



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

February 26, 2013

Raised Bill No. 954 AN ACT CONCERNING PAYMENTS MADE UNDER UNINSURED AND UNDERINSURED MOTORIST COVERAGE.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide written testimony regarding S.B. 954: AAC Payments Made Under Uninsured And Underinsured Motorist Coverage. Generally, S.B. 954 would change the amount of underinsured motorist coverage payable to an injured party by altering the amounts which can be offset against the insured's underinsured motorist limits.

Consumers currently can choose uninsured and underinsured motorist (UIM) conversion coverage. Conversion coverage prohibits the reduction of underinsured motorist coverage payments from the tortfeasor or other third party. It also defines an underinsured motor vehicle based on a comparison between the amounts received from the tortfeasor with the fair, just and reasonable damages of the covered person. Conversion coverage, by statute, must be offered but it carries an additional premium charge.

The proposed change eliminates the existing comparison of the insured's UIM policy limits to the limits of the tortfeasor's policy to determine whether or not an underinsured motorist situation existed. Under the change the named insured's UIM limits would be compared to the amounts received by the injured named insured for bodily injury. This change, although not identical to conversion coverage, would appear to work similar results under a number of possible fact patterns and is likely to result in higher premium charges since underinsured motorists coverage would be available in more situations.

The bill also eliminates a section of existing law relating to the amount of uninsured and underinsured benefits available to an insured while occupying an owned vehicle. Elimination of this section could potentially allow an insured to insure multiple vehicles at low limits. We believe there could be significant policy implications associated with these changes and we would need to better understand the purpose and intent of the deletion.

There are also technical issues with the proposed language. The new definition of underinsured motor vehicle is tied to payments made to a named insured. Other insureds, not just named insureds, receive underinsured motorist payments. The proposed change provides no guidance as to their status.

Finally, the effective date of this legislation posits multiple triggers for the timing of these changes and proposes an unrealistic implementation date. An October 1, 2013 effective

does not allow sufficient time for the changes to be made, filed, reviewed and programmed. If this legislation proceeds, the Department recommends that the effective date in line 69 be changed from October 1, 2013 to January 1, 2014.