



**Property Casualty Insurers  
Association of America**  
Shaping the future of American Insurance

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## STATEMENT

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

#### **S.B. 697- AN ACT REQUIRING MOTOR VEHICLE INSURANCE PROVIDERS TO OFFER DISCOUNTS TO CUSTOMERS WHO DOWNLOAD APPLICATIONS THAT PREVENT TEXTING WHILE DRIVING** COMMITTEE ON TRANSPORTATION

February 20, 2013

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on S.B. 697, a bill that would require auto insurers to offer a discount to any motor vehicle operator who downloads an application that disables a mobile telephone's ability to send or receive text messages under certain conditions. 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 54 percent of Connecticut's personal auto coverage.

PCI believes that driving safely is a matter of personal responsibility and, as such, we have long supported initiatives to educate the public and raise awareness of the hazards of distracted driving in all of its forms. PCI has also supported laws that ban texting, using the internet and the sending or reading of messages on personal communication devices while driving as have been passed by 39 states including Connecticut.

S.B. 697 aims to encourage compliance with Connecticut's distracted driving laws by requiring insurers to provide a discount for any driver who downloads an application to their mobile telephone that disables the device's ability to send or receive text messages. As a matter of policy the PCI opposes mandatory discount legislation. We believe that the private marketplace should determine when a discount is should be given for auto insurance and that actuarial data must determine how much of a discount should be given. When statutes dictate the amount of a premium discount, marketplace flexibility and innovation are reduced. For example, insurers may decide to forego other discounts they might otherwise offer because they have to provide the government required discounts. Auto insurers readily provide discounts in the absence of government dictate.

While the concept seems encouraging, PCI knows of no studies that indicate that the use of a "blocking" application increases compliance with the law prohibiting texting while driving or reduces accidents due to distracted driving. Additionally, there is no way for an insurer to confirm that the application is actually being used, or even loaded on to all the devices a driver might use. Also of concern is that the bill only applies to mobile phone applications when there are numerous other applications and devices that can lead to distracted driving.

Premium discounts must be actuarially appropriate, meaning that the discount is in proportion to the statistically proven reduced risk and losses associated with the measure for which the discount is offered. If a discount is applied to reduce premium for a measure which does not reduce losses or does not reduce loss in an amount which is appropriate in accordance with the loss data resulting from the measure, then

the discount will lead to the unfair subsidization of premium by those who do not receive the discount. There is no data available at this time relative to whether the use of a "blocking" application reduces losses and therefore determining the amount of any such discount would be purely speculative. Insurance premiums are based on actuarial data not speculation and premium discounts which are not based on actuarial data may lead to premium inequities among policyholders.

For these reasons, the PCI urges the Committee on Transportation not to advance SB 697.