



House of Representatives

General Assembly

File No. 282

February Session, 2006

Substitute House Bill No. 5463

House of Representatives, March 31, 2006

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING INSURANCE RATE FILING REQUIREMENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (*Effective July 1, 2006*) (a) Notwithstanding the
2 requirements of sections 38a-389 and 38a-688 of the general statutes,
3 and on and after July 1, 2006, and until July 1, 2008, an insurer may file
4 a rate with the Insurance Commissioner pursuant to this section and
5 such rate shall take effect the date it is filed provided the rate provides
6 for an overall state-wide rate increase or decrease of not more than
7 four per cent in the aggregate for all coverages that are subject to the
8 filing. The four per cent limit shall not apply on an individual insured
9 basis. Not more than one filing may be made by an insurer pursuant to
10 this section within any twelve-month period unless the filing, when
11 combined with one or more filings made by the insurer within the
12 preceding twelve months, does not result in an overall state-wide
13 increase or decrease of more than four per cent in the aggregate for all
14 coverages that are subject to the filing.

15 (b) A filing that does not meet the criteria set forth in subsection (a)
16 of this section shall be subject to sections 38a-389 and 38a-688 of the
17 general statutes unless the filing is otherwise exempt from said
18 sections.

19 (c) A filing submitted pursuant to subsection (a) of this section shall
20 be deemed to comply with the requirements of title 38a of the general
21 statutes. If the commissioner determines that the filing is inadequate or
22 unfairly discriminatory, the commissioner shall issue a written order
23 specifying in detail the provisions of title 38a of the general statutes the
24 insurer has violated and the reasons why the filing is inadequate or
25 unfairly discriminatory. The order shall indicate a future date on
26 which the filing shall no longer be effective. An order by the
27 commissioner pursuant to this subsection that is issued more than
28 thirty days after the date the rate is filed with the commissioner shall
29 be prospective only and shall not affect any contract issued or made
30 before the effective date of the order. As used in this section, a rate is
31 "unfairly discriminatory" if it is classified in whole or in part on the
32 basis of race, color, creed or national origin.

33 (d) No rate increase that meets the criteria set forth in subsection (a)
34 of this section may be implemented with respect to an individual
35 policy in effect on the date of the filing unless the increase is applicable
36 no earlier than the date of policy renewal and the insurer provides
37 notice of the increase to the insured pursuant to section 38a-323 of the
38 general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2006	New section

INS *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill makes various changes to the laws regarding insurance rate filings, none of which have a fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5463****AN ACT CONCERNING INSURANCE RATE FILING REQUIREMENTS.****SUMMARY:**

Over a two-year period, this bill permits property and casualty insurers, including automobile insurers, to file new premium rates that raise or lower rates by up to 4% in any 12-month period and use them immediately without receiving prior approval from the Insurance Department. An insurer can apply a rate increase within the 4% band only on or after a policy renewal and following notification to the insured. Rate changes in excess of 4% require the department's prior approval.

The bill requires the insurance commissioner to order the insurer to stop using a rate change within the 4% band if she determines it is inadequate or unfairly discriminatory. (A rate is "unfairly discriminatory" if based in whole or in part on race, color, creed, or national origin.)

Currently, insurers must file rate increases or decreases with, and receive approval from, the department before using them. In reviewing the rates, the department determines if they are inadequate or unfairly discriminatory or, in a noncompetitive market, excessive. (Connecticut currently has a competitive market.)

EFFECTIVE DATE: July 1, 2006 and until July 1, 2008

FILE AND USE 4% RATE BAND***Rate Filing***

Under the bill, a property and casualty insurer, including an automobile insurer, can file a premium rate for policies with the

insurance department and begin using it effective the day it is filed if the new rate results in a state wide increase or decrease of no more than 4% for all products included in the filing. The new rate cannot be specific to an individual insured.

The bill provides that an insurer can submit more than one such rate filing to the department in any 12-month period if all filings made within the 12 months, in combination, do not result in a state-wide rate change of plus or minus 4% for all products included in the filing.

Commissioner Orders

The bill requires the commissioner to order the insurer to stop using a filed rate as of a specified future date if she determines it is inadequate or unfairly discriminatory. The order must be in writing and detail how the insurer has violated Connecticut law and why the rate is inadequate or unfairly discriminatory. If the order is issued more than 30 days after the filing date, it applies prospectively only and does not affect any contract issued before the order's effective date.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 16 Nay 3 (03/14/2006)