



## **Joint Committee on Financial Services**

**November 15, 2005**

*Submitted by Alan Macdonald, Executive Director, MBR*

Chairman Nuciforo, Chairman Mariano, Members of the Committee, thank you for this opportunity to comment on the issue of automobile insurance reform. For more than twenty-five years, the Massachusetts Business Roundtable (MBR) has sought to develop and articulate long-term views, programs and policies that promote the economic and social vitality of the state. We advocate for policies that create a business environment that ensures our competitiveness in an increasingly global marketplace.

This past September, MBR submitted testimony to your Committee as part of the joint hearing regarding Governor Romney's health care legislation. We testified that "The best way to achieve universal access to basic medical care at a reasonable cost is through a system where consumers exercise choice in selecting insurers and providers in a competitive market." The competitive market is created by providing access to information to compare cost and quality of care. As we testified in September, by empowering consumers, we hope to activate a new element of cost control while meeting our responsibility to contribute to health coverage for our employees.

The principle of competitiveness and the empowered consumer similarly should apply to your deliberations over reforming the state's automobile insurance system. There were 71 firms writing automobile insurance in Massachusetts in 1990. In 2003, that number dropped to 37. The national average is 169. Clearly, the business climate created by our current automobile insurance system is not conducive to competition in that market. As the legislature is simultaneously considering legislation to stimulate economic activity, create, retain and attract jobs, and make us more competitive both nationally and internationally, this seems counterintuitive.

As was discussed in our health care testimony, competition fosters innovation, it leads to better quality and prices, and it leads to more choice for consumers. As you consider the issue of automobile insurance reform, we respectfully urge that business leaders and policymakers come together to create an automobile insurance system that is fair to consumers and true to the principle of competition. MBR stands ready to assist in those deliberations.