



LEGISLATIVE POSITION

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Auto insurance surcharges

PIANY supports increasing the statutory threshold for auto insurance surcharges

Memorandum in support of: S.1700—by Sen. Breslin
A.1952—by M. of A. Morelle

This legislation amends Section 2335 of the Insurance Law to raise from \$1,000 to \$2,000 the amount of property damage which, if exceeded in a motor vehicle accident, would allow an insurer to impose a policy premium surcharge. (Unlike prior versions, amendments contained in this bill preserve the \$1,000 accident-reporting threshold in Section 605 V&T.)

JUSTIFICATION: This legislation would help contain premium costs by preventing the imposition of auto insurance surcharges for minor accidents.

The amount of property damage for which insurers may impose a premium surcharge is currently based on the amount (\$1,000) set in V&T Section 605, which requires accident reporting to the Department of Motor Vehicles (See 11 NYCRR 169.1(a)). Changes in accident costs since 1991, when the current reporting threshold was enacted, mean that the most minor accidents now result in an insurance surcharge.

At today's prices, even a minor accident can easily cause damage of more than \$1,000. To name just two examples, uni-body construction and new automotive paint technology mean that minor "fender-bender" damage often exceeds the \$1,000 reporting threshold and results in surcharges for policyholders.

Sometimes, the amount paid in surcharges over three years can equal or exceed the amount of the original insurance benefit. This is unfair to consumers and leads many to pay out-of-pocket for claims which they could legitimately collect from insurers.

This bill would prohibit insurer surcharges for accidents with aggregate property damage less than \$2,000. (All accidents causing any type of injury would remain surchargeable.) The accident-reporting threshold was last raised effective Aug. 1, 1991, to \$1,000 from \$600. This bill, as amended, would still require minor accidents to be reported so statistics can be kept, but would adjust the insurance premium surcharge threshold to a fairer and more reasonable amount.

It is time to de-couple the insurance surcharge threshold from the DMV-reporting requirement. Inflation alone, during more than 16 years since the amount was last adjusted, would justify raising the surcharge figure again. The situation is made more urgent by the escalating cost of auto repairs.

For all of these reasons, PIANY supports this legislation and urges its adoption.

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