Mass. Blues looking to make HMO a not-for-profit

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HARTFORD — Industry groups and regulators in Connecticut are opposed to a bill that would provide discounted auto liability insurance with reduced benefits to residents of certain urban areas of the state.

The bill would offer a specialized program to residents of New Haven, Bridgeport and Hartford. Individuals in those areas who meet certain income requirements would be allowed to purchase auto insurance policies with half the mandatory limits normally required.

Groups representing insurance agents in the state have said they support the intent of the bill, which is to get more urban residents insured and to make the state's roadways a safer place to operate.

However, because these insurance policies offer reduced benefits that are lower than the minimum coverage required for the average driver, the industry argues that premiums charged for this coverage will be inadequate, forcing insurance companies to make up the difference from other insured drivers.

Opponents are also concerned that drivers insured under this plan would have less property damage coverage in the event of an accident, forcing other insured drivers to collect the excess under their underinsured motorist coverage.

"To lower the limits, we don't think is a good insurance principle at all," Independent Insurance Agents of Connecticut Executive Vice President Warren Ruppar said.

The Professional Insurance Agents of Connecticut also said pricing was a factor, since the insurers would likely recover their costs from regularly insured drivers.

"Even given the lower limits proposed by this bill, we're not confident that if priced correctly, this program would be able to offer a truly affordable method of insuring more drivers," the PIACT said.

The bill is also opposed by Connecticut's Insurance Department. Officials worry that it appears to contemplate purchase by individuals rather than by a "named insured" for a policy covering all licensed drivers in the household.

"That is a significant departure from the way auto insurance is usually purchased, and could lead to confusion in the marketplace," they said.

Meanwhile, agents won a victory of sorts against a measure that would have affected agency terminations and commissions.

This bill that would have changed the current statute concerning the termination of producer appointments and contracts. But it failed to come to a vote this year in the face of opposition by the IIAC, whose leaders warned that it would negatively impact the growth and development of independent insurance agencies.

Under the current law, a company that is planning to terminate a contract with a producer is required to give 90 days notice, and the agent then has another 18 months to move their business from one company to another.

The proposal aimed to exempt from current rules any contract with a producer who represents one insurer exclusively or a group of insurers under common management.

Ruppar said that removing protection for agents that represent one company could hurt agents starting out in the insurance business who often have an appointment with only one company.

The current termination statute allows for the growth of independent agencies as they build their business, and the ownership of that business is protected as the agency's value is increased, he maintained.

Provisions in the current statute allow the agent time to search the marketplace for a new company appointment, which is needed after a company contract is terminated.

"This is normally a lengthy process, as the producer needs to match his or her book of business with the marketing goals of a new company," Ruppar said.

He said removing the protections would make it extremely difficult for new insurance agencies and small premium volume agencies to find a new company in an orderly fashion and would result in the producer losing customers, which would jeopardize the future of the producer's business. ❐