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April 1, 2008

BY FACSIMILE AND FIRST CLASS MAIL

The Honorable Nonnie Burnes
Commissioner of Insurance
Division of Insurance
One South Station
Boston, MA 02110

Re: Division of Insurance Auto Insurance Website

Dear Commissioner:

I am writing to express our concerns about the Division of Insurance website that purports to enable consumers to compare auto insurance rates by company. As currently configured, the website does more harm than good for consumers and for companies seeking to compete.

On several occasions, we have stated our view to the Division of Insurance that any useful website should provide real information and accurate quotes from each company in the market. Insurance policies and rates are complicated, and with only partial facts, consumers will often be led down the wrong path. Without easily accessible and truly comparative information, based on individual drivers and their needs, consumers will not be able to make informed decisions, and competition will not work.

Although we understand that some have expressed concerns that such a website may be too costly or take too much time to develop, we believe that this sort of investment would be more beneficial for competition to succeed in Massachusetts than an expensive advertising campaign that does not provide consumers with factual information about rates. In fact, we have reviewed the data provided by the insurers and have been able to develop a methodology for a website that would allow consumers to enter relevant information and obtain accurate quotes. We are happy to discuss this methodology with you. In our view, such a website would be worth the time and resources to create.

The current Division of Insurance website does not allow for accurate price comparisons for the majority of consumers. In fact, the website can be both misleading for many drivers and harmful to competition. Some of the reasons for this unfortunate result include:



The reported “sample premiums” are misleading. Currently, the website is offering “sample premiums” based on only a limited number of criteria—zip code, years licensed, car make and model, miles driven and driving record. Even some of these criteria are further limited on the website by allowing consumers only four options to choose from—for years licensed, drivers must choose between 1, 4, 25 or 50 years, and for car make or model, they must choose between only four 2005 vehicles. As you know, variations of these factors result in much different rates. A driver with 3 years experience will be rated much differently than a driver with 6 years experience, while a driver of a 1995 Ford will be rated much differently than a 2005 Lexus. The Division of Insurance website, however, quotes these drivers the same premium for each company. Moreover, various companies approach these factors differently (where some companies would make significant price changes while others much less), yet this is not apparent to the user of the website.

The omission of discounts and other criteria creates misleading results. As you know, many companies use various discount mechanisms and additional criteria in their rate structures. The website, however, does not address these discounts and criteria so that what is presented as rate comparisons not only is of little use for such a purpose, but may actually mislead many consumers who are likely to find real world comparisons very different. For example, married couples who share a policy, or a driver with more than one car, cannot get sample premiums. Consumers who want information based on coverages other than what is mandatory or ‘standard’ also cannot get comparative quotes. Moreover, although the website lists some (although not all) of the discounts and rating factors available, these are not reflected in the quoted price, and consumers are not able to determine if they qualify for them, how much they are worth, or which coverages they apply to. And, as mentioned above, some companies may offer far different rates based on these factors than what appears on the website. Thus, if consumers fall outside of the bounds of the criteria offered (which is probably most of them, if not all), the website could provide misleading information as to which company would give the best deal.

The website does not accurately rank the companies in terms of value. As you know, when consumers obtain sample premiums from your site, they view a list of ‘best to worst.’ In our experience, the best prices identified on the website are not the best prices from insurers in the real world, and present a misleading picture of the competitive landscape. We have spoken to several consumers who are currently shopping for auto insurance. They have found that the Division’s website did not provide quotes similar to those that they learned about when they called the companies or agents on the telephone (with variations of several hundred dollars). Moreover, the website’s listed order of the ‘best value’ quotes was mostly inconsistent with the order based on real quotes.

This inaccuracy is a significant problem because most consumers, if shopping at all, will most likely only call the first few carriers listed on the website results for comparison quotes. In addition to contributing to consumers paying more than they otherwise would for their insurance, the misleading “ranking” of quotes creates a significant and unfair competitive disadvantage to those companies who often fall to the bottom of the list, despite the fact they may offer better prices based on discounts. In fact, this system allows for insurers to jockey for the best position

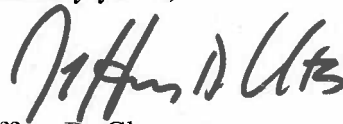
on the DOI site by filing for rates that are low for the available criteria on the website, but much higher based on criteria not used, or on a different rating tier.

The website does not disclose that quoted policies may not be available. If consumers obtain sample quotes on the website, they should be informed if they actually will be offered a policy or not. One of the companies that often rises to the top of results reported on the website is USAA, which filed for the highest rate decrease, 15%. USAA, however, is currently refusing to write policies for many potential new customers. The same is also true of State Farm. As a general matter, we believe that during the deregulation process and for a more effective residual market system, insurers should still be required to “take all comers.” Some insurers appear to believe that they are now authorized to cherry pick selected customers and refuse to provide quotes to others. If you are permitting this, the website results should disclose whether or not quotes are generally available.

We understand that you intend your website to be a ‘guide’ and encourage drivers to ‘shop around’, but, without substantial improvement, this website will not work to give consumers better prices or to improve competition in the marketplace. From the drivers we have spoken to, we understand that it is taking hours to get just a few quotes from agents or companies. Even then, many were not offered all available discounts, and some were even quoted different prices for the same carrier. Even drivers who are knowledgeable about auto insurance experienced difficulty in getting comparative quotes. Many drivers will get frustrated by the process and not get many quotes—many, especially those loyal to their agent, will not get quotes at all.

For deregulation to successfully transition to competition, information must be accessible for drivers so that they do, in fact, switch to the best companies and drive rates down. In too many instances, the current website does not provide accurate or complete information that would facilitate these choices. In fact, it may steer drivers to the companies ranked higher in the website results, despite the fact that these companies may not be the best deal for them. We recommend that as consumers begin to seek out reliable, accurate sources of information in the deregulated marketplace, the Division take urgent steps to correct the problems with the website described above.

Sincerely yours,



Jeffrey D. Clements
Chief, Public Protection & Advocacy Bureau