such experience will be reviewed in order to assure that rates are not excessive, inadequate, or unfairly discriminatory. This is a one time transitional procedure. If rates are found to be in compliance with statutory standards, no further company action will be necessary for that filing. If a company subsequently wishes to change its rates, it should do so as detailed in #2 or #3 below.

2. Adopt bureau loss costs (with or without modification)

A filing may use bureau loss costs and incorporate company's expense data to determine loss cost multiplier. The loss cost multiplier applied to loss costs will determine actual rates. (See SRB Bulletin 90-05 for further details.)

3. Make an independent rate filing

A filing must use relevant claim experience and expense data to develop a rate indication. (Supporting documentation must be provided for the rate indication using acceptable actuarial techniques).

Should you have any questions regarding the content of this bulletin, please contact Lucinda Woods at (617) 727-7189 ,ext. 426.

Note : All companies must comply with all relevant statutes, regulations, and bulletins regarding rate filings.