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STATEMENT RE:

Raised House Bill 7053

*“An Act concerning Dram
Shop liability.”*

TO:

Insurance & Real Estate Committee

BY:

Professional Insurance Agents
of Connecticut Inc.

DATE:

February 22, 2007

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 House Bill 7053, provided that some of the wording is clarified.

The bill would require, as a condition of obtaining or renewing a liquor permit, that a person first provide proof of insurance coverage for statutory dram shop liability. Connecticut's Dram Shop Act is an extremely significant statute that requires sellers of alcohol to be accountable for their actions. Simply put, if an establishment sells alcohol irresponsibly, the Dram Shop provides the financial consequences.

It is all too common, however, for an establishment to forego dram shop coverage. A person injured by an intoxicated patron of an establishment that does not carry dram shop coverage likely will be left unable to secure sufficient damages from the establishment.

Raised House Bill 7053 makes sense because it will prevent a person from obtaining a liquor permit, and basically halt their ability to operate a legal business, unless the person first obtains dram shop coverage. As a result, this bill will afford additional protection to the state's citizens.

PIACT does have some concerns about the precise wording of proposed section 30-39(2)(A). Subsection (2)(A)(iii) states that one way a person can prove they have sufficient coverage is by providing an insurance contract. The subsection continues to state “If an insurance producer certifies that such person is insured by an insurance company for whom the producer is authorized to solicit, negotiate, or effect contracts of insurance, such insurance company shall notify the department of the cancellation or termination of the policy...”

It is not clear whether this wording contemplates a liquor permit applicant obtaining a certificate of insurance from a producer or whether a different kind of certification would be involved. PIACT suggests that the bill's wording be amended to specifically reference a certificate of insurance. Further, this option of providing proof appears to be limited to appointed agents only and would not extend to a 'certification' from an insurance broker. PIACT suggests amending the bill to remove this restriction.

Finally, subsection (2)(A)(iii) is worded in a way that triggers an insurance company's obligation to report a cancellation to the Department of Consumer Protection only if the producer provides a certification that coverage is in place. The current wording provides a two-step process whereby an insurance producer must report to an insurer whenever a certificate is issued in conjunction with an application for a liquor permit, and then the insurer is required to report any cancellation to the department. Rather than make the insurer's obligation conditional, it would be more efficient if the bill flatly required insurers to report the cancellation or termination of dram shop policies to the Department of Consumer Protection, regardless of whether the producer issued a certificate.

For the above reasons, PIACT asks the Committee to support Raised House Bill 7053, provided the bill is amended to clarify its intent. PIACT would like to offer its assistance in drafting language to accomplish the desired effect of this bill.