



Courtney Larkin, Senior Counsel
Insurance & Real Estate Committee
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Good morning Chairman Crisco, Chairman Fontana and members of the Insurance and Real Estate Committee. My name is Courtney Larkin. I am a senior counsel at Travelers in personal insurance.

Travelers is a leading property casualty insurer selling primarily through independent agents and brokers. We have more than 33,000 employees countrywide, 7,000 of whom are in Connecticut. We offer a wide range of coverage in the auto, home and business settings. Travelers is proud of its long standing and historic ties to Connecticut and Hartford, which has long been seen as the Insurance Capital of the World. In Connecticut, we are the third largest commercial insurance writer, third largest homeowners' writer, and the fourth largest auto insurance writer.

I am here to express Travelers' opposition to HF 6444. While we oppose the territorial rating law change in section one, I am here today to focus on the proposal to ban the use of credit information in the writing of automobile insurance.

Travelers has found that the use of credit-based insurance scores, when used in combination with other traditional underwriting and rating criteria, allows us to better serve the needs of the public, our customers and agents. They have all benefited from the use of credit-based insurance scoring because by using it, insurers have increased the affordability and availability of auto insurance. Since we began using insurance scoring in our auto product in Connecticut, we have doubled our book of business. In urban markets alone, we have significantly increased our market share; in some cities, quadrupling the number of policies written.

Unlike a "credit score," which is designed to assess credit risk, an insurance score measures a person's potential for having a claim. In other words, insurance scores are predictive of future loss. While having a good insurance score does not necessarily mean a policyholder is a good driver, research shows that those individuals generally file fewer claims and/or less expensive claims. Studies done by the government, state regulators, insurance scoring modelers, independent actuaries and insurers establishes the strong predictive nature of insurance scoring. The use of insurance scores provides us with a greater ability to assess the potential risk a customer presents, resulting in our offering coverage to a broader range of customers. Without the use of credit-based insurance scores, most of our customers would be paying more for their insurance.

An insurance score is determined by reviewing a consumer's credit history. An insurance score DOES NOT take into account income, race, gender, religion, marital status, national origin, or geographic location. It only analyzes credit history. An insurance score looks at information such as payment history, whether a bankruptcy filing exists, whether bills have gone to collection, whether there are any outstanding debts, and the length of credit history. According to extensive independent and industry research, people with certain patterns in their credit history that result in a lower insurance score are more likely to have claims that need to be paid by their insurer.

Congress asked the Federal Trade Commission to study credit based insurance scores.

The automobile portion of the study was released in July of 2007 and concluded that

[C]redit-based insurance scores are effective predictors of risk. They are predictive of the number of claims consumers file and the total cost of those claims. The use of scores is therefore likely to make the price of insurance better match the risk of loss posed by the consumer.

Insurers use many factors to determine how to price an auto insurance policy. For example, driving record, type of vehicle, and age are familiar categories used to calculate the cost of an auto insurance policy. Insurance scores is another powerful factor insurance companies use to determine what a customer pays for a policy. In Connecticut, insurers are not allowed to look at a customer's credit history at renewal. Connecticut residents

have this additional protection, put in place by the Department of Insurance, but they can also call their insurer should their credit history improve and we are permitted to rescore and rerate.

Using credit-based insurance scores allows insurers to offer coverage to more consumers at a better price.

Thank you.