



Property Casualty Insurers  
Association of America  
Shaping the Future of American Insurance

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## FOR RELEASE ON RECEIPT

February 17, 2009

# PCI Testifies Against Anti-Consumer Auto Insurance Bills; Supports Legislation Extending Flex Rating

HARTFORD, Conn. – *The Property Casualty Insurers Association of America (PCI) will testify today against several anti-consumer auto insurance bills that are being considered by the Connecticut Insurance and Real Estate Committee and is supporting legislation that extends the state's flex rating law. The following statement can be attributed to Paul Magaril, regional manager and counsel for PCI.*

"The Property Casualty Insurers Association of America is urging the Connecticut Insurance and Real Estate Committee to reject HB 6444, which would prohibit the use of credit information and limit the use of territorial rating. We also oppose HB 6446, which would place additional limitations on insurers who offer guarantees on auto body repairs completed in shops recommended by insurers. These bills would have significant anti-consumer consequences and harm the state's automobile insurance market. We are also seeking to amend HB 6450 which changes how the value of a totaled vehicle is determined. However, we strongly support HB 6280 which extends the state's flex-rating law affecting personal lines until July 1, 2011.

"The net effect of HB 6444 would be to make insurance underwriting and rating less accurate and result in lower risk consumers subsidizing higher risk consumers. Consumers that pose higher risk should pay more for insurance. This bill turns that notion on its head. Both credit information and the use of geographic location have been proven to be highly accurate predictors of risk. By enacting legislation that eliminates or severely limits the use of these factors, the state is in the position of picking winners and losers regarding auto insurance. Based on this legislation, the majority of drivers in Connecticut would be losers. The big winners would be those who file the most claims and have the highest losses. That is not good public policy.

"Through HB 6446 some auto body repair shop are attempting to limit an insurer's ability to offer an important and very popular benefit to consumers – a lifetime warranty on the repair work. While an auto repair shop may guarantee their work, this is of little benefit to a consumer who has moved or is traveling. The warranty offered by insurers extends beyond the particular direct repair facility used by the consumer and can be used at any such facility in the country. How can a prohibition or limitation on an insurer's ability to reduce premiums, lower deductibles, or offer a lifetime warranty be considered to be in the best interests of the consumers? Only one group would benefit from this bill – auto repair shops that would be protected from competition. One group would be harmed – consumers who would actually be denied important cost-saving benefits for exercising their choice of repair facilities. No other state in the country has enacted a law that limits the benefits that an insurer can offer to consumers in this way".

"On HB 6450, we could support the bill with some amendments. When determining the fair market value of a "total loss" automobile in Connecticut, insurers use an average of retail values given by the National Automobile Dealers Association (NADA) used car guide and one other source that has been approved by the commissioner. This bill would drop the requirement to use the NADA guide, instead requiring insurers to use the higher of two sources that have been approved by the commissioner. While the proposed change could allow insurers more flexibility in their choice of valuation methods, it still requires duplication of efforts and resources, making the total loss process more expensive and more time consuming. We believe this bill provides legislators an opportunity to provide more efficiency, flexibility and clarity in the claim handling process of totaled vehicles. We urge the committee to take that opportunity and to adopt amendments that would simply allow insurers to choose one of these approved methods for determining the value of a totaled vehicle.

"PCI supports HB 6280, which allows a law that is working well for consumers to continue. Connecticut's flex-rating law went into effect on July 1, 2006 and is scheduled to sunset on July 1, 2009. Under the law, insurance companies in Connecticut are allowed to implement personal auto and homeowners' insurance rate changes within a  $\pm 6$  percent band without waiting for regulatory approval. Analysis of the latest information available shows that the law is achieving what lawmakers intended by moderating premium costs and contributing to a vibrant, competitive market."

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$176 billion in annual premium, 35.9 percent of the nation's property casualty insurance. Member companies write 43.8 percent of the U.S. automobile insurance market, 29.6 percent of the homeowners market, 32.8 percent of the commercial property and liability market, and 38.4 percent of the private workers compensation market.

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