
**Application of the Amica Mutual Insurance Company to Deviate from the
Fixed-and-Established Rates for Private Passenger Automobile Insurance
Docket No. R2006-01**

DECISION

On January 17, 2006, the Amica Mutual Insurance Company (“Amica”), pursuant to Massachusetts General Laws c. 175, §113B, applied to the Commissioner of Insurance (“Commissioner”) for permission to deviate downward from the rates for private passenger automobile insurance for 2006, which had been fixed and established by the Commissioner in a decision issued December 15, 2005. The application requested a 10.5 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 driver who qualifies as an Excellent Driver Plus under the Safe Driver Insurance Plan (“SDIP”) in effect as of January 1, 2006. The proposed enhanced multi-car deviation, combined with the existing Rule 19 discount, would result in a fifteen 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, 2006, a hearing on the application 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.

Amica’s filing 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. (Exhibit 2) The filing included two internal exhibits. The first compared loss ratios for vehicles that receive the multi-car discount and were rated at Step 9 of the SDIP, as in effect before January 1, 2006, to loss ratios for all other Amica business for policy years 2002 through 2004. The second exhibit showing IRIS test results of Amica’s two-year overall operating ratio for 2003 and 2004, adjusted for the proposed deviation. At the hearing, Amica also offered into evidence an affidavit of Mary Q. Williamson, in which she stated that the proposed multi-

car deviation will not adversely affect Amica's financial condition or threaten its solvency. (Exhibit 3)

Peter F. Drogan, FCAS, MAAA, Assistant Vice-President of Amica, testified in support of its request. He testified that he oversees the pricing of Amica's automobile insurance business in Massachusetts and several other states, and that the rate deviation filing was prepared under his supervision. Mr. Drogan testified that internal Exhibit 1 to Exhibit 2, which displays, for policy years 2002 through 2004, the loss ratios for a class of vehicles qualifying for the multi-car discount that are assigned to SDIP Step 9 compared to vehicles that do not fall within that category, demonstrates that the losses for this class are superior to loss ratios for Amica's total book of business. He confirmed that classification as an Excellent Driver Plus under the 2006 SDIP is equivalent to a Step 9 rating under the SDIP that was in effect through December 31, 2005. Mr. Drogan testified that the deviations, if approved, would result in premium charges that are adequate, just, reasonable, and nondiscriminatory.

Mr. Drogan also testified that Amica's requested 10.5 percent deviation, increasing the multi-car discount as established under Rule 19, would apply to all Amica insureds who qualify for that discount and whose vehicles were, in accordance with the rules established by the Automobile Insurers Bureau, assigned to a driver qualifying as an Excellent Drive Plus under the current SDIP plan. He further explained that, in order to receive the enhanced multi-car discount, all listed operators of the vehicle need not be rated as Excellent Drivers Plus.

Mr. Drogan testified that the deviation 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 now offer any group discount programs but that if it did, the deviation, calculated multiplicatively, would be provided to qualifying members of such groups. Further, he stated, Amica is not affiliated with any other company licensed to write private passenger automobile insurance in Massachusetts, and does not service private passenger automobile business written by any other carrier. Mr. Drogan testified that the deviation would not be used by Amica as a means of attracting only 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 deviation would have a minimal impact on Amica's financial strength.

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 deviation.

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. As of January 1, 2006 the SDIP was restructured from a step system to a point system. Under the new system, an operator who was rated at Step 9 under the former system, if his or her driving record has not changed, qualifies as an Excellent Driver Plus. The considerations that supported offering deviations to operators based on their SDIP step classification are equally applicable to offering deviations to operators based on their ratings under the point-based SDIP. The class of vehicles which qualify for the multi-car discount established under Rule 19 of the Massachusetts Private Passenger Automobile Insurance Manual has also 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 loss costs for risks in the classification for which it seeks a deviation. Furthermore, the evidence shows that the proposed rate deviation 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 deviation is allowed.

Therefore, after consideration of all the evidence presented, I find that the requested deviation is 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 deviation will be applied uniformly throughout the Commonwealth. Accordingly, Amica’s request for a 10.5 percent downward deviation for all vehicles that receive the five percent multi-car discount as established under Rule 19 of the Massachusetts Private Passenger Automobile Insurance Manual and are assigned to an operator who is rated as an Excellent Driver Plus under the 2006 SDIP is approved.

February 3, 2006

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.