

Amica
Explanatory Memorandum
Red Carpet Discount

With this filing, Amica is proposing implementation of a new discount, the Red Carpet Discount. The Red Carpet Discount will apply to all insureds with a private passenger automobile or motorcycle. This discount will vary by the following criteria: prior tenure with the insureds prior carrier, multi-line status, and channel (digital vs. non-digital).

Five years of countrywide loss experience data is provided. We restricted this to the cohort of insureds with five or less years of tenure with Amica since that is period for which this discount will apply.

Aside from the superior loss experience of the customers meeting the above criteria, these customers also exhibit higher retention levels which provides a longer amortization of service and acquisition costs over the expected life of the policy. It is actuarially sound to recognize these lower costs by offering a lower price to customers with these characteristics versus those not meeting these criteria.

Please note that we have limited data regarding the digital channel and the amount of discount is designed to represent the lower expense this channel will bring. This will eliminate sales calls for those who bind online and reducing call time for those who originate digitally and later call in. This will also increase the propensity for self-service over the life of the policy, thereby limiting calls and call time.

Please also note the following:

- This discount is designed to work in conjunction with our loyalty credits. While the Red Carpet Discount will decline over a five-year period, the loyalty credits will increase over that same timeframe.