



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

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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

HB 6446 – AN ACT CONCERNING MOTOR VEHICLE REPAIRS

INSURANCE AND REAL ESTATE COMMITTEE

February 19, 2009

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on H.B. 6444. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide almost 50 percent of Connecticut's personal auto coverage

PCI strongly opposes H.B. 6446, an anti-consumer measure that would prohibit or limit an insurer from offering specific, valuable benefits to consumers who exercise their choice to use a motor vehicle repair facility preferred by the insurer.

By limiting an insurers ability to offer programs that provide benefits for consumers by reducing the deductible or by offering a premium discount and from actually providing an additional guarantee for the work performed by a direct repair shop, this legislation represents an attempt to have Connecticut impose itself between businesses operating in an open, free market. One group would benefit by the state's action – auto repair shops that would be protected from competition. One group would be harmed – consumers who could 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.

In an effort to provide a valuable service to their customers, some insurers have established direct repair programs. Participating repair shops are pre-screened for the quality of their personnel, technology and performance. Shops are constantly reevaluated to ensure that they are repairing the vehicles and treating consumers properly.

Customer satisfaction is not compromised; to the contrary, surveys show that those who choose such an option have been highly satisfied with the repair program experience and the substantial benefits it may provide, including convenience, direct billing to the insurer and a lifetime warranty on the repair work. Because of the familiarity the insurers have with the shops, repairs can begin more quickly. And since auto owners are often not familiar with repair shops in their area, many welcome their insurer's assistance in identifying repair options.

Satisfaction with these programs is high because insurers have a vested interest in providing a valuable, beneficial service to their customers, rather than cutting costs at the expense of quality as proponents of this bill have charged. An improperly repaired car must be fixed again at additional cost to the insurer and a poor claims experience can jeopardize a relationship with the consumer that has lasted for years.

The bill, in effect, recognizes the value these benefits have to consumers by attempting to limit them. Connecticut's average auto repair costs rank 10th highest in the country while the average annual auto insurance premium in the state is the 11th highest. At a time when every effort should be made to moderate these costs, this measure would place limitations on offering lower premiums or deductibles to their policyholders who choose a preferred repair facility. The bill would also limit the insurers 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?

Current law already provides a level-playing field and ensures that policyholders can exercise the most important element in any consumer transaction – an informed choice. Section 38a-354 prohibits insurers and appraisers from requiring that auto repairs be made at a specified repair facility. Last year the statute was amended to require insurers, repair shops and appraisers to provide consumers with notice that they “have the right to choose the licensed repair shop where the damage to your motor vehicle will be repaired.”

Once the state takes the steps needed to ensure that consumers are provided with an informed choice, the free-market should be permitted to operate without unnecessary constraints. Only a properly regulated free-market can provide consumers with the mechanism that provides the best product at the lowest cost – competition. Rather than fostering competition, this bill inhibits it by placing more limitations on the insurers regarding the benefits they can offer to their policyholders. There is no need for such governmental intrusion into the competitive marketplace. PCI strongly believes that consumers would be significantly harmed rather than protected by this legislation and urges the committee not to approve H.B. 6446.