



LEGISLATIVE POSITION

Professional Insurance Agents of New York State Inc.

25 Chamberlain St.
P.O. Box 997
Glenmont, NY
12077-0997
(518) 434-3111

**LEGISLATIVE
REPRESENTATIVE**

Thomas Lutz

**ASSISTANT
EXECUTIVE DIRECTOR
for Government/Industry
Affairs**

Ellen D. Kiehl, Ph.D., CAE

**EXECUTIVE
DIRECTOR**

Kenneth Bessette

“Temporary” auto insurance

PIANY opposes allowing auto insurance dealers to sell “temporary” auto insurance coverage.

Memo in opposition to:

“Temporary,” “immediate delivery,” “spot delivery,” or “spot” insurance. [No bill at this time.]

On behalf of its over 18,000 insurance professionals, PIANY opposes authorizing a new kind of insurance policy, designed to afford temporary coverage for personal automobiles at the point of sale. PIANY bases its opposition on a number of important public policy issues.

Opportunity for abuse. According to information given by proponents of this coverage, most of the people who would buy it do not in fact need it. Thus, they would pay an estimated \$150 for 15 days’ coverage that they do not need because it duplicates coverage they already have under an existing auto insurance policy, where the newly purchased (or leased) vehicle is being added to the policy or replacing a vehicle insured under the policy. In a recent presentation, the proponents of this product gave examples that indicated about 70 percent of people would be paying this premium unnecessarily because the vehicle would already be insured under their policy. It would be all too easy for eager auto salespersons not to explain, or to create doubt about, the existing protections that buyers have, in the form of their policies’ automatic coverage for additional and replacement vehicles. In order to make a quick sale, there would be a great temptation for the dealer to roll the \$150 charge into the other costs associated with acquiring the vehicle.

Delay, frustration in settling claims. When auto dealers sell duplicate coverage to uninformed buyers, there would be two policies covering the newly acquired vehicle (the temporary insurance and the customer’s personal auto policy). Thus, there will be “other insurance” complications in the settlement of any claims that arise. This will delay compensation to the insured and/or third parties seeking payment for services or damages.

-more-

Lack of professional advice. For drivers acquiring their first vehicle, with no existing coverage, PIANY must strongly oppose the idea that these first-time vehicle owners can be adequately counseled by unlicensed sales people at an auto dealership. New York in particular offers a wide array of coverage choices so a policy can be constructed to adequately protect a person financially. Undertaking vehicle ownership is an important financial step that involves not only the cost of the vehicle itself, but also the major financial exposure that ownership and regular operation of a vehicle entail. This proposal could mean that first-time vehicle owners never have the benefit of a duly licensed insurance professional's advice and counsel as they enter this new phase of their economic lives.

Opportunity for fraud. New York is in the midst of an auto insurance fraud crisis. The "temporary" coverage would be an open invitation to people to take advantage of the ease and relatively low cost of driving away with a new auto. They could readily acquire vehicles in order to take part in the type of staged accidents, pre-arranged auto thefts and other fraudulent schemes that currently add about \$125 per vehicle to each insurance policy annually. PIANY feels strongly that New York should be making it harder, not easier, for organized auto insurance fraud rings to operate.

Increase in uninsured operation. Contrary to the assertions of the proponents, PIANY predicts that approval of temporary auto insurance would greatly increase the number of uninsured drivers on the road at any given time. People would be strongly tempted to use the temporary coverage to obtain plates, drive away, and continue operating the vehicle long after the 15 days worth of coverage expires. This would be especially true for drivers in areas with high insurance costs, or for first-time owners unfamiliar with the true cost of auto insurance. These drivers could easily be lulled by the \$150 start-up insurance cost to buy a vehicle; but when they are later quoted the total premium for a "real" auto policy, they could well decide to pass it up. Even with the enhanced enforcement mechanism of the Insurance Information and Enforcement System (IIES) of the DMV, it could take months or even years before they are caught by law enforcement.

Difficulties with IIES. We are aware that the DMV is downplaying the difficulties that "temporary" insurance would create for the current electronic reporting system known as IIES; but PIANY is frankly skeptical. Our members are all too aware that the number of problems they encounter with IIES is directly related to the number of transactions involved. "Temporary" insurance is sure to increase the number of gaps in insurance coverage, either real or apparent, that cause headaches or monetary fines for drivers even when they attempt in good faith to comply with New York's continuous financial responsibility laws. Each time coverage is dropped or added, there must be a corresponding electronic report to the DMV system that shows a continuous record of coverage. Errors, or real lapses in coverage, will undoubtedly multiply if people use "temporary" policies for a short time after registration.

For all these reasons, we urge that legislators, the Insurance Department and the Department of Motor Vehicles oppose the authorization of "temporary" auto insurance.