

Legal Assistance Resource Center

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H.B. 5565 -- Territorial rating

Insurance and Real Estate Committee public hearing -- February 1, 2011
Testimony of Raphael L. Podolsky

Recommended Committee action: JOINT FAVORABLE

This important bill is essential to the fair treatment of urban drivers. The primary factor in auto insurance rating should be your driving record, not where you live. Territorial rating penalizes good urban drivers and adversely impacts the willingness of many to live in our cities. It is also in conflict with state policies on urban revitalization, racial and ethnic discrimination, and fair treatment.

The inconclusive argument as to whether city drivers do or do not have a higher accident rate should not be decisive on this issue. Rating systems must operate within the parameters of public policy. If, for example, it could be proven that Protestant drivers are, on average, higher risk than Catholic ones, would we allow insurance companies to rate automobile insurance by religion? Of course not. If we, as a state, decide that discrimination against urban drivers is unfair, then we should require that the Insurance Commissioner treat the entire state as a single territory for purposes of automobile insurance rating or at least require any geographic rating to be regional.

Territorial rating takes on particular significance in Connecticut because of the high concentration of low-income households and minority populations in center cities. As a result, the failure to use statewide or regional rating not only discourages people from moving into cities but surcharges those who do live there. It truly is an example of how the poor pay more for the same product. The effect on low-income families, for many of whom a car is essential in order to maintain employment, can be severe. Territorial rating operates as a surcharge against them for living in a city. The annual cost of insurance can easily exceed the cost of the car itself, can affect the ability to afford a car, and can adversely affect the capacity to find and keep employment.

Territorial rating cannot be eliminated by voluntary market action, because any company which acts on its own will put itself at a competitive disadvantage. It can therefore be eliminated only by state action that affects all companies. It puts no burden on insurance companies, since total company revenue will be unchanged. Its impact on urban rates will be significant but, because of the much larger suburban base, the impact on suburban rates will be small -- and fundamentally equitable.

The key rating factor in automobile insurance should be the individual driver's driving record. Drivers should not be penalized because they live in a city. The General Assembly should recognize the unfair impact of territorial rating and should require that the practice be ended.