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AMERICAN INSURANCE ASSOCIATION OPPOSES CONNECTICUT HOUSE BILLS 6444 AND 6446

HARTFORD, CT (February 17, 2009) – The American Insurance Association (AIA) testified today in opposition to Connecticut House Bill 6444, An Act Concerning Automobile Insurance and House Bill 6446, An Act Concerning Motor Vehicle Repairs. According to AIA, the bills would likely increase costs to consumers and degrade Connecticut's current well-functioning insurance system.

House Bill 6444 proposes to specify the ratio of individual territorial loss cost data to the state-wide average loss cost data, ban credit-based insurance scoring, and direct the insurance commissioner to adopt regulations concerning rating plans. House Bill 6446 would mandate rate reductions for Vehicle Identification Number (VIN) etching, and prohibit insurers from providing consumers with valuable information such as better warranties or waived deductibles during the repair process.

"While we appreciate the underlying motivation of this legislation, the fact is that it will harm - not help - the vast majority of Connecticut auto insurance consumers," said David Snyder, AIA vice president and assistant general counsel.

House Bill 6444 calls for major, system-wide changes that would result in fewer consumer friendly options and higher costs for everyone. According to AIA, the legislation violates the generally accepted standards for risk based pricing in Connecticut's - and most other states' - basic insurance regulatory laws. Connecticut already artificially subsidizes higher cost policyholders with its 75/25 formula. This would be exacerbated by the movement to 50/50 mandated by the legislation and would create rates that are unfairly discriminatory for all. "In today's uncertain economic times, upsetting the balance of the parts of the system that are working well for most people is of particular concern," said Snyder.

House Bill 6444 also seeks to ban credit-based insurance scoring (CBIS). AIA strongly opposes such a ban. According to Snyder, the benefits of credit-based insurance scoring to the market were validated by the Federal Trade Commission (FTC) report issued in July 2007. "There have been many public and private studies of CBIS and they all demonstrate that CBIS adds significant accuracy to risk assessment and pricing and encourages availability and affordability," said Snyder. Citing the FTC findings, Snyder explained that more accurate risk assessment is an important method of competition among insurance firms. "Eliminating CBIS, as proposed in House Bill 6444, will harm the majority of Connecticut policyholders, do damage to the fundamental fairness of risk based pricing and result in arbitrary insurance rates - exactly what the public policy of the state has previously sought to prevent."

House Bill 6446 would prohibit insurers from offering pro-consumer benefits such as better warranties or waived deductibles, except under enumerated circumstances. "We fail to see how

consumers are helped by denying insurers the ability to provide tangible service and financial benefits,” said Snyder.

In order to maintain a healthy, competitive auto insurance system in Connecticut that serves consumers well, AIA urged the Insurance and Real Estate Committee to reject the legislation. AIA member companies write 28% of the personal auto insurance and 40% of the commercial auto insurance in Connecticut.

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The American Insurance Association represents approximately 350 major insurance companies that provide all lines of property and casualty insurance and write more than \$123 billion annually in premiums. The association is headquartered in Washington, D.C. and has representatives in every state. All AIA press releases are available at www.aiadc.org.