



STATEMENT RE:

Raised Bill No. 5515

"An Act increasing the financial responsibility limits for motor vehicles."

TO:

Joint Committee on Insurance and Real Estate

BY:

Professional Insurance Agents of Connecticut

DATE:

March 4, 2008

**PROFESSIONAL
INSURANCE
AGENTS**

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, urges this committee to support Raised Bill No. 5515 because it 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 An inherent problem with including a dollar amount in a statute is that the amount quickly can become outdated.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 The other limits are similarly outdated, and should be increased to the levels suggested in this bill.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.

While it is true that raising the statutory minimums will mean increased premiums up front for the policyholder, the increase should 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 Raised H.B. No. 5515.

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