Industry News:
Travelers Shifts Advertising Focus to Direct Sales ...

According to an article on the Dow Jones Newswire, Travelers Companies has announced plans to change its advertising message to focus on the direct sale of personal insurance products to consumers online.

Travelers’ new advertising is focused on increasing consumer awareness of the company, but according to Travelers CEO Jay Fishman, the new company ads will be “more of an ‘operators are standing by’ type of advertising.”

The advertising change comes as Travelers, which has traditionally sold insurance through independent insurance agents, expands its sales of home and auto insurance to the company website.

According to the Dow Jones article, Travelers is studying information about those consumers who have purchased policies on the website to refine its underwriting for the new direct response market. Travelers admits it must learn more about pricing its products online to earn a profit while at the same time attracting customers.

The company hasn’t shared much information about the direct response project, although first quarter results indicate an underwriting loss.

The Dow Jones article noted that Allstate Corp., another home and auto insurer that has historically sold coverage only through agents, has shifted its advertising toward directing consumers over to its website. From there, they can find a local agent who can help them arrange coverage or get a quote on a policy.

Personal Auto News:
Citing Millions in Increased Costs for Drivers, AG Calls for Suspension of Anti-Consumer Auto Insurance Rule — MAIP Customers are Receiving Notices that their Policies will not be Renewed, Resulting in Higher Upfront Fees and Confusion ...

BOSTON – Citing potentially millions of dollars in unnecessary and excessive upfront costs for consumers, Attorney General Martha Coakley today asked the Massachusetts Insurance Commissioner to suspend a newly effective rule that results in increased down payments and paperwork for consumers.

In the letter sent last Friday, Coakley asked Commissioner Joseph Murphy to suspend Rule 29D governing the state’s residual market system, known as the Massachusetts Auto Insurance Plan (MAIP). In the letter, Coakley said that the newly effective rule exposes MAIP customers to price shock through excessive down payment requirements. Last year, more than 100,000 vehicles were insured through the MAIP, which charges Massachusetts consumers approximately $150 million in auto insurance premiums annually.

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At Attorney General Coakley’s urging, the insurance industry board that manages the MAIP, known as CAR, convened a working group to study these concerns regarding Rule 29D. However, CAR would not suspend the new rule while performing this review. Because the rule took effect in April, and a number of consumers are now receiving non-renewal notices, Attorney General Coakley today requested that the Commissioner intervene to suspend the rule until a better system is designed. The Attorney General’s Office, the insurance industry, the Massachusetts Urban Agent Association and the Division of Insurance are actively participating in the working group.

“This newly effective rule unfairly stacks the deck against consumers who are forced into the MAIP,” said Attorney General Coakley. “Under Rule 29D, even those MAIP customers with perfect payment histories and driving records can be ‘non-renewed’ by their insurance companies, and then forced to pay significantly higher premium deposits in order to get another MAIP policy. In addition, the ‘non-renewal’ notices being sent to consumers lack specificity and are likely to result in an increased number of uninsured motorists on Massachusetts roadways. We want to address this problem now, before it gets any bigger.”

Under Rule 29D, insurance companies have the option of “non-renewing” drivers assigned to them through the MAIP every three years—even when a driver has a perfect driving record. Those drivers are sent a “legal notice of non-renewal.” If those drivers re-apply to the MAIP, they will be assigned to a new insurance carrier. Under Rule 29D, they must pay significantly higher premium deposits than they were previously required to pay (even if they had perfect payment histories on their prior MAIP policies).

As part of the CAR working group, and at a hearing before the CAR board which designs the MAIP rules, Attorney General Coakley’s Office raised a variety of concerns including:

- **The CAR rule will result in price shock by increasing the required premium deposits.** Because returning MAIP consumers will be treated as if they are “new” MAIP customers under Rule 29D, they will be required to pay significantly higher deposits. These higher premium deposits will be 25% of the MAIP price, rather than 20% of the carrier’s voluntary price. Sometimes this differential can be hundreds of dollars.

- **The CAR rule increases consumer confusion.** Many consumers will find the “non-renewal” notices stressful and confusing. Many of the “non-renewal” notices cite confusing reasons for the non-renewal such as “MAIP Assignment Expired.” Some consumers may understand such language to mean that they cannot re-apply to the MAIP and as a result, their auto insurance coverage may end up lapsing. In addition, some insurers have reportedly withheld copies of the non-renewal notice from consumers’ agents. In such cases, consumers may not get the benefit of their agent’s assistance in securing a new insurance policy.

- **The CAR rule may increase the number of uninsured drivers.** Some consumers will not fully complete their paperwork in a timely manner and will end up losing their insurance coverage. This not only harms the consumer, but also puts other Massachusetts drivers at risk by increasing the number of uninsured motorists on the road. A better system can be devised so that fewer people fall through the cracks and end up uninsured.

- **The premium deposits required under Rule 29D may result in violations of Massachusetts law.** Massachusetts law prohibits insurance companies from charging consumers premium deposits that exceed 30% of the annual premium. Since Rule 29D currently requires that returning MAIP customers be charged 25% of the MAIP rate, in some cases this amount will exceed 30% of the carrier’s voluntary rate. Per M.G.L. c. 175, § 113H, known as the Lane Bolling Amendment, an insurance company operating in the MAIP must charge MAIP customers its voluntary rate whenever its voluntary rate is lower than the MAIP rate.

This matter is being handled by Attorney General Coakley’s Insurance and Financial Services Division.

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MAIA Comment: It is MAIA’s opinion that the fair and equitable way to handle down payments on MAIP business is to base the down payment on the actual premium (the premium of the assigned company) rather than the MAIP premium, which is higher. The 1970’s era Lane Bolling law requires that consumers placed in the residual market, pay a premium no higher than the premium they would pay if written voluntary. CAR’s performance in introducing and operating the MAIP since its inception has been extraordinary. However, CAR’s MAIP Steering Committee and Governing Committee need to take the steps necessary to provide consumers with their accurate premiums upon assignment, rather than the MAIP premium. MAIA is prepared to work with CAR to implement this system.

MORE Personal Auto News:
Here’s What’s Bugging You and Me This Week ...

We’ve received several calls this week about the "new" companies writing policies for people who have been cancelled for non-payment during the previous 12 months and owe premium to their prior carrier without collecting the earned but unpaid premium. The most obnoxious example of this practice was the writing of a policy for a husband and wife team who, collectively, owed over $2,000 to their prior carrier.

Can these new companies do this??? In a word ... yes. How come??? In a nutshell, they can do it because they are NOT Assigned Risk Carriers (ARCs) ... yet. The MA statute that addresses this issue is the one that sets up the assigned risk plan (MAIP). It says, in part:

“Insurance companies undertaking to issue motor vehicle liability policies or bonds, both as defined in section thirty four A of chapter ninety, shall cooperate in the preparation and submission of a plan which shall provide motor vehicle insurance to applicants who have been unable to obtain insurance through the method by which insurance is voluntarily made available; except that the plan shall provide that no insurance company shall be required to issue such policy or execute such bond if:

(1) The applicant or any person who usually drives the motor vehicle has failed to pay an insurance company any motor vehicle insurance premiums due or contracted during the preceding twelve months; or

(2) Any person who usually drives the motor vehicle does not hold or is not eligible to obtain an operator's license.”

Note that the statute says “no insurance company shall be required to issue,” and not that an insurance company must refuse to issue a policy. BUT, MAIP Rule 31.B.3.e. says: “The ARP must verify that the Eligible Risk has not been and is not now in default in the payment of any Motor Vehicle Insurance premiums in the past 24 months.” MAIP Rule 27. A. 3. Applicants Not Eligible for the MAIP 1. a. provides that “no Assigned Risk Company (ARC) is required to offer or continue insurance to any applicant or insured in any of the following circumstances: ... (2) If the applicant or any person who usually drives the motor vehicle has failed to pay an insurance company any motor vehicle insurance premiums due or contracted during the preceding 12 months.”

In the voluntary market, most companies have opted to follow the same process ... check to see if there’s any earned but unpaid ... and then refuse to issue a policy until the client has “cleaned up” the cancellation issue. Many of you “collect” the premium and forward it to the prior company, but there is nothing that requires you to collect the premium. You have the option to just refuse to issue a policy until the applicant returns with a paid receipt.

MAIP has included another provision (Rule 28.C.1.a.) which requires the applicant to pay a deposit of “80% of the MAIP premium” or “100% of the ARC’s voluntary premium” if the applicant has been cancelled for non-pay during the preceding 24 months. Most companies have retained a

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manual rule requiring 100% down for a default during the preceding 24 months — good insurance community citizens who understand that there is absolutely no reason to believe that the applicant is going to be any more inclined to pay your insurance bill than he was to pay your predecessor’s.

And that’s how we’ve done business all these years until the switch to managed competition and the entrance of a new breed of competitors that are aware of the statute but have consciously opted not to participate in collecting earned premium or refusing to write a policy until the earned premium is paid. They almost flaunt the fact that the statute and the MAIP rule don’t apply to them and provide an option for installment payments for all applicants. Let’s hope that they will soon learn that they’re no that special and it’s just as easy to skip out on the new breed as it was the old.

DOI Update:
DOI Issues Bulletin on Filing Auto and Homeowners Group Marketing Plans ...

The Division of Insurance has issued Bulletin 2001-09: Filing Requirements and Procedures for Private Passenger Motor Vehicle and Homeowners Insurance Group Marketing Plans Pursuant to M.G.L. c. 175, s. 193R. The bulletin informs insurers and insurance company groups as well as insurance producers who sell or service private passenger motor vehicle or homeowners insurance policies about the filing requirements and procedures related to group marketing plans and provides guidance to prevent abuses while preserving the potential benefits of group marketing for consumers.

One thing that caught our eye in the bulletin is that persons assigned to a company by the MAIP and who are eligible for a group discount offered by the MAIP-assigned company will be charged a premium which is the less of the premium calculated using the rates in effect for the residual market and the premium calculated based on the insurance company’s filed rates including any downward deviation for the group.

We’ve posted the complete text of the bulletin on our website. Click here to read/print the bulletin.

Beacon Hill News:
Police Warn Lawmakers of Training Crisis ...

Testifying before the Public Safety Committee, representatives of the Massachusetts Chiefs of Police Association told lawmakers that the training system across the state is nearing crisis stage, with specialty training halted and insufficient opportunities available to 17,000 municipal officers.

Legislation (S-1258) pushed by the Chiefs association would produce training funds with a surcharge on auto insurance policies that the officials said would add between $2 and $2.50 per year to policies.

Governor Patrick included the auto insurance surcharge in his budget proposal for fiscal 2012, calling it a “modest assessment” similar to the property insurance surcharge used to fund firefighter training.

Neither the House nor the Senate adopted the governor’s proposal in their budget proposals. While the House offered no alternative funding mechanism, the Senate proposed tacking a $5 fee onto all moving violation traffic tickets. As a tradeoff for taxpayers, the Senate has also proposed making the $25 fee for challenging a traffic violation refundable if the ticket gets dismissed.

The Chiefs association estimates the auto insurance surcharge would generate about $8 million, funds that would be split between municipal police and the State Police.
MAIA News:

QCC Offering Insurance Certificate Program ...

MAIA is pleased to announce that Quinsigamond Community College (QCC) in Worcester is now offering an Insurance Certificate Program at its West Boylston Street Campus. The Insurance Certificate Program will prepare students for a broad range of career opportunities in the property and casualty insurance industry. The two semester course is taught by insurance industry professionals and covers personal, commercial, property and liability insurance as well as risk management and customer service. Students completing the program will earn two industry-recognized designations: AINS (Associate in General Insurance) and AIS (Associate in Insurance Services).

According to MAIA Education Chairman, G. Lee Gaudette, III, CPCU, “A key strategic goal of MAIA has been attracting new people to work in the insurance industry, which provides a wide variety of stable high-paying jobs. The QCC Insurance Certificate is designed to prepare people for entry level jobs. The curriculum combines both technical insurance training with critical soft skills such as business writing. MAIA is proud to partner with QCC in this effort along with two other local industry groups, the Worcester County Insurance Institute and the Central Mass CPCU Society. I would definitely rank an applicant who earned the QCC Insurance Certificate over one without any insurance training when selecting a new employee. This is an exciting development for our industry.”

We’ve posted an informational flyer on the MAIA website or you may visit the QCC website for complete course details.

More MAIA News:

Come Play With Us!
The 11th Annual Philip J. Farrell Memorial Golf Tournament will tee of at 10 AM on Monday, June 27, 2011, at the beautiful Crumpin Fox Club in Bernardston.

After a snowbound winter and a water-logged spring, a day on the links is just what the doctor ordered! Come on out and enjoy a day of golf and camaraderie with agents, companies, industry organization leaders and vendors. Click here for a registration form. Single players and foursomes are welcome.