

# **Insurance Association of Connecticut**

## **Insurance and Real Estate Committee**

**February 26<sup>th</sup>, 2013**

### **SB 954, An Act Concerning Payments Made Under Uninsured And Underinsured Motorist Coverage**

The Insurance Association of Connecticut, IAC, strongly opposes to SB 954, An Act Concerning Payments Made Under Uninsured and Underinsured Motorist Coverage, as it will unnecessarily alter the Uninsured and Underinsured (UM/UIM) auto insurance landscape in Connecticut, removing choice, while raising costs for all CT drivers.

Connecticut, like a majority of states, requires all drivers to maintain UM/UIM coverage. The primary policy objective of UM/UIM coverage is to provide some minimal level of recovery for victims of the inadequately insured. In Connecticut, insurers must offer UM/UIM coverage equal to the amount of coverage that the individual has purchased for liability coverage. However, in CT individuals are given the ability to assess their own potential for loss and can choose different UM/UIM limits. Unique to Connecticut, consumers are also given an opportunity to purchase something called "conversion coverage", which provides additional protection that is not reduced by payments made from other sources, including payments made by the at-fault driver. Conversion coverage costs more than the standard UIM coverage. As such, very few Connecticut residents have chosen to purchase such coverage.

SB 954 seeks to make many changes to statutes which will completely alter the UM/UIM coverage residents have chosen and for which they have paid. SB 954 proposes to unnecessarily limit permissible offsets, change the UIM coverage trigger, and improperly alter the possible UIM limits available to an insured.

Any of the changes contemplated by SB 954 will effectively alter the very nature of UM/UIM policies in CT. Changing the trigger and redefining the applicable UIM policy limits will essentially create modified conversion policies of all UIM policies in CT, eliminating the consumer's right to choose such coverage while increasing costs for all. Unnecessarily restricting permissible offsets will have a direct impact on the cost of the UM/UIM coverage as it will negatively impact settlements, increasing litigation costs, which will in turn drive up premiums.

Offsets are designed to permit insurers to provide a product that the consumer paid for and prevent windfalls. Offsets provide a certainty to the availability of coverage and help bring about settlement of claims. This allows insurers to adequately price such coverage to properly reflect the potential exposure keeping costs down.

SB 954's change to the applicable UIM policy limits will permit a gaming of the system and allow parties to access coverage they did not pay for. Consider for example, an individual who owns a motorcycle and a sedan. They insure the motorcycle at the state mandated minimal limits and insure the sedan with 100/300 UM/UIM limits. The individual gets into an accident while on the motorcycle. The at-fault party is uninsured. Pursuant to the provisions of SB 954, the insured's available UIM coverage is not limited to the coverage they choose for their motorcycle as they can choose to pursue a UM claim against the higher limits maintained on the sedan. This would result in the insured receiving more protection than they paid for. Insurers will have to alter their underwriting practices and may have to write UM/UIM coverage at the highest limits selected.

Changing the UIM trigger from the current limits trigger (which compares liability coverage to UIM coverage) to a damages trigger (which simply compares damages paid to the available UIM limits) is, in effect, creating a modified conversion policy. Conversion policies cost more and have been routinely rejected by the majority of our state's driving public, yet SB 954 will force every driver to have such a policy.

The current UM/UIM law is designed to provide an affordable product, with multiple options available to the consumer. Changing UM/UIM coverage as contemplated by SB 954 removes consumer choice, forcing every insured to purchase coverage they may have already determined they did not need, nor want. If an injured party wants access to a larger pot of money, it is currently available. There is no need to alter Connecticut's well settled UM/UIM laws.

The IAC urges your rejection of SB 954.