

## Consumer Affairs Agencies

*Division of Banks*

*Division of Insurance*

*Division of Professional Licensure*

*Department of  
Telecommunications and Cable*

*Division of Standards*

*State Racing Commission*

Massachusetts Office of Consumer Affairs & Business Regulation

# CONSUMER ADVISORY

## An Important Message for Consumers from the Division of Insurance Regarding Managed Competition

Many consumers are eager to take advantage of the lower premiums, improved service and new products that the state's new managed competition system will bring to them starting on April 1, 2008. You should know that you can take part in managed competition and realize these new benefits even if your current policy does not expire for many months. Before making a change, however, first talk to your insurance agent or insurance company to ensure switching policies is in your best interest.

All consumers are allowed to cancel or change companies any time during the term of their policies, or when their policy terms expire. If you change companies during a policy period, your current insurer may charge you a fee for early cancellation known as a "short rate value." Under managed competition, some companies are waiving or crediting the short rate value to entice consumers to do business with them. It is important that you talk to your agent or company to see if the company intends to charge you a short rate value for early cancellation. You should also check to determine your overall savings from cancelling your policy early to take advantage of a new managed competition rate.

A short rate value can not be charged for canceling your automobile policy in the first 30 days of the policy. Massachusetts state law also prohibits the short rate value from being applied to early cancellations in the following instances:

1. The policyholder has disposed of the automobile, and the policyholder takes out a new policy with the same company on another automobile effective within thirty days of the date of cancellation;
2. The policyholder's automobile is repossessed under terms of a financing agreement;
3. An automobile is cancelled from a policy, the policy remaining in force on other automobiles, or if there remains in force in the name of the insured or his spouse, if a resident of the same household, and in the same company, a concurrent automobile policy covering another automobile;

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5. The policyholder deletes or reduces any coverage and the policy remains in effect for other coverage.

Changing automobile insurers is not a complicated process. You should contact your current insurance agent or company in order to understand all of the effects of changing insurers. If you choose to change your insurer, your new insurance company will send a notice to your old insurer informing it of the effective cancellation date. You will then receive a refund of any unearned premium that you have paid, less any applicable short rate value.

***For further helpful information on the new managed competition system, consumers should visit the Division of Insurance Auto Rate Comparison Web Site at [Mass.Gov/AutoRates](http://Mass.Gov/AutoRates) or call the Division of Insurance Consumer Services Section at 617-521-7794.***