SENATE DOCKET, NO. 1212 FILED ON: 1/15/2025

SENATE . . . . . No. 820

The Commonwealth of Massachusetts

PRESENTED BY:

Pavel M. Payano

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 relative to reducing racial and socioeconomic inequities in auto insurance premium pricing.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	
Pavel M. Payano	*First Essex*	
Manny Cruz	*7th Essex*	*2/11/2025*
Orlando Ramos	*9th Hampden*	*4/15/2025*

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SENATE . . . . . No. 820

By Mr. Payano, a petition (accompanied by bill, Senate, No. 820) of Pavel M. Payano and Manny Cruz for legislation relative to reduce racial and socioeconomic inequities in auto insurance premium pricing. Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. *703* OF 2023-2024.]

The Commonwealth of Massachusetts

In the One Hundred and Ninety-Fourth General Court
(2025-2026)

An Act relative to reducing racial and socioeconomic inequities in auto insurance premium pricing.

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

Chapter 175E of the General Laws, as appearing in the 2022 Official Edition, is hereby amended by inserting, after section 4, the following section:-

Section 4A.

a) The following terms as used in this section shall have the following meanings:

"Classification," the process of grouping risks with similar risk characteristics so that differences in costs may be recognized.

"Classification plan," any plan, definition or rule for the classification of risks including, without limitation, classification by territory, driver or vehicle characteristics or use, and experience rating or merit rating plans.

"Commissioner," the Commissioner of Insurance, appointed pursuant to Section 6 of Chapter 26 of the General Laws, or his or her designee.

"Expenses," that portion of a rate attributable to acquisition, field supervision, collection expenses, general expenses, taxes, licenses, commissions, residual market loads and fees.

"Filer," the Insurer, Insurance Company Group or Rating Organization that files the rate at issue.

"Insurance Company Group," two or more Insurers under the same ownership or control, as defined in Section 206 of Chapter 175 of the General Laws.

"Insurer," any corporation, association, partnership, group or individual authorized to write private passenger motor vehicle insurance in Massachusetts.

"Merit rating," a rating procedure utilizing past motor vehicle accident and traffic violation experience of the operators insured under the policy to forecast future losses by measuring their loss experience against the loss experience of operators in the same classification to produce a prospective premium credit, debit or unity modification.

"Premium," the final cost of a policy, or coverage within a policy, to an individual policyholder based on the particular drivers and motor vehicles insured under the policy.

"Rate," the cost of insurance per exposure unit, whether expressed as a single number or as a prospective loss cost with a factor to incorporate an individual Insurer's expenses, profit, and

variation in loss experience, prior to any application of individual risk variations based on loss or expense considerations, and does not include minimum premium.

"Rate filing," a filing of rates, rating factors or relativities, classification plans, or rating manuals, together with supporting information, prepared by an Insurer, Insurance Company Group, or Rating organization and filed in accordance with Section 7 of this chapter.

"Rating factor," a number that is greater than zero that is applied to a rate to reflect the specific characteristics of the risk, including but not limited to, rating territory, driver or vehicle characteristics, merit rating plan, coverage level, and deductible option.

"Rating organization," a rating organization duly licensed under section 8 of Chapter 175A of the General Laws.

"Supporting information," (a) the experience and judgment of the filer and the experience or data of other Insurers or others relied upon by the filer; (b) the interpretation of any other data relied upon by the filer; (c) descriptions of methods used in making the rates; and (d) any other information relied on by the filer in support of its rate filing, as the Commissioner may require to be filed.

b) For private passenger motor vehicle insurance rates, a filer may group risks by territorial classification based on the commissioner's designation of territories pursuant to Section 4 of this chapter.

c) Each rating plan for private passenger motor vehicle insurance that includes territorial classifications shall assign a weight of no more than seventy-five per cent to individual territorial loss cost indication and no less than twenty-five per cent to the state-wide average loss cost

indication. A filer must actuarially justify individual territorial loss cost indication and statewide average loss cost indication with supporting information included in the filer's rate filing.

d) A private passenger motor vehicle insurance rate shall be held to be unfairly discriminatory if it is based on a rating plan that does not conform with subsections c and e of this section. The commissioner shall disapprove, after a hearing, or suspend any rate filing, or portion thereof, that contains a rating plan that does not conform with subsections c and e of this section.

e) The filer shall not make any changes or revisions to, or otherwise implement in any manner, a classification plan and/or rating factor that in any way limits, mitigates or eliminates the impact of subsection c of this section.

f) The filer shall include a complete and detailed explanation of how it is complying with subsections c and e of this section.

g) Every insurer licensed to write private passenger automobile insurance shall make a rate filing to comply with this section within 60 days of its passage.

h) The intent and purpose of this section is to reasonably limit the difference in rates and premiums between territories, thereby diminishing the disparate impact on policyholders.

i) The commissioner shall have the authority to promulgate additional rules and regulations to implement the provisions of this section that further its intent and purpose.