

June 14, 1982

SUBJECT: INSURANCE

WITHDRAWN

CIRCULAR LETTER NO. 18

To: THE CHIEF EXECUTIVE OFFICER OF EACH INSURER WRITING AUTOMOBILE PHYSICAL DAMAGE INSURANCE IN NEW YORK STATE- MAKE AND MODEL RATING PROGRAM-REVISED STANDARDS

On July 30, 1981, the New York State Insurance Department released an Opinion and Decision entitled In the Matter of Make and Model Rating Programs for Private Passenger Automobile Physical Damage Insurance, dated July 8, 1981. This opinion was issued as a result of a hearing on experience rated automobile physical damage insurance classification programs. These programs, categorized broadly as "Make and Model", consider the loss experience of the individual automobile models in determining the premium to be paid for automobile physical damage coverage.

The Department views "Make and Model" classification plans as a necessary impetus for automobile manufacturers to consider safety and repairability as high priorities in designing their products. The application of "Make and Model" programs to Comprehensive insurance should also encourage manufacturers to install effective antitheft devices as standard equipment and promote vehicle design less prone to vandalism and malicious mischief.

In the July 8, 1981 opinion the Department listed nine standards that it would consider in its review of "Make and Model" filings. For all filings except those containing "innovative features of sufficient merit to warrant approval on an experimental basis", the Department required agreement (or compliance) with these standards as a prerequisite for approval.

Since the release of the Decision only one "Make and Model" filing has been approved, and this was on an experimental basis in recognition of its innovative nature. None of the filed programs met all of the nine standards. Accordingly, in the belief that these programs are in the public interest and are still in an experimental stage, the Department is revising its standards for review as follows:

1. No proposal for upsymbolling or downsymbolling will be acceptable unless the required deviation (from a specified, statistically significant average) needed to effect the change is at least 15%.
2. The change in premium which results from any resymbolling should be reasonably supported by the loss experience of that model.
3. New models may be resymbolled based on engineering judgment, provided that the supporting basis for such judgment is satisfactory to the Department and subsequent actual loss experience is given appropriate recognition in modifying the original engineering judgment.
4. If the Comprehensive and Collision data, when examined separately, give contradictory experience indications, companies should resymbol the coverages separately.
5. All insurers submitting "Make and Model" filings should include their own available physical damage

loss experience, whether the proposed changes were based on such loss experience or on other data. Insurers must collect this loss experience and submit it to the Department as the experience becomes available.

6. All insurers must demonstrate that their resymboling, by itself, results in no overall rate level increase. If such an increase does result, modification to the base rates must be made so as to effect no change in premium income. If an overall rate level decrease results, the insurer may modify its overall rate level to counterbalance such change.

7. All filers of "Make and Model" programs must re-examine their current symbol group definitions and relativities prior to the submission of a revision of their "Make and Model" programs.

I encourage your company to implement a "Make and Model" program as quickly as possible. Accordingly, please reply to me within 30 days from receipt of this letter stating how and when your company plans to implement such a program.

[SIGNATURE]

Superintendent of Insurance