

**Insurance Times:** Mass. Auto Insurers Lower Safe Driver Discounts  
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BOSTON - Massachusetts auto insurance companies propose either slashing or eliminating their safe driver discounts in the wake of a state-mandated 8.3 percent insurance rate drop for 2001.

The reduction or loss of Step 9 Safe Driver Insurance Plan discounts - which rewards the state's safest drivers with lower rates - is something insurance industry advocates predicted would happen if basic rates were reduced too much. Only Amica Mutual remains in the double-digit discount range. The Rhode Island-based company filed a 12 percent Step 9 discount in Massachusetts for 2001, versus 15 percent last year.

Daniel Johnston, president of the Automobile Insurers Bureau, said he wasn't surprised at the news.

"It indicates that the rate decision ... (Commissioner Linda Ruthardt) came out with was in the extreme, and the only recourse the companies had was to eliminate the discount they had (given) to good drivers," he said.

Christopher Goetcheus, the Division of Insurance spokesman, said the loss of greater rate reductions is unfortunate and not appropriate.

"The Commissioner, in setting rates, sets them for all policyholders," he said.

"It's a shame that the industry feels it necessary to recoup what (it) didn't receive in the rate decision through the safest drivers and their books of business."

Standard Step 9 discounts ranged from 6 to 15 percent last year but most new proposed discounts are limited to between 1 and 5 percent.

Ronald Rainer, senior assistant vice president for Amica Mutual, said the company is able to maintain a double-digit Step 9 discount because it's not a publicly held company.

"We don't have to worry about making big profits in Massachusetts to appease stockholders," he said. "What we do instead is try to pass whatever discounts we are able to come up with directly to our policyholders in order to reduce their premiums."

Amica's status as a direct writer also helps, Rainer said, because the company doesn't have to pay agent commissions" and can keep the Step 9 discount higher as a result.

According to the DOI, as of press deadline, seven companies hadn't filed for any step deviation at all: Clarendon National, CGU, Commonwealth Mutual, Fitchburg Mutual, Horace Mann/Teachers, Metropolitan and State Farm Mutual. Jan. 16 was the deadline to file but the DOI was trying to confirm that company's filings weren't in the pipeline after that.

For 2000, State Farm was the only company that didn't make a step deviation filing.

It will be up to Ruthardt to approve the rate deviation filings and hearings will be scheduled over the next several weeks.

Among the highlights of the 2001 step deviation filings:

Commerce Insurance, the state's largest auto insurer, filed a 2 percent rate deviation compared to last year's 6 percent discount. (The company, however, filed a 6 percent group discount for state AAA members who sign with Commerce.) Liberty Mutual and Plymouth Rock are both seeking a 2 percent Step 9 deviation compared to 6 percent last year; Quincy Mutual wants to drop its Step 9 deviation from 7 percent to 2 percent.

USAA - a company with a small amount of Massachusetts business - filed one of

the largest reductions, dropping from last year's 15 percent discount to a 2 percent Step 9 deviation for 2001.

Commerce was the first to submit its deviations in early January - less than a month after Commissioner Ruthardt set auto rates 8.3 percent lower than last year.

#### Rate Appeal

The AIB took an unusual step in December toward fighting the rate reduction, by filing a motion to reconsider the 2001 rate decision directly with the Division of Insurance. The AIB claimed the decrease was "not warranted or realistic" because the claims environment began worsening last year.

Ruthardt denied the motion.

"We have considered each ground set forth by the AIB and we conclude that there is no basis to reconsider our decision or to reopen the record to admit new evidence," the decision reads.

Goetcheus, of the DOI, said his office has told Step 9 and 10 drivers in previous years to use the safe driver discount to shop around for the best deal. But with the reduction or elimination of that discount, Goetcheus said, a competitive element to attract consumers is gone.

"Thus far it appears there is no great disparity in what any of the insurers are offering," he said. "For an industry that is often urged to return to full competition, they've in essence closed down one avenue of competition that does exist within the marketplace."

Ruthardt, in her decision, argued that statistical evidence supported the rate cut she approved.

The AIB has until Jan. 22 to file a formal appeal with the Supreme Judicial Court.

Johnston would not comment as to the AIB's plans on the matter, other than saying "we have announced no plans to appeal at this point."