

**Statement of the National Association of Mutual Insurance Companies to the  
Insurance and Real Estate Committee**

**HB-5926, “An Act Concerning Personal Risk Insurance Rate Filings**

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On behalf of the National Association of Mutual Insurance Companies (NAMIC), I appreciate the opportunity to offer our perspective regarding HB-5926, “An Act Concerning Personal Risk Insurance Rate Filings.” We are 1,400 property/casualty insurance companies serving more than 135 million auto, home, and business policyholders, with more than \$196 billion in premiums accounting for 50 percent of the national automobile/homeowners market and 31 percent of the national business insurance market. NAMIC members write 48% of Connecticut’s private passenger auto market. We are the largest and most diverse property/casualty trade association in the country, with regional and local mutual insurance companies on main streets across America joining many of the country’s largest national insurers who also call NAMIC their home. More than 200,000 people are employed by NAMIC members.

While NAMIC supports the extension of the sunset date for flex-rating filings to July 1, 2015, we respectfully urge the Committee to consider eliminating the sunset provision altogether. Further, NAMIC opposes the proposed reduction of the flex band from 6% to 3%.

**Extension of the Sunset Provision**

NAMIC strongly supports the enactment of rate modernization statutes and regulatory changes that allow insurers operating in a competitive market to adjust rates in response to changing market conditions. NAMIC supported the adoption of Connecticut’s personal lines flex-rating statute in 2006 as well as previous extensions of the statute’s sunset provision. Consistent with that position, we support the provision of HB-5926 to extend the sunset again and further urge that it be extended beyond two years or eliminated altogether.

As a general matter, flex-rating laws promote competition among insurers because they provide confidence that an insurer can lower rates to attract more business but increase rates if necessary due to changing results and market conditions. They also allow for concentration of limited regulatory resources on important matters other than review of rate changes within the flex band range.

NAMIC supports rate modernization laws as a necessary element in creating a reformed system of state insurance regulation. Since passage of Connecticut’s flex-rating statute in 2006, rate modernization laws have been enacted in Kansas, Georgia and New York, marking significant progress on this critical issue.

Because flex-rating statutes promote competition by providing insurers with confidence regarding their ability to adjust rates in the future, a flex-rating statute will be more effective in providing the benefits of competition if its provisions provide insurers with a sense of stability regarding its continuation. For this reason, NAMIC would urge the Committee to consider extending the sunset much further or eliminating it altogether.

**Reducing the flex band from 6% to 3%.**

The flex rating system has worked well in Connecticut and reducing the band will significantly undermine its purpose and value. The self-evident goal of the flex rating approach is to imbue the system with the flexibility to react readily to fluctuations in the market and to do so without unnecessary regulatory scrutiny. The dramatic reduction proposed in this legislation will severely limit that flexibility and force a re-direction of regulatory resources and attention to filings that don't warrant that level of review. This will usurp valuable staff time from any agency that, like other state agencies, has seen reductions in its ranks. Requiring regulatory review of these filings also presents practical and costly challenges for insurers. With the Department forced to review additional rate filings, the process will inevitably result in delays and uncertain approval dates. Insurers need to program and test their systems before implementing any rate changes---whether an increase or a reduction. Without certainty about the actual implementation date for the filing, it can be difficult for a carrier to harness the internal IT resources needed for implementation. A stable, dependable approach, like the flex-rating system allows for that critical planning. The proposed reduction in the flex band will increase the number of filings, introduce more uncertainty and delay into the process and add cost to the system.

Thank you for the opportunity to present NAMIC's views on this legislation.

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