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BULLETIN 2008-07

TO: Insurance Producers and Insurance Companies Selling or Servicing Private Passenger Motor Vehicle Policies in Massachusetts

FROM: Nonnie S. Burnes, Commissioner of Insurance

DATE: April 3, 2008

RE: Requirements for Private Passenger Motor Vehicle Insurance Policies Issued for Terms of Six Months

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This Bulletin informs insurance producers and insurance companies who sell or service private passenger motor vehicle insurance policies about the Division of Insurance's ("Division") requirements for an optional endorsement that limits the term of a voluntary private passenger motor vehicle insurance policy to a period of six consecutive months.

Massachusetts law requires private passenger motor vehicle insurers to provide twelve-month term private passenger motor vehicle insurance policies to applicants and policyholders who request them ("the standard private passenger motor vehicle insurance policy"). G.L. c. 175, §113A(2)A(6)¶8. Insurers may submit a form filing to the Division offering a private passenger motor vehicle insurance endorsement that limits the term of the standard private passenger motor vehicle insurance policy to six months, provided that such form filing includes a process by which the insurer first obtains the written acknowledgement from a current policyholder or a new applicant that indicates that he or she understands that:

(1) the law requires that every insurance company offer twelve-month term private passenger motor vehicle insurance policies at the option of its customers;

(2) a six-month term policy is shorter than a twelve-month term policy;

(3) a six-month term policy will have a premium that is half as much as a twelve-month term policy; and

(4) the premium for a renewal of the policy for an additional six-month term will be based on the rates in effect for that insurance company on the renewal effective date.

This written acknowledgement is required only from a policyholder of, or an applicant to, an insurer if the policyholder's, or applicant's, current or prior private passenger motor vehicle insurance policy was for a twelve-month term.

Insurers that elect to offer an endorsement for a six-month policy term shall comply with the following requirements:

(1) Insurers must offer private passenger motor vehicle insurance policies for twelve-month policy terms and cannot offer private passenger motor vehicle insurance policies for terms in excess of two years. No insurer may decline to issue or non-renew a private passenger motor vehicle insurance policy solely on the basis of the length of the policy term selected by the policyholder or applicant unless such term is longer than two years.

(2) The rates in effect on the policy effective date shall be the rates that apply to that policy for the duration of the policy term. No insurer may change an in-force twelve-month policy's term to a six-month term unless the policyholder specifically requests such endorsement within 30 days of the policy effective date and the policyholder provides the written acknowledgement described above to the insurer. If a policyholder wants to change from a twelve-month term policy to a six-month term policy after the twelve-month term policy has been in force for more than 30 days, the policyholder must cancel the existing twelve-month term policy and apply for a new six-month term policy.

(3) An endorsement that limits the term of the standard private passenger motor vehicle insurance policy to six months may not modify the terms and conditions of coverage provided under that policy in any other manner.

(4) The premium for a private passenger motor vehicle insurance policy endorsed to a six-month policy term shall be one half of the otherwise applicable premium for a policy issued for a twelve-month term.

Special requirements apply to policies with less than twelve-month terms for motorcycles, trailers and other recreational type vehicles, as is provided in G.L. c. 175, §113A(2)A(6)¶9.

If you have any questions regarding this Bulletin, please contact Kevin Beagan, Director of the State Rating Bureau, at 617-521-7323 or at Kevin.Beagan@state.ma.us.