
**Applications of the Amica Mutual Insurance Company to Deviate from the
Fixed-and-Established Rates for Private Passenger Automobile Insurance
Docket No. R2005-04**

DECISION

On January 14, 2005, the Amica Mutual Insurance Company (“Amica”), pursuant to Massachusetts General Laws c. 175, §113B, applied to the Commissioner of Insurance for permission to deviate downward from the rates for private passenger automobile insurance for 2005 which had been fixed and established by the Commissioner in a decision issued December 15, 2004. One application requested a five percent downward deviation on premiums for Parts 1 through 12 of the Standard Private Passenger Automobile Policy for vehicles rated at Step 9 of the Safe Driver Insurance Plan (“SDIP”). A second application requested a 5.3 percent deviation for all vehicles receiving the five percent multi-car discount established under Rule 19 of the Massachusetts Private Passenger Automobile Insurance Manual, provided that the vehicle is assigned to a Step 9 Driver. The proposed multi-car deviation, combined with the existing Rule 19 discount, would result in a ten percent total discount on coverages written under Parts 1, 2, 4, 5, 7, 8 and 9 of the standard Massachusetts Automobile Insurance Policy, 7th edition. By notice dated January 18, 2005, a hearing on both applications was scheduled for February 1. (Exhibit 1)

I was designated presiding officer for the proceeding. Peter T. Robertson, Esq. represented Amica, and Thomas McCall, Esq. represented the State Rating Bureau (“SRB”). No other person or entity, including the Attorney General and the Automobile Insurers’ Bureau of Massachusetts, sought to intervene or otherwise to participate in the hearing.

Each of Amica’s filings included the following documents: a deviation abstract on Form SRB-DV-1; a certification of compliance with Division of Insurance requirements for deviation filings; and an explanatory memorandum. The filing for the Step 9 discount included two internal exhibits, one comparing Amica’s loss ratio for vehicles rated at SDIP Step 9 to its loss ratio for vehicles at all other SDIP steps for policy years 2001 through 2003 and one showing IRIS test results of Amica’s two-year operating ratio adjusted for the proposed deviation (Exhibit 2). At the hearing, Amica also offered into evidence an affidavit of Mary Q. Williamson, its Senior Vice President

and Treasurer, in which she states that the proposed deviation for insureds at SDIP Step 9 will not adversely affect Amica's financial condition or threaten its solvency (Exhibit 3).

The filing for the increased multi-car discount included two internal exhibits, one comparing loss ratios for vehicles rated at Step 9 that receive the multi-car discount to loss ratios for cars receiving the discount that are rated at all other steps for policy years 2001 through 2003, and another exhibit showing IRIS test results of Amica's two-year operating ratio adjusted for the proposed deviations (Exhibit 4). At the hearing, Amica also offered into evidence an affidavit of Mary Q. Williamson, in which she states that the proposed multi-car deviation will not adversely affect Amica's financial condition or threaten its solvency.

Peter Drogan, FCAS, MAAA, Assistant Vice-President of Amica, testified in support of its requests. He testified that he oversees the pricing of Amica's automobile insurance business in Massachusetts, as well as in several other states, and that the rate deviation filings and internal exhibits were prepared under his supervision. Mr. Drogan testified that internal Exhibit 1 to Exhibit 2, which displays, for policy years 2001 through 2003, the loss ratios for vehicles rated at Step 9 compared to the loss ratios for vehicles at all other SDIP steps, demonstrates the superior loss experience of drivers whose vehicles are rated at SDIP Step 9. He stated that, similarly, internal Exhibit 1 to Exhibit 4 demonstrates that the loss ratios for vehicles qualifying for the multi-car discount that are assigned to SDIP Step 9 are superior to loss ratios for the total book of business. He testified that if approved, the deviations would result in premium charges that are adequate, just, reasonable, and nondiscriminatory.

Mr. Drogan also testified that Amica's requested five percent downward premium deviation on all coverages would apply to all policies covering insured vehicles that are assigned to a Step 9 driver, and that the multi-car discount, as established under Rule 19, would apply to all Amica insureds who qualify for that discount and whose vehicles were assigned to a Step 9 driver. He clarified that, in order to receive the deviation, all listed operators of the vehicle must be rated at SDIP Step 9.

Mr. Drogan testified that the deviations would be available in all areas and territories, to both voluntary and ceded business, and to business written by exclusive representative producers ("ERPs"). He stated that Amica does not offer any group discount programs, and that the deviations would enable it to remain as competitive as possible in Massachusetts. Further, he stated, no companies affiliated with Amica are licensed to write private passenger automobile insurance in Massachusetts. Mr. Drogan testified that the deviations would not be used by Amica as a means of attracting only such risks which would be regarded as presenting less hazard of loss than other risks in the same classification. In addition, he stated, the dollar cost of the deviations would have an insignificant effect on Amica's two-year operating ratios.

The SRB stated that based on the record presented, but without endorsing any particular argument, input or methodology presented by Amica, it had no objection to the approval of Amica's proposed deviations.

Analysis

The statutory standards applicable to rate deviation requests, set out in G. L. c. 175, §113B, ¶1, require that the Commissioner, before approving a request, hold

a hearing and, on the basis of the record, find that the deviation is justified and that the reduced premium charges are adequate, just, reasonable and nondiscriminatory and will not be used as a means of attracting risks which present less hazard of loss than other risks in the same classification. Moreover, ¶1 requires that all deviations shall be uniformly applied throughout the Commonwealth. The Commissioner must consider as well whether the proposal complies with all applicable Massachusetts insurance statutes and regulations.

The word “classification” has been interpreted to include all risks at each SDIP step. *Application of Liberty Mutual Insurance Company*, DOI Docket No. R95-23. As discussed in that decision, this interpretation is consistent with the important goal of encouraging safe driving. Similarly, the class of vehicles which qualify for the multi-car discount established under Rule 19 of the Massachusetts Private Passenger Automobile Insurance Manual has been previously characterized as a classification for purposes of a proposed rate deviation. *Application of Liberty Mutual Insurance Company*, Docket No. R96-22. Amica has shown a reasonable expectation of reduced costs for risks in the classifications for which it seeks deviations. Furthermore, the evidence shows that the proposed rate deviations will produce rates that are adequate, just, reasonable and nondiscriminatory and will not materially affect the company’s solvency. Amica’s IRIS ratios will not change significantly if the deviations are allowed.

Therefore, after consideration of all the evidence presented, I find that the requested deviations are justified and that the deviated premium charges that Amica desires to use are adequate, just, reasonable and nondiscriminatory, and will not be used by Amica as a means of attracting only such risks as are regarded as presenting less hazard of loss than other risks in the same classification. I find, further, that the deviations will be applied uniformly throughout the Commonwealth. Accordingly, Amica’s requests for a five percent downward deviation from the 2005 Massachusetts private passenger automobile insurance rates for insured vehicles rated at SDIP Step 9, and for a 5.3 percent downward deviation for all vehicles rated at SDIP 9 that also receive the five percent multi-car discount as established under Rule 19 of the Massachusetts Private Passenger Automobile Insurance Manual are approved.

February 8, 2005

Jean F. Farrington, Esq.
Presiding Officer

This decision may be appealed in the manner and to the extent permitted by G.L. c. 26, §7 and c. 175, §113B.