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)