

TELEGRAM & GAZETTE

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Consumers, state will benefit from auto insurance reforms

By Frederick H. Eppinger

Beginning in April of next year, Massachusetts drivers will be able to do what drivers in every other state have done for years — buy auto insurance from companies that are aggressively competing for their business and reap the benefits of lower prices, better products and more attentive service.

Insurance Commissioner Nonnie S. Burnes finally has set the stage to introduce managed competition in the state's auto insurance market, providing the commonwealth's drivers with the benefits of a competitive market. The state's auto insurance market has been broken and desperately in need of repair for a very long time. The symptoms have been painfully obvious, with the state having fewer companies writing personal auto insurance than any other state in the country. We are now poised for important changes. After years of debate and numerous studies that have pointed to the need for such changes, Ms. Burnes' decision to introduce managed competition in the Massachusetts auto insurance market is a carefully conceived and thoughtful response to the issue. Managed competition will introduce market forces in a gradual, closely-monitored and carefully regulated manner and will provide opportunities for significant savings for good drivers, no matter where they live or what their age.

Ultimately, the commissioner's decision will create a much healthier, more vibrant and stable market, attracting more companies and capital, and benefiting Massachusetts' drivers. In this new environment, insurers will bring product and service innovations to the market, competing for business as they do in every other state.

Across the country, companies are using sophisticated underwriting tools to price their products more accurately and efficiently and, consequently, more fairly and less expensively. We can now share in some of these benefits.

In addition to paying lower and more competitive rates, the commonwealth's drivers will benefit in many other ways. The current regulatory system makes product innovation nearly impossible: Companies are simply required to follow strict rules and apply state-set rates. In the upcoming competitive environment, insurers will seek to differentiate themselves through innovative policy features, such as concierge claim service or accident forgiveness, features that provide loan and lease payment options and new car replacement plans that eliminate the depreciation risk when a policyholder's car is totaled or stolen, as well as various discounts, such as hybrid car, multi-policy and anti-theft discounts.

Massachusetts drivers deserve to reap the benefits of competitive, accurate pricing, product innovation and enhanced service, as drivers in other states do.

As a local and leading property and casualty insurance company that does business exclusively through independent agents, and as one of the largest employers in the state with approximately 2,000 people here, we support the commissioner's decision. Competition and market pressure are good for the state's drivers and will ensure the health of the industry going forward. These challenges foster discipline and stimulate innovation, making good companies and good agents stronger, and benefiting consumers. While we recognize that change will create challenges, and that all of the potential benefits will not materialize overnight, the move to managed competition will over time serve the best interests of the commonwealth and its drivers.

At long last, repairs to our auto insurance marketplace are under way.

We are confident the commissioner will closely monitor and manage a gradual transition, protecting the interests of consumers, and ultimately, stabilizing and strengthening the financial underpinnings of the Massachusetts market.

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