

**Massachusetts Division of Insurance
Automobile Group Marketing Plan Report
Pursuant to Chapter 237, § 5, of the Acts of 2010**

Gary D. Anderson
Acting Commissioner of Insurance

Acknowledgements

This report was prepared by the State Rating Bureau staff of the Massachusetts Division of Insurance (“Division”). Matthew M. Mancini, State Rating Bureau Director, Gerald B. Condon, State Rating Bureau Researcher, Cara Blank, State Rating Bureau Actuary, and Daniel M. D’Amico, State Rating Bureau Research Analyst, prepared the report and provided the analysis.

The Division makes all appropriate efforts to check the completeness and consistency of data reported by insurance companies, but relies on the insurance companies for the accuracy of all filed information.

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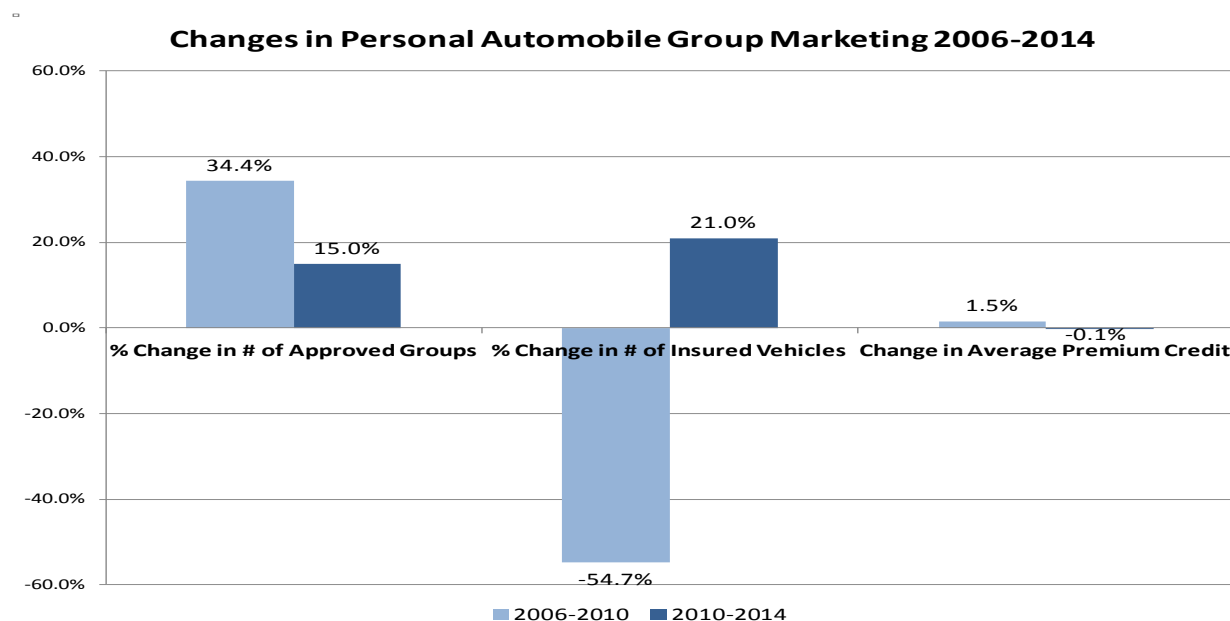
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Executive Summary

The General Court, under Chapter 237 §5 of the Acts of 2010¹, extends the date by which insurers must comply with the 35% minimum participation requirement of M.G.L. c. 175, § 193R from December 31, 2010 to December 31, 2015. This law also requires the Commissioner of Insurance to report on group marketing plans authorized under M.G.L. c. 175, §193R in effect for calendar years 2007 to 2014² by December 31, 2014. The purpose of this report is to provide information concerning the relative use of group marketing plans as a marketing tool, and to report on the degree to which existing group marketing plans comply with the minimum 35% participation requirement of M.G.L. c. 175, §193R as enacted.

The introduction of competitive rate regulation in the personal automobile insurance market in 2007 generated considerable change in the proportion of insurers that underwrite or market such policies through group marketing plans, as well as the number of people who purchase their policies through such plans. In 2007, 14 of the 19 insurers writing personal automobile insurance in Massachusetts underwrote policies that were acquired through group marketing plans. By 2014, that ratio had changed from 14 out of 19 to 17 out of 34. Only three insurers entering the personal automobile insurance market since 2008 elected to solicit personal automobile insurance policies from groups. The chart below summarizes the percentage changes in the number of personal automobile group marketing plans, the number of vehicles obtaining insurance through such plans, and the actual change in the average premium credit offered to participating group members.

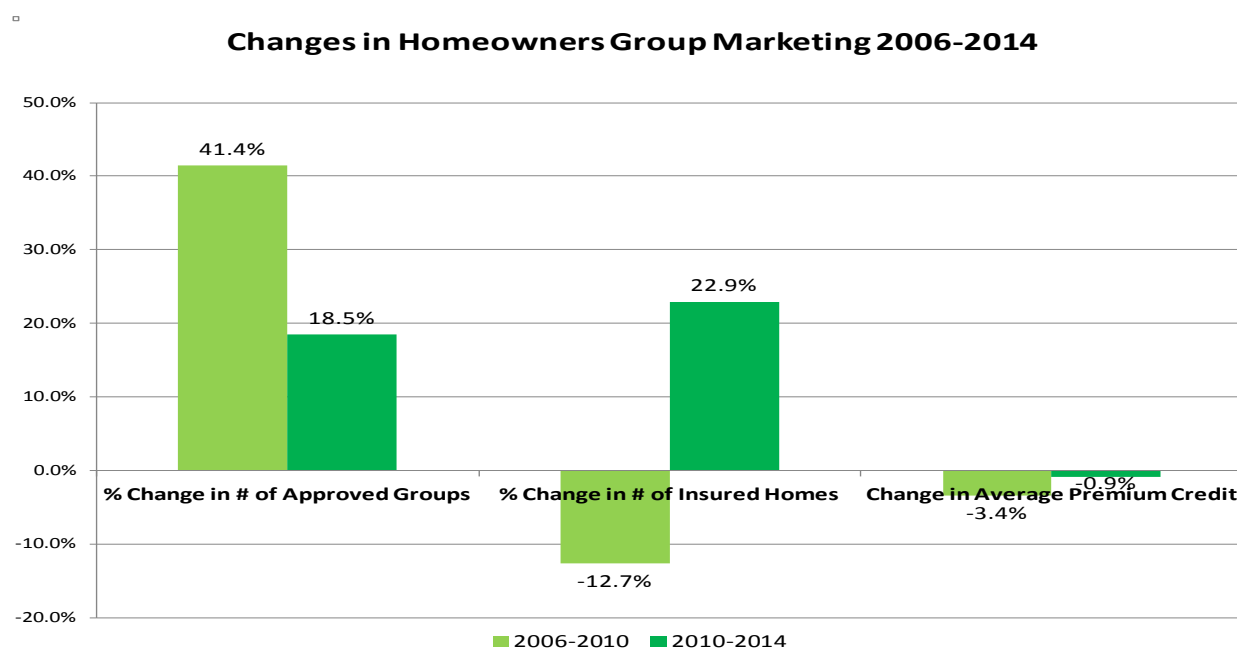


¹ Chapter 237, § 5, of the Acts of 2010 amends Chapter 271 of the Acts of 2008 extends the due date on group marketing plans for motor vehicle insurance in effect for calendar years 2007 to 2010 report to the end of 2014. Both Acts can be found in Exhibit 1 and Exhibit 2 of this report.

² The Division of Insurance includes a review of group marketing plans in this report through June 24, 2014 for completeness.

The principal reason for the decline in the number of vehicles insured through group marketing plans was due to Commerce Insurance Company's discontinuance of its group marketing plan to members of the American Automobile Association (AAA).

During the same period, the changes observed in the homeowners insurance market were not quite as dramatic as the changes in the personal automobile insurance market. The number of homeowner insurers that underwrote policies acquired through group marketing plans declined from 13 to 12 between 2006 and 2014. The chart below summarizes the percentage changes in the number of homeowners group marketing plans, the number of homes obtaining insurance through such plans, and the actual change in the average premium credit offered to participating group members.



In 2014, the percentage of group marketing plans that would have been subject to the minimum participation requirements of M.G.L. c. 175, §193R is approximately 82% in both the personal automobile and homeowner insurance markets. Within this subset of group marketing plans, compliance with the minimum participation requirements was observed for only 11% of the personal automobile plans, and 5.4% of the homeowner plans. Compliant group marketing plans are more likely to be employer based, be promoted by an independent agent, and have a potential client base of 150 or less. While the percentage of groups that meet the minimum participation requirements of M.G.L. c 175, §193R is small, there is evidence that the expense support for the premium credits can be earned and sustained.

The Division stands ready to work with the legislature on legislative or administrative approaches that will continue to support group marketing plans in conjunction with increasingly competitive markets.

Introduction

The General Court, under Chapter 237 §5 of the Acts of 2010³ extends the date by which insurers must comply with the 35% minimum participation requirement of M.G.L. c. 175, § 193R from December 31, 2010 to December 31, 2015. This law also requires the Commissioner of Insurance to report on group marketing plans authorized under M.G.L. c. 175, §193R in effect for calendar years 2007 to 2014⁴. The General Court requires that this report together with legislation, if any, be filed with the Clerks of the House of Representatives and Senate, the Chairs of the House and Senate Committees on Ways and Means and the House and Senate Chairs of the Joint Committee on Financial Services not later than December 31, 2014.

Originally Chapter 1098 of the Acts of 1973, M.G.L. c. 175, §193R was enacted to bring about lower insurance premiums for personal automobile and homeowners insurance policies. At that time, rates for homeowners insurance policies were regulated competitively, while rates for personal automobile insurance policies were not. Since the Insurance Commissioner (“Commissioner”) determined the maximum rate for personal automobile insurance policies at that time, the reduced premium effects of the group marketing deviations authorized under M.G.L. c. 175, §193R were expected to have a more significant impact in the personal automobile insurance market.

Group marketing plans⁵ are agreements between employers, trade unions or associations and sellers of personal automobile or homeowners insurance policies that allow sellers to market individual policies to their employees or members through a payroll deduction plan or otherwise. Group members who choose to purchase a policy through a marketing plan may receive premium credits from the underwriting insurers’ otherwise filed rates if the credit can be justified by “direct reductions in expenses resulting from the group marketing technique”. The lower administrative and servicing costs associated with group marketing plans most often result from reduced agency commissions, higher rates of policy renewal, and lower costs of billing and premium collection.

Although the phrase “group discounts” is quite common, premium reductions under group marketing plans are not the same as other factors that insurers otherwise use to discount homeowners or personal auto insurance premiums. The primary purpose of group marketing credits is to attract and retain customers that have predictably lower servicing costs, while the primary function of standard rating factors is to ensure fairness as regards all policyholders based

³ Chapter 237, § 5, of the Acts of 2010 amends Chapter 271 of the Acts of 2008. Chapter 237 also extended the due date for a report on group marketing plans for motor vehicle insurance in effect for calendar years 2007 to 2010 until the end of 2014. Both Acts can be found in Exhibit 1 and Exhibit 2 of this report.

⁴ The Division of Insurance includes a review of group marketing plans in this report through 2014 for completeness.

⁵ MGL 175, § 193R defines group marketing plan as a “Group marketing”, “Group marketing plan”, “Mass merchandising” or “Mass merchandising plan”, any system, design or plan whereby motor vehicle or homeowner insurance is afforded to employees of an employer, or to members of a trade union, association, or organization and to which the employer, trade union, association or organization has agreed to or in any way affiliated itself with, assisted, encouraged or participated in the sale of such insurance to its employees or members through a payroll deduction plan or otherwise. A copy of the full statute can be found in Exhibit 3 of this report.

on their risk of a claim under the policy. Other statutory criteria that need to be met in order for a premium credit to be approved under a group marketing plan include:

- The group must have been formed “in good faith for purposes other than that of obtaining insurance”.
- Group members are not required to purchase insurance through the group marketing plan.
- Group members that have a proper insurable interest shall be allowed to participate in the plan.
- In addition to protections afforded to the general insurance market, a group member’s policy can only be canceled for loss of vehicle registration or operators license if the period of loss is for more than one year.
- Groups must have a minimum of twenty-five members, at least 15 of whom are residents of Massachusetts.

All group marketing plan premium credits must be approved by the Division of Insurance (Division) prior to their use, and such approval is valid for a period of one year.

As required by the General Court, this report includes the following information:

- (1) History of Group Marketing Plans through 2006
- (2) Group Marketing Plans 2007-2014
 - the number of group marketing plans;
 - the number of members within each group marketing plan;
 - the average discount (credit) offered through group marketing plans;
 - the number of group marketing plans that do not have at least 35 per cent of their members insured through such plans;
- (3) Other Considerations Associated with Group Marketing Plans
- (4) Summary & Recommendations

History of Group Marketing Plans Through 2006

In the early years following the adoption and passage of §193R⁶, group marketing plans for personal automobile policies tended to be large employer-related groups such as Digital Equipment Corporation and the Massachusetts Teachers Association. There were fewer than twenty group marketing plans in the 1970’s. As automobile insurance group marketing evolved in the 1980’s, Metropolitan Property and Casualty Insurance Company (Metropolitan) came to be the dominant player in the little publicized market. The number of group marketing plans for personal automobile policies was well below one hundred during these years, with Metropolitan writing more than two-thirds of the total number of automobile group marketing plans.

⁶ The historical automobile group marketing plan information through 1996 has been summarized, in part, from a previous report requested by the General Court under Chapter 151, § 679, of the Acts of 1996.

Chapter 241 of the Acts of 1983 eliminated the guaranteed renewability of motor vehicle insurance policies. Chapter 273 of the Acts of 1988, the Auto Reform Act of 1988, brought further changes in Massachusetts automobile insurance market. 211 CMR 20 which regulated group marketing insurance plans was repealed in 1994.

In 1994 the number of approved group marketing plans for personal automobile policies increased from less than 100 to three hundred twenty-nine. One hundred thirty-three groups (40% of the total) were underwritten by insurers that had not previously marketed their products through groups. New participants included Amica, Berkshire, Commercial Union, Liberty, Norfolk & Dedham, Peoples Service, Safety, Sentry, and Premier. The deviations ranged from 3% to 15% off of the fixed and established automobile insurance premiums with the overwhelming majority in the 5% to 6% range.

In 1995 the Division approved one thousand one hundred seventy-nine automobile group marketing applications, with the American Automobile Association (“AAA”) being the largest. The number of insurers marketing their products to groups for the first time continued to increase and included CNA, Plymouth Rock, Quincy Mutual, and Trust.

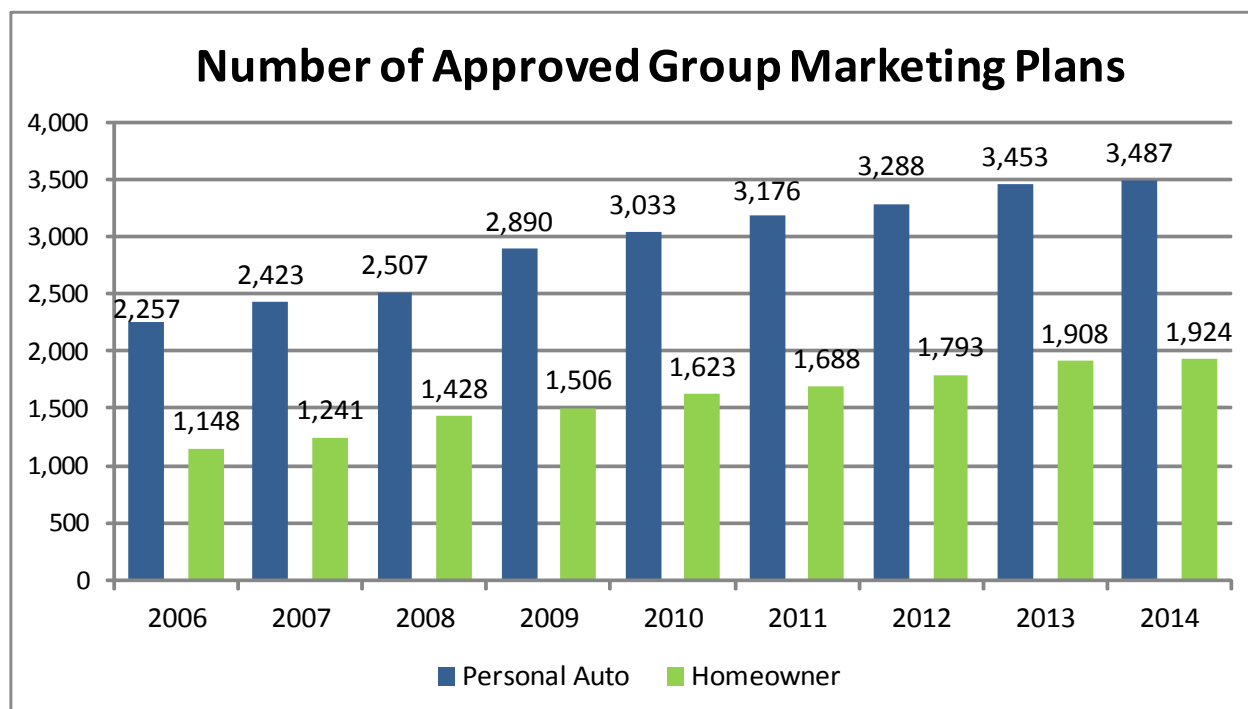
The number of insurance companies underwriting or marketing personal automobile policies through group marketing plans peaked in 2000 with twenty-four insurers underwriting policies on behalf of approximately 2,200 groups. While the number of approved group marketing plans in 2007 remained relatively unchanged from the year 2000, approximately 68% of the vehicles insured through such plans were associated with one of four groups: members of AAA, SBLI Health & Safety Organization, the Massachusetts Teachers Association, and employees of Raytheon.

Group Marketing Plans 2007-2014

In 2007, Insurance Commissioner Nonnie S. Burnes implemented competitive rate regulation for personal automobile insurance policies under the authority of M.G. L. c. 175E, §4. This form of rate regulation has been in place for all personal automobile insurance policies with effective dates on or after April 1, 2008. This approach to rate regulation, in conjunction with many customer service enhancements introduced over the past six years, has had a significant effect on the proportion of insurers that market personal automobile policies through group marketing plans, as well as the number of people who purchase their policies through such plans.

Number of Approved Group Marketing Plans

As indicated in Figure 1, the number of approved group marketing plans grew steadily during the period 2007 through 2014. The average rate of growth was highest between 2006 and 2010 at approximately 8% per year, and moderated between 2010 and 2014 at approximately 3% per year.



Policy Type	Percentage Change		Incremental Change	
	2006-2010	2010-2014	2006-2010	2010-2014
Personal Automobile	34.4%	15.0%	776	454
Homeowners	41.4%	18.5%	475	301

Figure 1

The increase in the number of approved group marketing plans affecting personal automobile insurance policies was not caused by the increase in the number of insurers writing personal automobile insurance⁷. In 2007, 14 of the 19 insurers writing personal automobile insurance in Massachusetts also underwrote policies that were acquired through group marketing plans. By 2014, that ratio had changed from 14 out of 19 to 17 out of 34⁸. Only three insurers entering the market since 2008 have filed to offer premium credits for policies acquired through group marketing plans.

Number of Members Within Each Group Marketing Plan

Consumer participation in group marketing plans is measured in three ways. The first measure is the total membership of the group. Many groups have members in more than one state. For example, the membership count of a multi-state employer group would include all employees of the employer regardless of geographic location. The second measure of participation is

⁷ Since competitive rate regulation was introduced in 2008, fifteen new insurers have entered the Massachusetts personal automobile insurance market.

⁸ The number of insurers that underwrote homeowners insurance marketed to groups declined from 13 to 12 between 2007 and 2014.

“eligible” members. Eligible group members are those that reside in Massachusetts. The final participation count is the number of insured members, which counts the number vehicles or homes insured by eligible members who purchase policies through a group marketing plan.

The only meaningful count of consumer participation in group marketing plans over time is the number of insured vehicles or homes. A total count of “eligible” members will double count many individuals because an individual may qualify as an “eligible” member of more than one group. To illustrate this, Figure 2 displays the eligible member counts for personal automobile insurance and the statewide insured vehicle count from 2006 through 2014.

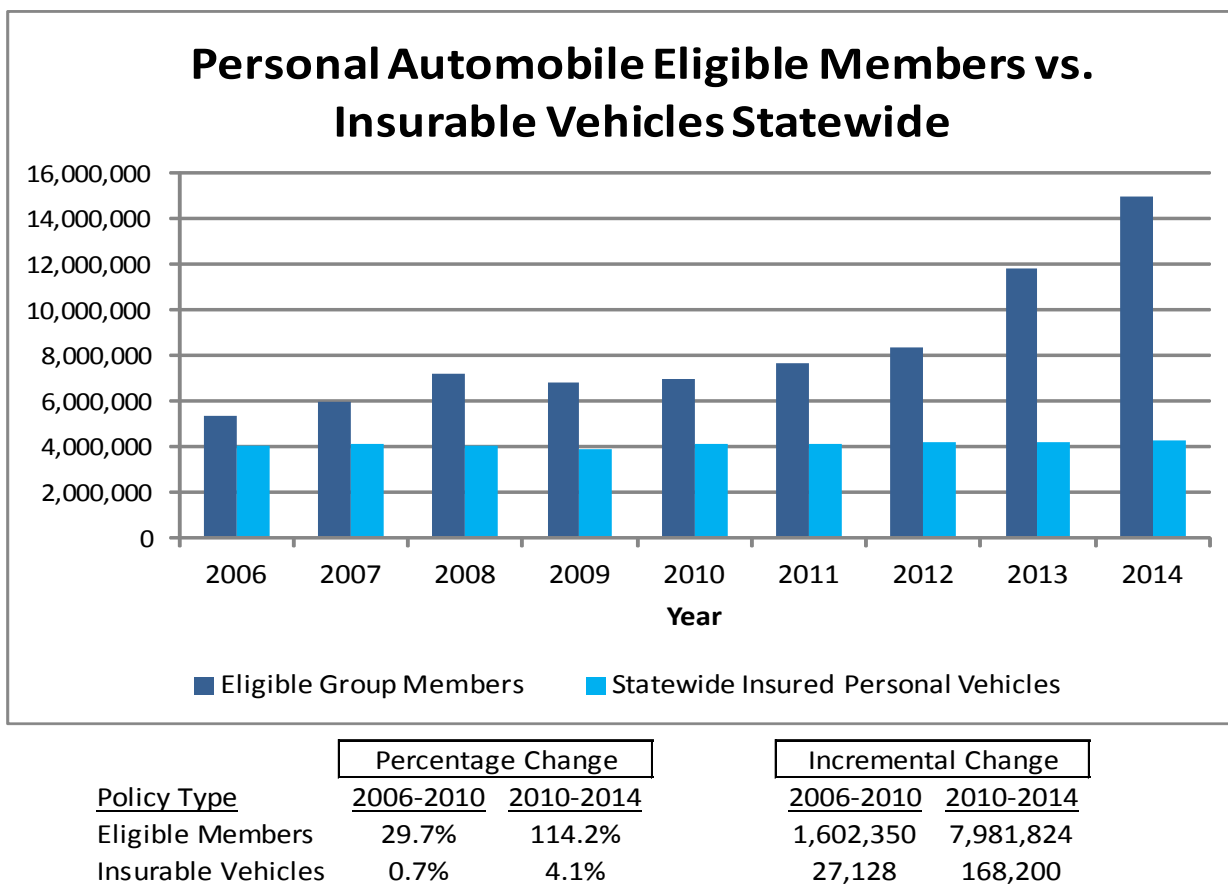
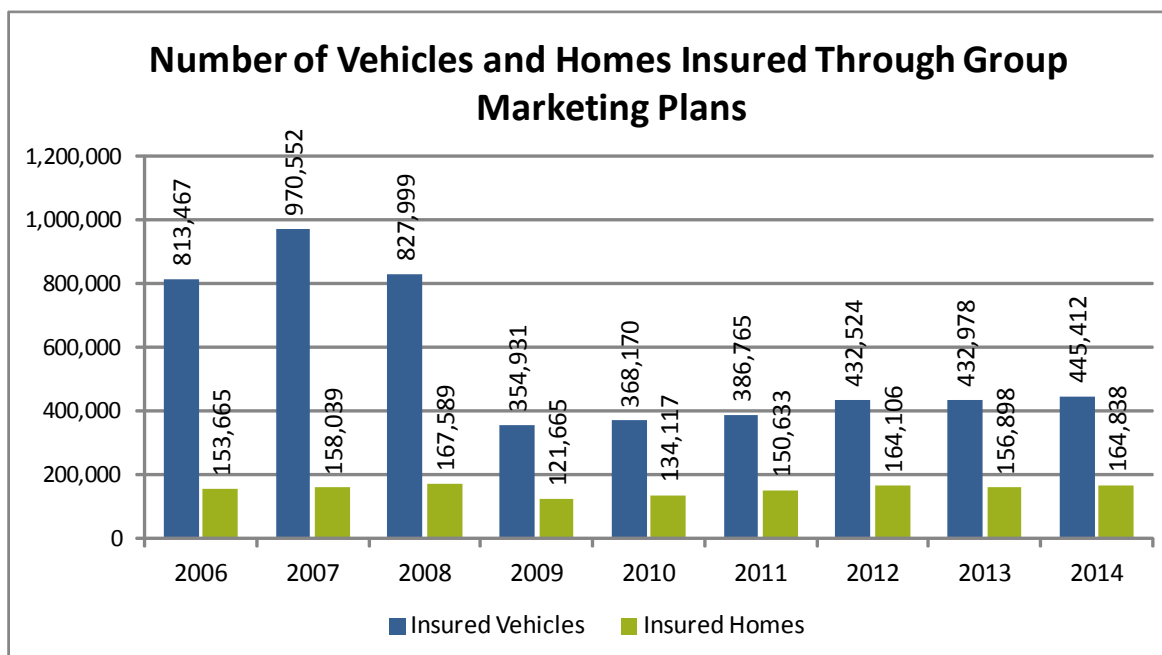


Figure 2

The increase in the eligible member count is paralleled by a decrease in the number of vehicles or homes obtaining insurance through a group marketing plan between 2006 and 2014. As noted in Figure 3, the number of personal automobiles insured through a group plan decreased by 45.2% during this period. By way of comparison, the number of homes obtaining insurance through a group marketing plan increased modestly by 7.3% during the same time period.



Policy Type	Percentage Change		Incremental Change	
	2006-2010	2010-2014	2006-2010	2010-2014
Insured Vehicles	-54.7%	21.0%	-445,297	77,242
Insured Homes	-12.7%	22.9%	-19,548	30,721

Figure 3

The dramatic changes in insured vehicles observed for personal automobile insurance group marketing plans were driven in large part by the shift to competitive rate regulation that began in 2008. In 2008, the largest group marketing plan based on the number of insured vehicles was AAA which was underwritten by Commerce Insurance Company. After April 1, 2008, Commerce discontinued its group marketing program for AAA members and incorporated AAA membership into its standard rating plan. In the spirit of competition, other personal automobile insurance companies made filings which reflected this risk attribute as well⁹. Adjusting the above counts of insured vehicles to remove AAA from the history produces the following changes over time:

Policy Type	Percentage Change		Incremental Change	
	2006-2010	2010-2014	2006-2010	2010-2014
Insured Vehicles (XAAA)	12.4%	21.0%	40,759	77,242
Insured Homes	-12.7%	22.9%	-19,548	30,721

⁹ Statistics indicate that households that purchase roadside assistance protection from third parties can be expected to have better than average loss experience, and this feature is recognized in the rating plans of a number of personal automobile insurers.

Average Premium Credit For Policies Acquired By Group Marketing Plans

The premium credit most commonly offered for policies acquired through group marketing plans is 5.0%. Figure 4 shows the weighted premium deviation for the years 2006 through 2014.

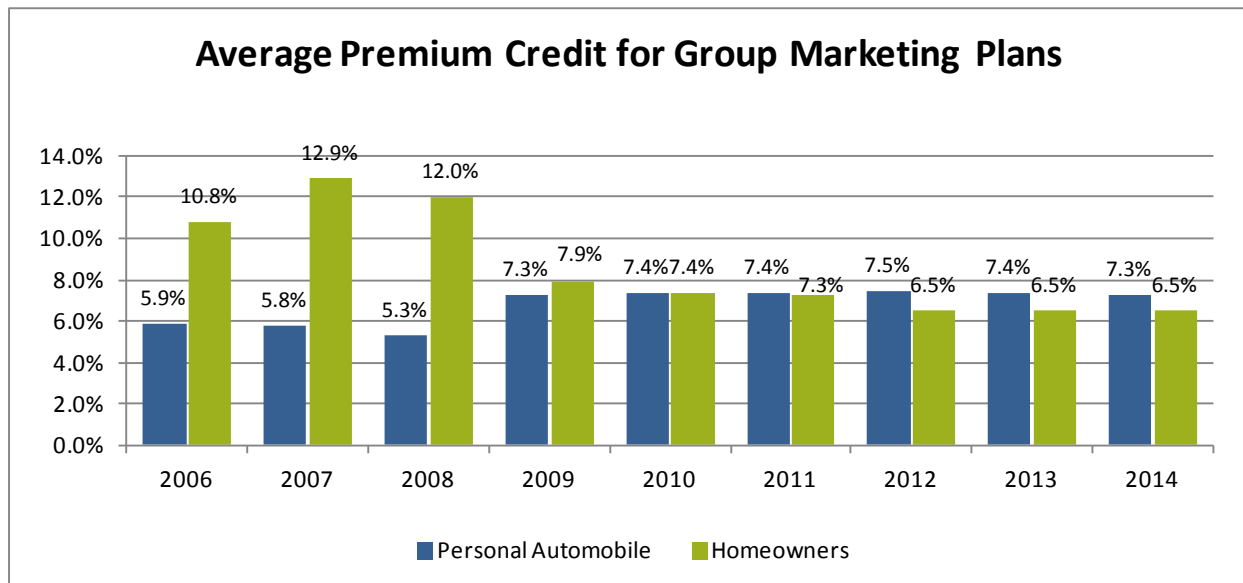


Figure 4

The significant reduction in premium credits offered for homeowners policies acquired through group marketing plans groups results largely from the introduction of competitive rating in the personal automobile insurance market. In 2008, when competition was introduced, almost all personal automobile insurers began offering discounts on personal automobile insurance policies for policyholders that also had some form of personal property insurance. Prior to 2008, such discounts were not permitted.

Group Marketing Plans With Participation Under 35%

M.G.L. c. 175, §193R allows the Commissioner of Insurance to approve premium credits for policies acquired through group marketing plans only if the percentage of eligible group members that purchase insurance through such plans is at least 35% once the plan has been in effect for two years. The primary purpose of this participation requirement is to ensure that the premium credits are reasonably supported by marketing expense savings, and are not being used to arbitrarily reduce premiums for “preferred” members of the general insurance buying public.

Since 1997, the Massachusetts legislature has periodically voted to waive the 35% minimum participation requirement¹⁰. The most recent suspension was enacted by Chapter 271 of the Acts

¹⁰ The following legislation waived the thirty-five percent participation requirement, Chapter 239 of the Acts of 1997, Chapter 432 of the Acts of 1998, Chapter 168 of the Acts of 1999, Chapter 5 of the Acts of 2002, Chapter 485 of the Acts of 2002, Chapter 165 of the Acts of 2003, Chapter 442 of the Acts of 2004, Chapter 183 of the Acts of 2005, Chapter 411 of the Acts of 2006 and Chapter 271 of the Acts of 2008.

of 2008 just prior to the introduction of competitive rate regulation for personal automobile insurance policies. This suspension was extended by Chapter 237 §5 of the Acts of 2010. Without further legislative action, the current waiver of the participation requirement will expire on December 31, 2015.

The reason for these waivers can be traced back to the Division's 1996 report to the General Court¹¹. The 1996 report indicated that many insurers' applications for premium credits for policies acquired through group marketing plans were being disapproved because the group's participation in the plan was less than 35%. At the time, premium credits under group marketing plans were the only source of premium relief for personal automobile insurance policyholders, and one of the only means of competition amongst insurance agents and companies. The 1996 report recommended removal of the 35% participation requirement from M.G.L. c. 175, §193R.

At present, just over 82% of insurer group marketing plans have been in place for two or more years, and without the continuation of the statutory waiver, may be subject to disapproval by the Division. As shown in Figure 5, this proportion has gradually increased to its present level since 2006, and is similar for both homeowners and personal automobile insurance policies.

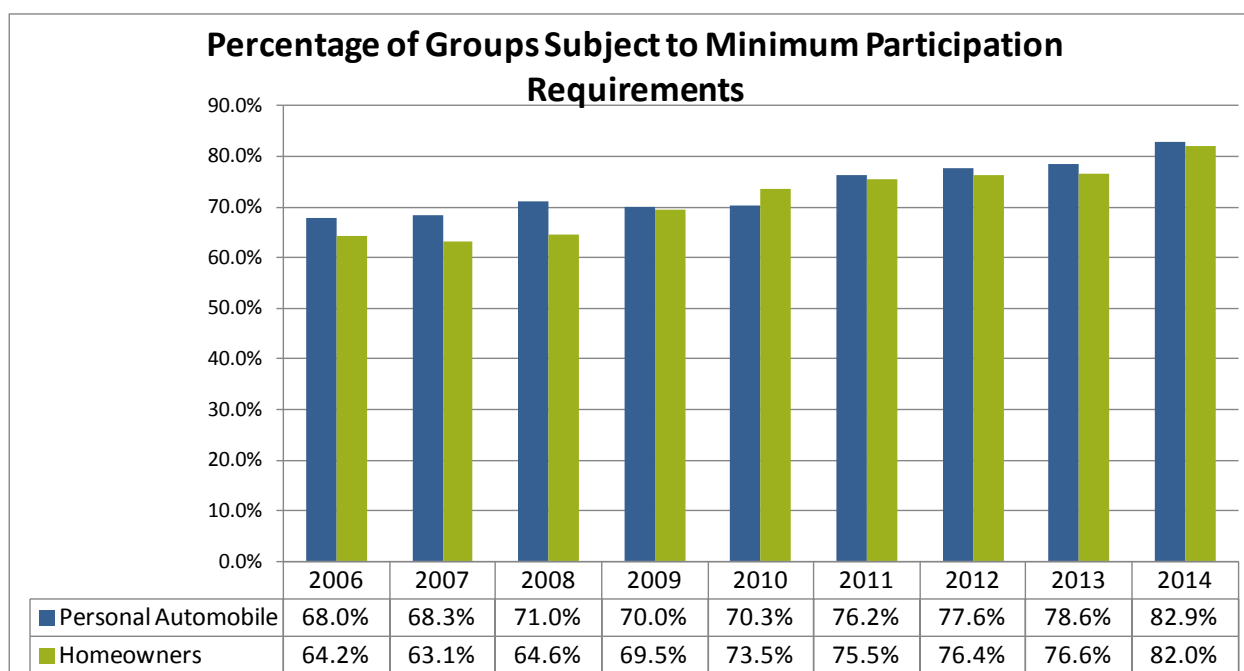


Figure 5

As indicated in Figure 6, the proportion of groups that currently comply with the minimum participation requirements of M.G.L. c. 175, §193R has never been high, and has been decreasing steadily since 2006. Based on 2014 group marketing plan applications, the proportion of homeowners and personal automobile plans that are subject to the minimum participation requirements and that also comply with those requirements is 5.4% and 11.0%, respectively.

¹¹ The 1996 report was provided to the General Court in response to the requirements of Chapter 151, §679 of the Acts of 1996.

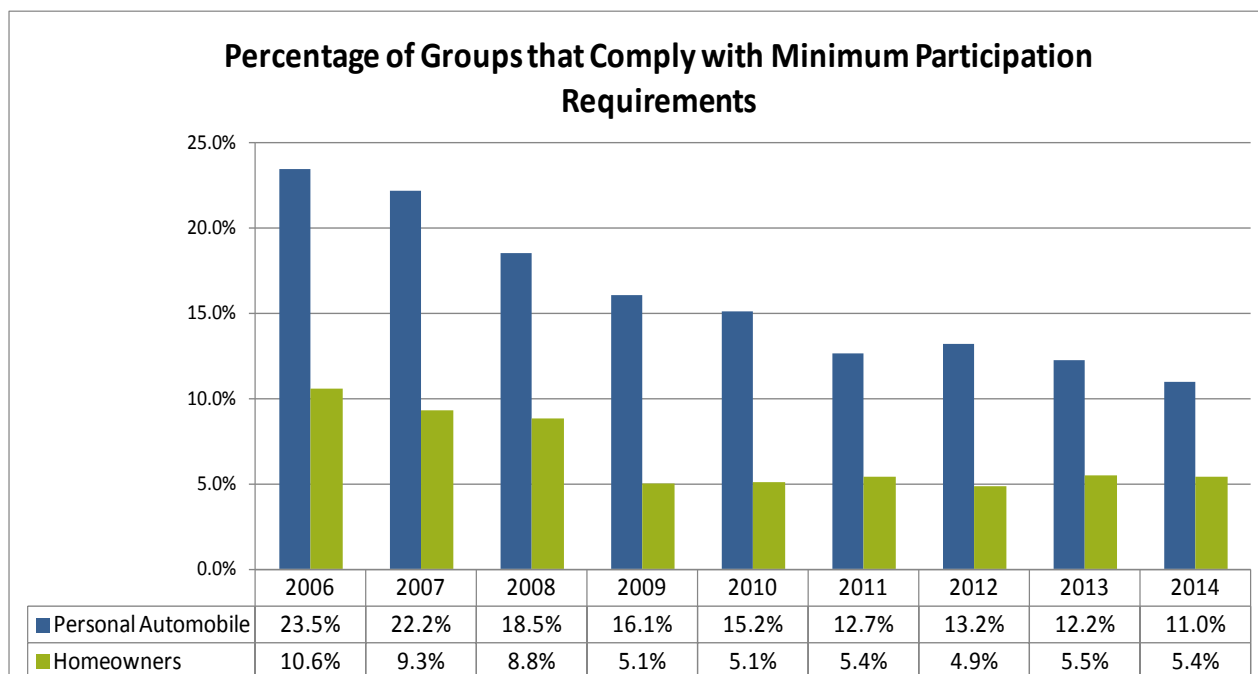


Figure 6

Other Considerations

If the waiver of the minimum 35% group participation requirement expires at the end of 2015, approximately 322,000 vehicles and 142,000 homes will lose group marketing premium credits that range from 1.0% to 20.0%¹². Approximately 70% of these vehicles, and 86% of these homes current receive a group marketing premium credit between 5% and 8%.

There are three additional dimensions of group marketing plans that should be considered should the waiver of minimum participation requirement expire next year. The impact of such a change will vary based on the type of group, the number of eligible members in the group, and the type of marketer promoting such plans.

Type of Group

The Division monitors group marketing plans for four plan types: employer, credit union, trade union, and other membership associations. The most common type of group associated with group marketing plans are employers, followed by other membership associations, credit unions and trade unions (Figure 7)

¹² These figures are based on an analysis of the data submitted in support of 2014 group marketing plans. The actual numbers for 2015 will depend on the plans that continue through that period.

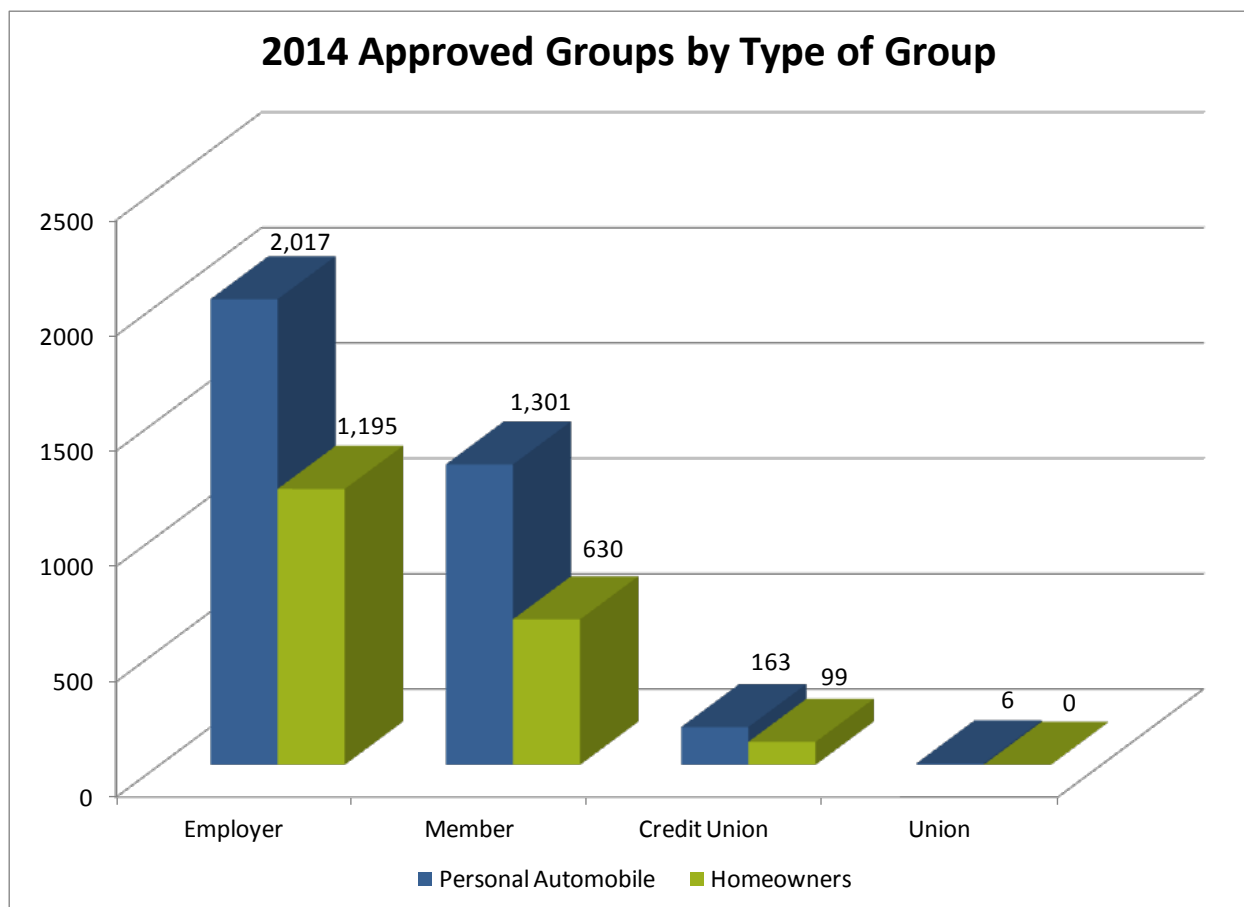


Figure 7

Figure 8 indicates that employer group marketing plans have the highest compliance rate with the minimum participation requirement.

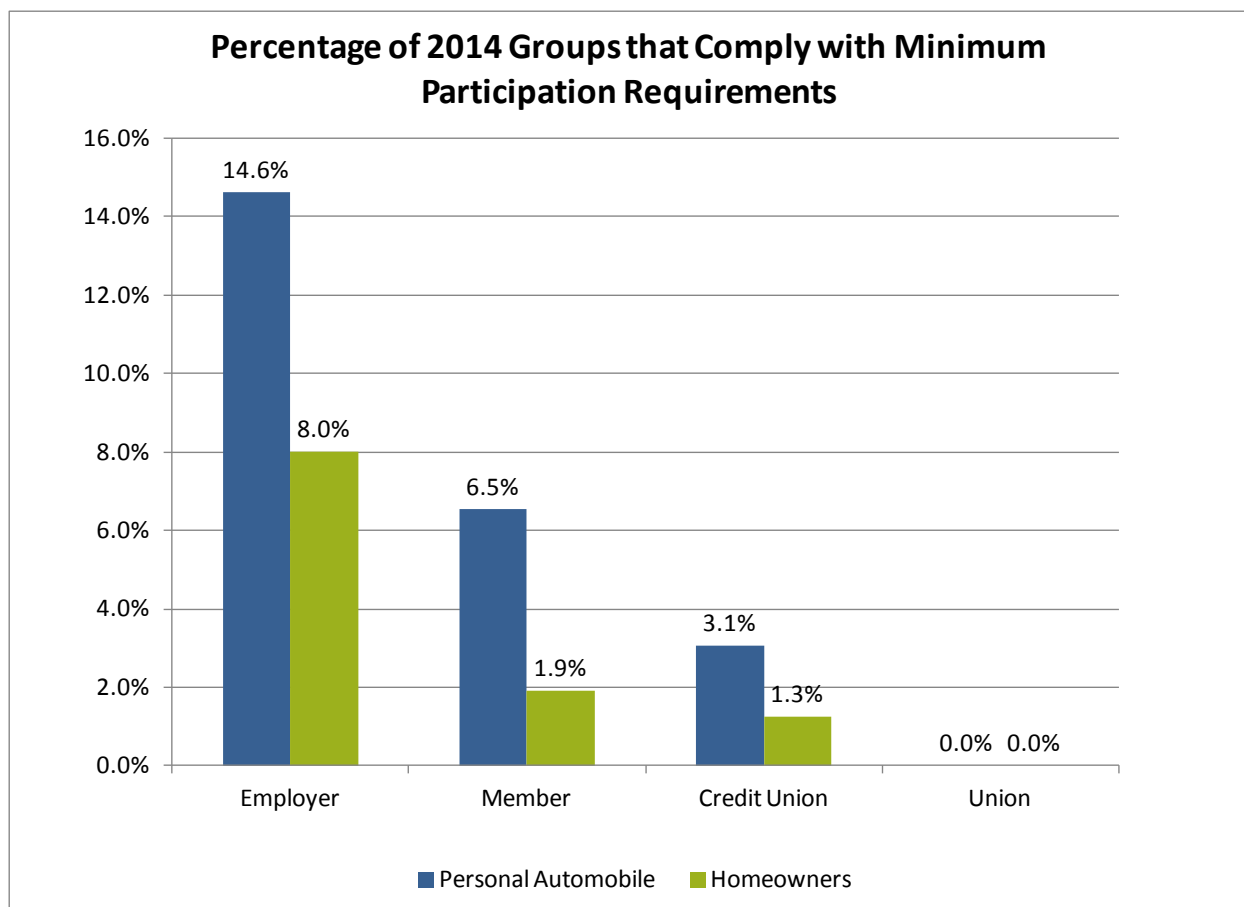


Figure 8

If the minimum 35% participation requirement is reinstated at the end of 2015, the distribution of insured vehicles and homes that will lose group marketing premium credits, based on 2014 counts, is summarized in the charts below (Figures 9).

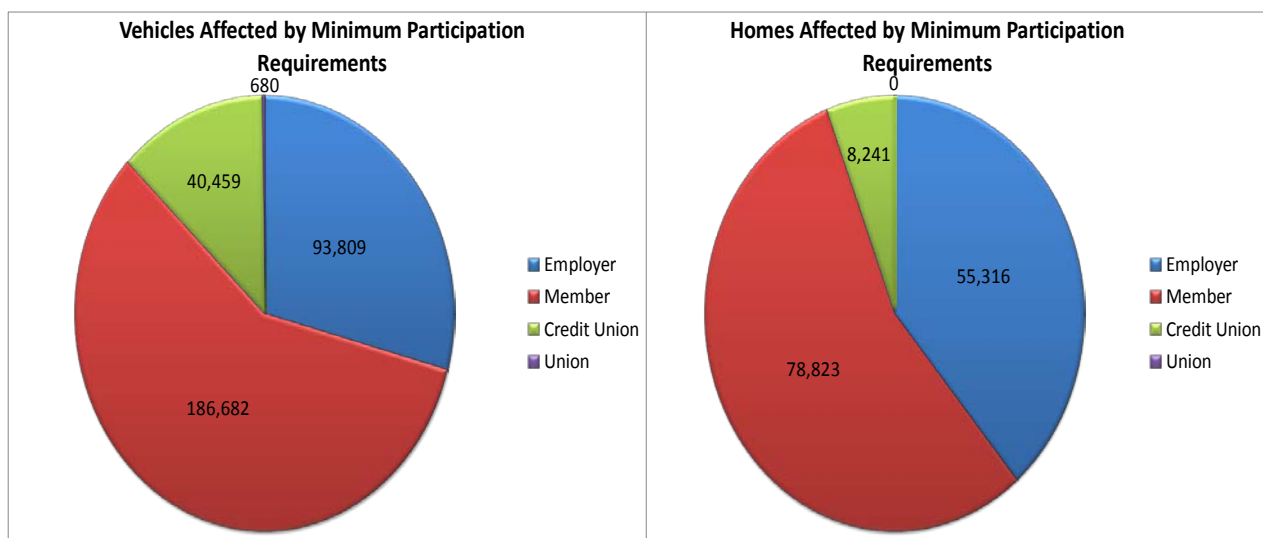


Figure 9

Number of Eligible Members in the Group

The number of eligible group members is captured during the filing process in order to ensure that the group complies with the statutory requirement that at least 15 group members are residents of Massachusetts. The number of approved group marketing plans based on the number of eligible group members is shown below in Figure 10.

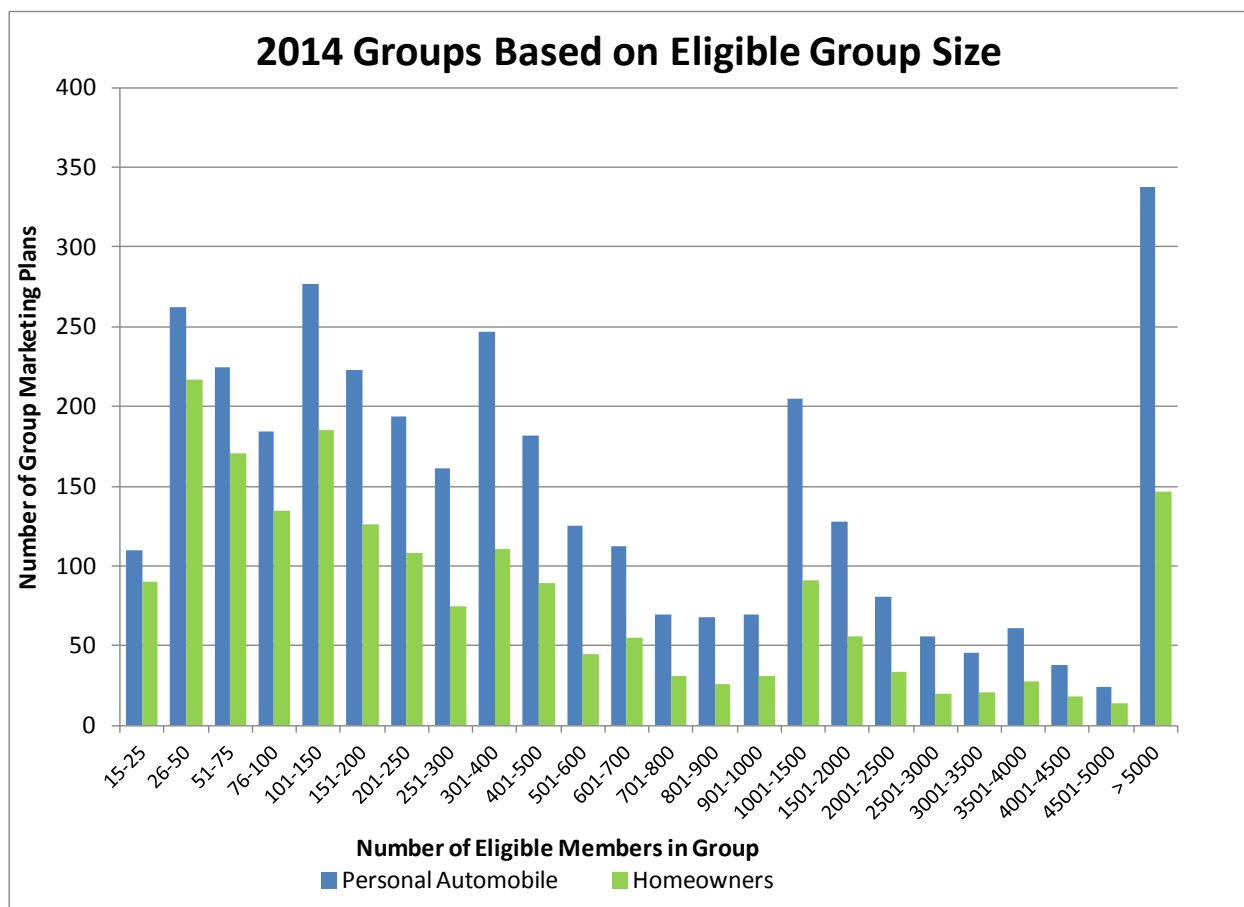


Figure 10

The rate of compliance with the minimum participation requirement varies by the size of the group, and smaller groups tend to show higher rates of compliance (Figure 11).

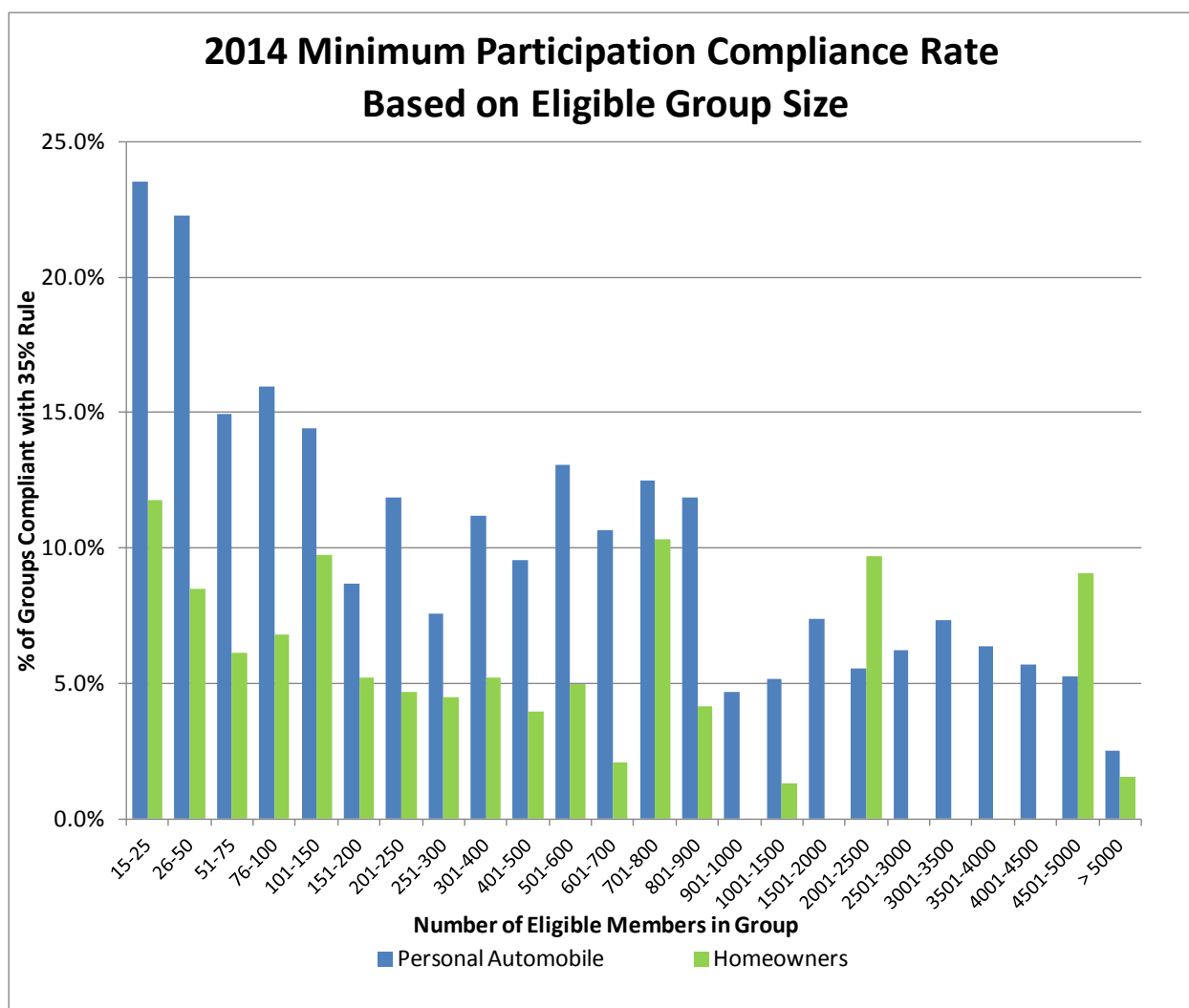


Figure 11

Type of Marketer

The impact to the type of marketer will also vary. Since the primary basis for group member premium credits is reduced marketing cost, access to the group marketing premium credits is limited to the organization that would otherwise incur those marketing costs. As a result, there are two types of marketers: independent agents and insurance companies that market directly to policyholders.

When a group marketing plan is promoted by an independent agent, group members will receive a group premium credit only if they purchase their policy from that specific agent¹³. When a group marketing plan is promoted by an insurer that uses direct marketing approaches, members

¹³ In limited instances, insurers that distribute their products through independent agents will permit more than one agent to offer group premium credits to group members seeking insurance.

of that group will receive a group premium credit provided they seek insurance directly from the company¹⁴.

The proportion of group marketing plans that meets the minimum participation requirements is considerably higher for plans promoted by independent agents than for plans organized directly by insurance companies in Figure 12.

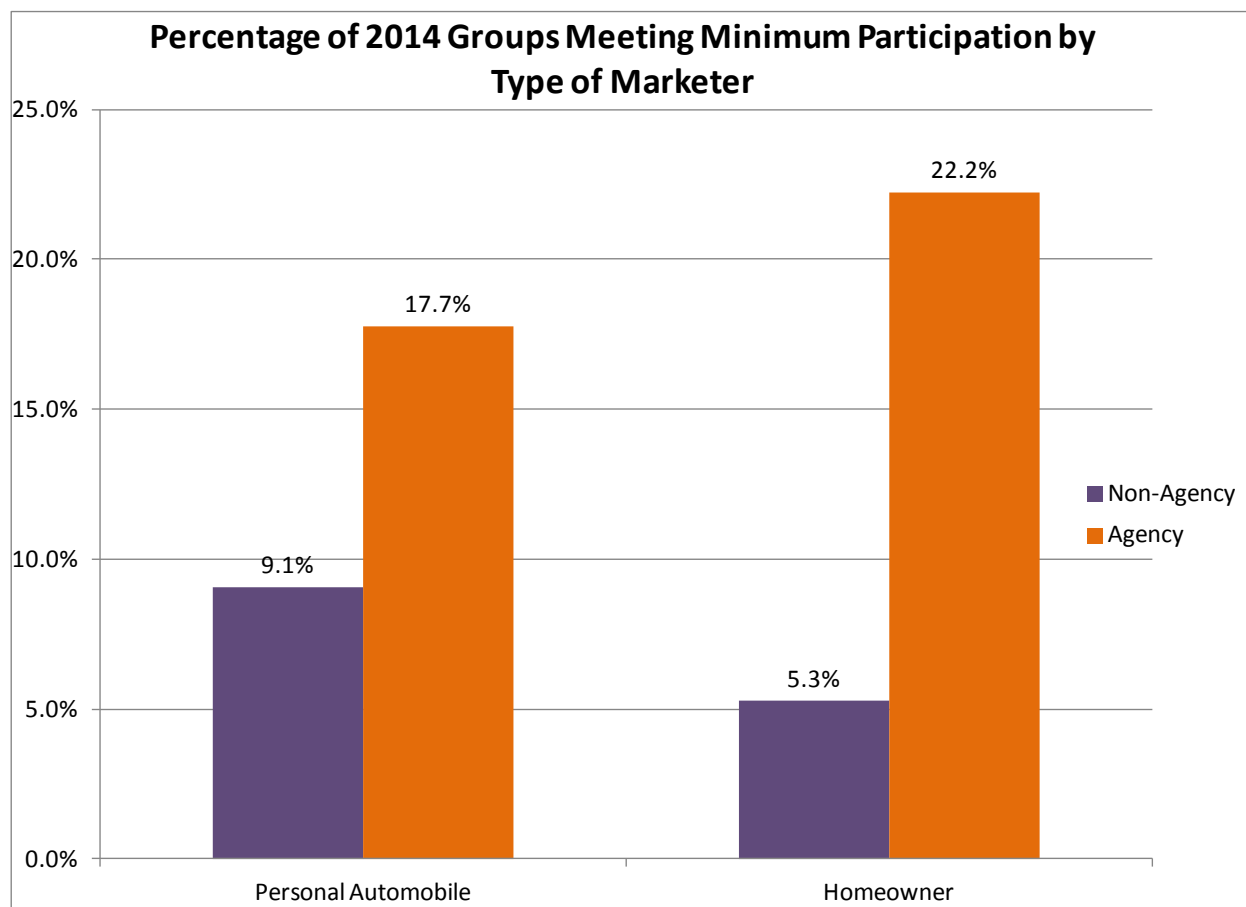


Figure 12

Summary and Recommendations

The relative efficacy of group marketing plans cannot be assessed independently of the level of competition in the personal lines insurance market. Since the introduction of price competition in the personal automobile insurance market in 2008, consumer interest in purchasing policies through group marketing plans has generally declined. As competition has matured, insurer and

¹⁴ A very small number of groups have access to premium credits through more than one agent or one insurance company. In 2014, 162 of the 3,487 approved personal automobile group marketing plans has more than one insurer/agent sponsor. Further, 17 of the 1,924 approved homeowners group marketing plans had access to premium credits through more than one insurer/agent.

consumer use of electronic communications and payment methods has increased significantly. Insurance sales transactions that were “less costly than average” in 1973 are quickly becoming the “new average” in 2014.

The data indicate that the group marketing approach is reasonably effective and viable for certain types of groups, such as employers, with a small to mid-sized eligible membership count. While the percentage of groups that meet the minimum participation requirements of M.G.L. c 175, §193R is small, there is evidence that the expense support for the premium credits can be earned and sustained.

There does not appear to be a relationship between the number of groups that do not meet the 35% minimum participation requirement and the average premium credit offered through the group marketing plan. Other reasons for non-compliance are either an ineffective marketing plan, or a group that is comprised of members whose personal automobile or homeowners insurance decisions are not strongly influenced by their association with the group. If an individual has specific allegiances to a particular agency or company for personal reasons, group marketing solicitations are not likely to have a great deal of influence.

If consumers are not responding to a group marketing program in sufficient numbers, the basis for a premium credit becomes largely theoretic and arbitrary¹⁵. Given the long standing waiver of the statutory minimum participation requirement, group marketing premium credits have evolved into a means of “enticing” members of certain groups to purchase insurance from a particular seller without any realistic expectations that the policy’s claims experience will be lower than average even if the expenses are average.

In a robust competitive market, marketing approaches by insurance sellers are constantly changing in response to consumer preferences and technology. The premium credits offered through group marketing plans were not intended to provide insurers with a means of skirting the statutory requirements that apply to rates generally in these markets. If the basis for many of these credits continues to become more mainstream in the general insurance market, the number of consumers availing themselves of group marketing programs can be expected to decline. To ensure constructive competition within the general personal lines insurance market, some sort of minimum participation requirement would be helpful¹⁶.

The Division stands ready to work with the legislature on legislative or administrative approaches that will continue to support group marketing plans in conjunction with increasingly competitive markets.

¹⁵ In 2014, only 81 personal auto groups and 38 homeowners groups had sufficient insured volume for the purpose of evaluating the group marketing premium credit on the basis of claims incurred.

¹⁶ In 2014, the proportion of group marketing plans that failed to meet minimum participation requirements because no policies had been written through the group marketing program was 7.4% for personal automobile, and 9.2% for homeowners.

Acts**2008****Chapter 271** AN ACT RELATIVE TO GROUP MARKETING PLANS.

Whereas, The deferred operation of this act would tend to defeat its purpose, which is to provide forthwith for renewal of certain insurance group marketing plans, therefore it is hereby declared to be an emergency law, necessary for the immediate 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:

Notwithstanding any general or special law to the contrary, a group marketing plan approved and in effect pursuant to section 193R of chapter 175 of the General Laws, during calendar years 2007 to 2010, inclusive, may be approved upon renewal notwithstanding that less than 35 per cent of its members are insured during said calendar years 2007 to 2010, respectively.

The commissioner of insurance shall report on group marketing plans for motor vehicle insurance in effect for calendar years 2007 to 2010. Said report shall include without limitation: (1) the number of group marketing plans; (2) the number of members within each group marketing plan; (3) the average discount offered through group marketing plans; (4) the number of group marketing plans that do not have at least 35 per cent of their members insured through such plans; and (5) any other relevant issues that the commissioner may deem appropriate. The commissioner shall file said report together with legislation, if any, with the clerks of the house of representatives and senate, the chairs of the house and senate committees on ways and means and the house and senate chairs of the joint committee on financial services not later than December 31, 2011.

Approved August 6, 2008

Acts**2010****Chapter 237** AN ACT RELATIVE TO CERTAIN EXEMPTIONS IN MASSACHUSETTS AUTOMOBILE INSURANCE PLANS.

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

SECTION 1. The second paragraph of subsection (A) of section 113H of chapter 175, as appearing in the 2008 Official Edition, is hereby amended by adding the following 2 sentences:- Notwithstanding any law, rule, regulation, order, ruling or decision to the contrary, on and after January 1, 2011 every insurance company writing private passenger auto insurance in the commonwealth shall accept assignments of risks and any apportionment of premiums, losses or expenses, pursuant to the plan, and no exemption from those assignments, or from the apportionment of premiums, losses or expenses, shall thereafter be permitted; provided, however, that any exemption from the assignment of risks previously afforded any such insurance company shall be allowed to continue to be used until its expiration, but in no event shall the exemption continue beyond December 31, 2012. Assignments of risks and the apportionment of premiums, losses and expenses shall equal the proportion that each company's voluntary business bears to all companies' voluntary business and as adjusted for any credits calculated by the plan.

SECTION 2. Subsection (B) of said section 113H of said chapter 175, as so appearing, is hereby amended by striking out the first paragraph and inserting in place thereof the following paragraph:-

(b) The plan shall be prepared and administered by a governing committee appointed by the commissioner for terms of 6 years, consisting of 6 members from insurance companies participating in the plan and 1 additional representative from a domestic insurer in the commonwealth whose annual motor vehicle policy premiums amount to less than 2 and one-half per cent of the private passenger insurance market and unaffiliated with any other insurance company represented on the governing committee, and 6 members from associations of insurance producers, 2 of whom shall be producers who are assigned risk producers who write private passenger automobile insurance exclusively through the Massachusetts automobile assigned risk plan pursuant to the provisions of the plan approved under this section. Effective as of July 1, 1982, the governing committee shall consist of 3 members from insurance companies participating in the plan and 2 members from associations of insurance producers appointed for terms of 6 years, 2 members from insurance companies participating in the plan, 2 members from associations of insurance producers appointed for

terms of 4 years, 2 members from insurance companies participating in the plan and 2 members from associations of insurance producers for terms of 2 years. This section shall not be construed to alter or amend the terms of the present governing members. The governing committee shall be responsible for the hiring of the employees of the plan.

SECTION 3. Subsection (D) of said section 113H of said chapter 175, as so appearing, is hereby amended by inserting after the first paragraph the following paragraph:-

A duly licensed insurance producer, certified to place business in the plan, shall own and have an exclusive right, as the insured's producer of record, to use certain insurance information of the insured embodying the records of the insurance agency which shall include, but not be limited to, the name of the insured, the policy inception date, the amount of insurance coverage, the policy number and the terms of insurance. If a policyholder, insured through the plan with an assigned risk carrier, is offered voluntary coverage by that carrier and the policyholder accepts the offer, the insured's producer of record shall continue to represent the insured written or renewed in the voluntary market, and the policy shall be continued to be serviced through the producer of record, unless: (1) the producer is decertified or suspended by the plan or the commissioner; (2) at the insured's request, the insured terminates the producer as its producer of record; or (3) the producer of record is precluded from dealing with other insurance companies pursuant to an exclusive agency contract; provided, however, that if a policy is written or renewed on a voluntary basis, the assigned risk carrier shall pay the insured's producer of record the commission rate as set forth in the first paragraph, regardless of whether the producer of record has an agency agreement with that assigned risk carrier.

SECTION 4. The first paragraph of chapter 271 of the acts of 2008 is hereby amended by striking out the figure "2010", each time it appears, and inserting in place thereof, in each instance, the following figure:- 2015.

SECTION 5. The second paragraph of said chapter 271 is hereby amended by striking out the figure "2011" and inserting in place thereof the following figure:- 2014.

Approved August 4, 2010

PART I ADMINISTRATION OF THE GOVERNMENT**TITLE XXII** CORPORATIONS**CHAPTER 175** INSURANCE

Section 193R Group marketing plans for automobile and homeowner insurance; definitions; rules and regulations; rates; payroll deductions

Section 193R. The following words, as used in this section, shall, unless the context otherwise requires, have the following meanings:—

“Association member”, a member of a trade union, association or organization.

“Group marketing”, “Group marketing plan”, “Mass merchandising” or “Mass merchandising plan”, any system, design or plan whereby motor vehicle or homeowner insurance is afforded to employees of an employer, or to members of a trade union, association, or organization and to which the employer, trade union, association or organization has agreed to or in any way affiliated itself with, assisted, encouraged or participated in the sale of such insurance to its employees or members through a payroll deduction plan or otherwise.

“Homeowner insurance”, any policy insuring individuals against any, some or all of the risks of loss to personal dwellings or the contents thereof or the personal liability pertaining thereto.

“Motor vehicle insurance”, any policy of insurance or bond as defined in section thirty-four A of chapter ninety or described in this chapter insuring private passenger vehicles for individuals.

No insurer or any person, firm, or corporation on behalf of any insurer, shall issue or make, or offer to issue or make, any certificate or policy of motor vehicle or homeowner insurance to any person in the commonwealth pursuant to a group marketing plan except in accordance with the terms and conditions of this section.

The commissioner shall make and at any time may alter or amend reasonable rules and regulations regarding insurance issued pursuant to a group marketing plan; provided, however, that insurance issued pursuant to a group marketing plan shall be cedeable and the experience of each group plan, both voluntary and ceded, shall be used in determining a company's losses and expenses in accordance with the attribution rules established under the provisions of section one hundred and thirteen H.

The rules and regulations made by the commissioner shall require (1) that every individual employee or association member having a proper insurable interest shall be entitled to participate in the group plan; (2) that every individual employee or association member

participating in the group plan be given an option to continue coverage by a standard policy of the same type offered by the insurer to persons not eligible for a group plan for at least one additional year upon termination of employment or membership; (3) that there shall be no compulsion for an employee or association member to participate in the plan; (4) that no member of the group shall be subject to any rating differential or other classification technique or policy form designed to make it less desirable for him as an individual to purchase insurance through the group than it would be to purchase it from the regular individual market and each member of the group must be issued an individual policy of the same form varying only as to the amounts of insurance and limits of liability requested by the member; (5) that an insurer may not cancel any insurance of an individual member of the group except for nonpayment of premium, fraud or unless the insurance for the entire group is cancelled, but an insurer may cancel the motor vehicle insurance of an individual member for loss of registration or operators license by the individual member where such loss is for a period of one year or more; (6) that to qualify to write the group marketing plan herein defined the insurer must also be actively engaged in the business of writing the types of coverage offered for insureds other than such groups and may not be organized solely or principally for the purpose of furnishing coverage to such groups; (7) that such employer, trade union association or organization shall consist of no less than twenty-five members, at least fifteen of whom are residents of the commonwealth and that at least thirty-five percent are insured within two years of the effective date of the plan, such percentage to continue so insured at all times thereafter; (8) that such trade union, association, or organization shall have a constitution and by-laws and be formed in good faith for purposes other than that of obtaining insurance and; (9) that notwithstanding clauses (1) to (8), inclusive, a group marketing plan shall include any system, design or plan whereby motor vehicle or homeowner insurance is offered pursuant to a group marketing plan filed with the commissioner by an insurer that, without a sponsoring entity, limits the issuance or renewal of motor vehicle or homeowner insurance to persons who became policyholders of the insurer while engaged in military service.

Rates for such policies shall be fixed and established in accordance with the provisions of this chapter, chapter one hundred and seventy-four A or chapter one hundred and seventy-five A applicable to the type of insurance provided, except that in addition to the applicable provisions of said chapter every insurer providing insurance in accordance with this section shall keep and maintain separate data on the losses and expenses of each employer, trade union, association or organization so insured and shall not be allowed to offer any such insured a modification of the rates so fixed and established for all such insured until and unless data on such losses and expenses for at least three policy years shows, to the satisfaction of the commissioner, that such modification is in fact justified. For the purposes of this section deviations approved during the first three years of a group marketing plan by the commissioner based on direct reductions in expenses resulting from the group marketing technique shall be permitted. Every mutual company providing insurance in accordance with

this section shall constitute each group marketing plan which has been in effect three policy years as a separate class of business for the purpose of paying dividends and any dividends on such plan shall be declared on the profits of the company from said class of business.

Employers, including the commonwealth or any agency or political subdivision thereof, may make payroll deductions to pay in whole or in part for premiums on any coverages purchased by employees pursuant to a plan authorized by this section.