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October 21, 2021

## ACCOUNTING AND STATISTICAL NOTICE NO. 668

### Reporting Requirements for Private Passenger Premium Associated with Pay-As-You-Go Programs

Pay-As-You-Go automobile insurance programs, also known as usage-based or miles-based insurance, are programs that base the cost of coverage on how much an operator drives its automobile and, in some cases, an operator’s driving habits. Since many insurance companies are offering these types of programs in the Massachusetts voluntary market, this notice will provide companies with specific instructions on how to statistically report the premium transactions to CAR. Most programs fall within one of the following two categories:

1. Premium Adjustments Applied at the Policy Effective Date

Some Pay-As-You-Go programs offer a discount as of the effective date of the renewal term, based on the number of miles driven during the prior policy term. A discount may also be offered with the new business policy for participating in the program. Since the premium adjustment, in both cases, is built into the rate calculation, there is no impact to statistical reporting.

2. Premium Adjustments Applied during the Policy Term

Other Pay-As-You-Go programs adjust the premium during the policy term based on the number of miles driven during a set time period, such as daily, weekly, or monthly. There are two options for reporting premium transactions under this scenario:

A. Company Specific Endorsement

Report a new/renewal transaction with the operator classification code and 6 or 12 months of exposure and premium, depending upon the policy term. Subsequent pay-as-you-go premium adjustment(s) would be reported as a company specific-endorsement using the classification code 998000, type of risk code 9, and the “all other” limit or coverage code. Report 0 exposure and the adjustment to premium.

In the example below, the operator receives a credit for miles driven in the first month and a surcharge for miles driven in the second month.

TX	POL-EFF DATE	TX-EFF DATE	CLASS	RISK	LIM/ COV	EXP	PREM\$1	PREM\$2	COMMENT
11	01/22	01/22	110199	1	08	12	\$ 600	\$ 400	New/Renewal
12	01/22	01/22	998000	9	49	0	\$ -30	\$ -20	Jan Pay-Go
12	01/22	02/22	998000	9	49	0	\$ 50	\$ 30	Feb Pay-Go

The next example highlights the process for reporting pay-as-you-go premium adjustments combined with endorsement reporting for a new operator. Similar transactions would be reported for vehicle or coverage changes.

TX	POL-EFF DATE	TX-EFF DATE	CLASS	RISK	LIM/COV	EXP	PREM\$1	PREM\$2	COMMENT
11	01/22	01/22	110199	1	08	12	\$ 600	\$ 400	New/Renewal
12	01/22	01/22	998000	9	49	0	\$ -30	\$ -20	Jan Pay-Go
12	01/22	02/22	110199	1	08	-11	\$-540	\$-360	Pro-Rated Offset
12	01/22	02/22	140900	1	08	11	\$ 850	\$ 550	New Driver
12	01/22	02/22	998000	9	49	0	\$ 50	\$ 30	Feb Pay-Go

#### B. Offset/Reenter Endorsements

Report a new/renewal transaction with the operator classification code and 6 or 12 months of exposure and premium depending upon the policy term. Subsequent pay-as-you-go premium adjustments would be reported through offset/reenter endorsement transactions, for each pay-as-you-go premium adjustment.

In the example below, the operator receives the same credit and surcharge for driving as described in the prior examples.

TX	POL-EFF DATE	TX-EFF DATE	CLASS	RISK	LIM/COV	EXP	PREM\$1	PREM\$2	COMMENT
11	01/22	01/22	110199	1	08	12	\$ 600	\$ 400	New/Renewal
12	01/22	01/22	110199	1	08	-12	\$ -600	\$ -400	Offset
12	01/22	01/22	110199	1	08	12	\$ 570	\$ 380	Jan Pay-Go
12	01/22	02/22	110199	1	08	-11	\$ -570	\$ -380	Offset
12	01/22	02/22	110199	1	08	11	\$ 620	\$ 410	Feb Pay-Go

The next example illustrates the required offset/reenter records to report endorsement transactions and pay-as-you-go premium adjustments when combined with other policy changes.

TX	POL-EFF DATE	TX-EFF DATE	CLASS	RISK	LIM/COV	EXP	PREM\$1	PREM\$2	COMMENT
11	01/22	01/22	110199	1	08	12	\$ 600	\$ 400	New/Renewal
12	01/22	01/22	110199	1	08	-12	\$ -600	\$ -400	Full Offset
12	01/22	01/22	110199	1	08	12	\$ 570	\$ 380	Jan Pay-Go
12	01/22	02/22	110199	1	08	-11	\$ -520	\$ -345	Pro-Rated Offset
12	01/22	02/22	140900	1	08	11	\$ 850	\$ 550	New Driver
12	01/22	02/22	140900	1	08	-11	\$-850	\$-550	Full Offset
12	01/22	02/22	140900	1	08	11	\$ 900	\$ 600	Feb Pay-Go

Note that option B requires multiple offset/reenter transactions to be reported in a single monthly submission. Staff has observed that this volume of records increases the complexity of programming

required to properly report these transactions, and in turn increases the likelihood of reporting errors. For this reason, staff recommends that companies utilize the company-specific endorsement reporting described in option A.

Finally, companies should be advised that reporting new/renewal transactions that reflect one car month of exposure is not valid and will result in records being flagged with statistical errors. Furthermore, losses should be reported with the operator classification code in all cases. That is, losses should not be reported with the 998000 classification code.

Questions regarding the instructions or examples contained in this notice, please contact Lynne Rosenberg at [rosenberg@commauto.com](mailto:rosenberg@commauto.com) or the undersigned at [wbrowne@commauto.com](mailto:wbrowne@commauto.com).

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