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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 954 – AN ACT CONCERNING PAYMENTS MADE UNDER UNINSURED AND UNDERINSURED MOTORIST COVERAGE

COMMITTEE ON INSURANCE AND REAL ESTATE

February 26, 2013

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on Senate Bill No. 954, An Act concerning Payments Made Under Uninsured and Underinsured Motorist Coverage. PCI is a national property casualty trade association comprised of over 1,000 member companies. PCI member companies write approximately 49 percent of all personal lines insurance sold in Connecticut.

PCI is strongly opposed to SB 954 as it would likely increase UM/UIM premiums and reduce policyholder choice. CT currently requires drivers to maintain minimum UM/UIM coverage of \$20,000 per person, \$40,000 per accident. Beyond the required UM/UIM minimum limits, CT policyholders are currently afforded a wide variety of choices when it comes to purchasing UM/UIM coverage which best meet individual needs of policyholders. For example, policyholders can currently purchase coverage which is less than, equal to or even up to an amount which is double their bodily injury liability limits. In addition, CT drivers may also purchase underinsured motorist conversion coverage which provides additional coverage up to the UIM limits in the event that the policyholders damages exceed the at-fault driver's insurance and this coverage will not be reduced by payments from any other source.

While the provisions of this bill are highly confusing, one thing is clear: these provisions would expand the instances under which UIM coverage would be triggered and would increase the amount of coverage available by reducing currently applicable coverage off-sets. These changes would result in additional mandated coverage for CT policyholders and would necessarily increase premiums for UM/UIM coverage. By mandating this expansion of coverage, this bill would take away some of the choice for CT drivers purchasing auto insurance. Instead of allowing drivers to determine whether they want additional coverage, this bill would mandate it. At a time when many CT drivers are struggling to make ends meet and pay their insurance premiums, requiring drivers to purchase more inclusive UM/UIM coverage than they may want or need is not a positive result.

Looking specifically at the bill's provisions relating to when UIM coverage will be triggered, for example, this bill would change CT from a limit trigger (UIM coverage triggered when the liability

limit of the at-fault driver is lower than the liability limit of the UIM-insured victim) to a damages trigger (when damages stemming from the accident exceed the at-fault driver's liability limits, then the victim's UIM coverage is available). Studies have shown that states with damage triggers have average economic losses which are 25.4% higher than states with limit triggers. In addition, UIM claims are paid with a significantly higher frequency for damage trigger states in comparison to limit trigger states. Higher losses and increased frequency of claims payments results in only one scenario: increased premiums.

It should be noted additionally, that the changes contemplated by this bill add a whole new level of complexity to an already complex area of CT law and would make CT UM/UIM law unlike any other jurisdiction in the nation. The likely impact of this is twofold: 1) increased consumer confusion and 2) increased litigation. Increased litigation will only add further costs to the system thereby further contributing to the increased UM/UIM insurance costs which would likely result if this bill were to pass.

Accordingly, for the foregoing reasons, PCI strongly urges your Committee NOT to advance this bill.