

HOUSE No. 3449

The Commonwealth of Massachusetts

In the Year Two Thousand Nine

An Act to preserve the financial assistance feature in automobile insurance rating..

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Establishment of a special working commission.

2 A working commission (“commission”) shall be established, consisting of one or more
3 individuals representing the following groups:

4 The Office of the Attorney-General;

5 The Office of Consumer Affairs and Business Regulation;

6 The Legislature’s Boston Delegation, so-called;

7 The Boston City Council; and,

8 The Massachusetts Public Interest Research Group (MassPIRG), providing that
9 that organization is willing to be so involved.

10 In any decisions, actions, and/or votes of the commission, each of the above groups will
11 have equal status, regardless of the number of commission members supplied by that institution.

12 Section 2A of Chapter 4 of the General Laws of Massachusetts, which deals with the
13 rules of conduct of special legislative commissions, shall not be applicable to this commission.

14 SECTION 2. Purpose of the commission.

15 The purpose of this commission shall be to devise a process whereby the internal
16 cross-subsidizing financial assistance feature (“assistance feature”) contained in the former
17 “fixed-and-established” rating system in effect through 2007 CE is maintained in any future
18 automobile insurance rating system, such as the more competitive rating system currently being
19 developed under the auspices of the Division of Insurance., The commission shall be authorized
20 to contract with recognized established actuarial organizations to develop actuarial analyses as
21 needed. The commission may invite insurance experts and authorities, both in-state and out-of-
22 state, to appear before them.

23 The commission will determine the averages of the assistance feature levels of the years
24 2004 and 2005 as detailed in Automobile Insurers Bureau Actuarial Notice 04-2, “Subsidies in
25 the 2004 Rates”, February 6, 2004, and Automobile Insurers Bureau Actuarial Notice 05-2,
26 “Subsidies in the 2005 Rates”, February 14, 2005, respectively. The process referred to above
27 shall be so constructed as to maintain the overall levels of the assistance feature at a minimum of
28 three-quarters of those overall 2004/2005 averages. In addition, no individual policy’s assistance
29 feature will be less than two-thirds of the 2004/2005 level for the effective equivalent of that
30 policy.

31 The above-referenced process will also forbid the use of any underwriting procedures that
32 could interfere with the preservation of the assistance feature.

33 The commission will publish the results of its deliberations, and will also develop the
34 necessary legislation to implement the above-referenced process and to incorporate it into the
35 private passenger automobile insurance system of the Commonwealth of Massachusetts as
36 detailed in Chapters 90, 175, and 175C and elsewhere in the General Laws of the
37 Commonwealth of Massachusetts. The above-referenced publication of the results, and the
38 development of implementing legislation, is to be accomplished within three months of the date
39 of passage of this bill or June 1st of 2009, whichever date occurs later.

40 Minority reports and implementing legislation may also be produced if so desired.

41 SECTION 3. Funding of the commission.

42 The commission and its activities shall be funded by an assessment on the automobile
43 insurance companies doing business in the Commonwealth of Massachusetts, said assessment to
44 be ten cents (\$0.10) per policy in effect as of January 1st, 2009, for a total of approximately four
45 hundred thousand dollars (\$400,000).

46 The commission may decide on an alternate method of funding its activities provided the
47 alternate method is equally fair and non-discriminatory and will produce similar results.

48 SECTION 4. The formation of the commission shall take place within two weeks of the
49 passage of this act.