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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 5926 – *AN ACT CONCERNING PERSONAL RISK INSURANCE RATE FILINGS* COMMITTEE ON INSURANCE AND REAL ESTATE

January 31, 2013

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on H.B. 5926, which would extend the state's flex rating law until July 1, 2015 and would greatly decrease the percentage rate change for which use of the flex rating process would be authorized (known as the "flex band"). Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide 46 percent of Connecticut's personal lines insurance coverage.

PCI strongly supports the extension of Connecticut's flex rating law. In fact, PCI believes that in order to maximize the market and other benefits associated with flex rating, Connecticut's flex rating law should be made permanent, rather than subjecting it to periodic short term extensions. Flex rating has been a sound step toward regulatory modernization in Connecticut which has worked to increase competition, contain premium growth and benefit consumers. This is true because under flex rating, insurers are more inclined to contain premiums because they know that they will be able to increase them within the flex band if they need to in the future. Flex rating also facilitates competition and competition drives down premiums.

In addition to extending the flex rating law for two years, this bill would reduce the flex band from the current 6% to 3%. If this change were made, it would greatly limit the filings which could be made pursuant to flex rating and would, accordingly, limit the benefits associated with flex rating. In fact, if this reduction were put into place, CT would have by far the lowest flex band of any state in the country. Currently the lowest flex band that any state has enacted is 5% and flex bands go as high as 25%. PCI fears that limiting the flex band to 3% would eviscerate this law to such a degree so as to make the law almost worthless. This would represent a major step backward for CT in the realm of regulatory modernization and would send the wrong message to insurers who might be considering entering the market in CT or expanding in CT.

Currently, 38 states and the District of Columbia have flex rating or laws that are less restrictive than flex rating in place. While most of these states have operated this way for many years, 11 states (Alaska, Connecticut, Georgia, Massachusetts, Nebraska, New Mexico, New York, North Dakota, Oklahoma, Rhode Island, and Texas) modernized their personal auto and/or homeowners insurance rate regulatory systems within the last decade. Only 12 states currently have prior approval laws. Even the National Conference of Insurance Legislators (NCOIL) supports a higher flex band; in its model legislation, a 12 percent flex band for personal lines is recommended. Flex rating was an important step forward for Connecticut on the regulatory modernization front and to allow this law to be eviscerated would not be positive for Connecticut's insurance market or consumers.

For the foregoing reasons, PCI urges your Committee to amend this bill to maintain the current six percent flex band and favorably advance HB 5926.

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