



LEGISLATIVE POSITION

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Auto insurance surcharges

PIANY supports reducing the number of minor accidents that can result in an auto insurance surcharge.

Memorandum in support of: S.1552-A—by Senator Skelos
A.2468-B—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, Vehicle & Traffic).

JUSTIFICATION: New York is always in danger of becoming the highest-cost state in the nation for auto insurance. This legislation would help contain premium costs by preventing 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 Vehicle & Traffic 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.

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 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.

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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.

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