The Commonwealth of Massachusetts

EXECUTIVE DEPARTMENT

STATE HOUSE, BOSTON 02133

MICHAEL S. DUKAKIS
GOVERNOR

November 21, 1975.

To The Honorable Senate and House of Representatives:

In accordance with the provisions of Article LVI of the Amendments to the Constitution, I an returning, herewith, House Bill 6182, entitled, "An Act Providing for Changes in the Method that Premium Charges for the Issuance of Motor Vehicle Liability Policies or Bonds are Made."

H. 6182 would amend the provisions of the motor vehicle insurance law that govern the amount of premiums refunded to the insured when he cancels a policy before the policy's expiration date. While the current law provides for a pro rata refund, H. 6182 allows the company, agent or broker handling the policy to deduct the "customary monthly short rates" for the period that policy had been effective in calculating the refund due the insured. (If the company cancels the policy, the refund would continue to be calculated on a pro rata basis).

The effect of this bill is to penalize, albeit slightly, those consumers who cancel a compulsory motor vehicle policy in mid-year, whether because they have found a better bargain elsewhere, moved from the commonwealth, or for any other reason. As both the Commissioner of Insurance and the Secretary of Consumer Affairs have pointed out to me, this approach is fair to the consumer only if he may benefit by the transfer of policy — in other words, if because competitive rates are in effect, he may realize an overall savings by transferring his policy to a different insurer. Accordingly, I suggest that any refunds based on "customary monthly short rates" be limited to those coverages in which competitive rates are available.

I therefore recommend that H. 6182 be amended by inserting after the word "force," in line 24 of Section 1 of the engrossed bill, the following words: — where competitive rates are in effect, but otherwise in the event of a cancellation by the insured.

Respectfully submitted,

MICHAEL S. DUKAKIS,
Governor