

Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

February 18, 2016

***SB 30, AN ACT REQUIRING THE INSURANCE DEPARTMENT TO STUDY
DRIVER MONITORING DEVICES OFFERED BY INSURERS***

I am Dallas Dodge, Counsel of the Insurance Association of Connecticut (IAC). The IAC opposes SB 30, An Act Requiring the Insurance Department to Study Driver Monitoring Devices Offered By Insurers.

While SB 30 only requires the Department of Insurance (the "Department") to study the use of telematics and usage based insurance (UBI), our concerns are that the study could result in the disincentivising of insurance companies to use telematics and UBI. In the alternative, the result could also lead to an insurance mandate requiring auto insurance carriers to use telematics and UBI. Either of these results would be problematic.

Ultimately, we are concerned that flexibility with the use of telematics could be compromised by SB 30.

It is important to note that 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 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 and UBI in order to provide additional information to the insurers as to the nature of the risk presented by the insured. Telematics and UBI provide insureds with an opportunity to reduce their rates by exhibiting positive driving habits. However, telematics and UBI 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 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 and UBI 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. Equally problematic would be a prohibition on the use of telematics and UBI.

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 and UBI, used in conjunction with other longstanding factors, can work to further such competition and the consumer benefits that come from it.

IAC urges rejection of SB 30. Thank you for the opportunity to present IAC's viewpoint.