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New York Insurance Association Applauds Legislature For Rate Modernization

New York Legislature adopts flex rating for private passenger auto

ALBANY, NY — In the closing hours of the legislative session, both the Senate and Assembly passed a bill (A.11693/S.8624) which will allow insurers to file up to a 5% rate increase or decrease within a year without prior approval by the Insurance Department.

New York previously made a 7% flex rating band available until the Legislature let the statute expire in 2001. “For the last seven years the government has employed a system of price fixing for auto insurance,” New York Insurance Association President Ellen Melchionni said. “The reinstatement of flex rating will allow for a more nimble and competitive market.”

In the years when New York had flex rating, auto prices were lower and there were more insurance companies offering coverage in the state. When the flex rating statute expired insurers left the state and prices increased. The passage of this bill will entice more companies to do business in New York and benefit consumers by giving them more choice.

There is a healthy auto insurance market in New York and this legislation will encourage even more companies to write policies in the state. There is no need for government to set price controls when there is already a vibrant and competitive market as it only stifles competition. Increasing competition equals greater consumer choice.

“This allows New York to again have a consumer-friendly environment like many other states and will encourage more insurers to write in our great state,” said Melchionni. “We think this is a great step toward overall regulatory modernization. Streamlining the regulatory process will keep insurance companies in New York and in turn keep rates affordable for consumers.”

“The association credits the commitment of the two bill sponsors, Assemblyman Joseph Morelle (D-Rochester) and Senator James Seward (R-Milford) for their dedication to doing the right thing for New York consumers and businesses,” Melchionni said. “We encourage the governor to sign this bill, which would allow flex rating to take effect January 1, 2009.”

The New York Insurance Association (NYIA[®]) is a state trade association that has represented the property and casualty insurance industry for over 125 years. For more information on NYIA, visit www.nyia.org.

For more information contact

Cassandra Coville, 518-432-4227 or 518-312-3315