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STATE OF CONNECTICUT
INSURANCE AND REAL ESTATE COMMITTEE

HB 6446, AN ACT CONCERNING MOTOR VEHICLE REPAIRS

February 17, 2009

Statement of the American Insurance Association

This statement is submitted by the American Insurance Association (AIA). AIA is a national trade association representing 350 property-casualty insurance companies that write automobile insurance in every U.S. regulatory jurisdiction. AIA members write 28% of the personal auto insurance and 40% of the commercial auto insurance in the state. As importantly, because Hartford remains one of the global insurance centers, insurers provide significant value to the Connecticut economy, in terms of jobs, and are major financial contributors to the state's economy.

These companies have a long term commitment to the state and its people demonstrated each day through the months, years, decades and even centuries. They have a common interest with you to help assure an insurance system that serves the public well. Your efforts and that of our companies have achieved just that through a careful balance of regulation and competent business management. Now, especially, is not the time to upset that delicate and hard won balance. Yet House Bill 6446, An Act Concerning Motor Vehicle Repairs, would do just that.

Connecticut's Auto Insurance System Serves Consumers Well, By Every Accepted Measure.

Connecticut's auto insurance is relatively affordable. The average auto insurance expenditure, for the most recent year available, ranked 23rd in the country, a good performance considering it is a highly urbanized state with high insurance mandates. When seen in the light of median family income, it ranks an even better 31st.

Connecticut's auto insurance is readily available. A good measure of insurance availability is the extent of the residual market, composed of vehicle owners who cannot buy insurance from a regular company. 2.4 million cars are insured in the voluntary market, while only a few thousand are in the residual market. Also in terms of uninsured motoring, Connecticut ranks 36th with 9.4%, based on the Insurance Research Council's methodology.

Connecticut's auto insurance market is very competitive. Using the Herfindahl-Hirschman Index (HHI), a widely accepted measure of competition, the state

ranks 49th out of 50 in terms of concentration, meaning it is extraordinarily competitive.

House Bill 6446 Actually Harms Consumers In Connection With Auto Repairs.

The most problematic section of House Bill 6446 is Section 2, which prohibits insurers from offering pro-consumer benefits such as better warranties or waived deductibles, except under the enumerated circumstances, and would inhibit their ability to communicate helpful information to their customers. We fail to see how consumers are helped by denying insurers the ability to provide tangible service and financial benefits. Consumers should be able to make their own choices to reduce their costs or inconvenience.

Also troubling is Section 1, which mandates rate reductions for VIN etching. Yet, we do not find legitimate, objective validation of savings resulting from VIN etching. Considering how competitive the insurance market is, such discounts would likely be offered by some companies if warranted.

Conclusion

We urge you to reject House Bill 6446, because it will harm, not help, the vast majority of Connecticut auto insurance consumers.