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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

Proposed S.B. No. 30 – *AN ACT REQUIRING AUTOMOBILE INSURANCE COMPANIES TO PROVIDE A CHOICE OF PAYMENT FOR REFUNDS*

COMMITTEE ON INSURANCE AND REAL ESTATE

January 29, 2015

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on Proposed S.B. 30, which would require automobile insurance companies to provide insureds with a choice of payment for refunds. 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 significant concerns with this proposed legislation because there are many scenarios under which it would not make sense for insurers to offer policyholders the choice of a premium credit or a refund when a vehicle is removed from a policy. It is important to note that if a policy is paid in full, then the policyholder would receive a refund for any reduction in premium resulting from the removal of a vehicle. Only when a policyholder is paying their premiums through an installment plan would an insurer provide a credit instead of a refund for any premium reduction following the removal of a vehicle. It makes sense for a credit to be provided under these circumstances because otherwise, the insurer would issue a refund and then potentially issue a bill for the next installment shortly thereafter which would be both inefficient and confusing for the consumer. If a policyholder received a refund following the removal of a vehicle and then received another bill shortly thereafter for the next required installment payment, the policyholder may very well be confused and believe that payment of the bill is not necessary. This scenario could lead to cancellations for nonpayment of premium, which would not be beneficial for anyone.

It should be noted additionally that removal of a vehicle may result in only a small refund in some cases and insurers should not be required to send such a limited refund, when it would be more efficient to provide a credit for the limited refund. When a vehicle is removed, it may result in the elimination of a multiple vehicle discount which can limit the amount of the premium reduction. Further, the removal of a vehicle may be coupled with other changes to the policy, such as increasing coverage for the remaining vehicles or changing the driving distance to work, under these scenarios where there are multiple changes to the policy, there may be only a limited reduction or no reduction in premium and the provisions of this bill would require the insurer to give the policyholder a choice of a refund or a credit under these circumstances.

Automobile insurance billing systems are complex and adding this requirement could be difficult from a programming perspective. Particularly for smaller insurers, adding this additional complexity to the billing system could be costly and burdensome. PCI is not aware of any other states which require insurers to offer policyholders a choice between a credit or refund when a vehicles is removed from a policy and, accordingly, entirely new processes would need to be developed to accommodate this requirement. PCI would submit that given that this requirement may increase consumer confusion and, in many cases, may result in only small refunds being sent to policyholders, that it is not warranted to require insurers to take on the additional costs and compliance burdens associated with this requirement.

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