

NOTE: The information in this brochure was obtained from published newspaper and magazine reports, and from a letter released to the media on August 28, 2007 by the MA Commissioner of Insurance.

Consult us for up-to-the-minute information on the new auto insurance regulations and how they may affect drivers in your family.



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NEW DIRECTION FOR MASS DRIVERS!



*Guide to basic changes in
Massachusetts Auto Insurance*



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*This brochure is a consumer information service
from your local independent insurance agent.*



Q. Is auto insurance still compulsory in Massachusetts?

Oh, yes. No change in that. And no change in the No-Fault System.

Q. What vehicles are affected?

Private passenger vehicles.

Q. Haven't auto insurance rates declined recently?

Yes, rates for Massachusetts drivers have declined in recent years under the old state-regulated rates system. But so have rates in most other states during the same period. Two reasons often cited: decreased driving mileage due to rising gas prices and lower claim costs. In Massachusetts, another factor is a successful crackdown on auto insurance fraud.

Q. Why the change?

The Commissioner of Insurance believes that Massachusetts drivers will generally benefit from a managed competition system through lower rates and more product feature and benefit options than drivers currently have.

Q. Are we still one of the most expensive states?

Yes. The latest data available (2005) indicates we rank fourth highest based on

average expenditures for auto insurance. Our average as reported by the National Association of Insurance Commissioners is \$1,113. New Jersey remains the highest at \$1,184; next comes D.C., \$1,182; New York, \$1,122. Florida is fifth at \$1,063.

Q. What is "managed competition"?

While insurance companies may set their own rates and offer special product benefits and features, the Commissioner of Insurance maintains approval authority. She will exercise tight control over how rates are set; whether they are too high, too low; whether they are arbitrary, discriminatory, unfair, violate public policy...and so on.

Q. What are the key factors for competitive rate-setting?

For one thing, insurance companies will use their own underwriting experience and operations expenses as factors. From the state's standpoint, the key factors for rate setting are: driving record and years of driving experience.

Q. Can credit reports be used?

During the one-year transition period, insurers may not use information from credit reports or credit scoring for rating policies effective from April 1, 2008 through March 31, 2009.

Q&A continued inside...





Q. Can socio-economic factors be used?

The regulation bans the use in rating, of sex, marital status, race, creed, national origin, religion, occupation, income, education, homeownership, and age (with one exception, drivers age 65 and over will continue to receive a discount) as against public policy.

The regulation bans the use in underwriting, of age, except for the age 65 or older drivers, sex, race, occupation, marital status or principal place of garaging; nor should they use education or home ownership in underwriting

Q. Are subsidies for urban drivers maintained?

Yes. The new regulation preserves the 2007 rate subsidies for those territories where they are now applied - for Boston area drivers and others.

Q. How about drivers with poor records?

About 4% of drivers have unfavorable driving experience. Common causes: multiple accidents or driving violations, or a combination. The insurance commissioner will set a rate assuring these drivers have insurance options available. The local agent can work through the process with them.

Q. What are the expectations?

Citing the "good financial health" of insurance companies and the fact that information from the industry reveals

continued declining claim costs, the insurance commissioner expects that drivers with good driving records should benefit from managed competition, regardless of where they live.

Q. Specifically, what are the expected benefits?

The commissioner expects drivers with good records should enjoy lower premiums and have the opportunity to choose from diverse offerings of premiums, products and services from the industry.

Q. Will more insurers enter the MASS auto market?

The jury is out on that question. Most industry observers think there will be a modest number of companies who will enter the market in 2008 and compete. But they predict most outside companies will adopt a "wait-and-see" attitude.

Q. How are customers of independent agents affected?

Customers of independent agents already enjoy the advantage of choices because independent agents represent several companies, not just one. Under the old system, we have shopped for the best value for you. Under the new system, we expect our companies will be strong price/value competitors.

Q. Won't more choices cause more confusion?

The professionalism and know-how of your local independent insurance agent is even more valuable today. Insurance choices can be confusing. What coverages do you need? How much coverage? What discounts do you qualify for? What's the right deductible? What insurer offers the best overall value for you?

It's our job to help you sort it all out so you can make informed decisions. We'll also offer to review your insurance regularly to make sure it keeps pace with changing needs.

Q. What happens when I renew my auto policy with you?

There will be a smooth transition. We are well-prepared to handle specific concerns and questions and assist with coverage choices. For the vast majority of our policyholders, the change to the new system will seem seamless!

NOTE: This brochure contains frequently-asked questions about the basics of the new MA auto insurance regulations with a summary of answers. Many questions about specifics remain as we go to publication (10/10/07.) It is our job as your professional insurance agent to stay on top of specifics as they develop, and keep you posted. And we will!



The new way for MASS drivers is called managed competition

- Auto insurers to set own rates
- Covers private passenger vehicles
- Begins with policies effective April 1, 2008
- One-year transition period to March 31, 2009

Four guiding principles

(Source: Letter from the Commissioner Regarding Competition Regulation, August 28, 2007. Published on www.mass.gov).

- Reduction in rates for drivers with good driving records no matter where these drivers garage their vehicles
- Maintaining low number of uninsured drivers
- Stability within, and maintenance of, a small residual market
- Fairness to all drivers through the prohibition of socio-economic factors for rate setting.