

**Statement**  
**Insurance Association of Connecticut**

6280

Insurance and Real Estate Committee

February 17, 2009

HB 6280, An Act Extending The Sunset Date For  
Personal Risk Insurance Rate Filings

The Insurance Association of Connecticut supports HB 6280, An Act Extending The Sunset Date For Personal Risk Filings.

In 2006 the General Assembly approved legislation that established "flex rating" for personal lines insurance in Connecticut. As long as an insurer's filed overall state-wide rate increase or decrease does not exceed six percent in the aggregate in a year, the insurer does not need prior approval from the Insurance Commissioner to use the rate.

P.A. 06-104 sunsets the "flex-rating" provisions on July 1, 2009. HB 6280 would extend the sunset date for two years, to July 1, 2011, which would be a positive development for insurance consumers and the personal lines marketplace in Connecticut.

Competitive rating (filing and using rates without prior approval) allows insurers to adjust the price for their products quickly, up or down, as changing conditions and experiences warrant. This allows insurers to compete vigorously and to price their products aggressively. Illinois is a clear example of how competitive rating can foster a healthy insurance marketplace to the public benefit.

"Flex-rating" is an attempt to find a suitable middle ground between prior approval and simple file and use. It enables insurers to react effectively and quickly to

changing market conditions and experiences, further increasing competition in the marketplace, while continuing the prior approval process for any proposed rates changes which exceeds the cumulative rating band. Experience in other states, and in Connecticut since 2006, has shown that the typical filing under a flex-rating system is well within the rating band limit.

The National Conference of Insurance Legislators' Flex-Rating Model Act allows rate increases of up to twelve percent without prior approval. Last year Kansas adopted legislation using that twelve percent limit. One year after the adoption of a flex-rating law in Louisiana, the state's insurance commissioner stated that consumers have benefited from the flex rating system because ". . . insurers aren't as reluctant to reduce rates when business is good . . .," knowing they can file and use new rates if experience worsens. New York just recently readopted a flex-rating system.

From 2006 through 2008, overall rate changes in Connecticut for auto insurance were basically flat (2006: 0.5%; 2007: 0.6%; 2008: 1.5%). According to press reports, the number of auto insurance companies doing business in this state has grown substantially. The assigned risk pool has continued to shrink. In one recent month, the pool received a statewide total of 23 applications.

The competitive marketplace is working in Connecticut to the benefit of consumers, as more insurers are competing for business based on price, product and service. HB 6280, by continuing "flex-rating", will further encourage that competition while retaining the Insurance Department's prior approval authority over rate changes exceeding six percent.

IAC urges passage of HB 6280.