



General Assembly

**Amendment**

February Session, 2004

LCO No. 5136

\*SB0041505136HDO\*

Offered by:

REP. O'BRIEN, 24<sup>th</sup> Dist.  
SEN. NEWTON, 23<sup>rd</sup> Dist.  
REP. CLEMONS, 124<sup>th</sup> Dist.

REP. GREEN, 1<sup>st</sup> Dist.  
REP. MANTILLA, 4<sup>th</sup> Dist.  
REP. TERCYAK, 26<sup>th</sup> Dist.

To: Senate Bill No. 415

File No. 170

Cal. No. 418

**"AN ACT ADOPTING THE NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS' INTERSTATE INSURANCE  
PRODUCT REGULATION COMPACT."**

1 After the last section, add the following and renumber sections and  
2 internal references accordingly:

3 "Sec. 501. (NEW) (*Effective October 1, 2004*) On and after October 1,  
4 2004, rates for private passenger nonfleet automobile insurance shall  
5 be calculated based on application of the following factors in  
6 decreasing order of importance: (1) The insured's driving safety record;  
7 (2) the number of miles the insured drives annually; (3) the number of  
8 years of driving experience the insured has; and (4) other factors  
9 prescribed by the Insurance Commissioner, in regulations which the  
10 commissioner may adopt in accordance with the provisions of chapter  
11 54 of the general statutes, provided territorial classifications shall not  
12 be permitted.

13 Sec. 502. Section 38a-686 of the general statutes is repealed and the  
14 following is substituted in lieu thereof (*Effective October 1, 2004*):

15 The following standards, methods and criteria shall apply to the  
16 making and use of rates pertaining to personal risk insurance:

17 (a) Rates shall not be excessive, inadequate or unfairly  
18 discriminatory.

19 (1) A rate in a competitive market is not excessive. A rate in a  
20 noncompetitive market including a rate for insurance provided  
21 pursuant to sections 38a-328, 38a-329 and 38a-670 is excessive if it is  
22 unreasonably high for the insurance provided.

23 (2) No rate shall be held inadequate unless (A) it is unreasonably  
24 low for the insurance provided, and (B) continued use of it would  
25 endanger solvency of the insurer, or unless (C) such rate is  
26 unreasonably low for the insurance provided and the use of such rate  
27 by the insurer using same has, or, if continued will have, the effect of  
28 destroying competition or creating a monopoly.

29 (b) In determining whether rates comply with the excessiveness  
30 standard in a noncompetitive market under subdivision (1) of  
31 subsection (a) of this section, the inadequacy standard under  
32 subdivision (2) of subsection (a) of this section and the requirement  
33 that rates not be unfairly discriminatory, the following criteria shall  
34 apply:

35 (1) Consideration may be given, to the extent possible, to past and  
36 prospective loss experience within and outside this state, to  
37 conflagration and catastrophe hazards, to a reasonable margin for  
38 underwriting profit and contingencies, to past and prospective  
39 expenses both country-wide and those specially applicable to this  
40 state, to investment income earned or realized by insurers both from  
41 their unearned premium and loss reserve funds, and to all other  
42 factors, including judgment factors, deemed relevant within and  
43 outside this state and in the case of fire insurance rates, consideration

44 may be given to the experience of the fire insurance business during  
45 the most recent five-year period for which such experience is available.  
46 Consideration may be given in the making and use of rates to  
47 dividends, savings or unabsorbed premium deposits allowed or  
48 returned by insurers to their policyholders, members or subscribers.

49 (2) The systems of expense provisions included in the rates for use  
50 by an insurer or group of insurers may differ from those of other  
51 insurers or groups of insurers to reflect the operating methods of any  
52 such insurer or group with respect to any kind of insurance, or with  
53 respect to any subdivision or combination thereof.

54 (3) Risks may be grouped by classifications for the establishment of  
55 rates and minimum premiums, [provided that with respect to private  
56 passenger nonfleet automobile insurance, any change in territorial  
57 classifications shall be subject to prior approval by the Insurance  
58 Commissioner, and] provided no surcharge on any motor vehicle  
59 liability or physical damage insurance premium may be assigned for  
60 (A) any accident involving only property damage of one thousand  
61 dollars or less, or (B) the first accident involving only property damage  
62 of more than one thousand dollars which would otherwise result in a  
63 surcharge to the policy of the insured, within the experience period set  
64 forth in the insurer's safe driver classification plan, or (C) any violation  
65 of section 14-219 unless such violation results in the suspension or  
66 revocation of the operator's license under section 14-111b, or (D) less  
67 than three violations of section 14-218a within any one-year period, or  
68 (E) any accident caused by an operator other than the named insured,  
69 a relative residing in the named insured's household, or a person who  
70 customarily operates the insured vehicle, or (F) the first or second  
71 accident within the current experience period in relation to which the  
72 insured was not convicted of a moving traffic violation and was not at  
73 fault, or (G) any motor vehicle infraction. Subparagraph (G) of this  
74 subdivision shall not be applicable to any plan established pursuant to  
75 section 38a-329. Classification rates may be modified to produce rates  
76 for individual risks in accordance with rating plans which provide for  
77 recognition of variations in hazards or expense provisions or both.

78 Such rating plans may include application of the judgment of the  
79 insurer and may measure any differences among risks that can be  
80 demonstrated to have a probable effect upon losses or expenses.

81 (4) Each rating plan shall establish appropriate eligibility criteria for  
82 determining significant risks which are to qualify under the plan.  
83 Rating plans which comply with the provisions of this subdivision  
84 shall be deemed to produce rates which are not unfairly  
85 discriminatory.

86 (5) On and after October 1, 2004, no risks for automobile insurance  
87 may be grouped by territorial classifications.

88 (c) Notwithstanding the provisions of subsections (a) and (b) of this  
89 section, no rate shall include any adjustment designed to recover  
90 underwriting or operating losses incurred out-of-state.

91 (d) The commissioner may adopt regulations in accordance with the  
92 provisions of chapter 54 concerning rating plans to effectuate the  
93 provisions of this section."