



Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

3800 South River Road, Oak Springs, IL 60076-3205

STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 5391 – AN ACT ESTABLISHING AN INSURANCE AND VEHICLE REGISTRATION VERIFICATION SYSTEM

COMMITTEE ON PUBLIC SAFETY AND SECURITY

March 6, 2012

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on HB 5391, which would require the establishment of an insurance and vehicle registration verification system. 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 53 percent of Connecticut's personal auto insurance coverage.

PCI opposes HB 5391 because while the legislation is ostensibly intended to reduce the uninsured motorist (UM) population in Connecticut, it would in actuality increase costs for those who do have insurance while having a negligible impact on Connecticut's UM rate. PCI opposes legislation, like HB 5391, that establishes insurance coverage verification systems for several reasons. First and foremost, they simply do not work. Despite spending literally hundreds of millions of taxpayer dollars over the years, there is no significant difference between the UM rates of states that currently have reporting programs and those that do not. Even if these systems were effective, Connecticut has among the lowest UM rates in the nation so mandating this system, with the increased auto insurance premiums which would likely result from such a mandate, is clearly unwarranted.

In fact, several states with reporting programs have UM rates significantly higher than the national average. According to the Insurance Resource Council's most recent numbers (published in 2011), Mississippi leads the country in UM at 28% despite having a database program. Florida and New Mexico also have UM rates well above the national average despite having their own database-based systems. Remarkably, **most states identified by the IRC as having an above-average UM rate have database programs.** Despite having a negligible impact on the UM rate, however, states and insurers continue to spend time and resources on maintaining and updating coverage data. In an ironic twist, these costs are being passed on to policyholders in the form of higher premium.

Speaking more specifically to the type of program contemplated by HB 5391, there is simply no reason to believe an NLETS-based verification program will be anymore effective than any database-based program. Such a system is no more likely to succeed because it does not improve upon the model that has failed in so many other states in that it relies on confirming insurance

coverage information with information stored in a database. Any system based on matching coverage information against a database is necessarily handicapped by the fact that the data contained in the database is only as current as of the last upload. This coupled with the inevitable mismatches in data between insurers' records and state vehicle registration information leads to a very large number insured drivers receiving tickets or having their vehicles wrongfully impounded for not having insurance. Obviously, this scenario is highly frustrating, infuriating and troublesome for the law abiding consumer who is wrongfully targeted for being uninsured due to the shortcomings or glitches inherent in the verification system.

Our doubts regarding the efficacy of this type of program are strengthened by the fact that **no other state uses an NLETS-based system to verify insurance coverage**. Furthermore, we question the efficacy of adopting a system that, to the best of our knowledge, only one vendor has the authority to implement. Adopting a system that only one company can implement obviously eliminates competitive pressure on cost.

There are several alternative approaches to addressing the UM problem that are much more simple and less costly than database programs, including the adoption of mandatory fees for driving without insurance that may not be reduced by judges (who often times do reduce fees based on hard luck stories). Another approach is to allocate additional funds to local police departments for the monitoring of courthouse parking lots to ensure motorists who either have their driver's license revoked or suspended, or who are unable to produce evidence of insurance to a judge, do not then get right back into their car and drive away. Finally, one database program we do support is one that tracks only those motorists previously ticketed or convicted of driving without insurance. Indiana established such a database, the Previously Uninsured Motorists Registry, three years ago.

For the foregoing reasons, PCI urges your Committee to not favorably advance HB 5391.