

By Mr. Kafka of Sharon, petition of Louis L. Kafka and other members of the General Court for legislation to further regulate "redlining" in the business of group automobile insurance. Insurance.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Ninety-Five.

AN ACT FURTHER REGULATING GROUP AUTOMOBILE INSURANCE.

1 *Whereas*, The deferred operation of this act would tend to
2 defeat its purpose, which is to immediately clarify the group auto-
3 mobile insurance marketing laws to prevent redlining of group
4 automobile insurance policies and because adoption of this act is
5 intended to reduce personal automobile insurance premiums by
6 ten percent for the typical consumer, therefore it is hereby
7 declared to be an emergency law, necessary for the immediate
8 preservation of the public convenience.

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. It is hereby found and declared:

2 That the purpose of the group marketing law adopted by the
3 Legislature in 1974 is to allow for reduced private passenger auto-
4 mobile insurance premiums to individual members of authorized
5 groups as a result of reduced administrative and marketing costs
6 incurred by insurance companies underwriting such groups.

7 That the purpose of this act is to ensure that the insurance
8 industry's conduct in the administration of its group automobile
9 insurance programs is as immune to industry redlining and dis-
10 criminatory risk selection practices as is possible and further
11 assure that all personal automobile insurance consumers
12 throughout the Commonwealth benefit from premium superfluity
13 existent in the 1995 fixed and established private passenger auto-
14 mobile insurance rates as demonstrated by the insurance
15 industry's pursuit of group marketing practices inconsistent with

16 the intended legislative purpose of group marketing. Therefore, it
17 is the intention of the Legislature that the provisions of this act
18 result in future savings to the consumer similar to those which
19 would have occurred had this act been in effect in January of 1995
20 and that the fixed and established rate for the year 1996 reflect a
21 ten percent savings to the consumer as a result of the provisions of
22 this act.

1 SECTION 2. Section 193R of Chapter 175 of the General
2 Laws, as appearing in the 1992 Official Edition, is hereby
3 amended by striking the second paragraph.

1 SECTION 3. Section 193R of Chapter 175 of the General
2 Laws, as appearing in the 1992 Official Edition, is further
3 amended by striking the eighth paragraph and inserting in place
4 thereof the following new paragraph:

5 The rules and regulations made by the commissioner shall
6 require (1) that every individual or association member having a
7 proper insurable interest be entitled to participate in the plan;
8 (2) that every individual or association member participating in
9 the group plan be given an option to continue coverage by a stan-
10 dard policy of the same type offered by the insurer to persons not
11 eligible for a group plan for at least one additional year upon ter-
12 mination of employment or membership; (3) that there shall be no
13 compulsion for an employee or association member to participate
14 in the plan; (4) that no member of the group shall be subject to any
15 rating differential or other classification technique or policy form
16 designed to make it less desirable for him as an individual to pur-
17 chase insurance through the group than it would be to purchase it
18 from the regular individual market and each member of the group
19 must be issued an individual policy of the same form varying only
20 as to the amounts of insurance and limits of liability requested by
21 the member, (5) that an insurer may not cancel any insurance of an
22 individual member of the group except for nonpayment of pre-
23 mium, fraud or unless the insurance for the entire group is can-
24 celed, but an insurer may cancel the motor vehicle insurance of an
25 individual member for loss of registration or operator's license by
26 the individual member where such loss is for a period of one year
27 or more; (6) that the group shall be an employer, or if not an

28 employer, an association, within the Commonwealth whose mem-
29 bership profile is substantially comparable to the statistical profile
30 of all insureds in the Commonwealth with respect to operator clas-
31 sification, rating territory, Safe Driver Insurance Driver Plan step
32 and further that an insurance carrier seeking to write such a group
33 plan file with the commissioner the written, notarized opinion of a
34 member of the American Academy of actuaries, not in the employ
35 of said carrier, the stating that statistical profile of the automobile
36 insurance consumers of said respect to operator classification,
37 rating territory and Safe Driver Insurance Plan step; (7) that to
38 qualify to write such group marketing plan herein defined the
39 insurer must be actively engaged in the business of writing the
40 types of coverage offered for insureds other than such groups and
41 may not be organized solely or principally for the purpose of fur-
42 nishing coverage to such groups; (8) that at least thirty-five per-
43 cent of the employees of said employer and thirty-five per cent of
44 the members of said association shall be insured within the group
45 within one year of the effective date of the plan, such percentage
46 to continue so insured at all times thereafter but in no event shall
47 the number of individuals participating in said group plan be less
48 than twenty-five and further that the insurance carrier writing said
49 group plan shall file with the commissioner the written notarized
50 opinion of a member of the American Academy of Actuaries, not
51 in the employ of said carrier, that thirty-five percent participation
52 has been attained annually; and further that the commissioner
53 shall not re-approve any group which does not meet the thirty-five
54 percent participation requirement annually; and (9) that such
55 employer or association, shall have a constitution and bylaws and
56 be formed in good faith for purposes other than that of obtaining
57 insurance; (10) that no insurance carrier or agent or broker thereof
58 shall access data maintained by the Registry of Motor Vehicles for
59 risk selection purposes or to acquire information regarding an
60 individual's residence, gender, race, or occupation where such
61 information is utilized to determine an individual's participation
62 in the group or said carrier's approval of said group.

