

Critics hit state auto insurance proposal

by *Boston.com*

The proposed rules for auto insurance competition in Massachusetts were met yesterday with skepticism from consumer advocates and caution from at least some insurers.

State insurance Commissioner Nonnie S. Burnes on Tuesday proposed a system by which insurers will be able to set their own rates, but without the use of some socioeconomic factors like drivers' occupations or whether they own a home. The use of credit scores in determining premiums also is banned for one year, but insurers will be able to consider credit scores when deciding whether to cover individual drivers. Massachusetts is the only state in the country where the rates auto insurers charge are set by state regulators.

Critics responded by sharply chiding Burnes for not going far enough to shield urban and poor drivers from higher costs. And while some Massachusetts insurers said the plan struck the right balance between giving consumers choice and protecting them, some out-of-state providers said the new rules merit more watching before they're ready to dive in.

"We're continuing to monitor Massachusetts for potential consideration in the future. It's not something we're making a move on immediately," said Karyn Faggello, a spokeswoman for State Farm Mutual Automobile Insurance Co. of Bloomington, Ill. State Farm is one of 35 insurers that has pulled out of Massachusetts since 1990, citing concerns about the ability to do business profitably in a heavily regulated environment. Other big firms such as Geico Corp. and Allstate Corp. don't sell policies in the state.

Though officially studying a move into Massachusetts, State Farm's wait-and-see attitude reflects the trepidation some insurers have about whether the new system will be flexible enough for them to make money here. In nearly every state where it does business, State Farm considers a driver's credit score, occupation, marital status, and age and where cars are garaged to determine how much to charge for insurance. The exceptions are California and Hawaii, which do not allow the use of credit scores by auto insurers but do allow consideration of other socioeconomic data.

If the company decides to come to Massachusetts, State Farm wants to be able to do the same here, Faggello said.

"I don't think it's going to be the only factor that would lead State Farm to make a decision," she said. Still, "we would like to continue to use them in other states like Massachusetts. Some of the more socioeconomic factors give more of a picture of the driver. If you're able to pay your bills on time, there is a correlation between those things and how likely you are to file a claim."

Boston's Liberty Mutual Insurance Co. hailed the plan in a statement, saying it would benefit drivers across Massachusetts.

"Governor [Deval] Patrick and Commissioner Burnes have created a framework in which insurers at last have the ability to deliver competitive pricing and product innovation that Massachusetts consumers have long deserved, without sacrificing the necessary consumer protections and subsidies," the statement read.

But foes argue that many of the state's 4 million drivers need protection from the use of those criteria, which they say would unfairly punish some drivers for having financial troubles that don't have anything to do with their driving. Two consumer groups, the Massachusetts Public Interest Research Group and the Center for Insurance Research, issued a statement calling for Burnes to rewrite the rules to make driving history and related information, like how many miles someone drives per year and what kind of car they have, the only criteria insurers could consider.

The plan also has critics in the State House, where it will face at least two committee hearings next month. Senator Dianne Wilkerson, Democrat of Roxbury, said the plan would open the door for insurers to reject some drivers, something they cannot currently do. Auto insurance is required of all drivers in Massachusetts, though some are in an "assigned risk" pool in which the highest-risk drivers are divided among all the insurers in the state.

"I don't think people truly appreciate the impact of what will happen," Wilkerson said. "For the first time in about 50 years, companies will be able to reject people. You can't do it now. The fact is that good urban drivers are going to be punished under the new system."

Representative Ronald Mariano, a Quincy Democrat and chairman of the House Financial Services Committee, said he supports the regulations, though he would have completely banned the use of credit scores

because they are politically so divisive.

"It isn't worth the fight. I think it frightens people, especially some of the consumer groups who think it's the same as the bank credit score," he said. As written, the regulations will help drivers with clean records, he said. "If you live in Dorchester and your driving record is equal to or better than mine and I lived in Quincy, why do you pay more? Why isn't it based on your record?"

In an interview, Burnes defended her plan, saying it had to give insurers some room to set rates based on a variety of criteria, while protecting consumers from arbitrarily high rates.

A spokeswoman for state Attorney General Martha Coakley said her office had yet to review the regulations and couldn't comment.

"What we're trying to do here is structure a market that's good for consumers," Burnes said. "We have to give the companies some mechanism for offering choice. We can't replicate the market that we have now because we don't have many insurers and we don't have much choice."

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