



House of Representatives

File No. 838

General Assembly

January Session, 2013

(Reprint of File No. 7)

Substitute House Bill No. 5926
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 22, 2013

**AN ACT CONCERNING PERSONAL RISK INSURANCE RATE
FILINGS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 38a-688a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (a) Notwithstanding the requirements of sections 38a-389 and 38a-
5 688 with respect to personal risk insurance with the exception of
6 residual market rates, and on and after July 1, 2006, and until July 1,
7 [2013] 2015, an insurer may file a rate with the Insurance
8 Commissioner pursuant to this section and such rate shall take effect
9 the date it is filed provided the rate provides for an overall state-wide
10 rate increase or decrease of not more than six per cent in the aggregate
11 and not more than a fifteen per cent increase in any individual
12 territory for all coverages that are subject to the filing. [The six] Such
13 per cent [limit] limits shall not apply on an individual insured basis.
14 Not more than one filing may be made by an insurer pursuant to this

15 section within any twelve-month period unless the filing, when
16 combined with one or more filings made by the insurer within the
17 preceding twelve months, does not result in an overall state-wide
18 increase or decrease of more than six per cent in the aggregate and not
19 more than a fifteen per cent increase in any individual territory for all
20 coverages that are subject to the filing.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	38a-688a(a)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill makes several adjustments to personal risk insurance rate setting. As these changes concern private insurance rates, there is no state or municipal impact.

House "A" adjusted the applicable rate increase percentage in the underlying bill. There was no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5926 (as amended by House "A")*****AN ACT CONCERNING PERSONAL RISK INSURANCE RATE FILINGS.****SUMMARY:**

This bill extends the sunset date for the "flex rating" law for personal risk insurance (e.g., home, auto, marine, or umbrella) from July 1, 2013 to July 1, 2015. It also adds a territorial cap of 15%. This permits an insurer to "file and use" its flex rate filing of no more than a 6% statewide average change while ensuring that no individual rate territory increases by more than 15%.

*House Amendment "A" increases the territorial cap from 10% to 15%.

EFFECTIVE DATE: Upon passage

FLEX RATING LAW

The flex rating law permits property and casualty insurers, until the law sunsets, to file new personal risk insurance rates with the insurance commissioner and begin using them immediately without prior approval. The increase or decrease in rates cannot exceed 6% statewide for all products included in the filing. The bill prohibits rates in any individual territory from being increased by more than 15%. The new rate cannot apply on an individual insured basis. The law does not apply to rates for the residual market.

Under current law, an insurer may submit more than one rate filing using the 6% flex rating band to the Insurance Department in any 12-month period if all rate filings submitted within this timeframe do not result in a statewide rate change of plus or minus 6% for all products

included in the filing. The bill similarly prohibits these filings from resulting in an aggregate increase of more than 15% in any one territory.

BACKGROUND

Under the flex rating law, an insurer can apply for a rate increase within the flex rating band only on or after a policy renewal and after notifying the insured. (The notification must specify the effective date of the increase.) Rate filings seeking to increase or decrease rates by more than 6% statewide must follow existing rate filing requirements (i.e., insurers must receive department approval before using the new rates).

The flex rating law deems any filings made under its provisions to be in compliance with the rating laws. If the commissioner determines rates are inadequate or unfairly discriminatory, he must order the insurer to stop using the flex rating rate change on a specified future date. The order must be in writing and explain the finding. If the commissioner issues the order more than 30 days after the insurer submitted the filing, the law requires the order to apply prospectively only and not affect any contract issued before its effective date.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 18 Nay 1 (02/05/2013)