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PREPARED BY THE
MASSACHUSETTS
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WITH THE ASSISTANCE OF THE
MASSACHUSETTS
MOTOR VEHICLE INSURANCE
MERIT RATING BOARD

MERIT RATING

What is Merit Rating?

In past years the cost of auto insurance depended principally on the age and value of an automobile, its place of garaging, and the age, sex, and marital status of its drivers. Little consideration was given to driving records, although they are good predictors of a person's chances of causing accidents. Other things being equal, drivers with good driving records paid the same amount for their insurance as drivers with poor driving records.

Since the introduction of Merit Rating in 1976 and major changes in premium classification in 1978, today's premium depends more heavily on the driving records of the vehicle's operators. Merit Rating surcharges *increase* the cost of a policy if its operators cause accidents or violate motor vehicle laws. The collected surcharges, plus interest, are distributed as merit rating credits to *decrease* the cost of those policies whose operators are all accident and conviction free.

None of the surcharge money collected by insurance companies is kept by the companies, their agents, or the Commonwealth.

Surcharges are not penalties; credits are not rewards. Both are adjustments of future premiums, based on driving records, that reflect the odds of an individual causing future accidents.

Which Policies Will Be Surcharged?

The cost of a policy for a private passenger vehicle or motorcycle will be increased if an operator:

- has caused an accident that resulted in a Part 4 (property damage liability) or Part 8 (collision) claim payment of more than \$50, or
- has hit-and-run damage that resulted in a claim payment of more than \$50, and failed to report it to the police in writing within forty-eight hours.

A policy will also be surcharged if an operator:

- has been convicted of violating certain motor vehicle laws, or
- has been assigned to a driver alcohol education program.

Which Policies Get Credits?

Beginning January 1, 1979, a policy with Part 4 is eligible for a Merit Rating credit if none of the operators has a surcharge, and the policy was in effect on July 1, 1978 or later. The dollar amount of the credit will depend on the number of private

passenger vehicles or motorcycles covered by the policy.

How Large Will the Credit Be?

About 90% of the Commonwealth's policyholders will divide a merit rating pool created by the surcharge payments made by 10% of the policyholders. Consequently, the credit amount in 1979 will be relatively small.

In the next two years fewer and fewer policies will be surcharge-free and the average amounts paid into the merit rating pool will increase. Thus the credit amount, which will be announced annually by the Commissioner of Insurance, is expected to increase.

How Do I Know I Have a Surcharge?

Accidents — If you are involved in an accident after November 1, 1976, your insurance company *must* determine whether you were *more* than 50% at fault. If a claim is filed, and your company makes a payment or a reserve of more than \$50, it must send you a *Merit Rating Surcharge Notice*. The company also sends a copy of the Notice to the policyholder (if he or she is a different person) and to the Merit Rating Board, a state agency responsible for administering merit rating.

When the Board receives the Surcharge Notice, you have a surcharge unless:

- the company withdraws the Notice, or
- you appeal the Surcharge Notice to the Board of Appeals, and the Board agrees you were not more than 50% at fault in the accident.

It makes no difference whether the accident occurred in the Commonwealth or out-of-state. If the vehicle involved in the accident is owned by a business, the surcharge will be put on the company's record, not the operator's.

Convictions — If you are convicted of violating certain Massachusetts motor vehicle laws after November 1, 1976, or if you are assigned to an alcohol education program, the court will notify the Merit Rating Board. You then have a surcharge, unless:

- the court sends a correction to the Merit Rating Board, or
- you successfully appeal your conviction to a higher court.

Your convictions are entered on your own record. It makes no difference what kind of vehicle you were driving at the time of the violation, or who was the owner of the vehicle. Any convictions you

SURCHARGE TABLE

Surcharge Type	Number per Operator (within 3 year period)	Maximum Cost (each surcharge)	3 Year Payment Schedule					
			First Full Year		Second Full Year		Third Full Year	
			Part 4	Part 8	Part 4	Part 8	Part 4	Part 8
At Fault Accident (AC)	First	\$ 50	25	25	—	—	—	—
	Second	\$150	50	50	25	25	—	—
	Third or more	\$300	75	75	50	50	25	25
Driving Under the Influence (DI)	First	\$200	100	100	—	—	—	—
	Second	\$425	113	112	100	100	—	—
	Third or more	\$675	125	125	113	112	100	100
Conviction for Driving to Endanger or Reckless Driving (DE)	First	\$100	50	50	—	—	—	—
	Second	\$225	63	62	50	50	—	—
	Third or more	\$375	75	75	63	62	50	50
Conviction for Certain Other Traffic Violations (OT)	First	\$ 25	13	12	—	—	—	—
	Second	\$ 75	25	25	13	12	—	—
	Third or more	\$150	38	37	25	25	13	12

Incidents occurring before November 1, 1976 do not count. Note that the surcharge amounts you are billed need not correspond with any of the amounts shown in the Surcharge Table. The exact amounts billed will depend on the amounts that are collected on other policies, the coverages you purchase, and the length of time your policy is in effect. Note also that the amount you are billed will not reflect incidents that occur within three months of the month your policy takes effect. If the policy is written for less than 12 months, the above amounts will be reduced proportionally.

get while driving a company car will be entered on your record and not on your employer's record. Convictions outside the Commonwealth are not surchargeable. No notification of a conviction surcharge, other than the conviction itself, will be sent to you, either by your insurance company or by the Merit Rating Board.

How Are Surcharges Billed?

Your insurance company will add surcharges to your premium when you purchase or renew your policy. Surcharges are not billed by the Merit Rating Board.

Whenever a company sends you a surcharge bill, it must also send you a *Statement of Surcharges Due*. This statement will list each surcharge, the name of the operator who incurred it, its type and number, and the Part 4 and Part 8 surcharge amounts. The four types of surcharges are abbreviated on the statement as AC, DI, DE and OT.

The surcharge portion of your insurance bill will not reflect incidents that have occurred within three months of the month your policy begins. If you are an operator on several policies, your surcharges may be billed on any of the policies.

How Much Do Surcharges Cost?

As the Surcharge Table shows, the cost of a surcharge depends on the surcharge type, the number of similar surcharges incurred by the same operator within a three-year period, and whether the policy being surcharged has both Part 4 and Part 8. The Surcharge Table identifies four types of surcharges: (1) an at fault accident, (2) a driving under the influence violation, (3) a driving to endanger or reckless driving violation, and (4) certain other violations of motor vehicle traffic laws.

To find the cost of a surcharge, first find the section of the Surcharge Table for the correct type. Then determine whether the surcharge is your first, second, or third surcharge of that type, and follow the line across the Table.

The first amount you come to is the maximum amount your company can bill you. The next two amounts are the amounts by which your Part 4 and Part 8 premiums will be adjusted the first year the surcharge is billed. The next four amounts are the Part 4 and Part 8 surcharge amounts for the second and third year billings.

As the Surcharge Table indicates, all surcharges, whether for accidents or convictions,

are applied evenly to Part 4 and Part 8 coverages. If your policy lacks Part 8 coverage, only the Part 4 portion of the surcharge will be billed. If you have Part 8 coverage, but delete it during the first 90 days of the policy, you will not have to pay any of the Part 8 portion of the surcharge. If you drop Part 8 coverage after the 90-day grace period, the Part 8 surcharge amount will be adjusted proportionally.

Examples Using the Surcharge Table

■ Example 1. Your company determines you were more than 50% at fault in your first accident in May, 1978. A Part 4 claim in excess of \$50 is filed, and paid in June. Sixty days later you receive a Merit Rating Surcharge Notice. When you renew your policy in January, 1979, both your Part 4 and your Part 8 premiums will be surcharged by \$25, as indicated on the first line of the Surcharge Table. It makes no difference that claims were not paid under both Parts.

■ Example 1 (continued). Your daughter begins driving your car in 1978, and causes an accident in September. A Part 8 claim is paid in October, and your company sends your daughter a Merit Rating Surcharge Notice dated November 15, 1978.

Since the date of your daughter's Surcharge Notice (November 15, 1978) is less than three months before the month in which your policy is renewed, your daughter's \$50 first accident surcharge will not be billed until you renew your policy in 1980. Insurance bills will not contain surcharges for incidents that occur less than three months before a policy's effective month. The amount that will be billed on your policy in 1980 is \$50, because your daughter's accident surcharge is her first. It makes no difference that you also have an accident surcharge. Surcharges are counted by operator, not by policy or vehicle.

■ Example 2. You have two surchargeable accidents in 1978. When you renew your policy you tell your agent to delete Part 8. Your Part 4 premium will be surcharged \$25 for the first accident, and \$50 for the second. Since surcharges are adjustments of premiums and there is no Part 8 premium to adjust, you will not be billed the Part 8 portion of your two surcharges.

■ Example 3. You have two convictions for speeding in 1978. Half way through the year you change Part 8 to Part 9 (limited collision). You have already paid the first year amounts for a first and second traffic violation, so your company will refund half of the Part 8 surcharges, or \$18.

Late in 1979 you buy a new car, and change Part 9 back to Part 8 when you renew your policy in 1980. Your *Statement of Surcharges Due* will show overdue Part 8 surcharges of \$18, the amount refunded in 1979. If you reinstate Part 8, or change Part 9 back to Part 8, while surcharges are still on your record, you will be billed any outstanding amounts.

What If I Cause an Accident and Violate Several Traffic Laws at the Same Time?

All surcharges that arise from a single incident become a part of your record, but only the one with the largest amount due will be billed.

■ Example 4. You cause an accident, and you are also convicted of speeding and driving to endanger at the time of the accident. You will have three surcharges entered on your record: one for the accident, one for driving to endanger, and one for the minor conviction. If these are your only surcharges, the driving to endanger surcharge is the largest, and \$100 will be billed on your next insurance policy. Although the accident surcharge and the minor conviction surcharges are not billed, they still count as your first of each type. If you cause another accident within the next three years, it will be your second.

What Happens If I Refuse to Pay a Surcharge?

Your policy will be cancelled.

How Do I Appeal An Accident Surcharge?

Accident surcharges *must* be appealed at the time you receive the Merit Rating Surcharge Notice. Detailed instructions telling you how and when to appeal are contained in the Surcharge Notice. If the Board of Appeal, a separate state agency, reverses or vacates a surcharge, it will notify the Merit Rating Board to remove the surcharge from your record.

You must pay a surcharge billed while an appeal is pending. If the Board of Appeal vacates the surcharge, the amount paid will be refunded to you.

Is My Policy Eligible for a Credit Once All Surcharges Are Paid?

A surcharge remains a part of your record for a period of three years from the date on the Merit Rating Surcharge Notice or the date on which you were convicted. These dates are shown as the "Surcharge Dates" on the *Statement of Surcharges Due*. Your policy will not be eligible for a credit until your record is clear of surcharges.

What is the Difference Between Current and Overdue Surcharges?

If your policy is surcharged, your *Statement of Surcharges Due* may show overdue amounts as well as current due amounts. Overdue amounts are usually surcharges owed but not paid on a prior policy. But they can also arise if you delete and then reinstate Part 8. Finally, if a surcharge amount is to be refunded, it will appear as a *negative* overdue amount.

How Can I Check on a Surcharge?

If you believe a surcharge billing is in error, you may call or write the Merit Rating Board's Consumer Service Section, Room 315, 150 Causeway Street, Boston, MA 02114, (617) 727-7017. No fee is required. You will be asked to send the Board a copy of your *Statement of Surcharges Due*, and a statement of the reasons why you believe the surcharge billing is wrong. The Board will investigate the matter. If an error is discovered, it will be corrected, and you and your insurance company will be notified in writing.

How Can I Obtain a Copy of My Merit Rating Record?

You may request a summary of the surcharges listed under your name in the Merit Rating Board's files by completing MRB Form 82R (Operator Request for Summary Information). The cost is \$1.50. The summary will list your surcharges, and indicate their type, number, incident date and surcharge date. Unlike the *Statement of Surcharges Due* provided by your company, this summary will list all of your surcharges, not just those billable in a particular year.

If you want a summary and a copy of the Merit Rating Surcharge Notices or Court Abstracts that gave rise to your surcharges, or, if you are a policyholder, to all of the surcharges billed on your policy whether they are your own or not, complete Form 83R (Operator/Policyholder Request for Detailed Information). The cost is \$3.00.

No fee is required if you want to inspect your records at the Merit Rating Board's offices.

Insert this leaflet in the pocket provided on the back cover of your automobile policy for future reference.