

Insurance Times: Mass. task force eyes ideas for auto market competition
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BOSTON — Even as Massachusetts continues to be one of the most heavily regulated auto insurance states in the nation, Insurance Commissioner Julie Bowler is quietly seeking ideas about how to increase competition within the current system.

A potential option may be a quick process that allows companies to add endorsements to their products, according to some members of a task force Bowler convened to look into the matter.

Earlier this year Bowler invited companies and others within the industry to submit ideas on competition within the state's fix-and-establish system, during the competition portion of this year's rate case hearing.

After minimal response, Bowler brought together a 13-member auto competition task force of politicians, regulators, agents and company representatives in late spring, according to Division of Insurance Spokesman Christopher Goetcheus. They've already met in June, July and August with more sessions expected down the road, he said.

"It's a valuable exercise for those of us in the industry to every once and a while ... look at the system and see if there is something that can be done better," said Frank Mancini, executive vice president of the Massachusetts Association of Insurance Agents.

Mancini is a member of the task force, which also includes Rep. Nancy Flavin, the former House Insurance Committee chair; State Rating Bureau Director Wayne C. Perkins; Assistant Attorney General Peter Leight; Ralph Iannaco of the Commonwealth Automobile Reinsurers; Automobile Insurers Bureau head Dan Johnston, and Kevin Kiley of the Massachusetts Bankers Association.

Sumner Gilman, the ERP representative on CAR's Governing Committee; Safety Insurance's David Brussard; Premier Insurance's Susan Scott; Commerce Insurance President Arthur Remillard, Jr., Paula Gold, Plymouth Rock's vice president and general counsel, and Liberty Mutual's John Connors complete the task force.

Gold was Secretary of Consumer Affairs and Business Regulation in the late 1980s, which oversees the Division of Insurance.

Gold said she's "honored" to have been asked to serve on the task force, and is hopeful that the group can develop some positive ideas.

"Looking at the system in ways that it might be improved is something that's worthwhile," she said.

Gold said the task force has discussed two areas of competition so far: optional endorsements companies could add to their coverage within the current system, or "a more broad competition" that would actually replace the "fix and establish" system.

"That's a much longer-term project," Gold said.

Gold, whose company tried unsuccessfully in the past to get its own optional endorsement approved, said endorsements would "give consumers additional options (and) would be an improvement in the current system."

Exploration of competition within the current system is better than the larger-scale alternative because the industry probably isn't ready to jump to a competitive auto rate system, said task force member Gilman, also an exclusive representative producer who serves on the Commonwealth Automobile Reinsurers' Governing Committee. CAR is the state's high-risk auto insurer.

“I don’t think that the industry is ready to go to a competitive rating,” he said. “And from what I’ve heard said at the various ... meetings, no one has an interest or a desire to attempt to rewrite legislation to allow a pure competitive rating in Massachusetts.”

That being said, Gilman added, “it was a good idea” to form the committee and explore bring some form of competition to state’s auto insurance business.

That’s even with the group’s determination, Gilman said, that “there’s a limited window for competition in the Massachusetts auto market at this particular time.”

The task force/working group is already coming to a realization “as we have in the past” that obstacles must be overcome before full competition can even be placed on the table, Mancini said.

Still, Mancini said, “... It would be a plus if we could find some ways to introduce some competition into the current system, whether it be through endorsements or through some other way.”

In the end, it’s “a good exercise” to revisit the system “every once-in-a-while,” he said, “... to see what some of the flaws might be and some of the ways we could get over those” flaws.

Positive Reaction

Bowler’s move to look at bringing some competition into the fix-and-establish system “is a positive” reaction to the system’s need, Mancini said.

Maybe it will bring more ideas about how to improve the system.

Bowler’s initial attempt to solicit industry ideas during the rate case hearing to improve competition drew just two written responses: from the Automobile Insurers Bureau and Plymouth Rock Insurance.

Attorney Michael Meyer, writing on behalf of the AIB, proposed ending rate subsidies, which he said, happen in part with lower-rated territories covering some costs of some high-rated urban territories.

Another subsidy takes place unintentionally, Meyer said, resulting from the “unintended consequences of the application of rate constraints in the calculation of rates.”

Plymouth Rock President Hal Belodoff wrote that regulators should encourage companies to file endorsements by creating a procedure they could use to bring more of them into the market quickly.

Some endorsements that have worked in other states which could also function in the Bay State include auto replacement, loan lease gap coverage and CD and tape coverage, he said.

In addition, Belodoff recommended, Bowler should maintain and make public complaint statistics by market share.