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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. ~~5160~~ AN ACT CONCERNING AUTOMOBILE LIABILITY INSURANCE

COMMITTEE ON INSURANCE AND REAL ESTATE

January 31, 2013

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on H.B. 5160, which would allow persons with more than one automobile to have their liability insurance premiums determined based upon the named insured or operators rather than the vehicles. 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 46 percent of Connecticut's personal lines insurance coverage.

PCI has serious concerns with this proposal because we believe that it could prevent insurers from properly underwriting and pricing auto liability insurance. To put it simply, the type of car that an insured will drive matters when pricing auto liability insurance because certain types of cars are safer, have less accidents and/or lower bodily injury claims. This decreased risk is currently considered in determining premium and premiums are reduced in accordance with this decreased risk. If a policy is going to be underwritten based on the driver rather than the vehicle(s), then the insurer would not be able to reduce premium in accordance with the reduced risk associated with driving a safer vehicle.

Additionally, this bill could promote rate evasion and require other drivers to pay more as a result of those who are not paying what they should. When one rated driver owns multiple vehicles, it may be the case that the other vehicles are being driven by additional, non-rated drivers on a regular basis. This bill would facilitate this type of rate evasion and would lead to all drivers paying more because some are bilking the system. It should be noted additionally that no other states have laws providing for the rating of auto policies based upon the driver rather than the vehicles and a law of this nature would represent a major departure from the manner in which auto insurance is underwritten, rated and priced.

Currently, many insurers address the situation where one driver has multiple vehicles through a multi-car discount. This allows the insurer to appropriately take into account any reduced risk resulting from multiple cars without leading to an inaccurate premium and the unfair subsidization of inaccurate premiums by other drivers. Accordingly, PCI believes that this bill is unnecessary as multiple vehicle situations are already addressed by insurers in a manner which is equitable and risk based. It should be further noted that if this bill were to result in drivers with multiple vehicles paying less than they should for auto insurance, then the end result could be that those that cannot afford to own multiple vehicles may be subsidizing the premiums of those that can afford to own multiple vehicles. Obviously, this would not seem to be a desired outcome.

For the foregoing reasons, PCI urges your Committee NOT to advance this bill.