

COMPULSORY AUTOMOBILE INSURANCE

BY

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For his presidential address to the Casualty Actuarial Society at its meeting in May, 1926, President Michelbacher chose as his subject "Some Insurance Problems Incidental to Compulsory Automobile Insurance." This address was delivered before any of the problems had been faced and naturally enough he took a pessimistic view of the future. The Massachusetts law is now in effect and this paper has been written with the thought in mind that our members should know the work that has been accomplished. The paper is not technical but has been written to outline the requirements under the law, the work already done to meet these requirements and the preparations being made for the future.

The Massachusetts Legislature in 1925 passed the so-called Massachusetts Compulsory Motor Vehicle Insurance Law and the law was signed by the Governor on May 1, 1925. The law became applicable with the registration of motor vehicles or trailers for the year 1927 and requires that the owner of a motor vehicle or trailer, required to be registered in the Commonwealth of Massachusetts during 1927, must provide security for his liability to pay damages to others for bodily injuries including death at any time resulting therefrom in the amount of at least \$5,000 on account of injury to or death of any one person and, subject to such limit as respects injury to or death of one person, of at least \$10,000 on account of any one accident resulting in injury to or death of more than one person.

This security may be provided in any of the following ways:

1. By an insurance policy issued by an authorized company.
2. By a surety bond issued by an authorized company.
3. By depositing security with the Division of Highways in the amount of five thousand dollars.

The law places upon the Registry of Motor Vehicles the responsibility of seeing to it that the security is provided before registration plates are issued. No registration plates can be issued by the Registry unless the registration application is accompanied by "a certificate." This certificate is defined in the law as the certificate of an insurance company authorized to transact automobile public

liability insurance, stating that it has issued, to the applicant for registration of a motor vehicle or trailer, a motor vehicle liability policy which covers such motor vehicle or trailer as provided by law and runs for a period at least coterminous with that of such registration or has issued a binder pending the issue of a policy; or the certificate of a surety company that it has issued a bond or binder covering the requirements of the law; or the certificate of the Division of Highways stating that cash or security has been deposited with the Division as provided by law.

The certificate of an insurance company or of a surety company must be in a form prescribed by the Commissioner of Insurance and must state the rate at which and classification under which the motor vehicle liability policy or bond referred to thereon was written and must contain a certification by the company issuing the policy or acting as surety on the bond that the premium charged thereon is at the rate approved by the Commissioner of Insurance for that particular class of risk. A duplicate of this certificate must be filed with the Registry of Motor Vehicles by the company issuing the certificate within five (5) days thereafter.

These requirements pertain to the motor vehicle owner but I would point out that there are requirements in the law not only for the motor vehicle owner but also for the insurance company intending to write this line of insurance.

The law is a compulsory law. The motor vehicle owner is compelled by the law to provide security but on the other hand the insurance or bonding company is compelled to grant that security unless it can show satisfactory reason for not granting it. The law creates a Board of Appeal, consisting of the Commissioner of Insurance, the Registrar of Motor Vehicles and the Attorney-General of the Commonwealth or their representatives to whom appeal can be made. If a company declines to grant the required security or gives notice of intent to cancel, the motor vehicle owner may demand a hearing before this Board of Appeal and the company must show cause for its refusal to grant or its intent to cancel the security.

The law further provides that fifteen (15) days' notice of intent to cancel security must be given instead of the usual five (5) days' notice provided in the so-called Standard Policy. This provision was, of course, placed in the law to give an assured time to replace his security or have a hearing before the Board of Appeal.

In the fall of 1925 the Commissioner of Insurance suggested to the insurance companies that they voluntarily form an organization to assist him in carrying out the provisions of the Compulsory Law and in January, 1926, the companies organized "The Massachusetts Automobile Rating and Accident Prevention Bureau" whose jurisdiction is limited by its constitution to the "coverages defined in Chapter 346 of the Laws of 1925 of the Commonwealth of Massachusetts, and all acts amendatory thereof and supplementary thereto." Chapter 346 of the Laws of 1925 is the so-called "Motor Vehicle Liability Security Law."

The object of the Bureau as set forth in its constitution are as follows:

- (1) To cooperate with the Commissioner of Insurance of Massachusetts in carrying out the provisions of said Chapter 346 and of Chapter 345 of said laws, and all acts amendatory thereof and supplementary thereto.
- (2) To deal with the following activities:
 - (a) The collection and analysis of such statistical data as may be necessary for the purposes of the Automobile Bureau.
 - (b) The formulation of provisions for Motor Vehicle Liability policies and bonds and other forms required by law.
 - (c) The classification according to hazard of motor vehicles and trailers which are subject to the provisions of Chapters 345 and 346 of the Laws of 1925 and all acts amendatory thereof and supplementary thereto; the establishment of rules governing the writing of Public Liability insurance and the execution of bonds upon such motor vehicles and trailers.
 - (d) The determination, upon the basis of the combined experience of all carriers, of pure premiums for the various classes of such motor vehicles and trailers.
 - (e) The determination, upon the basis of the combined experience of stock companies, of expense loadings which shall be used for the purpose of converting the pure premiums for the several classes of motor vehicles and trailers into gross rates; it being understood that the stock company members shall determine the said amounts of expense loadings and that such expense loadings with all data pertaining thereto shall be furnished to the Governing Committee.

- (f) The development of a merit rating plan by means of which rates may be equitably adjusted to the hazard of individual risks.
- (g) The furnishing of merit rates to the Members of the Bureau.
- (h) The explanation, to every owner of a motor vehicle or trailer who may apply, of the rate for his risk including the method of its computation.
- (i) The encouragement of owners and operators of motor vehicles and trailers to reduce the number and severity of automobile accidents.
- (j) The stamping, if correct, of such documents as the Governing Committee may require Members to file with the Automobile Bureau on risks which are subject to merit rating.

Here then was the first Compulsory Automobile Insurance Law effective January 1, 1927, and a Bureau organized to deal with its problems. A Governing Committee was elected and at once selected sub-committees to begin the task of analyzing the requirements of the law and perfecting the necessary details for the insurance companies.

One committee attacked the problem of drawing up the certificate of the insurance or bonding company, the form of which was to be prescribed by the Commissioner of Insurance. The problem was not simple, for not only was it advisable to draw up the certificate so as to make as little work as possible for the insurance companies and their agents but also to make little trouble for the Registry of Motor Vehicles. There was also the problem of the duplicate certificate and, since each company would want a copy for their own records, provision had to be made for a triplicate. The problem was finally worked out with the cooperation of the Registry of Motor Vehicles by making the original certificate of insurance a part of the registration application. A copy of each side of the registration application is shown in Exhibit "A".

Next came the problem of policy form. The new law required a far different coverage than that granted by the so-called Standard Policy. The law required this security only for the operation, maintenance, control or use of the motor vehicle or trailer upon the "ways" of the Commonwealth. It did not require security while off the "ways" of the Commonwealth such as private grounds, inside garages or outside the limits of the Commonwealth. It

required that the policy grant security not only for the liability of the owner of the motor vehicles but also for any person responsible for the operation of the motor vehicle with his express or implied consent. This last provision practically made the policy grant security to anyone driving the motor vehicle unless the car had been stolen.

It was first proposed to prepare an endorsement to be attached to the standard policy, making the policy subject to the provisions of the Massachusetts law. This procedure is similar to the procedure under compensation laws where a standard policy plus a state endorsement constitutes the compensation policy for that particular state. Since the form of policy had to be approved by the Commissioner of Insurance, he was asked whether or not an endorsement to a standard policy would be satisfactory. The Commissioner of Insurance submitted the question to the Attorney-General who ruled that this procedure was not proper and that the Commissioner of Insurance could not legally approve such endorsement. This ruling forced the committee to draft a new policy form in its entirety which was finally approved for use by the companies. This policy is known as the "Massachusetts Statutory Policy." A copy of this form is attached in Exhibit "B".

The ruling of the Attorney-General that the basic policy must be a policy granting only Statutory coverage made it necessary to draft an endorsement for use when the assured desired coverage similar to that granted by the standard policy. Of course, the open coverage required in Massachusetts could not be given on the extra-territorial coverage so the restrictions of the standard policy had to be put back on the extra-territorial endorsement. A copy of this endorsement is shown in Exhibit "C".

Other endorsement forms were prepared such as Garage forms and Taxicab forms but these are not shown in the exhibits as the policy form and extra-territorial forms are far more important.

The new law made necessary not only new policy and endorsement forms but also required a new manual. A vast majority of the rules in the countrywide automobile manual could not be used at all and those that could be used had to be rewritten to conform to the requirements of the law. Under voluntary insurance the policy could be limited to certain conditions but no limitations are permissible under the compulsory law. For

example, under voluntary insurance a policy could be issued to an individual engaged in moving furniture and the coverage limited to the time he was so engaged. If he had an accident while engaged in a more hazardous business the company could deny liability. Under the compulsory law, however, such a limited form of policy is not permissible. The security must be available at all times and regardless of the classification on the policy the insurance company would be liable under its contract.

The law prescribes that the rates for any year must be available by September 1 of the preceding year. No rates could be made available until the manual with its rules and classifications was ready, so the first work after the policy form was completed was the preparation of the manual. This was completed in July and in August attention was given to the rates.

The duty of establishing rates for the first year of the law was placed upon the Commissioner of Insurance. In subsequent years he will be called upon to approve rates for each carrier but for the first year the law requires him to establish rates. Early in 1926 the insurance department, therefore, called for the experience of the insurance companies for policy years 1924 and 1925. This experience was made available to the Automobile Bureau and was reviewed by them and suggested rates furnished the Commissioner of Insurance.

The experience of policy year 1925 was incomplete and, of course, before it could be used had to be modified by a judgment factor. This modification was finally decided upon but the committee in reviewing the experience decided to use the 1924 pure premium indications as a base. These indications were those of the latest complete policy year available and it was felt advisable to rely on 1924 experience rather than to bring in the judgment factor necessary in modifying 1925 experience. The Massachusetts experience for Private Passenger and Commercial cars is shown in Exhibit "D" for Policy Years 1923, 1924 and 1925.

But the experience of policy year 1924 was the experience on cars voluntarily insured. Losses occurring off the "ways" of Massachusetts had been eliminated but the experience was not experience under a compulsory law. How should it be modified? That was the question for which an answer must be found. The experience for 1923, 1924 and 1925 showed an upward trend on private passenger cars but not so much of a trend on commercial cars. Should

this trend be recognized or not? Would the new law be more costly, assuming that the experience on the voluntarily insured cars was a correct sample of the entire group? If it would be more costly, how much so? Of course, these questions involved the use of judgment almost wholly and the Governing Committee of the Bureau spent many days in discussing these questions.

Finally, the Governing Committee after a careful analysis of the experience decided that their recommendation to the Commissioner of Insurance should be to modify the 1924 experience as follows:

PRIVATE PASSENGER CARS

1. To adopt the 1924 indications of \$16.75 and to add thereto 5% to recognize the upward trend.
2. To add to the selected pure premiums an amount of 15% for the effect of the new law.

COMMERCIAL CARS

1. To adopt the 1924 indications of \$27.57 with no increase for trend.
2. To add to the selected pure premiums an amount of 15% for the effect of the new law.

GARAGES

1. To adopt the 1924 indications of \$.63 with an increase of 5% to recognize the upward trend.
2. To add to the selected pure premiums an amount of 15% for the effect of the new law.

OTHER CLASSES

1. To adopt the pure premiums underlying the then existing rates.
2. To add to the selected pure premiums an amount of 15% for the effect of the new law.

The determination of differentials for the three classes of Private Passenger cars (W-X-Y) was a different problem. No modification of 1924 experience was needed to provide for the effect of the new law.

The differentials used in establishing the W, X and Y rates in the Manual prior to the compulsory law were as follows:

$$W - .852 \quad X - 1.053 \quad Y - 1.337$$

The differentials on the basis of various combinations of Massachusetts experience were:

Policy Years 1923-1924	W—.763	X—1.131	Y—1.360
1923-1924-1925	W—.775	X—1.115	Y—1.385
1923	W—.778	X—1.100	Y—1.359
1924	W—.774	X—1.150	Y—1.362
Frequency only	W—.851	X—1.061	Y—1.207

It was felt by the Governing Committee that since, in all probability, one of the reasons why W cars in the past showed a lower pure premium than Y cars was because the claimant realized that the W owner did not have the financial responsibility that the Y owner had, and the claimant was, therefore, willing to accept a smaller amount in settlement for his claim from the owner of a cheap car than he would from the owner of a more expensive car. This condition will not, in all probability, exist under the Massachusetts law, where it will be known that everyone carries insurance, to the same extent that it exists where insurance is voluntary. For this reason it was felt that the W, X and Y factors should be brought closer together than they have been in the past.

It was, therefore, voted to adopt the following differentials for Private Passenger cars.

W — .90 X — 1.05 Y — 1.20

On commercial cars effect of the financial responsibility of the owner was not so prominent as in the case of Private Passenger cars and the differentials indicated by the combined Massachusetts commercial car experience were adopted for Class 4. These were as follows:

CLASS 4 COMMERCIALS

Heavy 1.54 Medium 1.23 Light .83

These could further be justified because the differentials used in the rates prior to the compulsory law were:

Heavy 1.52 Medium 1.22 Light .80

The differentials for Class 3 and Class 2 commercials were continued as in the past because the experience in Massachusetts was too limited to warrant any change. These differentials are as follows:

CLASS 3 COMMERCIALS

Heavy 2.18 Medium 1.62 Light 1.23

CLASS 2 COMMERCIALS

Heavy 3.05 Medium 2.79 Light 2.28

Then came the problem of establishing territories and territorial differentials. Prior to the compulsory law there had been eight territories but the Governing Committee felt that this was entirely too many under a compulsory law and proposed that there be only three.

- (1) Boston as a metropolitan center.
- (2) Middle-sized cities.
- (3) Remainder of the commonwealth.

The proposed territorial differentials were the indicated differentials of the Massachusetts 1924 experience as follows:

PRIVATE PASSENGER CARS		
Terr. I — 1.289	Terr. II — .982	Terr. III — .712
COMMERCIAL CARS		
Terr. I — 1.687	Terr. II — .820	Terr. III — .473
OTHER CARS (SAME AS COMMERCIAL)		
Terr. I — 1.687	Terr. II — .820	Terr. III — .473

The constitution of the Bureau provides that the expense loading be determined by the stock companies based on their combined experience. The stock companies reported as agreed upon a total expense excluding acquisition of 23.5% for Private Passenger Commercial and Public Automobiles and 26.4% for Garages. These totals were divided up as follows:

EXPENSE LOADING (excluding acquisition)

	Private Passenger Commercial Public	Garages	Basis
1. Claim Expense.....	9.5%	9.5%	1925 N. Y. Casualty Exhibit. 1925 N. Y. Casualty Exhibit. Estimated N. Y. Casualty Exhibit shows .7 for Bureau and inspection.
2. General Administration	7.9	7.9	
3. Bureau.....	.1	.1	
4. (a) Inspection.....	1.0	Mass. only 2% on net premiums plus agents, fees, etc.
(b) Inspection and audit	....	3.9
5. Taxes.....	2.5	2.5	
6. Profit.....	2.5	2.5	
Total (excluding acquisition).....	23.5	26.4	

As stated above, the initial rates for compulsory automobile liability insurance by law had to be established by the Commissioner of Insurance and these rates were not filed for approval but were submitted to him for his consideration.

On September 1, 1927, the Commissioner of Insurance established the manual and rates as required.

The manual was established as submitted but the rates were modified from those submitted as follows:

PRIVATE PASSENGER CARS

1. 1924 indication—no allowance for trend.
2. Insurance department reduction of 5% from 1924 indication.
3. No provision for effect of law except in loading.

COMMERCIAL CARS

1. 1924 indication x .94*.
2. Insurance department reduction of 5% from 1924 indication.
3. No provision for effect of law except in loading.

TAXICABS

Judgment rate established by Insurance Department.

On the other miscellaneous classes reduction was made from the rates proposed by the Bureau but I will not go into the details on these unimportant classes.

The Private Passenger Car Class Differentials were modified as follows:

W — .85 X — 1.00 Y — 1.30

The Commercial Class Differentials and the Territorial Differentials as submitted were used by the department.

In arriving at gross rates the department used a total expense loading of 40.2 for all classes. This loading was divided as follows:

Claim Expense.....	10.4%
Administration.....	8.7
Bureau.....	.1
Inspection.....	1.0
Taxes.....	2.5
Profit.....	2.5
Acquisition.....	15.0
	40.2%

Instead of allowing the 15% increase for the effect of the new law as proposed by the Governing Committee, the Commissioner

*Ratio 1923 Countrywide experience Class 4 Commercial Cars to 1923 countrywide experience all commercial cars.

of Insurance increased by 10% the amounts proposed as an expense loading for Claim Expense and General Administration.

By this time the details had all been settled so that the carriers could proceed to write the business, the policy form and endorsement forms had been sent to the companies for printing, the manual and rates established and the registration applications with the required certificates available. It was now time to prepare for the future so the Actuarial Committee began work on a Statistical Plan.

Since the law required that rates for any year must be available by September 1 of the preceding year the situation was made doubly hard, for it forced the companies to file their data in such form as to provide for the determination of the earned premium in the middle of the year. We could not wait for a completed year but must have something ready for September 1, 1927. After considerable work the Massachusetts Automobile Liability Statistical Plan was established by the Commissioner of Insurance and provided for the reporting of experience to the Bureau on punch cards. Sample of the premium and loss cards are shown in Exhibit "E". In addition to filing punch cards showing premium and loss experience to be used as a basis of rates, the plan also requires a hand written report of each claim to be used as a basis of accident prevention work. A copy of this card is shown in Exhibit "F". I will not go into the details of this Plan at this time for my intention is simply to show the problems which have been met and the plans that have been laid for the future.

I have roughly outlined up to this point the problems of getting started and preparing for the future. I have not attempted to go into great detail, for the obvious reason that a paper could be written on a dozen different points and the purpose of this paper is not to discuss any particular point but to give a general outline of the course pursued.

When Mr. Michelbacher presented his address he pointed out several dangers which lay ahead as he saw them and criticised the law in many respects. As I pointed out in the opening paragraph, his criticism was made before the problems had been faced. But some criticisms have been made since the problems have been faced.

The first and most general criticism is that the law has no "teeth". The claim is made that an automobile owner can pur-

chase an insurance policy and there is no penalty for accidents. But there is. The "teeth" in the law are in the records which the insurance companies will keep. If the automobile owner has a bad record the company can refuse to insure the car for the following year and can produce the accident record before the Board of Appeal.

But the Board of Appeal has been criticised by some insurance companies and I believe unjustly. Up to April 1 there had been 31 cases before the Board and of these only 2 had been decided in favor of the insurance company. Before passing judgment on the Board's action, let us analyze the situation. The Commissioner of Insurance refused to allow experience rating under the Compulsory law. His ground for this refusal was that experience under a voluntary law was not comparable to experience under a compulsory law. His argument was that experience would change when an automobile owner knew that a sword, in the form of the possibility of not being able to purchase insurance, was constantly hanging over his head. Now whether or not such a premise is correct at least the Commissioner of Insurance has been consistent in his refusal to allow an accident record under voluntary insurance which was considered bad by an insurance company, to be used as the only excuse for declining to write a risk under the compulsory law.

In addition a great many of the cases presented before the Board of Appeal should never have been presented. The insurance companies may not like the Compulsory law but it is a law and the companies must modify their views to meet its conditions. Some companies have gone before the Board because of their refusal to write taxicab risks. They have argued before the Board that in all the period of their existence they have never written a taxicab risk, that they consider them very bad risks and, therefore, do not want to write them. Who can blame the Board of Appeal for refusing to allow the company to decline the risk? Perhaps in the life of the company no taxicab had ever been written but for that matter neither had there ever been a compulsory law before.

The Board of Appeal are honest. They are trying their best to do a difficult job to the satisfaction of all and it cannot be done. But they are giving their best thought and judgment in each case and if an insurance company can present a satisfactory cause for refusing to grant security the company will be upheld. As experi-

ence records under the Compulsory law become available they can be used to advantage and the Board will admit them a full value but will discount experience records under voluntary insurance.

Some criticism arose among the people of Massachusetts on the question of territorial divisions. This question naturally divides itself into two questions: (1) the principle of territorial divisions and (2) the assignment of division lines. No one questioned or argued against the principle. The argument came on whether or not one town should be in Territory I or Territory II. An amendment to the law was introduced in the Legislature this year which would have prohibited the Commissioner of Insurance from establishing territorial divisions but was defeated overwhelmingly.

A great many changes were proposed before the Legislature but only one amendment passed. This changed the provision in the law which required the filing of a duplicate certificate with the Registry of Motor Vehicles within five days after the signing of the original. This provision was inserted in the original law as a check against forgery. The Registry required that these duplicates be forwarded in a special blue envelope and it was hoped that they could be checked against the originals. The checking proved impossible because of the number of duplicates filed for which no original was ever presented. Some insurance companies in their effort to retain the business already on their books sent signed certificates to all their policy holders prior to January 1 and in accordance with the law sent the duplicate to the Registry within five days. A great many of these automobile owners decided not to register their cars on January 1 or else decided to change companies so that the Registry had thousands of duplicates for which no original was filed. The change in the law provides that the Registry shall notify the insurance company when registration plates are issued on a certificate signed by them. This will be much more satisfactory and will more certainly prevent forgery. Each company will know when registration plates are issued on which it is providing security and will also know the registration plate number which will be of material assistance if cancellation is subsequently made.

Compulsory automobile insurance is in its first stages. Problems are springing up every day. No one can foretell the end. Laws similar to the Massachusetts law were introduced in many states during 1927 and in most cases were defeated with the avowed

intention of watching Massachusetts. It is too early to quote figures or draw conclusions from the experience under the law in Massachusetts. But this much can be said—all interested parties in Massachusetts are working together to make the law work. The insurance companies have given and received the utmost cooperation from the Commissioner of Insurance and the Registry of Motor Vehicles and little trouble has been encountered in working out the details required by the law.

Whether or not accidents will decrease remains to be seen. I have more faith in human nature than those who claim that accidents will increase because of the compulsory law. The primary purpose of the Massachusetts law was to compel the owner of a motor vehicle to provide security for claims due to the ownership of the motor vehicle. This purpose has been accomplished. The secondary purpose, of course, was to prevent accidents. Up to date, in all probability, this has not been accomplished but with the development of records by the companies I feel that we can reduce the appalling economic loss caused by automobiles by driving off the highways of Massachusetts the reckless and incompetent operator.

EXHIBIT "B"

MASSACHUSETTS MOTOR VEHICLE LIABILITY POLICY

The.....Company
 (Hereinafter called the Company)

INSURING CLAUSE

In accordance with the provisions of Chapter 346 of the Acts of 1925 of the Commonwealth of Massachusetts, and all acts amendatory thereof and supplementary thereto, in consideration of the premium set forth herein, hereby agrees to indemnify the Assured named in the declarations hereby made a part hereof and any person responsible for the operation of the named Assured's motor vehicle or trailer described herein with his express or implied consent against loss by reason of the liability to pay damages to others for bodily injuries, including death at any time resulting therefrom, sustained during the term of this policy by any person other than employees of the Assured or of such other person responsible as aforesaid who are entitled to payments or benefits under the provisions of Chapter 152 of the General Laws of said Commonwealth and arising out of the ownership, operation, maintenance, control or use upon the ways of said Commonwealth of such motor vehicle or trailer to the amount or limit of five thousand dollars (\$5,000) on account of injury to or death of any one person, and, subject to such limit as respects injury to or death of one person, of ten thousand dollars (\$10,000) on account of any one accident resulting in injury to or death of more than one person.

STATUTORY PROVISIONS

I. LEGAL REFERENCE

(a) This policy is subject to the provisions of Sections 112 and 113 of Chapter 175 of the General Laws of the Commonwealth of Massachusetts as respects both the owner of a motor vehicle or trailer insured hereunder and any person responsible for its operation with the express or implied consent of such owner.

(b) This policy, the written application therefor, if any, and any rider or endorsement, which shall not conflict with the provisions of Chapter 346 of the Acts of 1925, and all acts amendatory thereof and supplementary thereto, and/or Section 34A of Chapter 90 of the General Laws constitutes the entire contract between the Company and the Assured as respects the motor vehicle or trailer herein described.

(c) No statement made by the Assured or on his behalf and no violation of the terms of this policy shall operate to defeat or avoid this policy so as to bar recovery within the limit provided in this policy by a judgment creditor proceeding under the provisions of Section 113 of Chapter 175 and clause 10 of Section 3 of Chapter 214 of the General Laws.

2. INSOLVENCY OR DEATH

If the death, insolvency or bankruptcy of the Assured shall occur within the policy period, the policy during the unexpired portion of such period shall cover the legal representatives of the Assured.

3. CANCELATION

This policy may be canceled by the company or by the named Assured by written notice stating the date and hour thereafter when such cancelation shall be effective; such notice shall be given by the party proposing cancelation to the other party at least fifteen (15) days prior to the intended effective date thereof and, except when said effective date is the date of expiration of the period of registration of the motor vehicle or trailer covered by this policy, to the Registrar of Motor Vehicles of said Commonwealth, in such form as the Division of Highways of said Commonwealth may prescribe, at least fifteen (15) days prior to said effective date and in the event of a cancelation by the named Assured he shall be entitled to receive a return premium after deducting the customary monthly short rates for the time this policy shall have been in force, in accordance with the Table printed hereon, or, in the event of cancelation by the company, shall be entitled to receive a return premium pro rata.

If after such cancelation by the Company, a finding that such cancelation is not proper and reasonable, is made under General Laws, Chapter 157, Section 113 D, either by the Board of Appeal from which finding the Company takes no appeal, or by the Superior Court, the Company will in the first case within ten (10) days and in the second case within five (5) days, comply with said finding and reinstate the policy.

Notice of cancelation sent by registered mail to, or delivered at, the address of the named Assured as given in the Declarations shall be a sufficient notice. The check of the Company, or its duly authorized representative, mailed to, or delivered at such address shall be a sufficient tender of any unearned premium, when determined, but no tender shall be required, if the premium has not been paid.

AGREEMENTS

I. EXPENSES INCURRED

The Company agrees to pay all expenses incurred by the Company for investigation, negotiation for settlement, and/or defense of any claims for such injuries and of suits or legal proceedings arising therefrom; the expense incurred by the Assured for such immediate medical or surgical relief as shall be imperative at the time any such injuries are sustained; all premiums on attachment and/or appeal bonds required in any such proceedings; all costs taxed against the Assured in any such proceedings; and all interest accruing before or after entry of judgment and up to the

date of payment, tender or deposit in Court by the Company of its share of any judgment.

II. DEFENSE

The Company agrees to defend as in this Policy provided, or at the option of the Company to settle, in the name and on behalf of the Assured any claims, suits or other legal proceedings alleging such injuries and demanding damages on account thereof, although such claims, suits, legal proceedings, allegations and demands are wholly groundless, false or fraudulent.

III. PERSONS COVERED

The unqualified term "Assured" whenever used in this Policy shall include in each instance not only the named Assured but also any other person, firm or corporation entitled to protection under the Agreements, Conditions and Declarations of this Policy, and under the provisions of Chapter 346 of the Acts of 1925 of the Commonwealth of Massachusetts and all Acts amendatory thereof and supplementary thereto, but the qualified term "named Assured" or "Assured named in the Declarations" shall apply only to the Assured named and described as such in the Declarations.

IV. EXCLUSIONS

This Policy shall *NOT* cover:

- (a) Injuries or death arising out of the ownership, operation, maintenance, control or use of the motor vehicle or trailer described herein, elsewhere than upon the ways of the Commonwealth of Massachusetts.
- (b) Injuries or death to any employee of the Assured who is entitled to payments or benefits under the provisions of Chapter 152 of the General Laws of the Commonwealth of Massachusetts.

GENERAL CONDITIONS

The foregoing Agreements are subject to the following conditions:

A. PREMIUM

The premium for this Policy is as expressed in the Declarations.

B. NOTICE TO THE COMPANY

Upon the occurrence of death or personal injuries or any accident covered by this Policy, the Assured shall as soon as practicable after learning thereof, give written notice with full particulars to the Company or its duly authorized Agent. The Assured shall give like notice of any claim made on account of any such occurrence. If any suit or other legal proceeding mentioned in Agreement II is instituted against the Assured on account of any such occur-

rence, the Assured shall immediately forward to the Company or its duly authorized Agent every notice, summons, or other process served upon the Assured.

C. CO-OPERATION

The Assured, when requested by the Company, shall aid in effecting settlements, in securing evidence and the attendance of witnesses, in defending suits, and in prosecuting appeals, and shall at all times render to the Company all co-operation and assistance in the Assured's power. The Assured shall not voluntarily assume any liability, settle any claim or incur any expense, except at the Assured's own cost, or interfere in any negotiation for settlement or legal proceeding, without the consent of the Company previously given in writing, but the Assured may provide, at the expense of the Company, such immediate medical or surgical relief as shall be imperative at the time any such injuries are sustained.

D. SUBROGATION

The Company shall be subrogated in case of any payment under this Policy, to the extent of such payment, to all rights of recovery therefor of the Assured and/or of any other person claiming hereunder, against persons, corporations, associations or estates, and the Assured and/or any other person claiming hereunder shall execute all papers required and shall co-operate with the Company to secure its rights.

E. OTHER INSURANCE

If the Assured has any other liability insurance applicable to a claim covered by this policy and issued by a company authorized to transact casualty insurance in the Commonwealth of Massachusetts, the Company shall not be obliged to indemnify the Assured or pay to a judgment creditor or claimant a larger proportion of or on account of any such claim than the limit of the Company's liability under this Policy, applicable to such claim, bears to the total corresponding limits of the whole amount of such valid and collectible insurance.

F. RIGHT OF RECOVERY

No recovery against the Company by the Assured shall be had hereunder until the amount of loss or expense shall have been finally determined either by judgment against the Assured after actual trial or by written agreement of the Assured, the Claimant and the Company, nor in any event unless suit is instituted within two years thereafter.

G. CHANGES IN POLICY

No Agreement or Condition of this Policy shall be waived or altered except by an endorsement attached hereto, signed by

(proper company official) nor shall notice to any Agent, nor shall knowledge possessed by any Agent, or by any other person, be held to effect the waiver of, or a change in any part of this Policy. Changes in the written portions of the Declarations made a part hereof may be made by an endorsement attached hereto, countersigned by the authorized representative countersigning this Policy. Endorsements, when so countersigned and attached hereto, shall be construed as a part of this Policy.

H. RATE CHANGES

This Policy is issued by the Company and accepted by the named Assured with the agreement that the classifications and rates of premium expressed in the Policy or any endorsement attached thereto, are subject to modification to the extent that they are approved and required by the Commissioner of Insurance in accordance with the law, and become applicable from and after the date required by said Commissioner.

I. REIMBURSEMENT

The named Assured by the acceptance of this Policy declares the several statements in the Declarations hereby made a part hereof to be true; agrees to the several provisions and conditions hereof; in consideration of the several agreements of the Company, agrees to reimburse the Company for any losses or payments the Company suffers or makes by reason of the provisions of said Policy provided any statements made in the Declarations are to the named Assured known to be false, or any terms or conditions of the Policy are violated by the Assured.

J. INSPECTION

The Company shall be permitted to inspect any motor vehicle or trailer described herein if it so desires, but the company assumes no responsibility by reason of any such inspection or the omission thereof.

IN WITNESS WHEREOF, the Company has caused this Policy to be executed by its (proper company official) but this policy shall not be binding upon the Company unless countersigned by a duly authorized representative of the Company.

(COMPANY SIGNATURE)
by.....

Countersigned at.....
this day of 192
.....
Authorized Representative

DECLARATIONS

- ITEM 1. Named Assured
- ITEM 2. Address.....
 No. Street City or Town County State
- ITEM 3. The named Assured is
 State whether individual, copartnership,
 corporation, receiver or trustee
- ITEM 4. Named Assured's occupation or business is.....
- ITEM 5. The Policy period shall be from 12.01 o'clock A.M.
 , 19....., to 12.01 o'clock A.M.,
 , 19....., Standard time.
- ITEM 6. The motor vehicles and/or trailers covered hereby are
 principally garaged in the city or town of.....
- ITEM 7. The motor vehicles and/or trailers covered by this
 Policy and the Premium charges therefor are as follows:

Trade Name, Type of Body, and Number of Cylinders	Model and Year	Engine Number	Serial Number	Load Capacity (if Truck)	Seating Capacity (if Bus)	Premium	
						Total Premium \$	

- ITEM 8. The purposes for which the above described motor vehicles and/or trailers are to be used are:
- ITEM 9. None of the motor vehicles and/or trailers herein described is or will be rented to others or used to carry passengers for a consideration during the period of this Policy, except as follows:
- ITEM 10. No Company has declined to issue or has canceled motor vehicle liability insurance for the Named Assured during the past three years, except as follows:

SHORT RATE TABLE

If Policy was written for ONE year and has been in force any number of days or months indicated in the left hand column

of the table the Company may retain from the annual premium the percentage thereof indicated in the right hand column:

Number of days or months	Percentage
15 days.....	14
16 days.....	14
17 days.....	15
18 days.....	16
19 days.....	16
20 days.....	17
21 to 25 days.....	19
26 to 30 days or 1 month.....	20
31 to 35 days.....	23
36 to 40 days.....	26
41 to 45 days.....	27
46 to 50 days.....	28
51 to 55 days.....	29
56 to 60 days or 2 months.....	30
61 to 65 days.....	33
66 to 70 days.....	36
71 to 75 days.....	37
76 to 80 days.....	38
81 to 85 days.....	39
86 to 90 days or 3 months.....	40
91 to 105 days.....	45
106 to 120 days or 4 months.....	50
121 to 135 days.....	55
136 to 150 days or 5 months.....	60
151 to 165 days.....	65
166 to 180 days or 6 months.....	70
181 to 195 days.....	73
196 to 210 days or 7 months.....	75
211 to 225 days.....	78
226 to 240 days or 8 months.....	80
241 to 255 days.....	83
256 to 270 days or 9 months.....	85
271 to 285 days.....	88
286 to 300 days or 10 months.....	90
301 to 315 days.....	93
316 to 330 days or 11 months.....	95
331 to 360 days or 12 months.....	100

EXHIBIT "C"

Form.....
 Company

EXTRA-TERRITORIAL COVERAGE ENDORSEMENT

It is hereby understood and agreed, in consideration of the additional premium stated below that the policy to which this endorsement is attached is extended to indemnify the named

Assured against loss by reason of his legal liability to pay damages to others for bodily injuries, including death at any time resulting therefrom, accidentally sustained during the term of this policy by any person or persons not hereinafter excluded, arising out of the ownership, operation, maintenance, control or use of the motor vehicle or trailer described in the policy within the limits of the Continental United States of America and the Dominion of Canada elsewhere than upon the ways of the Commonwealth of Massachusetts.

It is a condition of this endorsement as respects the coverage provided herein that Statutory Provisions, Section I (Legal Reference Clauses) 1a, 1b and 1c and Agreements III (Persons Covered) and IV (Exclusions) and General Condition I (Reimbursement) shall be null and void.

OMNIBUS COVERAGE

The terms and conditions of this endorsement are so extended as to be available, in the same manner and under the same conditions as they are available to the named Assured, to any person or persons while riding in or legally operating any of the motor vehicles or trailers described in the declarations, and to any person, firm or corporation legally responsible for the operation thereof, provided such use or operation is with the permission of the named Assured or, if the named Assured is an individual, with the permission of an adult member of the named Assured's household other than a chauffeur or a domestic servant; except that the terms and conditions of this paragraph shall not be available to any public automobile, garage, repair shop, sales agency, service station, or the agents and employees thereof.

CANCELATION

This endorsement may be canceled at any time by either the named Assured or by the Company upon fifteen (15) days' written notice to the other party and the effective date of such cancellation shall then become the end of the period for the coverage provided by this endorsement. If such cancellation is at the request of the named Assured the Company shall be entitled to an earned premium adjusted according to the short rate table shown on the policy. If such cancellation is at the Company's request the earned premium shall be computed and adjusted on the pro rata basis. Notice of cancellation mailed to or delivered at the address of the named Assured as given in the declaration on the policy shall be a sufficient notice. The check of the company mailed to, or delivered at such address shall be a sufficient tender of any unearned premium when determined but no tender shall be required if the premium has not been paid.

SPECIAL STATUTES

If any of the Agreements, Conditions or Declarations of this endorsement are at variance with any specific statutory provisions in force in any State, Territory, District or Province within which coverage is granted, such specific statutory provisions shall supersede any such Agreement, Condition or Declaration of this endorsement inconsistent therewith.

EXCLUSIONS

This endorsement shall not cover:

- (a) when any of the said motor vehicles or trailers are being
 - (1) operated by any person contrary to law as to age, or any person under the age of sixteen (16) years in any event; or
 - (2) used in any race or speed contest; or
 - (3) used in towing or propelling any trailer, or other vehicle used as a trailer, unless such privilege is endorsed on this policy and a proper premium charged therefor, or such trailer is also insured by the Company; or
 - (4) used for renting or livery use or the carrying of passengers for a consideration; or
- (b) personal injuries or death to any employee under any Workmen's Compensation Agreement, Plan or Law or while engaged in any business or occupation of the Assured or in the operation, maintenance or repair of any automobile described in this policy.

ADDITIONAL PREMIUM \$

This endorsement is effective from 12.01 A.M.,, 192 , to the date of expiration as expressed in this policy.

Nothing herein contained shall waive, vary, alter or extend any provision or condition of the policy other than as above stated.

Attached to and forming part of Policy No.
issued by the Company, of
to of

Dated at this day of 192

(Company (Company
Official) Official)

Countersigned
Authorized Representative

EXHIBIT "D"

Massachusetts Automobile Public Liability Experience
PRIVATE PASSENGER AUTOMOBILE—By CLASSIFICATIONS

Aug. 3, 1926

Class	No. of Cars Earned			Claim Frequency			Average Claim Cost			Pure Premium			
	1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925	
W	66,224.0	73,490.0	46,416.0	5.4	5.4	6.0	233	230	238	12.65	12.45	14.34	.....
X	51,338.0	62,911.0	44,710.0	6.4	6.6	7.7	277	290	253	17.78	19.26	19.57	.....
Y	19,530.0	21,708.0	14,606.0	7.5	7.7	9.3	300	316	282	22.34	24.18	26.30	.....
Z	4,512.0	4,286.0	2,082.0	6.6	4.9	6.6	296	321	404	19.64	15.89	26.57	.....
Y-Z	24,042.0	25,994.0	16,688.0	7.3	7.2	9.0	299	316	293	21.84	22.81	26.34	.....
Total	141,603.0	162,395.0	107,814.0	6.1	6.2	7.2	263	271	255	16.07	16.75	18.37	.....

PRIVATE PASSENGER AUTOMOBILES—TERRITORIES

New Terr.	Old Terr.													
I	4	38,236.0	42,739.0	27,295.0	9.3	9.6	11.3	259	244	229	23.96	23.41	25.81	23.60
							8.8			10.0			245		229	21.60
II	5	.....	11,448.0	7,078.0	...	5.8	6.6	...	254	229	.....	14.82	15.07	.....
							7.0			245			273	
III	10	34,341.0	54,311.0	35,891.0	6.4	6.0	7.0	245	273	267	15.68	16.46	18.73	.....
	11	23,300.0	20,902.0	13,616.0	4.3	4.1	5.6	274	304	285	11.79	12.53	15.84	.....
	19	27,067.0	32,974.0	23,868.0	3.8	3.4	3.9	295	347	299	11.19	11.94	11.77	.....
	21	.....	19.0	65.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	24	.....	1.0	1.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total	*1923	122,944.0	162,394.0	107,814.0	6.3	6.2	7.2	261	271	255	16.53	16.75	18.37	.....

Terr. 10 includes Lowell (23)—Worcester (50)—Fall River (53)—New Bedford (54)—Springfield (55)—Lawrence (64)—Lynn (65) and 91 (Surrounding cities—100,000).

Terr. 11 includes Bristol County (82) and 81 (Boston Suburban).

EXHIBIT "D"—(Continued)

Massachusetts Automobile Public Liability Experience

August 3, 1926

COMMERCIAL

Territories—All classes and load capacities combined

Includes all 1600 and 1800 classes except Code No. 1891—Hired Cars.

New Terr.	Old Terr.	No. of Cars Earned			Claim Frequency			Average Claim Cost			Pure Premium			Selected P. P.
		1923	1924	1925	1923	1924	1925	1923	1924	1925	1923	1924	1925	
I	4	8,334.6	8,697.0	5,428.2	18.1	20.8	22.5	270	252	229	48.86	52.31	51.73	.....
	5	.....	2,290.7	1,201.0	...	7.7	7.6	...	319	228	.....	24.54	17.25	.....
II	10	8,856.7	12,066.7	7,172.7	9.0	8.7	8.6	272	259	214	24.54	22.61	18.43	.....
	11	3,981.1	3,853.7	2,418.0	5.6	5.2	6.7	284	315	279	15.98	16.33	18.78	.....
III	19	6,020.3	7,131.7	5,108.0	4.5	4.5	5.8	245	289	408	11.08	13.03	23.58	.....
	21	.....	50.3	14.3	...	...	...	...	...	...	.....	.....	.....	.....
	24	.....	.....	.....	...	...	...	...	...	...	.....	.....	.....	.....
	Total	27,192.7	34,090.1	21,342.2	10.3	10.4	11.2	269	264	251	27.76	27.57	28.09	.....

COMMERCIAL

Load Capacities—All Territories and Classes Combined.

Includes all 1600 Classes.

Load Capacity	*													
Light	.....	16,707.6	10,514.6	...	8.2	9.5	...	271	231	.....	22.32	22.00	.....	.....
Medium	.....	8,213.8	5,062.6	...	11.6	12.2	...	285	254	.....	33.15	31.14	.....	.....
Heavy	.....	1,857.7	929.9	...	17.3	19.0	...	241	326	.....	41.63	62.01	.....	.....
Total	26,607.4	26,779.1	16,507.1	9.7	9.9	10.9	255	273	248	24.86	26.98	27.06	.....	.....

* 1923 not split.

EXHIBIT "E"

REPORTING COMPANY	12	27 28	1 2 3 4 5 6	Analysis of Loss	PREMIUM TOWN AND TERRITORY	CLASS	ACCIDENT TOWN AND TERRITORY	12	12	LOSSES PAID						CREDIT PAYMENT					
	Policy Issue	DATE Year	ENTERED Month					Date of Accident	Month of Report	Amount						Amount					
	11	29 30	7 8 9 10 11 12					11	11	Kind of Payt						Kind of Payt					
Mo. Yr.	Identification No.						Mo. Yr.	Kind of Payt	Amount						Amount						
0 0	10 30	0 0	0 0 0	0 0 0	0 0 0 0 0	0 0 0 0	0 0 0 0	10 30	10	0 0 0 0 0	0 0	0 0 0 0 0	0 0	0 0 0 0 0	0 0	0 0 0 0					
1 1	1 31	1 1	1 1 1	1 1 1	1 1 1 1 1	1 1 1 1	1 1 1 1	1 31	1	1 1 1 1 1	1 1	1 1 1 1 1	1 1	1 1 1 1 1	1 1	1 1 1 1					
2 2	2 32	2 2	2 2 2	2 2 2	2 2 2 2 2	2 2 2 2	2 2 2 2	2 32	2	2 2 2 2 2	2 2	2 2 2 2 2	2 2	2 2 2 2 2	2 2	2 2 2 2					
3 3	3 33	3 3	3 3 3	3 3 3	3 3 3 3 3	3 3 3 3	3 3 3 3	3 33	3	3 3 3 3 3	3 3	3 3 3 3 3	3 3	3 3 3 3 3	3 3	3 3 3 3					
4 4	4 34	4 4	4 4 4	4 4 4	4 4 4 4 4	4 4 4 4	4 4 4 4	4 34	4	4 4 4 4 4	4 4	4 4 4 4 4	4 4	4 4 4 4 4	4 4	4 4 4 4					
5 5	5 35	5 5	5 5 5	5 5 5	5 5 5 5 5	5 5 5 5	5 5 5 5	5 35	5	5 5 5 5 5	5 5	5 5 5 5 5	5 5	5 5 5 5 5	5 5	5 5 5 5					
6 6	6 26	6 6	6 6 6	6 6 6	6 6 6 6 6	6 6 6 6	6 6 6 6	6 26	6	6 6 6 6 6	6 6	6 6 6 6 6	6 6	6 6 6 6 6	6 6	6 6 6 6					
7 7	7 27	7 7	7 7 7	7 7 7	7 7 7 7 7	7 7 7 7	7 7 7 7	7 27	7	7 7 7 7 7	7 7	7 7 7 7 7	7 7	7 7 7 7 7	7 7	7 7 7 7					
8 8	8 28	8 8	8 8 8	8 8 8	8 8 8 8 8	8 8 8 8	8 8 8 8	8 28	8	8 8 8 8 8	8 8	8 8 8 8 8	8 8	8 8 8 8 8	8 8	8 8 8 8					
9 9	9 29	9 9	9 9 9	9 9 9	9 9 9 9 9	9 9 9 9	9 9 9 9	9 29	9	9 9 9 9 9	9 9	9 9 9 9 9	9 9	9 9 9 9 9	9 9	9 9 9 9					

HOLLERITH 503850

MASSACHUSETTS AUTOMOBILE PLAN - LOSSES

COMPULSORY AUTOMOBILE INSURANCE

