



INSURANCE ASSOCIATION OF CONNECTICUT

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Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

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SB 238, AN ACT CONCERNING PRIVATE PASSENGER NONFLEET AUTOMOBILE INSURANCE FOR INSURED WHO USE MONITORING DEVICES OFFERED BY INSURERS

I am Eric George, President of the Insurance Association of Connecticut (IAC). The Insurance Association of Connecticut opposes SB 238, AN ACT CONCERNING PRIVATE PASSENGER NONFLEET AUTOMOBILE INSURANCE FOR INSURED WHO USE MONITORING DEVICES OFFERED BY INSURERS.

SB 238 would provide that if an automobile insurer uses a monitoring device to capture an insured's driving information, these devices are commonly referred to as telematics or usage based insurance (UBI), the insurer may use only that information for purposes of rating and underwriting private passenger automobile insurance for that individual. Such a requirement would be contrary to the best interests of automobile insurance consumers in this state.

Automobile insurance is sold, in Connecticut and throughout the country, in accordance with "cost-based pricing", which prices the insurance product according to the insurer's best estimate of how much the insured is likely to generate in claims. Numerous factors (driving record, age of driver, age and model of car, miles driven, where the car is principally garaged, etc.) are used in order to develop rates accurately and equitably. The Insurance Department has a variety of regulatory authorities to ensure that the criteria used by insurers are proper.

Some insurers offer insureds the opportunity to use telematics in order to provide additional information to the insurers as to the nature of the risk presented by the insured. Telematics provide insureds with

an opportunity to reduce their rates by exhibiting positive driving habits. However, telematics are designed to supplement existing ratemaking methods and not to be the sole factor used by insurers in rating and underwriting automobile insurance.

If prohibited by SB 238 from using other rating factors, which have been proven over the past decades to be accurate predictors of future losses and important tools in the development of automobile insurance rates, insurers making use of telematics will have markedly less information with which to work. As a result, those insurers will likely be forced to raise insurance rates, due to the increasingly unknown nature of the risks. SB 238 would also create a disincentive for insurers to offer a telematics option to insureds, which would harm individuals who would otherwise benefit from its use.

Connecticut consumers are benefitting from a highly competitive automobile insurance marketplace. Insurers, in increasing numbers, are competing for business on the basis of price, product and service across the state. Telematics, used in conjunction with other longstanding factors, can work to further such competition and the consumer benefits that come from it.

In contrast, SB 238, by restricting the use of legitimate underwriting and rating tools, will only serve to reduce competition and choice in the state's automobile insurance marketplace, increase costs and prevent the development of new and innovative products, to the detriment of Connecticut's automobile insurance consumers.

IAC urges rejection of SB 238. Thank you for the opportunity to present IAC's viewpoint.