

Insurance Times: Commerce inks marketing pact with Horace Mann for Mass. Auto
October 30, 2001, Vol. XX No. 22

by Mark Hollmer
InsuranceTimes

BOSTON — A few weeks after announcing plans to stop writing Massachusetts auto insurance, Horace Mann Insurance says it will instead offer coverage indirectly -- through a marketing alliance with another company. Horace Mann will offer its Bay State customers Commerce Insurance auto policies beginning Jan. 1. But the company will continue to offer Massachusetts elementary and secondary school teachers its own coverage for homeowners, life, annuities, single life and group life products.

The marketing alliance kicks in at first with new Horace Mann auto policies.

Existing 2001 Horace Mann policies will remain through the length of their policy term, the company said in a written statement. Any of those policies written by voluntary agents will convert to Commerce when 2002 renewals begin.

Horace Mann is a Springfield, Ill.-based insurer that relies on exclusive representative producers employed by the company to sell its products around the country rather than independent agents. But the company needed to use independent agents (ERPs) assigned to the company to handle its auto business through Commonwealth Automobile Reinsurers -- the state's high-risk auto insurer.

The company insures about 22,000 Massachusetts automobiles through its agents and nearly 40 percent belong to agents, Horace Mann said.

The company said its initial announcement that it would stop writing Massachusetts auto policies was based on marketing decisions rather than any concerns over the state of the Bay State market.

In related news, the company has agreed with CAR's Governing Committee to pay \$6.4 million to cover its CAR financial obligations over the next three years. Horace Mann will also continue to comply with CAR's data reporting requirements.

CAR Governing Committee, during a special meeting held Oct. 17, also reassigned Horace Mann's four exclusive representative producers to the first four under-subscribed servicing carriers -- Liberty Mutual, Arbella, Premier and National Grange.

Seven members voted for the redistribution and four were against. Arthur Remillard Jr., the Governing Committee vice chairman, abstained.

Remillard also heads The Commerce Insurance Company.

Liberty Mutual is already fighting the decision. Liberty Mutual Assistant Vice President and Senior Counsel Steven Rusconi filed a notice of appeal and request for a public hearing with the Division of Insurance the same day.

Rusconi wrote that the Governing Committee decision to let Horace Mann buyout its future CAR obligation violates CAR rules and state law because the company can avoid ERP business "without surrendering its license to write motor vehicle policies or bonds in Massachusetts."