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LOCAL INSURANCE AGENTS, CONSUMERS TESTIFY AGAINST DECEPTIVE AUTO INSURANCE QUOTES

Boston, MA – Insurance agents, consumers, and representatives of the Massachusetts Association of Insurance Agents (MAIA) gathered at the State House today to testify in support of a bill prohibiting certain insurers from issuing deceptive auto insurance quotes. H.3682, "An Act relative to fair and accurate motor vehicle insurance quotes" would require insurers to verify an applicant's Massachusetts driving history through a reliable third party database before providing a quote or accepting a down payment for an auto insurance policy. The requirement would apply to all insurers who use an applicant's driving history as a rating or underwriting factor for private passenger auto insurance.

"Driving history is a critical factor for most insurers in determining auto insurance premiums," explained Nicholas A. Fyntrilakis, President and CEO of MAIA. "That's why the accepted, responsible industry practice is not to provide a quote until after checking the applicant's Massachusetts driving history through a third-party database. This bill is about holding everyone; agents, traditional and direct insurance providers alike, to the same common-sense standard."

Fyntrilakis testified in support of the bill before the Joint Committee on Financial Services. His testimony described the "bait-and-switch" tactics of some online direct writers, who are quoting premiums and even accepting down payments or full premiums based on those quotes relying solely on an applicant's self-reported driving history. Only later do they actually pull the customer's driving history and, in many cases, increase their rate accordingly.

"Agents throughout Massachusetts have had customers come back after trying to obtain insurance through online direct providers. When they are provided the initial quote, the customer thinks they've found a great deal and of course wants to move forward with the policy. But after the company gets them to sign up and then runs their driving history, their rates can rise significantly," stated Thom DePaulo, President of the Meridian Insurance Agency.

The bill was filed by state representative Michael Finn (D-West Springfield), who serves as Vice-Chair of the Financial Services Committee.

"This is a consumer protection issue. Consumers deserve to receive accurate, reliable quotes for auto insurance policies, so that they can comparison shop with confidence. Buying a car and finding the right auto insurance coverage are significant financial commitments, so it is even more important that consumers have the information they need to make good decisions about their coverage," stated Representative Finn.

MAIA representatives testified today that self-reported driving histories can be unreliable; applicants often, without intending to, provide incomplete or inaccurate information. They stated that this is a highly technical area and even the most well informed consumer may not be able to distinguish between a legally "minor" and "major" accident, or even tell with certainty the number of surchargeable offenses on their record.

"Online portals for soliciting auto insurance quotes are tools available to consumers who wish to compare costs and coverage, but accuracy should not be sacrificed for the sake of expediency," said Fyntrilakis.

Oral and written testimony provided to the Committee from consumers about their experience with quotes from direct providers describes a confusing process that makes it difficult for even the most sophisticated to compare costs across providers.

Keith Williams, a computer programmer from Centerville, Massachusetts testified to the Committee about his



experience as a consumer soliciting a quote from the online provider Geico. Williams was told that, based upon what Geico's representative could see in his driving history, his premium for a 12-month policy would cost \$1,600 which was a savings from his existing policy. Encouraged by the rate quote, Williams decided to move forward, whereupon Geico issued him a policy, accepted his payment in full, and cancelled his existing insurance policy. It was only then that he received an email from Geico raising his yearly rate to \$3,774.10; more than double the quoted premium and a higher rate than he had been paying previously. Williams cancelled the policy and was forced to seek different coverage.

"I felt misled," stated Williams. "I do not think any more consumers in Massachusetts should find themselves in my position: thinking that they were locked into one rate, only to find themselves responsible for one far higher."

About MAIA

The Massachusetts Association of Insurance Agents represents over 1,200 independent insurance agencies across the Commonwealth. These small and medium sized local businesses employ approximately 10,000 workers and contribute approximately \$1 billion annually to the Massachusetts economy. Independent insurance agencies in Massachusetts offer predominantly property and casualty insurance to consumers and businesses with some offering life and health products as well. MAIA agencies are consumer advocates that focus on meeting their customers' unique needs with the appropriate products at the best value. MAIA is committed to strengthening and elevating the independent insurance agency system through unwavering advocacy and promotion, quality education, key insights and advice, market access and essential products.

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