

The Commonwealth of Massachusetts



MICHAEL S. DUKAKIS
GOVERNOR

EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

April 11, 1977

TO THE HONORABLE SENATE AND HOUSE OF REPRESENTATIVES:

I am today submitting to your Honorable Bodies the attached legislation, entitled "An Act Limiting Increases in Motor Vehicle Insurance Rates During the Year Nineteen Hundred and Seventy-Seven."

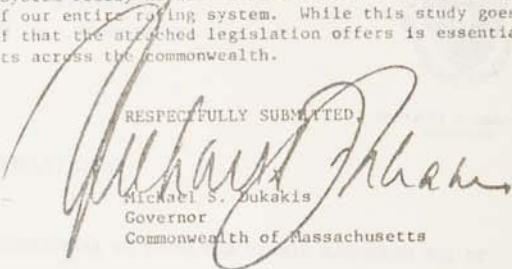
This legislation provides short-term relief for auto insurance consumers who received massive increases in their 1977 bills. Last year, as you know, I signed into law major reforms in our auto insurance system. The merit rating process established in that law should begin to have a state-wide impact next year. In the meantime, the introduction of competitive rates in one year, rather than being phased in gradually as I had urged, has accelerated the disparity in rates between urban areas and the rest of the state. For example, rates for one of the largest insurance companies, one that ranks in the middle of the scale in overall state-wide increases, fell by more than 15% for drivers over 25 years of age living in nearly 200 cities and towns across the Commonwealth. At the same time many young drivers and residents of urban areas were hit with increases of 60% to 90%.

The legislation I propose would bring real relief to those hardest hit. It provides a way to moderate the sudden impacts of a fully competitive system and, in effect, to phase in competition. This bill limits rate increases this year to 25%, still a substantial figure. To grant this extraordinary relief, it would cost all drivers in the state 3 to 4% in additional premiums next year. The legislation will not increase rates in any existing insurance policy until new rates are filed for 1978. No policyholder will be adversely affected until the 1978 rate filing is approved. This bill simply redistributes the total amount of premium dollars in a different manner among all policyholders. This shift of revenue will be treated for rate purposes no differently than other expenses incurred by the companies during 1977. The recoupment mechanism explicitly included in this bill will maintain insurer's profits at the level the insurers would have expected from the rates that were originally filed. The fact that some insurers might not realize their full rate of return for 1977 until 1978 does not affect the bill's legal validity.

Given the circumstances facing so many drivers today, the only alternative open to Commissioner Stone if this legislation does not pass quickly will be to rescind the competitive rate system and revert to the previous

system of fixed and established rates pursuant to the powers reserved to the Commissioner by GL Ch. 175E. I hope this step will not have to be taken because it will require the recalculation of all 1977 premiums and the rebilling of each automobile owner in the Commonwealth. I do not hold out the hope that fixed and established rates will be dramatically better than the present rates. While some ceiling can be established, the same statistics must ultimately rule. Only a major change in rating philosophy will produce the sort of equity the system really needs. I have asked Commissioner Stone to study the fairness of our entire rating system. While this study goes on, the temporary relief that the attached legislation offers is essential to thousands of motorists across the Commonwealth.

RESPECTFULLY SUBMITTED,



Michael S. Dukakis
Governor
Commonwealth of Massachusetts

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In the Year One Thousand Nine Hundred and Seventy-Seven.

AN ACT LIMITING INCREASES IN MOTOR VEHICLE INSURANCE RATES
DURING THE YEAR NINETEEN HUNDRED AND SEVENTY-SEVEN.

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

1 Notwithstanding the provisions of any other law or regulation,
2 for any policy of motor vehicle insurance issued or renewed on or
3 after January 1, 1977, and before January 1, 1978, the combined
4 premium charged to any individual insured for all coverages shall
5 not exceed 125% of the premium which would have been charged
6 for the same or similar coverages had the rates applicable in 1976
7 remained unchanged. Each insurance company affected by this
8 provision may deduct from its reinsurance premiums otherwise
9 due the plan established pursuant to Section 113H of Chapter 175
10 the amount by which it is so affected, and may add to the expense
11 provision in any rate filing effective on or after January 1, 1978,
12 made pursuant to Section 7 of Chapter 175E the amount by which
13 the operation of this provision causes the cost of participation in
14 the plan to increase.

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of growth and change. From the first European settlers to the present day, the nation has evolved through various stages of development. The early years were marked by exploration and the establishment of colonies. The American Revolution led to the birth of a new nation, and the subsequent years saw the expansion of territory and the growth of industry. The Civil War was a pivotal moment in the nation's history, leading to the abolition of slavery and the strengthening of the federal government. The 20th century brought significant social and economic changes, including the rise of the industrial revolution and the emergence of the United States as a global superpower. Today, the United States continues to face new challenges and opportunities, and its history remains a source of inspiration and guidance for the future.