

Parts 1 through 9 and Part 12 may be subject to more than one discount. In such case, the order of discounts shall be (1) annual mileage, (2) multi-car, (3) passive restraint, (4) anti-theft, (5) continuous coverage, (6) low frequency, (7) book transfer and (8) class 15 (9) Paid in Full.

5. Apply the appropriate merit rating adjustment to the premium developed in step 4.

NOTE: A discount of the premiums paid for Parts 4 and 7 will be given to eligible policyholders who provide evidence of purchase of eleven monthly passes or tickets from a qualified public transit system during the policy period. Refer to Rule 19. The discount is applied to the premium developed in step 5.

6. Add the rate associated with the Auto Elite Program under Rule 2, if applicable, to the total vehicle premium developed. **NOTE:** Paid in Full discount also applies to Auto Elite.

7. **Coverage Rate Capping:** Coverage rate capping only applies to renewal business. It applies to premium changes that result from the proposed rate plan, rather than from risk-related changes to the policy characteristics and coverage selections.

Coverage rate capping does not apply to the vehicles and coverages which are newly added to the policy on the policy effective date or at any point during the policy effective period. However, it will apply to them on subsequent renewals.

Coverage rate capping is applied at the Vehicle-Coverage level. The coverages that are subject to this capping include Bodily Injury (Mandatory BI + Optional BI), Personal Injury Protection, Property Damage, Collision, and Comprehensive.

The capped premiums of each coverage of each vehicle are derived as follows,

1. Calculate the premiums using the rates in effect 12 months prior to the renewal effective date. The policy characteristics on the renewal policy effective date are utilized.
If Coverage Rate Capping and/or MAIP Rate Capping have been applied to the premiums of the expiring term, the same capping factor(s) should be applied to the premiums calculated in this step
2. Calculate the premiums using the rates in effect for the renewal effective date. The policy characteristics on the renewal policy effective date are utilized.
3. Determine the coverage rate capping factor (RCF)
 - a. If the ratio of the premium calculated in (2) over the premium calculated in (1) is greater than 1.25, then $RCF = (\text{the premium calculated in (1)} * 1.25) / \text{the premium calculated in (2)}$;
 - b. If the ratio of the premium calculated in (2) over the premium calculated in (1) is less than 0.80, then $RCF = (\text{the premium calculated in (1)} * 0.80) / \text{the premium calculated in (2)}$;
 - c. In all other situations, $RCF = 1.00$
4. The capped premium for the renewal policy term is: $RCF * \text{the premium calculated in (2)}$.

The coverage rate capping factor will not change due to any mid-term endorsements. It remains on the Vehicle-Coverage for the whole policy term or until the vehicle or coverage is removed.

8. MAIP rate capping for Basic Coverage Package Premium: MAIP rate capping applies to both new business and renewal business.

MAIP rate capping applies to the total premiums of the basic coverage package of each vehicle. The coverages included in package are 20/40 Bodily Injury (including both Mandatory and Optional BI), \$8,000 Personal Injury Protection (no deductibles), \$5,000 Property Damage, and 20/40 Uninsured Motorist Coverage. For the purpose of this capping, any coverage is excluded from the basic coverage package if the actually purchased limit and/or deductible are different from what is specified above.

MAIP rate capping only applies to operators that meet both of the following criteria:

1. The rated operator has been continuously insured without a lapse in coverage during the 12 months preceding the effective date of the policy;
2. At the time the coverage selections page is issued, the rated operator has accrued no more than 4 merit rating points under the CAR private passenger automobile insurance rate manual.

2. Verification

Upon timely receipt of the prior policy coverage selections page for an operator that will be a rated operator under the policy, the company shall verify that operator's eligibility for the continuous coverage discount using the Uninsured Motorist System of the Registry of Motor Vehicles or direct confirmation of continuous coverage with the prior insurer shown on the prior policy coverage selection page.

For rated operators who are new to Massachusetts that can demonstrate licensure for the 12 months preceding the policy effective date, the company shall attempt to verify the operator's eligibility for the discount through direct confirmation of continuous coverage with the prior insurer.

If eligibility for the discount cannot be confirmed through any of the verification processes described above, the discount shall not apply.

Continued eligibility for the discount at renewal shall be based on internal company policy records for the previous 12 months.

Refer to the Miscellaneous Rating Factors page for the applicable discount factor.

H. Low Frequency Discount

The premium for Parts 1, 2, 4, and 5 will be reduced following verification of a rated operator's eligibility for the low frequency discount. The discount shall apply to each rated operator that has 4 or less merit rating points as defined in Rule 56 – Merit Rating Plan, and where a claim payment under any or all of the above coverage parts has not been made to or on behalf of the rated operator in connection with more than one accident during the three years preceding the effective date of the policy.

1. Eligibility

The vehicle must be a private passenger vehicle as defined in Rule 27.

2. Verification

Each rated operator's eligibility for the low frequency discount will be verified on the basis of the information used to compute the rated operator's merit rating adjustment under Rule 56 and any claim payments made.

Refer to the Miscellaneous Rating Factors page for the applicable discount factor.

I. Book Transfer Discount (applies to policies effective prior to 11/1/13)

A discount of the premiums paid for Parts 1 through 9 and Part 12 will be given to policyholders that are part of a qualified book transfer. The book transfer must be a qualified program meeting the underwriting rules established by the company. Refer to Miscellaneous Rating Factors page for applicable discount.

J. Paid in Full Discount

A 10% discount will be applied for insureds whose automobile policy has been paid in full. The Paid in Full discount applies to all coverages including Auto Elite. The discount applies at the last step of the rate calculation for each coverage, per vehicle. The Paid in Full Discount is only available for voluntary business. The following are not eligible: policies where the entire policy premium is required as described in AIB Rule 14 Deposit Premium Rule; Agency billed policies.

RULE 20. MODEL YEAR RATING

A. Model Year Defined

The model year of an auto is used in rating physical damage coverage on an actual cash value basis.

The model year of the auto is the year assigned by the auto manufacturer. The model year of rebuilt or structurally altered autos is determined by the model year of the chassis.

B. Rating of Model Years Not Shown on Rate Pages

1. **2011 and Later Model Years:** Refer to the Miscellaneous Rating Factors section and apply the model year and coverage factors to the 2010 model year \$500 deductible rate shown in the Rate Section to obtain the actual cash value premium.

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5. Apply the appropriate merit rating adjustment to the premium developed in step 4.

NOTE: A discount of the premiums paid for Parts 4 and 7 will be given to eligible policyholders who provide evidence of purchase of eleven monthly passes or tickets from a qualified public transit system during the policy period. Refer to Rule 19. The discount is applied to the premium developed in step 5.

6. Add the rate associated with the Auto Elite Program under Rule 2, if applicable, to the total vehicle premium developed. **NOTE:** Paid in Full discount also applies to Auto Elite.

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Coverage rate capping is applied at the Vehicle-Coverage level. The coverages that are subject to this capping include Bodily Injury (Mandatory BI + Optional BI), Personal Injury Protection, Property Damage, Collision, and Comprehensive.

The capped premiums of each coverage of each vehicle are derived as follows,

1. Calculate the premiums using the rates in effect 12 months prior to the renewal effective date. The policy characteristics on the renewal policy effective date are utilized.
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MAIP rate capping only applies to operators that meet both of the following criteria:

1. The rated operator has been continuously insured without a lapse in coverage during the 12 months preceding the effective date of the policy;
2. At the time the coverage selections page is issued, the rated operator has accrued no more than 4 merit rating points under the CAR private passenger automobile insurance rate manual.

Verification

Upon timely receipt of the prior policy coverage selections page for an operator that will be a rated operator under the policy, the company shall verify that operator's eligibility for the continuous coverage discount using the Uninsured Motorist System of the Registry of Motor Vehicles or direct confirmation of continuous coverage with the prior insurer shown on the prior policy coverage selection page.

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If eligibility for the discount cannot be confirmed through any of the verification processes described above, the discount shall not apply.

Continued eligibility for the discount at renewal shall be based on internal company policy records for the previous 12 months.

Refer to the Miscellaneous Rating Factors page for the applicable discount factor.

H. Low Frequency Discount

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1. Eligibility

The vehicle must be a private passenger vehicle as defined in Rule 27.

2. Verification

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B. Rating of Model Years Not Shown on Rate Pages

- 2011 and Later Model Years:** Refer to the Miscellaneous Rating Factors section and apply the model year and coverage factors to the 2010 model year \$500 deductible rate shown in the Rate Section to obtain the actual cash value premium.
- 1990 to 2010 Model Years:** Refer to the Miscellaneous Rating Factors section and apply the model year, symbol and coverage factor to the earliest model year \$500 deductible rate displayed in the Rate Section to obtain the actual cash value premium.

**Massachusetts Personal Auto
NGM Insurance Company
RULE MANUAL EXPLANATORY**

Summary of changes:

On Page MA-E-3, Rule 11, we added 'Paid in Full' in the order of discounts, and added a note that the Paid in Full discount also applies to Auto Elite.

On Page MA-E-11, Rule 19, we added section 'J'-Paid in Full Discount

No other changes were made to the rules manual.
