

Why is the State Of Massachusetts reforming the auto insurance system?

There are many in Massachusetts State Government that feel auto insurance rates are too high due to the fact that the State sets the rates annually. The States' philosophy is that rates will drop if insurance companies are allowed to charge their own rates.

Under the current system of State set rates how much have auto insurance rates increased in the last five or ten years?

Rates have actually decreased significantly. In fact, from 1997 – 2007 auto insurance rates have dropped 34%.

I have heard there is going to be a high-risk pool set up for auto insurance like there is for homeowners. How will it work?

There has always been a mechanism with auto insurance to deal with high-risk policyholders. Before the auto insurance reform of 2008 it was called CAR (Commonwealth Automobile Reinsures). Under the CAR system, rates for those placed in CAR were the same as those not placed in CAR other than additional premiums added for driving points.

Under the new reform it will be called MAIP (Massachusetts Automobile Insurance Plan). The MAIP will be transitioned in and CAR will be transitioned out over a two-year period. The rates for those placed in the MAIP will be significantly higher than standard rates. In the first year of the plan beginning April 1, 2008, insurance companies will consider the following groups when deciding to place policies in the MAIP:

1. Newly licensed drivers applying for their own policy.
2. Individual(s) applying for auto insurance who have not had insurance in Massachusetts for twelve months prior to application.
3. Current policyholders with drivers on their policy with 10 or more driving points.

In the second year of the plan beginning April 1, 2009, all Massachusetts policyholders that meet the criteria above will be subject to placement in the MAIP.

Very few of our clients will be affected in the first year. We will notify any of our clients that will have to be placed in the MAIP prior to their renewal or at the time of application for new insurance.

Upon being placed in the MAIP, an insurance company will be arbitrarily assigned to the policyholder. We will continue to service the policy however we may not directly represent the company chosen.

Will I save more money on my auto insurance if I have my Homeowners policy with you too?

Yes! Both of our auto insurance companies, Quincy Mutual and Commerce Insurance are offering credits if they or the Mass Fair Plan (MPIUA) write your property insurance (homeowner, renters or condo).

Commerce will automatically apply a 5% credit to your auto policy.

Quincy Mutual will automatically apply a 4% credit to your auto policy.

They will also offer a credit on your homeowners policy if they write your auto policy so it could be very advantageous to package your policies with the same company. If we do not currently write your homeowners, renters or condo policy, now would be a good time to have us review these policies.

You mentioned I might receive loyalty credits for being with the same company for a long time. Have these been approved?

Yes! Both Commerce Insurance and Quincy Mutual have been approved to offer these loyalty credits.

Commerce will automatically apply a loyalty credit to your policy based upon how long you have been insured with them without interruption:

3-4 Years: 2% 5-6 Years: 3% 7 Years or more: 4%

Quincy Mutual's loyalty credit is combined with their account credit. They will automatically apply a 4% credit to your policy under the following conditions:

- If they or the Mass Fair Plan (MPIUA) have written your homeowner, renter or condo policy for more than 1 year.
- If they have insured your auto for more than one year.
- The account and loyalty credits cannot be combined and the driver must be licensed for 10 years or more. The maximum credit Quincy will apply is 4%.

Are there any new coverages available due to this reform?

Yes there are. Commerce Insurance is offering a "package" endorsement to their policyholders who are AAA members at no charge. The endorsement provides a host of coverages such as \$200 for cell phone replacement, \$250 for personal belongings, \$500 for pet injuries and replacement cost coverage. This endorsement is not available for non-AAA member policyholders but we have been told it should become available in the future for an additional premium. I have posted a copy of this endorsement under the auto reform page on our website. If you would like us to mail you a copy please let us know.

Quincy Mutual is offering a replacement cost endorsement to all its policyholders for an additional premium. This endorsement is also posted on our website.

My policy already renewed. Can I take advantage of the new April rates now?

You can re-write your policy midterm however I do not recommend this as it could end up costing you a lot of time and you may only see minimal savings if any. The law still holds that if you change insurance companies mid-term the expiring company will impose a 10% “short-rate” penalty. The penalty does not apply if you re-write within 30 days after your effective date.

When will you be able to rate auto policies with the new April rates?

Our rating vendor has told us that our rating systems will be in place by March 15th.

Is the city or town where I live still a factor in determining the rate on my auto policy?

Yes. The “territory” where you live is still a factor in determining your rate, however, the territories were not reviewed or changed this year.

Will insurance companies now take my credit into account when determining my auto rate?

The commissioner of insurance has stated that insurance companies are not allowed to use your credit score to determine your auto insurance rate. Many of you are aware that insurance companies **do** use credit score in determining eligibility and rate for your property policy. This may become a factor for auto insurance in the future.

I went to the autoratecompare.doi.state.ma.us website. Are these correct rates?

I have reviewed this website and find it very general. The information the site requests to give you rates for multiple companies is very minimal. There are many other factors that are required to give a firm price. The rates given do not give a clear indication whatsoever.

What is the difference between an independent insurance agent and a direct insurance writer?

A direct insurance writer is a company that does not use insurance agents to place and service its business. Direct writers have in-house service to settle claims and make changes to policies.

Independent insurance agents like us represent multiple insurance companies and work on your behalf to place your policies and service your needs. We feel we offer significant services to our clients especially in the area of claims because we don’t work for insurance companies. We work for you. Although we don’t work for our companies we are partners with them and value the relationships we have with each other. It is this unique relationship that helps us settle your claims more smoothly especially when there is a problem. Once a direct writer denies a claim there really is no other recourse. If it happens with an independent agent company you have us to work for you and fight on your behalf.