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# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

**Testimony of the  
Connecticut Insurance Department  
Before  
The Insurance and Real Estate Committee  
March 5, 2015**

**Raised Bill No. 6866—An Act Limiting Private Passenger Nonfleet Automobile Insurance Underwriting Factors And Increasing The Motor Vehicle Minimum Amount Of Proof Of Financial Responsibility For Property Damage.**

Chairmen Crisco and Megna, Ranking Members Kelly and Sampson, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony on Raised Bill No. 6866.

The Connecticut Insurance Department (the “Department”) respectfully opposes this legislation as it believes that it may have a negative impact on consumers of the state and will potentially disrupt a robust and competitive auto insurance market that Connecticut currently is experiencing. The Department’s objection pertains to the provision of H.B. 6866 that eliminates many predictive factors that have long been used in private passenger automobile insurance rating and underwriting—such as age, gender, marital status, credit history and territory. These underwriting and rating factors are considered to be actuarially justified through many analytical studies and are predictive of future automobile loss experience. This bill would disregard the predictive nature of these factors by eliminating the insurance industry’s long accepted historical use of such factors. Moreover, H.B. 6866 appears to require the Department to repeal a set of regulations that the legislature sought to codify pursuant to Public Act 10-7 and which were promulgated in 2011 in order to reflect the proposed changes to the statutory sections of the rating statutes. The Department is unaware of any reason for these changes to the private passenger auto rating statutes and it believes this legislation will likely have the unintended effect of increasing auto insurance premiums.

The Department is aware that similar legislation has been proposed in the past to eliminate a number of underwriting and rating factors. It should be noted that the industry is heavily regulated and that auto insurers must file the factors they use for underwriting and rating with the Department. In addition, insurers must

provide the Department with the actuarial data showing that there exists a direct correlation with the factors used to assess the risk. Raised Bill 6866 would require the Department and insurers to ignore statistical data that is highly predictive of risk—statistical data that has been used for decades without any showing of abuse.

The Department believes that if insurers are prohibited from using long-accepted rating factors including marital status, age, gender and education level that are considered to be predictive of future losses that it would have a negative effect on Connecticut's competitive private passenger automobile marketplace and lead to significant market disruption for Connecticut's automobile insurance consumers.

The Connecticut Insurance Department appreciates this opportunity to comment on and respectfully requests the Committee to not give Raised Bill 6866 a Joint Favorable Report.

**About the Connecticut Insurance Department:** The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.