STATE OF CONNECTICUT

INSURANCE DEPARTMENT

FTR

Testimony of the Connecticut Insurance Department

Before the
Insurance and Real Estate Committee

Thursday February 24th, 2011

The Insurance Department submits the following testimony regarding Raised Bill 6364 – An Act Concerning the Sunset Date for Personal Risk Insurance Rate Filings and Limiting Rate Increases in Certain Circumstances. The Department supports the extension of the sunset provisions of the flex rating bill.

However, the Department has concerns regarding section 2 of this bill that would ultimately leave consumers with fewer insurance choices by potentially forcing some insurers to pull out of the Connecticut market.

This provision will amend Subsection (b) of section 38a-688 to limit insurers' rate increases to 6 percent or less if that insurer had "discontinued" accepting new applications for a line or subline of personal risk insurance in this state. This prohibition does not take into account any actuarially justified reasons for the need for that increase, even if the company provides that rationale and justification for new rate. Instead, it could force insurers to just decide to discontinue writing business in the state and not renew their entire book of business.

The Department believes that this limitation may ultimately affect the financial soundness of the company and its ability to pay the claims of its Connecticut clients in the event of a loss. Policy holders pay for and clearly expect to be indemnified when there is loss and this portion of a bill seriously undermines that expectation.

Lastly, there are many existing programs for companies in the State of Connecticut where the company is no longer writing new business (legacy books) but the company is writing new business through new programs it has filed.

In summary, the Department supports the extension of the flex rating laws but is not in favor of section 2 of Raised Bill 6364 as it ignores the important actuarial, financial and overall market soundness of the personal risk line of business and could leave consumers with fewer insurers from which to choose.

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