



## CONNECTICUT PERSONAL AUTO INSURANCE: IMPACT OF H.B. 257 – MANDATORY MEDICAL PAYMENTS COVERAGE

The medical payments (MP) coverage offered under auto insurance pays for health care<sup>1</sup> and funeral expenses for insured drivers and their passengers in an auto accident regardless of who is at fault. Coverage is provided even when the driver and his or her family are in another vehicle or if they are pedestrians. Damages for pain and suffering are not included. MP coverage is typically provided by insurers at relatively low levels, often beginning at \$500. According to a 2003 study by the Insurance Research Council, roughly 70 percent of the nation's auto insurance claimants had MP limits of \$5,000 or less.<sup>2</sup>

Most states do not require drivers to purchase auto MP coverage.<sup>3</sup> In fact, drivers are sometimes encouraged to eliminate or reduce their MP coverage from their auto insurance policies if they have sufficient health, life or short/long term disability insurance. The latest PCI data show that about 30 percent of auto insurance policies in Connecticut contain MP coverage;<sup>4</sup> this proportion suggests that a large number of motorists rely on their health insurance or other means to take care of any medical needs stemming from an auto accident.

Senate Bill 257 proposes that every auto insurance policy must include \$5,000 of MP coverage for "emergency medical services," which is undefined. In 2007, the average auto MP payment in Connecticut was \$2,524 and trends indicate that MP claim costs have been declining.<sup>5</sup> If S.B. 257 were enacted, it appears that drivers in the state would be forced to buy, on average, more coverage than needed.

Given the growing cost of health care, auto insurance rates for medical payments coverage are not inexpensive. According to information found in three large national writers' rate manuals, MP coverage at \$5,000 limit costs anywhere from about \$50 to \$200 a year in Connecticut, depending on the insurer and where a driver or household resides. Since many policyholders carry a relatively low MP limit – or no coverage at all – mandatory purchase of \$5,000 MP benefits could mean a substantial increase to their auto insurance premiums; the average liability premium in this state could go up as high as 33 percent for some drivers and households.

The table below provides \$5,000 auto MP rates for different areas within the state. If S.B. 257 passed, these amounts would be the estimated annual rate increases imposed on policyholders,

<sup>1</sup> For example, MP covers expenses for dental, surgical, X-ray, ambulance, hospital, professional nursing, orthopedic and prosthetic devices, etc.

<sup>2</sup> Insurance Research Council, *Auto Injury Insurance Claims: Countrywide Patterns in Treatment, Cost and Compensation*, December 2003.

<sup>3</sup> Among the non-no-fault states, Delaware, New Hampshire and Oregon are the only three that require insured drivers to purchase MP coverage.

<sup>4</sup> PCI *Connecticut Auto Compilation*

<sup>5</sup> Insurance Research Council, 2008 closed claims database and National Association of Insurance Commissioners, *2006/2007 Auto Insurance Database Report, 2009 Edition*

assuming they do not carry MP coverage now. The ones who would be penalized the most by mandatory purchase of \$5,000 MP live in Waterbury, East and West Haven, Hartford and Bridgeport. Those living in places such as Darien, Fairfield, Norwalk, Westport and less populated towns in New London County would have fairly substantial increases (at least \$47 a year) as well.

| Estimated Impact of H.B. 257 on Connecticut Auto Liability Insurance Premium<br>For Policies Without Medical Payments Coverage |                                   |
|--|-----------------------------------|
| Location   | Est. Annual Premium Increase (\$) |
| Waterbury  | \$82 - \$200                      |
| East and West Haven  | \$112 - \$168                     |
| Hartford   | \$109 - \$164                     |
| Bridgeport   | \$94 - \$142                      |
| New Britain  | \$70 - \$105                      |
| Avon, Berlin, Bristol, East Windsor,<br>Greenwich, Middlebury and Torrington, and<br>Tolland County                            | \$60 - \$100                      |
| Watertown and Wyndam County  | \$56 - \$84                       |
| Darien, Fairfield, Norwalk, Westport and<br>certain parts of New London County   | \$47 - \$77                       |
| <i>Rate increases are based on information found in three insurers' manuals.</i>   |                                   |

As a group, Connecticut drivers currently pay the 9<sup>th</sup> highest price for auto liability insurance in the nation; their average annual liability premium is 27 percent higher than countrywide (\$602 – CT vs. \$475 – U.S.).<sup>6</sup> Requiring drivers to purchase MP coverage would not only increase premiums substantially, but it is not practical when the coverage may be redundant to individual health insurance or group coverage through employers. Furthermore, a limit of \$5,000 MP is not necessary when average payments are about half this amount.

An estimated 9.4 percent of drivers in Connecticut are now uninsured.<sup>7</sup> A large increase to auto insurance premiums could very well force many more drivers to drop their policies, further increasing the uninsured motorist population in this state. Higher exposure to drivers without liability coverage could also mean an additional increase to premiums.

In conclusion, if Connecticut drivers wish to have more medical-related coverage, they should have the freedom of choice to obtain it from their auto or health insurer, or through other means. They should not be forced to purchase auto insurance MP coverage, especially if it is costly and they do not need or want it. During this time of economic hardship, keeping costs and prices down should be the most significant consideration for the consumers of this state.

*The Property Casualty Insurers Association of America (PCI) is a trade association consisting of more than 1,000 insurers of all sizes and types. PCI members represent 37.4 percent of the total property/casualty insurance business and 43.6 percent of the total personal auto business. In Connecticut, PCI members represent 48.8 percent of the personal auto market.*

<sup>6</sup> National Association of Insurance Commissioners, *2006/2007 Auto Insurance Database Report, 2009 Edition*

<sup>7</sup> Insurance Research Council, *Uninsured Motorists, 2008 Edition*