



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, 2004,
2 there is established a low-cost automobile insurance pilot program for
3 the cities of Hartford, New Haven and Bridgeport. As used in sections
4 1 to 9, inclusive, of this act, "pilot program" means the low-cost
5 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 "assigned risk plan" means the
10 plan established under section 38a-329 of the general statutes.

11 (b) After consultation with insurance carriers authorized to issue
12 automobile liability insurance policies in this state, and after a public
13 hearing, the Insurance Commissioner shall establish and approve a
14 reasonable plan or plans to provide insurance coverage for applicants
15 who reside in the cities of Hartford, New Haven and Bridgeport who
16 qualify for the pilot program pursuant to sections 1 to 9, inclusive, of
17 this act. Carriers shall participate equally to cover qualified applicants.
18 The commissioner shall administer the plan through the assigned risk
19 plan.

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

23 (1) The policy shall provide coverage in the amount of ten thousand
24 dollars for bodily injury to, or death of, each individual as a result of
25 any one accident and, subject to that limit as to one individual, the
26 amount of twenty thousand dollars for bodily injury to, or death of all
27 individuals as a result of any one accident, and the amount of three
28 thousand dollars for damage to property of others as a result of any
29 one accident.

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

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

39 (4) The policy shall provide coverage for an automobile with a
40 value, at the time an individual applies for coverage under the pilot
41 program, of fifteen thousand dollars or less, as determined in
42 accordance with the value given to the automobile by the Secretary of
43 the Office of Policy and Management for property taxation purposes
44 pursuant to section 12-71d of the general statutes.

45 (d) Notwithstanding the coverage amounts required by section 14-
46 112 of the general statutes, a low-cost automobile policy issued under
47 the pilot program shall be deemed to satisfy the obligations of the
48 Financial Responsibility Law, sections 14-112 to 14-133, inclusive, of
49 the general statutes, and section 38a-371 of the general statutes.

50 Sec. 2. (a) The annual rate offered under the pilot program for the

51 low-cost automobile insurance policy shall be set by the assigned risk
52 plan.

53 (b) Rates for policies issued under the pilot program shall be
54 reviewed and revised as set forth in subdivisions (1) to (4), inclusive, of
55 this subsection:

56 (1) The assigned risk plan shall establish a base rate but may adjust
57 the rate for individual insureds based on risk characteristics including,
58 but not limited to, age, miles driven, type of vehicle, gender and type
59 of use.

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

71 (3) Rates shall be set to result in no projected subsidy of the pilot
72 program by insureds who are not participants in the pilot program.

73 (4) Beginning January 1, 2001, and annually thereafter, the assigned
74 risk plan shall examine the loss and expense data, together with a
75 proposed rate for the low-cost automobile policy for the pilot program
76 and shall submit recommendations to the commissioner in such form
77 as the commissioner requires. The commissioner shall act on the
78 recommendation not later than ninety days after receipt.

79 (c) The plan shall make available to an insured under the pilot
80 program a premium instalment option under which an insured is
81 required to pay one hundred dollars upon issuance of the low-cost

82 policy, followed thereafter by six additional payments. No other
83 premium financing arrangement may be permitted.

84 Sec. 3. A low-cost automobile insurance policy under the pilot
85 program shall only be available for purchase by individuals who
86 satisfy the following eligibility requirements:

87 (1) The individual shall reside in Hartford, New Haven or
88 Bridgeport in a household with a gross annual household income that
89 does not exceed two hundred per cent of the federal poverty level.

90 (2) The individual shall be no less than nineteen years of age and
91 shall have been continuously licensed to drive an automobile for the
92 previous three years.

93 (3) The individual shall not have more than one of the events set
94 forth in subparagraph (A) or (B) of this subdivision:

95 (A) An accident resulting in only property damage in which the
96 individual was principally at fault.

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

98 (4) The individual shall not have on record within the previous
99 three years an at-fault accident involving bodily injury or death.

100 (5) The individual shall not have a felony or misdemeanor
101 conviction for a motor vehicle violation on the individual's motor
102 vehicle driving history record or other governmental record.

103 (6) The individual shall not be a college student claimed as a
104 dependent of another individual for federal or state income tax
105 purposes.

106 Sec. 4. (a) An individual may apply for coverage under the plan
107 through any licensed producer certified by the plan. The applicant, in
108 order to demonstrate financial eligibility to purchase a low-cost
109 automobile insurance policy under the pilot program, shall present at

110 the time of application a copy of the applicant's federal or state income
111 tax return for the previous year or other reliable evidence from a
112 governmental agency or governmental means-tested program of the
113 applicant's gross annual household income, as required by the
114 commissioner.

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

120 (c) The certified producer shall forward the application, supporting
121 documents, and the applicant's certification to the plan or other
122 individual or entity designated by the commissioner.

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

128 **"NOTICE**

129 **INSURANCE COVERAGE PROVIDED IN THE POLICY YOU ARE**
130 **BUYING CONTAINS REDUCED LIABILITY COVERAGE FOR**
131 **PERSONAL INJURIES OR PROPERTY DAMAGE RESULTING FROM**
132 **THE OPERATION OF THE INSURED VEHICLE.**

133 **IF LOSSES FROM AN AUTOMOBILE ACCIDENT EXCEED THE**
134 **COVERAGE PROVIDED BY THIS POLICY, YOU CAN BE HELD**
135 **PERSONALLY LIABLE AND RESPONSIBLE FOR THOSE LOSSES.**
136 **THIS POLICY PROVIDES LIABILITY COVERAGE FOR INJURIES OR**
137 **DEATH CAUSED TO OTHER PERSONS IN THE TOTAL AMOUNT**
138 **OF TEN THOUSAND DOLLARS (\$10,000) PER PERSON IN ANY**
139 **ONE ACCIDENT, AND UP TO A TOTAL AMOUNT OF TWENTY**
140 **THOUSAND DOLLARS (\$20,000) FOR ALL PERSONS IN ANY ONE**

141 ACCIDENT. THE POLICY ALSO PROVIDES UP TO A TOTAL
142 AMOUNT OF THREE THOUSAND DOLLARS (\$3,000) IN LIABILITY
143 COVERAGE FOR PROPERTY DAMAGE IN ANY ONE ACCIDENT.

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

153 (1) IS UNDER NINETEEN YEARS OF AGE;

154 (2) HAS LESS THAN THREE YEARS OF CONTINUOUSLY
155 LICENSED DRIVING EXPERIENCE;

156 (3) HAS MORE THAN ONE OF EITHER, OR BOTH, OF THE
157 FOLLOWING:

158 (A) A PROPERTY DAMAGE ONLY ACCIDENT IN WHICH THE
159 DRIVER WAS PRINCIPALLY AT FAULT; OR

160 (B) A POINT FOR A MOVING VIOLATION.

161 (4) HAD IN THE PREVIOUS THREE YEARS AN AT-FAULT
162 ACCIDENT INVOLVING BODILY INJURY OR DEATH; OR

163 (5) HAS A FELONY OR MISDEMEANOR CONVICTION FROM A
164 VIOLATION OF THE VEHICLE CODE ON THE PERSON'S MOTOR
165 VEHICLE RECORD."

166 (b) When the certified producer establishes delivery of the
167 disclosure form prescribed in subsection (a) of this section by obtaining
168 the signature of the applicant or insured, there shall be a conclusive
169 presumption that the certified producer has complied with the

170 disclosure requirements of this section.

171 Sec. 6. For the sale of a low-cost automobile insurance policy issued
172 pursuant to the pilot program, certified producers shall be entitled to
173 the same commission rate as is paid by the assigned risk plan for
174 automobile liability insurance policies. No other fee may be charged or
175 collected by a producer regarding a low-cost policy. The sale of a low-
176 cost policy under sections 1 to 9, inclusive, of this act shall not be
177 conditioned on the purchase of any other product or service.

178 Sec. 7. (a) A low-cost automobile insurance policy issued pursuant
179 to the pilot program may be canceled by the plan or insurer only for
180 the reasons set forth in this subsection:

181 (1) Nonpayment of premium;

182 (2) Fraud or material misrepresentation affecting the policy or the
183 insured;

184 (3) The purchase or maintenance of additional automobile liability
185 insurance coverage in violation of subsection (a) of section 8 of this act;
186 or

187 (4) The purchase or maintenance of automobile liability insurance
188 coverage other than a low-cost policy for any additional vehicles in the
189 insured's household, in violation of subsection (b) of section 8 of this
190 act.

191 (b) A policy may be nonrenewed by the plan or insurer only for the
192 reasons set forth in this subsection:

193 (1) A substantial increase in the hazard insured against; or

194 (2) The insured no longer meets the applicable eligibility
195 requirements, provided the eligibility of an insured shall be recertified
196 by the assigned risk plan after the first year of eligibility, and annually
197 thereafter by the insurer that issued the policy.

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

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

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

209 Sec. 9. (a) The pilot program may begin operations on January 1,
210 2001, but shall be fully operational not later than July 1, 2001.

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

214 (c) Not later than January 1, 2002, and annually thereafter until
215 January 1, 2005, the Insurance Commissioner shall report to the joint
216 standing committee of the General Assembly having cognizance of
217 matters relating to insurance on the operations and status of the pilot
218 program.

219 Sec. 10. This act shall take effect from its passage and be effective
220 until January 1, 2004.

INS Committee Vote: Yea 11 Nay 6 JFS C/R JUD