

**Sec. 38a-686-2. Private passenger nonfleet automobile insurance rate filings**

(a) **Standards for the Establishment of Territorial Classifications.** In order to create a classification system for rating private passenger nonfleet automobile insurance risks, an insurer, rating organization or advisory organization may group risks by geographical territories composed of one or more unique town codes. An insurer, rating organization or advisory organization may use the United States Postal Service ZIP Codes corresponding to the unique town codes to determine the territory of garaging for private passenger nonfleet automobile individual risks. An insurer, rating organization or advisory organization shall not split a town or city into two or more geographical territories if more than one ZIP Code is ascribed to the particular town or city. If a street, road or similar geographic unit divides two geographically configured rating territories, an insurer, rating organization or advisory organization shall rate the particular risk using the lower rate of the two territories. An insurer, rating organization or advisory organization shall include a complete description of each geographical territorial configuration used in its rating plan filing.

(b) **Territorial Rate Filing Procedures.** An insurer, rating organization or advisory organization's geographical rating territories and any amendments to such geographical rating territories shall be filed with the Department and shall be subject to the Department's review and approval prior to their use. The Department shall disapprove any rating territory that does not conform to the requirements of this regulation.

(c) **Territorial Rate Filing Information.** Prior to an insurer, rating organization or advisory organization adopting and implementing a classification system that uses ZIP Codes to establish geographical rating territories, an insurer, rating organization or advisory organization shall file with the Department a copy of the classification system with the following information: (1) a table of each ZIP Code and its corresponding geographical rating territory; (2) a supplementary list of those ZIP Codes that overlap two or more rating territories; (3) an explanation of how the proposed rating system identifies the ZIP Code of the place of garaging versus the mailing address; (4) an explanation of how the proposed classification system will take into account changes in ZIP Code configurations as they occur; and (5) an alphabetical listing of the current one hundred sixty-nine Connecticut towns with a territory code assigned to each.

(d) **Territorial Loss Costs Weighting Procedures.** In computing an individual territorial base rate, an insurer, rating organization or advisory organization shall moderate indicated loss costs data with reference to the insurer, rating organization or advisory organization's statewide average loss costs by weighting the territorial indications with the statewide average as provided in subdivision (4) of subsection (b) of section 38a-686 of the Connecticut General Statutes.

(e) **Credibility.** In accordance with sound actuarial principles, an insurer, rating organization or advisory organization shall apply credibility procedures separately from the weighting procedures set forth in subdivision (4) of subsection (b) of section 38a-686 of the Connecticut General Statutes. An insurer, rating organization or advisory organization shall not use credibility adjustment procedures as a substitute for such weighting procedures in the ratemaking process. An insurer, rating organization or advisory organization shall use and apply the weighting procedures in addition to credibility adjustments.

(f) **Classification Factors.** An insurer, rating organization or advisory organization may

group risks by classifications for the establishment of rates and minimum premiums. Factors that may be used to classify risks include driving history, age, sex, marital status, credit history, miles driven, type (make, model and year) of vehicle driven and number of vehicles insured. An insurer, rating organization or advisory organization may modify rates for each rating classification using sound actuarial principles to produce rates for individual risks in accordance with rating plans that establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any differences among risks that can be demonstrated to have a probable effect upon an insurer, rating organization or advisory organization's actual losses or expenses.

(g) **Variable Cost Loading.** In computing individual territorial base rates, an insurer, rating organization or advisory organization shall allocate as variable expenses the items provided in, and in accordance with, subparagraph (B)(i) of subdivision (2) of subsection (b) of section 38a-686 of the Connecticut General Statutes.

(h) **Flat Dollar Cost Loading.** In computing individual territorial base rates, an insurer, rating organization or advisory organization shall allocate as fixed expenses the items provided in, and in accordance with, subparagraphs (B)(ii) and (B)(iii) of subdivision (2) of subsection (b) of section 38a-686 of the Connecticut General Statutes.

(i) **Filing Updates.** An insurer, rating organization or advisory organization shall file with the Department updated territorial indications and relativities for each of its private passenger nonfleet automobile territorial rating plans at least once every three years following its initial or amended rate filing submitted on or after July 1, 2012.

(Effective January 1, 2012)