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February 27, 2012

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RE: CT HB 5227: An Act Concerning the Confidentiality of Automobile
Liability Insurance Underwriting Guidelines

Dear Members of the Joint Committee on Insurance and Real Estate:

On behalf of State Farm Mutual Automobile Insurance Company, I thank you for the opportunity to offer our perspective on House Bill 5227: An Act Concerning the Confidentiality of Automobile Liability Insurance Underwriting Guidelines.

State Farm® is the largest personal lines insurer in the United States. State Farm began to actively market in Connecticut in 2000, and we continue to grow our business in this state. Although we are not the largest insurer of homes and autos in Connecticut, we have over 70 State Farm Agents dedicated to meeting the financial and insurance needs of Connecticut consumers. State Farm would like to take this opportunity to voice our support for House Bill 5227. This bill fosters innovation and competition, while continuing to safeguard the interest of Connecticut consumers.

In Connecticut, automobile insurance underwriting guidelines must be filed with and approved by the Department of Insurance. Unfortunately, these guidelines, unlike in the vast majority of other states, are available for review by other insurers. Underwriting guidelines are used by insurers to evaluate risk. Disclosure of these guidelines to competitors allows them to unfairly benefit from the work of others. Insurers spend significant resources in developing, testing and implementing their auto insurance underwriting guidelines. Underwriting guidelines may take months, even years, to develop. Disclosure hampers innovation and harms consumers, as insurers are reluctant to dedicate these significant financial resources to develop new and more predictive automobile underwriting guidelines for the use of their competitors.

This bill shields auto insurance underwriting guidelines from competitors by making them trade secret. This is consistent with the Connecticut Uniform Trade Secret Act, and the Connecticut Freedom of Information Act. These Acts shield trade secret information from disclosure to competitors. This enhances competition and consumer choice by encouraging innovation, and by allowing insurers to benefit from their investment. Important consumer protections are not disturbed. The ability of the Department of Insurance to review, approve and disapprove auto underwriting guidelines is unaffected by this measure.

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This bill encourages competition and innovation, while continuing to safeguard consumer interest. State Farm fully supports House Bill 5227, and thanks you for the opportunity to discuss this important measure.

Very truly yours,

A handwritten signature in cursive script that reads "Catherine Rankin".

Catherine A. Rankin
Counsel