

Business

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Not quite so competitive



Flo, the funny Progressive Insurance cashier on TV, has some bad news for Massachusetts customers: The price of their auto coverage is about to go up.

Progressive came to the newly competitive Massachusetts auto insurance market two years ago as a maverick, the outsider offering remarkably lower rates. Talk about culture shock!

That was just what the market needed to shake up the small group of entrenched carriers that insured more than half of the state's drivers and had little incentive to embrace aggressive price competition. But the Progressive story has turned out to be a good illustration of the state's mixed experience with managed competition.

Progressive's latest rate increase plan is hardly its first in Massachusetts. The company that made such a splash with lower prices has already increased rates three times since entering the state in 2008.

The latest was expected to boost rates 6.63 percent, on average, beginning today. But company officials told me they were revising plans and postponed the increase. They will substitute some smaller increase in the next few weeks, but didn't offer a figure. In all cases of average rate increases, the actual change for individual drivers varies.

So what's the accumulated impact of four price increases in two years? It's impossible to say without knowing the details of the latest change. But the 6.63 percent bump originally planned for this month would have increased Progressive's average rates by about 16 percent over two years. Progressive looks less like a maverick and a lot more like most other big insurers vying for your business.

"We're still very competitive," says Andrew Quigg, the executive in charge of Progressive's Massachusetts business. "Thousands of consumers still shop around and find us to have the lowest cost for auto insurance."

Consumers may be free to shop around, but the auto insurance overhaul has had mixed results.

I doubt many would find Progressive to be the kind of price leader it was a couple of years ago. But existing and prospective customers still have a hard time comparing rates. That's part of a larger problem that extends beyond Progressive, to the entire managed competition system.

What do people think about that system? The state attorney general wrote a critical report late last year, claiming it

hasn't helped consumers. The state's insurance division says competition saved \$270 million in its first year. "I think it's been wildly successful," Insurance Commissioner Joe Murphy told me yesterday.

Jim Harrington of the Massachusetts Insurance Federation, a group of insurers that favors competition, says new carriers coming to the state are a sign of progress. He thinks consumers will become better shoppers with time.

In truth, competition probably deserves a C-plus grade so far. Consumers are free to look for lower prices and more insurers, including Geico, really are here. Competition has potential to improve.

But truly competitive markets have to be transparent, and customers must be able to make changes easily. It's still hard to shop your auto policy among many different carriers. Switching insurance coverage takes work, and drivers tend not to change very often. Agents, who represent the majority of Massachusetts drivers, pose another complication because they do business with a limited number of carriers.

Easy access to better information is the single best way to improve auto insurance competition. So far, it's not as great as it first looked. Tell that to Flo.

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