Legislative History for Connecticut Act

Act Number:	PA 06–104	
Bill Number:	410	
Senate Pages:	Senate: 2571-2577, 2641-2643	10
House Pages:	House: 5083-5094	12
Committee:	Insurance: 765-777, 880-883	17

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Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS

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SEN. FONFARA:

Thank you, Mr. President. Unless there's objection, I would move this to the Consent Calendar.

THE CHAIR:

Without objection, the item will be placed on the Consent Calendar. Mr. Clerk.

THE CLERK:

Calendar 195, File 233, Senate Bill 410, An Act Increasing the Financial Responsibility Limits for Motor Vehicle Operators, Favorable Report of the Committee on Insurance. Clerk is in possession of amendments.

THE CHAIR:

Senator Crisco.

SEN. CRISCO:

Thank you, Mr. President. Mr. President, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

THE CHAIR:

On acceptance and passage, will you remark? Senator Crisco.

SEN. CRISCO:

Thank you, Mr. President. Mr. President, the Clerk has an amendment, LCO 4975. I ask that it be called and the reading be waived and I be given permission to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO 4975, which will be designated as Senate Amendment, Schedule "A". It is offered by Senator Crisco of the 17th District et al.

THE CHAIR:

Senator Crisco.

SEN. CRISCO:

Mr. President, I move adoption of the amendment. Mr. President, this bill contains basically two components, one dealing with uninsured motorists, an uninsured motorist, and the other with insurance rate filing requirements.

In regard to the former, the uninsured motorist, it has become very difficult over the years for claimants, individuals who have uninsured motorist uninsured to expedite their coverage that they're deserving.

Because of lengthy processes that have been in place, such as requiring affidavits to determine whether the party, the other party in the accident does not have insurance, it's called extremely considerable delay.

In addition, it also puts an individual who is not complying with the law in jeopardy of misrepresentation if they sign affidavits saying that they don't have insurance.

So this basically expedites the process for insurance coverage for the individual to be expedited under the terms of their policy. In addition, there's, any obligations or duties of the insured that are established by contract or law are not affected by these changes.

The second part, which is referred to as flexible rate, which is in place in some 20 other states, enables an insurance company to file for a rate increase or decrease up until 6% and to implement those rates upon that filing. It still enables the Commissioner to reject that filing.

In today's competitive market, it's necessary to expedite speed to the market, and this would help the industry in regards to that.

In addition, there has been a commitment by this General Assembly to retain or get back our reputation as the number one insurance state in the country. We've lost some 16,000 jobs during the past 10 years, and we're making ever effort to impress upon our insurance companies that this is a good place to do business.

In addition, this enables policyholders to get a direct benefit quickly of any price decrease. It does not apply to the assigned risk market, and it only applies to personal lines, and I urge its adoption.

THE CHAIR:

Will you remark further on the amendment? Senator DeLuca.

SEN. DELUCA:

Thank you, Mr. President. I stand in support of the amendment. As it had been indicated by the proponent, the first part would make it much easier for those that come under the unfortunate situation of

being in an accident with an uninsured or under insured driver.

And it would soften the burden of their having to prove that person and be able to, for them to be able to take advantage of their own insurance coverage much faster and to take care of their problem.

In the second part, as indicated by the Chairman, the flex rating, which is being done by some 20 other states, would make it much easier for the insurance companies to put those into effect.

But as the Chairman said, the Commissioner and the Department of Insurance would still have the authority to review and make any decisions on that. So the public would still be assured that their interests are being looked out for by the Department of Insurance.

So I urge support of this amendment. Thank you, Mr. President.

THE CHAIR:

Will you remark further on the amendment? Senator Crisco.

SEN. CRISCO:

Yes, Mr. President, I also wanted to mention that if this should ever come to fruition, and if there is a rate increase or decrease, it does not occur until the end of the policy year. So there wouldn't be any disruption during the policy year.

In addition, I'd like to express my appreciation to Senator DeLuca for his support as a Ranking Member on the Insurance Committee and also as a Republican leader of this Circle.

It really indicates the total agreement for where we want to, again, retain and be the number one insurance state in the country. Thank you, Mr. President.

THE CHAIR:

Will you remark further on the amendment? If not, we'll try your minds. All those in favor, please say "aye".

SENATE ASSEMBLY:

Aye.

THE CHAIR:

Those opposed, "nay". The ayes have it. The amendment is adopted. Senator Crisco.

SEN. CRISCO:

Mr. President, thank you. If there's no objection, I request having it placed on the Consent Calendar.

THE CHAIR:

If there's no objection, the item will be placed on the Consent Calendar. Mr. Clerk, before you proceed, just an observation.

Though I have not been nearly as vigilant as my predecessor in this spot, in the last few days, the number of cell phones going off in this room and in the galleries has increased considerably.

Unfortunately, my eyes are not as good at spotting the culprits. So I'm going to ask my assistant, Katie Zito, and whoever else is up here, to please help out.

There is a rule. We are going to observe the rule, and I would appreciate your cooperation, and particularly the cooperation of those who are our guests in the gallery. Mr. Clerk.

THE CLERK:

Returning to Calendar Page 6, Calendar 429, File 389 and 594, Substitute for House Bill 5440, An Act Concerning the Presence of Volatile Organic Compounds

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An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

Mr. President, those items placed on the first Consent Calendar begin on Calendar Page 1, Calendar 142, Substitute for Senate Bill 567.

Calendar 195, Senate Bill 410.

Calendar Page 6, Calendar 429, Substitute for House Bill 5440.

Calendar Page 8, Calendar 459, Substitute for House Bill 5011.

Calendar Page 9, Calendar 465, Substitute for House Bill 5750.

Calendar Page 13, correction, Calendar Page 12, Calendar 88, Senate Bill 173.

Calendar Page 13, Calendar 136, Senate Bill 537.

Calendar 137, Substitute for Senate Bill 539.

Calendar 139, Substitute for Senate Bill 328.

Calendar 143, Senate Bill 6, correction Senate Bill 568.

Calendar Page 20, Calendar 73, Substitute for Senate Bill 72.

Mr. President, that completes those items placed on the first Consent Calendar.

THE CHAIR:

Mr. Clerk, would you announce that a roll call vote is in process on the Consent Calendar. The machine is open.

THE CLERK:

The Senate is now voting by roll call on the Consent Calendar. Will all Senators please return to the Chamber.

The Senate is now voting by roll call on the Consent Calendar. Will all Senators please return to the Chamber.

THE CHAIR:

If all Members have voted. The machine is closed. Please announce the result.

THE CLERK:

The motion is on adoption of Consent Calendar No. 1.

Total number voting, 35; necessary for passage, 18. Those voting "yea", 35; those voting "nay", 0. Those absent and not voting, 1.

THE CHAIR:

All items on the Consent Calendar are passed. Mr. Majority Leader.

SEN. LOONEY:

Yes, thank you, Mr. President. Mr. President, there was an item previously marked Pass Temporarily that we might revisit, change the marking, and mark Go. That is Calendar Page 14, Calendar 204, Senate Bill 546.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calendar Page 14, Calendar 204, File 236, Senate Bill 546, An Act Authorizing Municipalities to Abate Taxes on Open Space Land, Favorable Report of the Committees on Planning and Development and Finance, Revenue and Bonding. Clerk is in possession of amendments.

THE CHAIR:

Senator Coleman.

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Those absent and not voting 8

DEPUTY SPEAKER ALTOBELLO:

The Bill passes in concurrence with the Senate.

Will the Clerk please call Calendar Number 483.

CLERK:

On Page 14, Calendar Number 483, Senate Bill Number 410, AN ACT INCREASING THE FINANCIAL RESPONSIBILITY LIMITS FOR MOTOR VEHICLE OPERATORS, Favorable Report of the Committee on Insurance and Real Estate.

DEPUTY SPEAKER ALTOBELLO:

Representative O'Connor of the 35th, you have the floor, Sir.

REP. O'CONNOR: (35th)

Thank you, Mr. Speaker. I move acceptance of the Joint Committee's Favorable Report and passage of the Bill.

DEPUTY SPEAKER ALTOBELLO:

The question is on the Joint Committee's Favorable Report and passage of the Bill. Would you remark? Representative O'Connor.

REP. O'CONNOR: (35th)

Thank you, Mr. Speaker. The Clerk is in possession of an amendment, LCO Number 4975. I ask that he call it and ask leave to summarize.

DEPUTY SPEAKER ALTOBELLO:

Would the Clerk please call LCO Number 4975, previously designated Senate "A".

CLERK:

LCO Number 4975, Senate "A", offered by Senators Crisco, McDonald, Representatives O'Connor and Lawlor.

DEPUTY SPEAKER ALTOBELLO:

The Representative seeks leave of the Chamber to summarize. Objection to summarization? Seeing none, Representative O'Connor please proceed.

REP. O'CONNOR: (35th)

Thank you, Mr. Speaker. This Bill is a culmination of a lot of deliberation between the Judiciary Committee, as well as the Insurance Committee, dealing with some longstanding issues, and I liken it to two worlds colliding between the trial attorneys and also the auto insurers.

And rather than falling apart, they came together, and came up with a reasonable compromise. There's some parts of this Bill that neither side may

like, but overall they're able to work within a framework of the Bill that, or Amendment that we have before us.

To go over some of the key sections of the Bill, Section 1 of the Amendment concerns uninsured and under-insured motorist claims.

Just like any other insurance claim, a claimant for the uninsured or under-insured benefits, must provide sufficient information to show that he or she has a compensable claim under the terms of the policy.

What it does in furtherance, is that insurers cannot require an affidavit as a condition of paying for the uninsured or under-insured benefits, nor a written statement.

We feel that this way, if there is a claim for uninsured or under-insured, there will be a less burden in that they can use other reasonable means to get the information that the person was, in fact, uninsured or under-insured.

Section 2 of the Bill concerns insurance rate filing requirements. It permits personal line insurance rates to be effective when filed with the

Insurance Department if the overall rate increase or decrease is within 6% in the aggregate.

It allows insurance companies to respond to the marketplace, and be more competitive. And what we've seen throughout the other states that have passed this, is that more auto insurers come into the marketplace, and it in fact, does drive down the prices, and also increases choice for our consumers. I move adoption.

DEPUTY SPEAKER ALTOBELLO:

The question is on adoption of Senate "A". Representative D'Amelio of the 71st, you have the floor, Sir.

REP. D'AMELIO: (71st)

Thank you, Mr. Speaker. Mr. Speaker, I also rise in support of the Amendment before us. As it was mentioned at the beginning of this Session, the two sides were miles apart on this Bill, and through the good work of Representative O'Connor, we were able to have, come up with a common ground, which is represented in this bill.

I believe that the overall Bill will be helpful to all of our constituencies, especially the consumers

in the State of Connecticut, and I urge this Chamber's adoption. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative D'Amelio. Further on Senate "A"? Representative Stone of the 9th, you have the floor, Sir.

REP. STONE: (9th)

Thank you, Mr. Speaker, and very briefly. First of all, I want to commend Representatives O'Connor and Lawlor, and Senators Crisco and McDonald for forging this compromise, particularly as to Section 1.

We had another version of this Bill before the Judiciary Committee. I expressed at that time some concerns with the language that was proposed.

Through the hard efforts of these four Legislators, they were able to bring two groups that quite frankly were polar points apart on the issue, and brought them together to seek common ground.

But I think what's just as important, it's just as important to remember that it's the consumer that's going to be benefited by this change, not just the stakeholders, not just the people out in the insurance

industry, or at the trial lawyers' end in the legal field.

This will provide that the insured does not have to come up with affidavits or statements signed by the offending tort feasor indicating that they did not have insurance, or indicating that they did not have sufficient insurance to cover the damage claims resulting from a car accident.

And particularly in the uninsured area, this is particularly important. Remember what the insurance industry was requiring of these individuals is an admission that they had violated the law, is an admission that they did not have the insurance as required under our statutes.

No individual, quite frankly, would, I would think, would be willing to, in writing, admit that they did not have the proper insurance, and therefore make an admission that they were violating the law. It made no sense, but that's what they were requiring.

It's difficult to prove a negative. It's difficult for the insured. It's just as difficult for the insurance companies, but working together, I think we were able to find common ground, and find a vehicle

through which we could accomplish that without placing an undue burden on the insured, without placing an undue burden on that individual or that family that is paying for the uninsured motorist coverage every time they make a premium payment every year.

So this compromise makes sense. It doesn't require that the tort feasor sign an affidavit, make a statement admitting that they're violating the law, exposing themselves to severe penalties and a potential for jail time. I urge my colleagues to support this amendment. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Stone. Representative Witkos of the 17th, you have the floor, Sir.

REP. WITKOS: (17th)

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Good afternoon, Representative Witkos.

REP. WITKOS: (17th)

Thank you. Through you, Mr. Speaker, a question to the proponent of the Amendment.

DEPUTY SPEAKER ALTOBELLO:

Please proceed, Sir.

REP. WITKOS: (17th)

Thank you. Through you, Mr. Speaker, while the Department, the insurer will not have to seek approval from the Commissioner as long as the rate increase or decrease is under 6%, under Senate Amendment "A" it increases the amount of liability that an insurer must have.

And I'm curious, through you, Mr. Speaker, if there was any testimony in the public hearing as to how that would affect the actual cost of the policy or premium? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative O'Connor.

REP. O'CONNOR: (35th)

Through you, Mr. Speaker, I apologize. Can the framer of the question please repeat himself?

DEPUTY SPEAKER ALTOBELLO:

Representative Witkos.

REP. WITKOS: (17th)

Certainly, Mr. Speaker. One part of the Bill puts a 6% as long as the insurer does not go above or below the 6%, they don't have to get permission through the Commissioner.

But under Senate Amendment "A", under the analysis, it states that we're increasing the minimum amount of automobile liability, which is required, individuals to have on a vehicle.

And my question through you, Mr. Speaker is, during the public hearing, was there any testimony given as to what the cost would be for the policy premium increase with this Amendment? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative O'Connor.

REP. O'CONNOR: (35th)

Through you, Mr. Speaker, yeah, I must, let me go back a little bit. The title is a little bit misleading as far as the financial responsibility limits for motor vehicle operators.

We did not increase that at all. That was the original underlying Bill that was struck up in the Senate, and therefore is no longer before us, and if the Senate analysis still has that in effect then that is a misprint. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Witkos.

REP. WITKOS: (17th)

Thank you. So to be clear, through you, Mr. Speaker, the OLR analysis on Senate Bill Number 410 as amended by Senate Amendment "A" is incorrect on our computers that it does not require an individual to increase the amount of automobile liability? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative O'Connor.

REP. O'CONNOR: (35th)

Through you, Mr. Speaker, that is correct. We did not increase the financial responsibility limit.

DEPUTY SPEAKER ALTOBELLO:

Representative Witkos.

REP. WITKOS: (17th)

I thank the gentleman for his answers. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

And thank you, Sir. Further? Further on Senate "A"? Further on Senate "A"? If not, I'll try your minds. All those in favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ALTOBELLO:

Opposed? Ayes have it. The Amendment is adopted. Further on the Bill as amended? Further on the Bill as amended? Will you speak further on the Bill as amended?

If not, staff and guests please retire to the Well of the House. Members take your seats. The machine will be opened.

CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is voting by Roll Call. Members to the Chamber, please.

DEPUTY SPEAKER ALTOBELLO:

Have all Members voted? Have all Members voted? Please check the board to make sure your vote is properly cast. If all Members have voted? Have all Members voted? Please check the board. The machine will be locked. The Clerk please take a tally. Would the Clerk please announce the tally.

CLERK:

Senate Bill Number 410, as amended by Senate Amendment Schedule "A", in concurrence with the Senate.

Total Number Voting	145
Necessary for Passage	73
Those voting Yea	144
Those voting Nay	1
Those absent and not voting	6

DEPUTY SPEAKER ALTOBELLO:

The Bill passes in concurrence with the Senate.

Would the Clerk please call Calendar Number 484.

CLERK:

On Page 14, Calendar Number 484, Substitute for Senate Bill Number 328, AN ACT CONCERNING THE DEPARTMENT OF MOTOR VEHICLES, Favorable Report of the Committee on Finance, Revenue and Bonding.

DEPUTY SPEAKER ALTOBELLO:

Representative Guerrera of the 29th, you have the floor, Sir.

REP. GUERRERA: (29th)

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Good afternoon, Representative.

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of a streamlined process, that's going to be more somewhere, and I would think in the cost of consumers. I'll answer any questions.

REP. O'CONNOR: Thank you, Susan. Are there any questions? Thank you very much. Moving to Senate Bill 410, Joe Bishop? Is Joe here?

JOE BISHOP: Good afternoon, Representative O'Connor. Good afternoon, Senator Crisco, Members of the Committee. I am Joe Bishop. I'm President of the Professional Insurance Agents of Connecticut, the association representing more than 500 member-independent insurance agents who employ over 3500 people throughout the State of Connecticut.

We strongly urge this Committee's support in Senate Bill 410. The changes proposed by this bill will bring Connecticut's statutory minimums up to par with the majority of other states. I believe everyone has a copy of the written testimony so I'll kind of summarize.

The State of Connecticut is not alone, certainly in the union of having wrestled with over time, the issues of auto insurance and what appropriate minimum coverage is.

In seeking to become and maintain consistency has probably judicially been left alone for an extended period of time the number of different provisions in the auto insurance statues. One thing that comes to mind is that over time, perhaps it is advisable to revisit what adequate limits are.

Just reflecting that the law was originally written in 1949 and things have certainly changed since then, was revisited in 1967 and things have certainly changed since then on the average car and the cost of property that could be damaged in an auto accident has significantly increased.

So we urge you to support the change in the statue. We think that in a modern increase, a very minimal burden on the public as far as premiums paid will yield over the great wall of large numbers and the premium collected the ability of companies to competitively price and deliver the product, but also protect the public more adequately. I welcome any questions that any Members have.

REP. O'CONNOR: Thank you, Joe. One of the concerns about raising the minimum limits is that some people might actually fuel a great percentage of people not carrying insurance at all. Do you have any of those concerns?

JOE BISHOP: That's a very good point. It's well-taken. I think that if we were to adjust coverage's upwards significantly enough so that it would make a very substantial change in the premium paid by the average consumer that it would be an absolute valid point so we should take proper steps to avoid that.

The projected average increase in terms of simply moving the limits to the proposed levels is estimated to be less than $14 to $25 in an annual basis. It's really minimal in cost, but

probably certainly needed in terms of the losses that we see.

REP. O'CONNOR: And if you could comment, what percentage just buys the minimum standards? I'd assume that most people buy above that coverage, but can you get a handle on that for us, please?

JOE BISHOP: That's an excellent question. In our agency, which is located in [inaudible] in our main office. We have offices located in North Haven, Branford, and North Haven, Connecticut. Probably our downtown offices have a larger writing of lower limits.

We have very few policies in our agency which have limits below 100 to 300. I think on our agency's behalf I can safely say that it would be a very minimal impact.

On an overall basis, I think that you have agencies in metropolitan areas which certainly need to be concerned about, because that is the insurance-buying public that we also need to be keenly aware that we need to serve and protect from a standpoint view of also making the product affordable for them.

Again, having queried a number of other colleagues who own and operate downtown neighborhood located in other metropolitan area insurance agencies, their feeling is that this is such a minimal change in premium that they don't perceive this to be a large issue from the standpoint view of their [inaudible] public that they're serving.

REP. O'CONNOR: And then just one final question. Do you often have someone come in and say I want to buy the bare minimum? How often does that happen? Is that rare?

JOE BISHOP: I find that that is very rare. I find the predominant question that we are faced with is how much liability insurance should I buy?

REP. O'CONNOR: Thank you, Chairman Crisco.

SEN. CRISCO: Thank you, Mr. Chairman. Thank you so much for testifying. We will hear shortly from the Insurance Association of Connecticut that premiums can increase as much as 40%.

It doesn't seem like $14, and I assume that if your rate is $35, then it would increase $14, but there seems to be a distortion here. Could you respond on that?

JOE BISHOP: On a percentage basis, I don't have pertinent information on a percentage basis to give you an accurate answer at this moment. However, what I can promise is that within 48 hours I will email to you some statistical information that will give you a more adequate answer.

SEN. CRISCO: Doesn't 40% seem kind of high?

JOE BISHOP: I believe that 40% seems kind of high. I think that if I were to just off the top of my head give you an estimate of where that figure is coming from, perhaps if I took just the premium difference as a percentage of the

cost of $10,000 worth of property damage versus $25,000 in property damage, it's possible it could be in a worse-case ratings scenario a 40% difference while still a low-dollar amount. If you were to confine it just to that singular line item, but I will certainly give you a more adequate answer.

SEN. CRISCO: Thank you, Sir

REP O'CONNOR: Thank you, Mr. Chairman. Representative Megna?

REP. MEGNA: Thank you, Chairman. Will there be, in terms of the people who buy underinsured motorists coverage, will there be a reduction or maybe a shift now if this law is enacted?

JOE BISHOP: That's an excellent question. The uninsured-underinsured motorist coverage like other line items in the auto insurance policy is rated based on actuarial calculations on the cost of claims including all the various factors, which would [inaudible] the premium.

Nothing specific in this proposed on statue looks to impact by way of reducing the premium of uninsured-underinsured motorists the insurance product.

However, having said that, there is a cost of claims that is being born by on the persons' comprehensive and collision coverage and in specific collision coverage having to do with the property damage limit where the largest change is proposed, which is certainly hanging in the freight, so to speak.

There would presumably be some impact on rate at this point in time I don't have adequate information, but I will also have someone research that and we will get you an email.

REP. MEGNA: But it would have a positive--

JOE BISHOP: For people that are buying those should have a very positive impact, yes.

REP. MEGNA: Thank you.

REP. O'CONNOR: Thank you. Any other questions? Next speaker is Susan Giacalone.

SUSAN GIACALONE: Good afternoon, Representative O'Connor, Senator Crisco, and Members of the Insurance and Real Estate Committee. I'm here on behalf of the Insurance Association of Connecticut to testify in opposition of Senate Bill 410.

Basically, right now, Connecticut's current limits are 20-40-10. We fall within the vast majority of the states, and this bill proposes limits of 20-50-25, which exceeds 39 other states and where they set the mandatory limits across the country.

We currently still have an uninsured motorists problem, every state does, even with financial responsibility laws. Most times decided by people who don't maintain insurance even at the most modest minimum levels we have right now, is cost.

Our testimony says that this could increase minimums up to 40%. It could be 80%. It could be 5%. But you're talking about people right now who are buying the minimum coverage so they can meet the laws of the State of Connecticut and who can at least afford it.

So if you go to increase what they're mandating, you may actually see more people go uninsured because they can't afford the premium, even if it's a subtle increase of 5% or 10% or even 20%.

We think this bill will get more people uninsured than insuring people, and you'll see more uninsured motorists' claims, so it would be a cost borne then by everyone. For those reasons, we say reject Senate Bill 410, and I'll answer any questions.

REP. O'CONNOR: Thank you. Chairman Crisco.

SEN. CRISCO: [inaudible - microphone not on] Susan, if it's possible, could you give us some detailed breakdown regarding 40%? Maybe you could give us some examples. The premiums are printed for each territory within the state, and maybe you could give us some examples of what the 40% would amount to.

SUSAN GIACALONE: You would ask that I recall what the prior rates would be, and keep in mind that you're also talking about a class that is in a higher-risk pool to begin with, so their rates will probably be higher anyway. All those things factor into that. One company I got was as high as 40%.

SEN. CRISCO: If you could just give some examples, maybe you could compare New Haven to [inaudible] if you could, we would appreciate that.

Another concern, and I don't want to misunderstand you, is there a possibility here that insurance companies would be against increased rates because this would affect urban drivers who have higher-rated accidents and this would [inaudible]. This would give the company more exposure?

SUSAN GIACALONE: This isn't an urban issue at all. This is about making sure that people stay insured and making it affordable. It doesn't matter where the person lives.

SEN. CRISCO: Thank you. I just [inaudible]

REP. O'CONNOR: Representative D'Amelio.

REP. D'AMELIO: Thank you, Representative O'Connor, I just want to clarify for my colleague, Senator Crisco, that most accidents that happen in urban areas are suburban people visiting.

I have a question, Susan. These national insurance companies that have commercials all over the air, the first one that comes to mind is Geico.

Do you know if you purchase insurance through them are they just selling you the bare minimum or are they asking questions to try to tailor it to you--

SUSAN GIACALONE: I don't know how [inaudible] direct marketer, but I do know that when you go into an agent that they try to tailor to the needs that you need. I think the most popular policy in Connecticut is that 100-300.

It goes to your needs, and you're obviously who has [inaudible] businesses and all these potential risks, you'll probably look for a higher level of coverage than someone who needs to maintain the levels they have just to comply with the law.

REP. D'AMELIO: I don't know if you have the answer to this one either. Do you think a significant number of our business is being taken [inaudible] so that can potentially be a problem for the state?

SUSAN GIACALONE: I would think that those who are telemarketing are meeting their consumers' needs. I think they ask and I think they go through and I think that's how they come up with whatever price they're giving them and the product is what the consumer needs.

To be competitive, you've got to answer to what the consumer wants, and if you're trying to [inaudible] something the consumer is not going to want, you're not going to keep that business. I think they're growing because they are meeting the consumers' needs.

REP. O'CONNOR: Thank you. Representative Miner.

REP. MINER: Thank you, Mr. Chairman. I think this is my sixth year serving on this Committee, and I don't remember what year it was originally proposed, but I think we've heard testimony on legislation that would have surrounded reducing the current rates by about half.

My recollection was that the industry was opposed to that because they felt there would be an impact and I think Representative Megna questioned the uninsured motorist and the underinsured motorist.

For those of us who aren't insurance agents, how [inaudible] should we be about the impact of this on those rates, as opposed to the impact on the rates you seem to be most concerned about, which is the premium?

SUSAN GIACALONE: I think if this went through, there would be an impact indirectly down the line because I think you would see more going bare with no insurance, so you would be seeing more claims on that.

On the flip side, when you're looking to reduce the limits, you would be seeing more underinsured claims. This is a number that has been working and I don't have the statistic to see if we've had any dramatic increase over the years on our underinsured motorists' claims because we don't have sufficient coverage out there. I think that number has been consistent.

Increasing the limit, I think you're going to see more people without insurance. Decrease

the limit, and you'll probably see more claims for underinsurance.

REP. MINER: But in terms of the impact on rates, premiums, over a long term, do you think the impact in offsetting my uninsured and my underinsured rates might be pretty sufficient?

Are they significant enough that I as a Committee person should want to be aware of those as they impact everybody in the state as opposed to the numbers that you're concerned, may just drop out of the insurance pool altogether?

SUSAN GIACALONE: I think it's significant in that enough people will drop out because they can't afford it. You will see a push onto the other.

REP. MINER: I must be missing the question. The question I'm trying to get an answer to is if three years ago or four years ago, we were opposed to reducing these rates because of the impact they'd have on underinsured and uninsured rates.

I'm trying to understand why I shouldn't like this bill, and I understand that your concern is that the premiums themselves will increase, and therefore there is a risk that fewer people may have car insurance.

I don't think there was a risk when we talked about reducing the rates that more people would get car insurance. My recollection was that it was the uninsured-underinsured scenario that was the portrait being painted by the industry.

Why isn't that the portrait being painted this time in the positive rather than negative in terms of the premium?

SUSAN GIACALONE: Because there are two concepts in there, uninsured and underinsured. When you reduce the limits that were proposed before, you put more restrain on the underinsured aspect.

By increasing the limits to a higher standard, you'll probably see less underinsured, but you'll see more uninsured. So you'll still have the push on that end of that coverage.

REP. MINER: And just one last question. As the cost of automobiles and damage costs to automobiles increases and the possibility of exceeding the limits per accident become more realistic as things get more expensive, is it not a good idea to index this stuff every now and again and take a look at increasing the basis?

SUSAN GIACALONE: I don't know what the average cost to repair a car currently is. But I have not heard a big cry coming from the public that we're not getting our property damages covered out there.

As far as indexing it, I haven't really seen where we've needed to do that yet, so I don't see why we would want to put something in there, I think the market would dictate what's needed.

REP. MINER: Thank you.

REP. O'CONNOR: Thank you. One of the things you mentioned the people that usually buy the minimum standards are the higher risks. Don't you think for the other consumers that share the road with them that you ought to offer greater protection to those clients? Don't you have an obligation to them as well?

SUSAN GIACALONE: We absolutely have an obligation to those customers. I think it's best to make sure they have insurance, I don't think the incentive is to make it that they can't even afford the product.

REP. O'CONNOR: Thank you. Representative Megna.

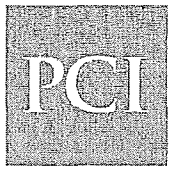
REP. MEGNA: Thank you, Chairman. On the premium underwritten for the individuals that buy the minimum, I would imagine you earn a greater rate of return on underinsured or uninsured motorists coverage premium rather than premiums on minimum policies. Is that correct?

SUSAN GIACALONE: I can't answer that question. I can see if I can look into it for you, but I don't know what our rate of returns are broken down by coverage line.

REP. MEGNA: Thank you, Chairman.

REP. O'CONNOR: Thank you very much, Susan. The next bill is Senate Bill 31. Bob Kehmna.

BOB KEHMNA: Thank you, Representative O'Connor, Members of the Insurance and Real Estate Committee. My name is Bob Kehmna. I'm



Property Casualty Insurers Association of America

Shaping the Future of American Insurance

2600 South River Road, Des Plaines, IL 60018-3286

March 9, 2006

RE: STATEMENT OF THE PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI) IN OPPPOSITION TO SENATE BILL 410 AN ACT INCREASING THE FINANCIAL RESPONSIBILITY LIMITS FOR MOTOR VEHICLE OPERATORS

Dear Senator Crisco, Representative O'Connor and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is a national property and casualty insurance company trade association that represents over 1000 member companies. PCI members provide almost 53% of Connecticut's personal auto coverage.

Senate Bill 410 would increase the minimum financial responsibility limits for Connecticut drivers. Current law requires drivers to maintain liability insurance in the amount of $20,000 for personal injury to one person, $40,000 for personal injury to all persons involved in an accident and $10,000 for property damage. This bill would increase such limits to $25,000 for personal injury to one person, $50,000 for personal injury to all persons and would increase the property damage requirement by two and one-half times to $25,000.

While PCI shares the presumed goal of the proponents of this legislation that Connecticut drivers have sufficient liability insurance coverage, PCI is concerned that Senate Bill 410 would result in increased premiums which may increase the state's uninsured motorist population. Each time financial responsibility limits are increased, there is a resulting premium increase and, for some drivers, this can mean the difference between being able to afford insurance and not being able to afford insurance. Often times, drivers who can't afford insurance still need to drive in order to carry out their daily activities and the result is that more drivers disobey the law and drive without insurance. Obviously, this likely unintended result of this legislation would benefit no one.

Maintaining the financial responsibility limits at current levels will help to ensure that those drivers who can just barely afford their current premiums are not pushed into being unable to afford coverage, leaving them with a choice to break the law and drive with no coverage or stop driving. PCI would submit that for those individuals that live in rural areas where reliable public transportation may not be available, this choice is really no choice at all and the result is more uninsured drivers.

Accordingly, because passage of Senate Bill 410 would likely have unintended consequences which would be detrimental to all Connecticut drivers and passengers, PCI urges your Committee to decline to advance this legislation. Please let me know if you have any questions or need additional information.

Sincerely,

Kristina Baldwin

Kristina L. Baldwin

Telephone: 847-297-7800 Facsimile: 847-297-5064 Web: www.pciaa.net

STATEMENT RE: **Bill No. 410**
"An Act concerning motor vehicle operators' financial responsibility limits."

TO: Insurance & Real Estate Committee

BY: Professional Insurance Agents of Connecticut Inc.

DATE: March 9, 2006

The Professional Insurance Agents of Connecticut, Inc. (PIACT), an association representing more than 500 member independent insurance agents who employ over 3,500 people throughout the state, strongly urges this committee to support Bill No. 410. The changes proposed by this bill would bring Connecticut's statutory minimums up to par with the majority of the other states.

Section 14-112(a) of Connecticut's statutes sets forth the minimum amounts of insurance coverage for bodily injury and property damage required in order to obtain a driver's license or register a vehicle. These coverage amounts, which have been embedded in the state's laws since 1949 and have undergone several changes, are due to be updated once again.

The property damage limit, for example, was raised from $1,000 to $5,000 in 1967, and from $5,000 to $10,000 in 1983. An inherent problem with including a dollar amount in a statute is that the amount quickly can become outdated. Inflation surely has not slowed down since 1983, the last time the property damage limit was increased, so logic dictates that the limit should be increased accordingly. The other limits are similarly outdated, and should be increased to the levels suggested in this bill.

When two vehicles are involved in an accident and the driver of the vehicle that caused the accident has purchased the statutory minimum insurance coverages, the driver of the other vehicle will have to submit a claim to his own insurance company to cover damages that exceed the $10,000 of coverage provided by the at-fault driver's insurance. Clearly, not every accident results in damages of more than $10,000, but the rising average cost of a vehicle on the road today means that the $10,000 threshold is reached much more often in the event of an accident. Claims follow insureds and can sometimes lead to increased premiums.

- more -

While it is true that raising the statutory minimums will mean increased premiums up front for the policyholder, the increase will be minimal. For instance, an increase in the property damage limit from $10,000 to $25,000 would typically result in a single-digit percentage increase in premium. This is a manageable amount to pay in order to provide additional protection, and it would not lead to any discernable increase in uninsured drivers on the road.

PIACT understands that anything that results in increased costs for consumers can be a sensitive subject, but many years have passed since Connecticut's limits were increased. For all the foregoing reasons, PIACT urges the committee to support Bill No 410.

Statement

Insurance Association of Connecticut

Insurance & Real Estate Committee

March 9, 2006

SB 410, An Act Increasing The Financial Responsibility Limits For Motor Vehicle Operators

The Insurance Association of Connecticut is opposed to SB 410, An Act Increasing The Financial Responsibility Limits For Motor Vehicle Operators.

Connecticut, like the vast majority of states, requires motor vehicle operators to maintain minimal levels of liability insurance. Matter of fact, the financial responsibility limits in 39 states fall well below the limits established by this proposal, (25, 50, 25). Connecticut's current limits are 20, 40, 10, ($20,000 per person; $40,000 per accident; $10,000 property damage), which are maintained by a small percentage of Connecticut's insured drivers.

Even at the levels currently mandated, there remains approximately 8-10% of motorists that fail to maintain these modest levels of coverage. The reason most often cited by those without coverage is the expense. Increasing the mandated limits of coverage will result in premium as much as 40% higher for those who can least afford it. As such, SB 410 will result in a greater number of uninsured.

The IAC respectfully requests your rejection of SB 410.