



General Assembly

**Substitute Bill No. 579**

*February Session, 2000*

***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, 2003,  
2 there shall be a low-cost automobile insurance pilot program for the  
3 cities of Hartford, New Haven and Bridgeport in accordance with  
4 sections 1 to 10, inclusive, of this act. As used in sections 1 to 10,  
5 inclusive, of this act, "pilot program" means the low-cost automobile  
6 insurance pilot program established pursuant to this section; "plan"  
7 means the plan established by the Insurance Commissioner pursuant  
8 to subsection (b) of this section; "policy" and "low-cost policy" mean a  
9 low-cost automobile insurance policy made available under the pilot  
10 program, and "assigned risk plan" means the plan established under  
11 section 38a-329 of the general statutes.

12 (b) After consultation with insurance carriers authorized to issue  
13 automobile liability insurance policies in this state, and after a public  
14 hearing, the Insurance Commissioner shall establish and approve a  
15 reasonable plan or plans to provide insurance coverage for applicants  
16 who reside in the cities of Hartford, New Haven and Bridgeport who  
17 qualify for the pilot program pursuant to sections 1 to 10, inclusive, of  
18 this act. Carriers shall participate to cover qualified applicants. The  
19 commissioner shall administer the plan through the assigned risk 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 five  
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 (A) the use is with the  
35 named insured's permission, express or implied, and (B) the individual  
36 is not a resident in the same household as the insured who does not  
37 meet the requirements of subdivisions (2) to (6), inclusive, of section 3  
38 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 less than thirteen thousand dollars. The value shall be  
42 established by reference to the value given to the automobile by the  
43 Secretary of the Office of Policy and Management for property taxation  
44 purposes pursuant to section 12-71d of the general statutes as set forth  
45 in the information provided to producers under section 10 of this act.

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

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

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

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

57 (1) The assigned risk plan shall establish a base rate but may adjust  
58 the rate for individual insureds based on risk characteristics including,  
59 but not limited to, age, miles driven, type of vehicle, gender and type  
60 of use. In establishing the base rate, the plan shall take into account the  
61 loss experience in states where policies are sold with coverage in the  
62 amounts set forth in subdivision (1) of subsection (c) of section 1 of this  
63 act. Rates for the pilot program shall be set independently of rates set  
64 for the assigned risk plan.

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

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

78 (4) Not later than January 1, 2002, the assigned risk plan shall  
79 examine the prior year's loss and expense data, together with a  
80 proposed rate for the low-cost automobile policy for the pilot program  
81 and shall submit recommendations to the commissioner in such form  
82 as the commissioner requires. The commissioner shall act on the  
83 recommendations not later than ninety days after receipt.

84 (c) The plan shall make available to an insured under the pilot  
85 program a premium instalment option under which an insured is  
86 required to pay one hundred dollars upon issuance of the low-cost  
87 policy, followed thereafter by six additional payments. No other  
88 premium financing arrangement may be permitted.

89 Sec. 3. A low-cost automobile insurance policy under the pilot  
90 program may only be purchased by individuals who satisfy the  
91 following eligibility requirements:

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

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

98 (3) The individual shall not have more than one of the events set  
99 forth in subparagraph (A) or (B) of this subdivision as documented on  
100 the individual's motor vehicle driving history record or comprehensive  
101 loss underwriting report:

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

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

105 (4) The individual shall not have, as documented on the individual's  
106 motor vehicle driving history record or comprehensive loss  
107 underwriting report, within the previous three years an at-fault  
108 accident involving bodily injury or death.

109 (5) The individual shall not have a felony or misdemeanor  
110 conviction for a motor vehicle violation as documented on the  
111 individual's motor vehicle driving history record or comprehensive  
112 loss underwriting report.

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

116 Sec. 4. (a) An individual may apply for coverage under the plan  
117 through any licensed producer certified by the plan. In order to  
118 demonstrate financial eligibility to purchase a low-cost automobile  
119 insurance policy under the pilot program, the applicant shall present at  
120 the time of application a copy of the applicant's federal or state income  
121 tax return for the previous calendar year or other reliable evidence  
122 from a governmental agency or governmental means-tested program  
123 of the applicant's gross annual household income, as required by the  
124 commissioner.

125 (b) The applicant shall certify that the representations made in the  
126 documents submitted as proof of financial eligibility and in the  
127 application for the policy are true, correct, and contain no material  
128 misrepresentations or omissions of fact to the best knowledge and  
129 belief of the applicant.

130 (c) The certified producer shall forward the application, supporting  
131 documents, and the applicant's certification to the plan or other  
132 individual or entity designated by the Insurance Commissioner. The  
133 information on the application, supporting documents and  
134 certification shall be confidential. The information, documents and  
135 certification may not be disclosed by the producer or the plan and shall  
136 not be subject to disclosure under the Freedom of Information Act, as  
137 defined in section 1-200 of the general statutes.

138 (d) No producer may issue a binder for coverage under the plan.

139 (e) A certified producer, the producer's agency and employees and  
140 any person, as defined in section 38a-1 of the general statutes,  
141 contracting with a producer shall be held harmless from (1) any claim,  
142 judgment or legal action resulting from an individual's application for  
143 coverage or purchase of coverage under the plan, or (2) any related or  
144 unrelated claim made against the insured under the plan including,

145 but not limited to, uninsured and underinsured claims.

146 (f) Each insurance company that issues an automobile policy in this  
147 state and each certified producer shall inform an individual about the  
148 coverage available under the pilot program if the individual (1)  
149 inquires about a new automobile policy, and is not renewing a policy,  
150 and the individual indicates that the individual resides in Hartford,  
151 New Haven or Bridgeport, or (2) inquires about coverage under the  
152 pilot program.

153 Sec. 5. (a) A certified producer shall provide to an applicant for a  
154 low-cost automobile insurance policy under sections 1 to 10, inclusive,  
155 of this act, a notice relating to coverage under the policy. The notice  
156 shall be provided in a separate document at the time of application,  
157 and include the following statement in fourteen-point bold-face type:

158 "NOTICE

159 INSURANCE COVERAGE PROVIDED IN THE POLICY YOU ARE  
160 BUYING CONTAINS REDUCED LIABILITY COVERAGE FOR  
161 PERSONAL INJURIES OR PROPERTY DAMAGE RESULTING FROM  
162 THE OPERATION OF THE INSURED VEHICLE.

163 IF LOSSES FROM AN AUTOMOBILE ACCIDENT EXCEED THE  
164 COVERAGE PROVIDED BY THIS POLICY, YOU CAN BE HELD  
165 PERSONALLY LIABLE AND RESPONSIBLE FOR THOSE LOSSES.  
166 THIS POLICY PROVIDES LIABILITY COVERAGE FOR INJURIES OR  
167 DEATH CAUSED TO OTHER PERSONS IN THE TOTAL AMOUNT  
168 OF TEN THOUSAND DOLLARS (\$10,000) PER PERSON IN ANY  
169 ONE ACCIDENT, AND UP TO A TOTAL AMOUNT OF TWENTY  
170 THOUSAND DOLLARS (\$20,000) FOR ALL PERSONS IN ANY ONE  
171 ACCIDENT. THE POLICY ALSO PROVIDES UP TO A TOTAL  
172 AMOUNT OF FIVE THOUSAND DOLLARS (\$5,000) IN LIABILITY  
173 COVERAGE FOR PROPERTY DAMAGE IN ANY ONE ACCIDENT.

174 IF YOU WANT MORE INSURANCE COVERAGE, YOU MUST  
175 REQUEST A DIFFERENT POLICY. THIS POLICY ALSO DOES NOT

176 COVER DAMAGE TO YOUR OWN VEHICLE, LOSSES RESULTING  
177 FROM YOUR BODILY INJURY OR DEATH, OR COVERAGE FOR  
178 LOSSES CAUSED BY AN UNINSURED OR UNDERINSURED  
179 DRIVER. HOWEVER, UNINSURED, UNDERINSURED AND BASIC  
180 REPARATIONS COVERAGE MAY BE AVAILABLE AT EXTRA COST  
181 THROUGH OTHER INSURERS. THIS POLICY DOES NOT COVER  
182 ANY OTHER DRIVER RESIDING IN YOUR HOUSEHOLD WHO:

183 (1) IS UNDER NINETEEN YEARS OF AGE;

184 (2) HAS LESS THAN THREE YEARS OF CONTINUOUSLY  
185 LICENSED DRIVING EXPERIENCE;

186 (3) HAS MORE THAN ONE OF EITHER, OR BOTH, OF THE  
187 FOLLOWING:

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

190 (B) A POINT FOR A MOVING VIOLATION.

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

193 (5) HAS A FELONY OR MISDEMEANOR CONVICTION FOR A  
194 VIOLATION OF THE MOTOR VEHICLE CODE ON THE PERSON'S  
195 RECORD."

196 (b) When the certified producer establishes delivery of the  
197 disclosure form prescribed in subsection (a) of this section by obtaining  
198 the signature of the applicant or insured, there shall be a conclusive  
199 presumption that the certified producer has complied with the  
200 disclosure requirements of this section.

201 Sec. 6. For the sale of a low-cost automobile insurance policy issued  
202 pursuant to the pilot program, certified producers shall be entitled to  
203 the same commission rate as is paid by the assigned risk plan for  
204 automobile liability insurance policies. No other fee may be charged or

205 collected by a producer regarding a low-cost policy. The sale of a low-  
206 cost policy under sections 1 to 10, inclusive, of this act shall not be  
207 conditioned on the purchase of any other product or service.

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

211 (1) Nonpayment of premium;

212 (2) Fraud or material misrepresentation affecting the policy or the  
213 insured;

214 (3) The purchase or maintenance of additional automobile liability  
215 insurance coverage in violation of subsection (a) of section 8 of this act;  
216 or

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

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

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

224 (2) The insured no longer meets the applicable eligibility  
225 requirements as set forth in section 3 of this act, provided the eligibility  
226 of an insured shall be recertified by the assigned risk plan after the first  
227 year of eligibility, and annually thereafter by the insurer that issued  
228 the policy.

229 Sec. 8. (a) An insured under the pilot program shall not purchase or  
230 maintain automobile liability insurance coverage that is in addition to  
231 the liability coverage provided by the low-cost policy, except the  
232 insured may purchase uninsured motorist coverage or basic  
233 reparations coverage outside of the plan.

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

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

239 Sec. 9. (a) The pilot program may begin operations on January 1,  
240 2001, but shall be fully operational not later than July 1, 2001.

241 (b) The Insurance Commissioner may adopt regulations, in  
242 accordance with the provisions of chapter 54 of the general statutes, to  
243 implement the provisions of sections 1 to 9, inclusive, of this act.

244 (c) Not later than January 1, 2002, and annually thereafter until  
245 January 1, 2004, the Insurance Commissioner shall report to the joint  
246 standing committee of the General Assembly having cognizance of  
247 matters relating to insurance on the operations and status of the pilot  
248 program.

249 Sec. 10. Beginning January 1, 2001, and ending January 1, 2003, the  
250 Secretary of the Office of Policy and Management shall make available  
251 to certified producers the schedule of motor vehicle values established  
252 under section 12-71d of the general statutes. Producers shall use the  
253 schedule to determine an applicant's eligibility under the pilot  
254 program. The secretary shall update the information whenever there is  
255 a change in the information.

**Statement of Legislative Commissioners:**

Dates were changed in sections 1(a), 2(b)(4), 9(c) and 10 to conform to a two-year pilot period.

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

**JUD Committee Vote:** Yea 36 Nay 4 JFS