
Some Massachusetts drivers are facing higher insurance premiums, as companies adjust their rates after a year in the new state system. **B7.**

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A year after revamp, auto insurance rates in flux Burnes: Companies responding positively to competitive model

By Jeffrey Krasner, Globe Staff

Some Massachusetts motorists are seeing their auto insurance premiums increase, as companies adjust their rates after a year of experience under the state's new competitive system.

At the same time, however, other companies are charging less, an indication that the new system is providing more choices to consumers and increased flexibility for insurers.

"Companies have responded positively to managed competition by competing for customers with lower rates for good drivers, discounts, and other benefits," said insurance commissioner Nonnie S. Burnes. "Insurers no longer charge one price to all customers."

Progressive Insurance of Ohio, which began selling policies in Massachusetts last year, said it would raise its rates by an average of 4.85 percent this year. The company said it aims for a 4 percent profit margin on premiums, but found it was losing money on its Massachusetts business. In addition, it said, insurance prices nationally are starting to rise.

"We look at two different trends: the frequency of accidents and their severity," said Cathy Wilton-Bransch, product manager for Progressive in Massachusetts. "We're seeing that combination leveling out and, in some places, starting to rise."

According to the US Department of Labor, the consumer price index for auto insurance rose 4 percent in the 12 months ending in January. That was caused in part by a 4.1 increase in auto body shop prices over the same period.

"We're seeing rates go up nationwide, and that's going to happen in Massachusetts, too," said Frank Mancini, president and chief executive of the Massachusetts Association of Insurance Agents.

But that doesn't mean that price increases are automatic. For instance, Arbella Mutual Insurance Co. of Quincy is dropping rates by an average of 2 percent.

"We are constantly evaluating the market and the competition," said Doug Bailey, a spokesman for Arbella, which is the state's third-largest auto insurer with about 10 percent of the market. "Combining that data with our popular discount program allows us to lower average rates at this time."

Hanover Insurance Group of Worcester said it is keeping rates at about the same level this year. When the competitive system went into effect in April 2008, the company dropped its rates 9.6 percent.

Under the state's old system of regulated prices set by the government, rates for all insurance carriers were issued every Jan. 1. In recent years, they took effect April 1. Because the managed competition system went into effect April 1, 2008, many companies are adjusting their rates this month.

Going forward, companies will be able to set rates any time during the year, pending approval by the Division of Insurance.

Other companies that have recently changed their auto insurance rates, according to published reports, include Commerce Insurance Co. of Webster, which is lowering its average rate 4.5 percent; Liberty Mutual of Boston, which is raising its average rate 4 percent; and Quincy Mutual Fire Insurance Co., which is raising rates an average of 3 percent.

"After four successive years of declining rates, including last year's 10.7 percent decrease, loss trends, expenses, and inflation dictated a need to increase rates," said John Natale, a spokesman for Liberty Mutual, which is based in Boston.

Wilton-Bransch of Progressive said drivers who see their rates go up will have the greatest incentive to shop for a new insurer.

"The customer who gets a rate decrease is probably very happy and is unlikely to look for another carrier," she said.

Separately, Progressive said it has begun offering insurance policies for motorcycles and recreational vehicles.