



General Assembly

February Session, 2000

***Raised Bill No. 579***

LCO No. 2150

Referred to Committee on Insurance and Real Estate

Introduced by:  
(INS)

***An Act Establishing A Pilot Program For Low Cost Automobile Insurance With Reduced Benefits.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (a) Beginning January 1, 2001 and ending January 1, 2005,  
2 there is established a low-cost automobile insurance pilot program for  
3 the cities of Hartford, New Haven, Bridgeport and Waterbury. As used  
4 in sections 1 to 9, inclusive, of this act, "pilot program" means the low-  
5 cost automobile insurance pilot program established pursuant to this  
6 section, "plan" means the plan established by the Insurance  
7 Commissioner pursuant to subsection (b) of this section, "policy" and  
8 "low-cost policy" mean a low-cost automobile insurance policy made  
9 available under the pilot program, and "residual market plan" means  
10 the plan established under section 38a-329 of the general statutes to  
11 provide coverage for those who are in good faith entitled to, but  
12 unable to, procure automobile insurance through ordinary methods.

13 (b) After consultation with insurance carriers authorized to issue  
14 automobile liability insurance policies in this state, and after a public  
15 hearing, the Insurance Commissioner shall establish and approve a  
16 reasonable plan or plans to provide insurance coverage for applicants

17 who reside in the cities of Hartford, New Haven, Bridgeport and  
18 Waterbury who qualify for the pilot program pursuant to sections 1 to  
19 9, inclusive, of this act. Carriers shall participate equally to cover  
20 qualified applicants. The commissioner may administer the plan  
21 through the residual market plan established under section 38a-329 of  
22 the general statutes or through any manager or committee designated  
23 by the commissioner to operate the residual market plan, or through  
24 other means as the commissioner deems appropriate.

25 (c) For purposes of the pilot program, a low-cost automobile  
26 insurance policy shall contain the elements set forth in subdivisions (1)  
27 to (4), inclusive, of this subsection:

28 (1) The policy shall provide coverage in the amount of ten thousand  
29 dollars for bodily injury to, or death of, each person as a result of any  
30 one accident and, subject to that limit as to one person, the amount of  
31 twenty thousand dollars for bodily injury to, or death of all persons as  
32 a result of any one accident, and the amount of three thousand dollars  
33 for damage to property of others as a result of any one accident.

34 (2) The policy shall have an initial term of one year, renewable on an  
35 annual basis thereafter.

36 (3) The policy shall cover the insured named in the policy, and to  
37 the same extent that insurance is provided to the named insured, any  
38 other person using the automobile, provided the use is with the named  
39 insured's permission, express or implied, and within the scope of that  
40 permission, except that the policy shall not cover members of the  
41 named insured's household who do not satisfy the requirements of  
42 subdivisions (2) to (6), inclusive, of section 3 of this act.

43 (4) The policy shall provide coverage for an automobile with a  
44 value, at the time of purchase by the insured, of twelve thousand  
45 dollars or less, as determined in accordance with the value given to the  
46 automobile by the Secretary of Policy and Management for property  
47 taxation purposes pursuant to section 12-71d of the general statutes.

48 (d) Notwithstanding the coverage amounts required by section 14-  
49 112 of the general statutes, a low-cost automobile policy issued under  
50 the pilot program shall satisfy the obligations of the Financial  
51 Responsibility Law, sections 14-112 to 14-133, inclusive, of the general  
52 statutes, and section 38a-371 of the general statutes.

53 Sec. 2. (a) The annual rate offered under the pilot program for the  
54 low-cost automobile insurance policy, until the rate is adjusted, shall  
55 be four hundred fifty dollars. A surcharge of twenty-five per cent of  
56 the base rate shall be added if the named insured is an unmarried male  
57 between the ages of nineteen and twenty-four, inclusive, or if an  
58 unmarried male between the ages of nineteen and twenty-four,  
59 inclusive, resides in the household of the named insured and will be a  
60 driver of the automobile covered under the low-cost policy.

61 (b) The plan shall make available to an insured under the pilot  
62 program a premium installment option under which an insured is  
63 required to pay one hundred dollars upon issuance of the low-cost  
64 policy, followed thereafter by six additional payments. No other  
65 premium financing arrangement may be permitted.

66 (c) Rates for policies issued under the pilot program shall be  
67 reviewed and revised as follows:

68 (1) Rates shall be set to cover (A) losses incurred under policies  
69 issued under the pilot program, and (B) expenses, including, but not  
70 limited to, all reasonable and necessary expenses such as the costs of  
71 administration, underwriting, taxes, commissions, and claims  
72 adjusting, that are incurred due to participation in the pilot program.  
73 For purposes of this section, "losses incurred" means claims paid,  
74 claims incurred and reported, and claims incurred but not yet  
75 reported. In assessing loss reserves, the commissioner shall only allow  
76 loss reserves that are estimated from actual losses in the pilot program  
77 or comparable data by a licensed statistical agent, as adjusted to reflect  
78 coverage provided under this pilot program.

79 (2) Rates shall be set to result in no projected subsidy of the pilot  
80 program by insureds who are not participants in the pilot program.

81 (3) Beginning January 1, 2001, and annually thereafter, the  
82 automobile liability insurance carriers shall examine the loss and  
83 expense data, together with a proposed rate for the low-cost  
84 automobile policy for the pilot program and shall submit  
85 recommendations to the commissioner in such form as the  
86 commissioner requires. The commissioner shall act on the  
87 recommendation not later than ninety days after receipt.

88 Sec. 3. A low-cost automobile insurance policy under the pilot  
89 program shall only be available for purchase by persons who satisfy  
90 the following eligibility requirements:

91 (1) The person shall reside in Hartford, New Haven, Bridgeport or  
92 Waterbury in a household with a gross annual household income that  
93 does not exceed one hundred fifty per cent of the federal poverty level.

94 (2) The person shall be no less than nineteen years of age and shall  
95 have been continuously licensed to drive an automobile for the  
96 previous three years.

97 (3) The person shall have not more than one of the events set forth  
98 in subparagraph (A) or (B) of this subdivision:

99 (A) An accident resulting in only property damage in which the  
100 person was principally at fault.

101 (B) A point for a motor vehicle violation.

102 (4) The person shall not have on record within the previous three  
103 years, an at-fault accident involving bodily injury or death.

104 (5) The person shall not have a felony or misdemeanor conviction  
105 for a motor vehicle violation on the person's motor vehicle driving  
106 history record or other governmental record.

107 (6) The person shall not be a college student claimed as a dependent  
108 of another person for federal or state income tax purposes.

109 Sec. 4. (a) An individual may apply for coverage under the plan  
110 through any licensed producer certified by the plan. The applicant, in  
111 order to demonstrate financial eligibility to purchase a low-cost  
112 automobile insurance policy under the pilot program, shall present at  
113 the time of application a copy of the applicant's federal or state income  
114 tax return for the previous year or other reliable evidence from a  
115 governmental agency or governmental means-tested program of the  
116 applicant's gross annual household income, as required by the  
117 commissioner.

118 (b) The applicant shall certify that the representations made in the  
119 documents submitted as proof of financial eligibility and in the  
120 application for the policy are true, correct, and contain no material  
121 misrepresentations or omissions of fact to the best knowledge and  
122 belief of the applicant.

123 (c) The certified producer shall forward the application, supporting  
124 documents, and the applicant's certification to the plan or other person  
125 or entity established by the commissioner.

126 Sec. 5. (a) A certified producer shall provide to an applicant for a  
127 low-cost automobile insurance policy under sections 1 to 9, inclusive,  
128 of this act, a notice relating to coverage under the policy. The notice  
129 shall be provided in a separate document at the time of application,  
130 and include the following statement in fourteen point boldface type:

131 "NOTICE

132 INSURANCE COVERAGE PROVIDED IN THE POLICY YOU ARE  
133 BUYING CONTAINS REDUCED LIABILITY COVERAGE FOR  
134 PERSONAL INJURIES OR PROPERTY DAMAGE RESULTING FROM  
135 THE OPERATION OF THE INSURED VEHICLE.

136 IF LOSSES FROM AN AUTOMOBILE ACCIDENT EXCEED THE

137 COVERAGE PROVIDED BY THIS POLICY, YOU CAN BE HELD  
138 PERSONALLY LIABLE AND RESPONSIBLE FOR THOSE LOSSES.  
139 THIS POLICY PROVIDES LIABILITY COVERAGE FOR INJURIES OR  
140 DEATH CAUSED TO OTHER PERSONS IN THE TOTAL AMOUNT  
141 OF TEN THOUSAND DOLLARS (\$10,000) PER PERSON IN ANY  
142 ONE ACCIDENT, AND UP TO A TOTAL AMOUNT OF TWENTY  
143 THOUSAND (\$20,000) FOR ALL PERSONS IN ANY ONE  
144 ACCIDENT. THE POLICY ALSO PROVIDES UP TO A TOTAL  
145 AMOUNT OF THREE THOUSAND DOLLARS (\$3,000) IN LIABILITY  
146 COVERAGE FOR PROPERTY DAMAGE IN ANY ONE ACCIDENT.

147 IF YOU WANT MORE INSURANCE COVERAGE, YOU MUST  
148 REQUEST A DIFFERENT POLICY. THIS POLICY ALSO DOES NOT  
149 COVER DAMAGE TO YOUR OWN VEHICLE, LOSSES RESULTING  
150 FROM YOUR BODILY INJURY OR DEATH, OR COVERAGE FOR  
151 LOSSES CAUSED BY AN UNINSURED OR UNDERINSURED  
152 DRIVER. HOWEVER, THESE OTHER COVERAGES MAY BE  
153 AVAILABLE AT EXTRA COST THROUGH OTHER INSURERS. THIS  
154 POLICY DOES NOT COVER ANY OTHER DRIVER IN YOUR  
155 HOUSEHOLD WHO:

156 (1) IS UNDER 19 YEARS OF AGE; OR

157 (2) HAS LESS THAN 3 YEARS OF CONTINUOUSLY LICENSED  
158 DRIVING EXPERIENCE; OR

159 (3) HAS MORE THAN ONE OF EITHER, OR BOTH, OF THE  
160 FOLLOWING:

161 --A PROPERTY DAMAGE ONLY ACCIDENT IN WHICH THE  
162 DRIVER WAS PRINCIPALLY AT FAULT.

163 --A POINT FOR A MOVING VIOLATION; OR

164 (4) HAS IN THE PREVIOUS 3 YEARS AN AT-FAULT ACCIDENT  
165 INVOLVING BODILY INJURY OR DEATH; OR

166 (5) HAS A FELONY OR MISDEMEANOR CONVICTION FROM A  
167 VIOLATION OF THE VEHICLE CODE ON HIS OR HER MOTOR  
168 VEHICLE RECORD."

169 (b) When the certified producer establishes delivery of the  
170 disclosure form prescribed in subdivision (a) by obtaining the  
171 signature of the applicant or insured, there shall be a conclusive  
172 presumption that the certified producer has complied with the  
173 disclosure requirements of this section.

174 Sec. 6. For a low-cost automobile insurance policy issued pursuant  
175 to the pilot program, certified producers shall be entitled to the same  
176 commission rate as is paid by the residual market plan established  
177 pursuant to section 38a-329 of the general statutes for automobile  
178 liability insurance policies. No other fee may be charged or collected  
179 regarding a low-cost policy. The sale of a low-cost policy under  
180 sections 1 to 9, inclusive, of this act shall not be conditioned on the  
181 purchase of any other product or service.

182 Sec. 7. (a) A low-cost automobile insurance policy issued pursuant  
183 to the pilot program may be canceled by the plan or insurer only for  
184 the following reasons:

185 (1) Nonpayment of premium.

186 (2) Fraud or material misrepresentation affecting the policy or the  
187 insured.

188 (3) The purchase or maintenance of additional automobile liability  
189 insurance coverage in violation of subdivision (a) of section 8 of this  
190 act.

191 (4) The purchase or maintenance of automobile liability insurance  
192 coverage other than a low-cost policy for any additional vehicles in the  
193 insured's household, in violation of subdivision (b) of section 8 of this  
194 act.

195 (b) A policy shall be nonrenewed by the plan or insurer only for the  
196 following reasons:

197 (1) A substantial increase in the hazard insured against.

198 (2) The insured no longer meets the applicable eligibility  
199 requirements, provided the eligibility of an insured shall be recertified  
200 by the residual market plan established pursuant to section 38a-329 of  
201 the general statutes after the first year of eligibility, and annually  
202 thereafter by the insurer that issued the policy.

203 Sec. 8. (a) An insured under the pilot program shall not purchase or  
204 maintain automobile liability insurance coverage that is in addition to  
205 the liability coverage provided by the low-cost policy, except that the  
206 insured may purchase any other additional type of automobile  
207 insurance coverage, including, but not limited to, uninsured motorist  
208 coverage or collision coverage outside the plan.

209 (b) An insured under the pilot program shall not purchase or  
210 maintain any automobile liability insurance coverage other than a low-  
211 cost policy for any additional vehicles in the insured's household.

212 (c) No more than two low-cost policies may be issued to one  
213 household.

214 Sec. 9. (a) The pilot program may begin operations on January 1,  
215 2001, but shall be fully operational not later than July 1, 2001.

216 (b) The commissioner may adopt regulations, in accordance with  
217 the provisions of chapter 54 of the general statutes, to implement the  
218 provisions of sections 1 to 9, inclusive, of this act.

219 (c) Not later than January 1, 2002, and annually thereafter until  
220 January 1, 2006, the Insurance Commissioner shall report to the joint  
221 standing committee of the General Assembly having cognizance of  
222 matters relating to insurance on the operations and status of the pilot  
223 program.

224 Sec. 10. This act shall take effect from its passage and be effective  
225 until January 1, 2005.

**Statement of Purpose:**

To establish a pilot program in the cities of Hartford, New Haven, Bridgeport and Waterbury to provide limited-benefit low-cost automobile insurance to low-income individuals.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*