

SENATE No. 419

The Commonwealth of Massachusetts

PRESENTED BY:

William N. Brownsberger

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

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

PETITION OF:

NAME:

DISTRICT/ADDRESS:

William N. Brownsberger

Second Suffolk and Middlesex

David M. Rogers

24th Middlesex

SENATE No. 419

By Mr. Brownsberger, a petition (accompanied by bill, Senate, No. 419) of William N. Brownsberger and David M. Rogers for legislation to establish a commission to study financial assistance in automobile insurance ratings. Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE HOUSE, NO. 277 OF 2011-2012.]

The Commonwealth of Massachusetts

In the Year Two Thousand Thirteen

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 but no more than three, individuals representing each of the following groups:

4 The Office of the Attorney-General;

5 The Office of Consumer Affairs and Business Regulation;

6 The insurance companies licensed to do business in the Commonwealth;

7 The Boston City Council; and,

8 The Massachusetts Public Interest Research Group (MassPIRG), providing that that
9 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 group.

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 cross-
16 subsidizing financial assistance feature (“assistance feature”) contained in the former “fixed-and-
17 established” rating system in effect through the year two thousand and seven (2007) CE is
18 maintained in any and all future automobile insurance rating systems, such as the more
19 competitive rating system currently being developed under the auspices of the Division of
20 Insurance. The commission shall be authorized to contract with recognized established actuarial
21 organizations to develop actuarial analyses as needed. The commission may invite insurance
22 experts and authorities, both in-state and out-of-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 develop overall levels of the assistance feature for all future
28 insurance rates at a minimum of three-quarters of those overall 2004/2005 averages, starting with
29 the rates to be effective January 1, 2012. In addition, no individual policy’s assistance feature
30 will be less than two-thirds of the 2004/2005 level for the effective equivalent of that 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 2011, whichever date occurs later.

40 Minority reports 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, 2011, 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 funding results.

48 SECTION 4. The formation of the commission shall take place within thirty (30) days of
49 the passage of this act.