

Largest US insurer joins Mass. market

by *Boston.com*

In a move that signals the state's newly deregulated auto insurance system is making the market more competitive, American International Group Inc., the nation's largest insurance company, will soon start selling auto policies in Massachusetts.

The New York-based insurer's decision to do business here is an endorsement of the new system, which went into effect in April, and indicates the Patrick administration is succeeding in attracting new companies to the state, something that has not happened in three decades.

In addition to AIG, Vermont Mutual Insurance Group of Montpelier also plans to start selling auto policies in Massachusetts this fall, and Peerless Insurance, part of Liberty Insurance Group of Boston, said it will enter the market. They follow Progressive Insurance of Ohio, which began selling policies to Massachusetts drivers through its website May 1.

"The fact we've got four new companies in three months means we're seeing a strong response to the opening of the market," said Insurance Commissioner Nonnie S. Burnes. "As companies learn about the success the existing companies are having, they'll join us."

For 30 years, auto insurance rates were set by regulators, and the types of policies and discounts insurers could offer were limited. Under the new system, companies set their own rates, subject to oversight of the Division of Insurance. In addition, they have more freedom to offer innovative products.

So far, Burnes said, the division has received numerous reports from consumers praising the system and saying they have saved money - and only four complaints. There are no statistics available on how much consumers are saving, but some drivers say they cut annual premiums 20 percent to 40 percent.

Burnes also said the system, called managed competition, would attract new companies to Massachusetts. But until now, Progressive was the lone entrant.

"I expect there will be a slow progression of companies deciding to enter the Massachusetts marketplace," said John Murphy, Northeast regional vice president for the American Insurance Association, a trade group. "There is a natural reluctance to invest capital until they see if there is a commitment on the part of the state to managed competition or if this is a flash in the pan."

A Progressive spokeswoman said the insurer has sold more than 10,000 policies in the state since May 1, and its surveys show those drivers are satisfied.

For some firms new to Massachusetts, the revamped system allows them to market homeowners and auto policies jointly.

For instance, Burnes said AIG would initially offer auto policies only to customers of its Private Client Group subsidiary who insure their homes with the financial services giant. But that could change, she said.

"Maybe they're just sticking their toe in the water first," Burnes said. An AIG spokesman could not immediately respond to questions about the company's plans.

Other insurers also are looking to sell auto policies to homeowners.

Vermont Mutual, which sells auto policies in Maine, New Hampshire, and Vermont, said it wants to give its Massachusetts agents the opportunity to sell a broader product line. Residents who buy auto and homeowners insurance from Vermont Mutual will receive a 10 percent discount on their auto premiums, said Peter Fresco, vice president of marketing.

"We feel comfortable in the new competitive auto environment in Massachusetts," said Fresco. "This is a good opportunity to increase our premium volume and support our network of agents in the state."

Many other insurance companies have either expressed interest in selling auto policies in Massachusetts or have taken initial steps toward doing business here. A Globe review of filings and correspondence with the Division of Insurance shows at least 10 firms have filed the required paperwork.

"We're looking to expand in Massachusetts, and this is another avenue to grow our market share," said Mark Friedlander, spokesman for Main Street America Group of Jacksonville, Fla. It recently sought approval to sell auto insurance under its Old Dominion brand.

Executives from worldwide insurer Chubb Group met in early May with state insurance officials "to discuss the possible reentry of Chubb into the Massachusetts auto market for private passenger automobile" policies, according to a Chubb e-mail obtained by the Globe under public records laws.

Occidental Fire & Casualty of North Carolina, part of a global insurance company based in Bermuda, also met in May with members of the insurance division.

But Geico, one of the best-known national insurers, remains on the sidelines.

"We very much hope that one day we'll be doing business in Massachusetts," said Hank Nayden, general counsel.

Geico recently asked to see Progressive Insurance's rate filings as part of its research on the Massachusetts market. Fidelity National Insurance Co. of Santa Barbara, Calif., also requested a copy, according to department e-mails.

Some industry officials said more auto insurers may decide to sell in Massachusetts after next April. By then, a rollout of a new pool for high-risk drivers will be completed, and it will become clear how that will affect profits.

"My guess is you're not going to see people expressing strong interest until the end of the first full year, when the assigned risk plan takes effect," said Peter Robertson, Massachusetts legal counsel to the Property Casualty Insurers Association.

"They're going to be cautious because we have such a long history of tight regulation."

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