



# House of Representatives

General Assembly

**File No. 52**

January Session, 2025

Substitute House Bill No. 6435

*House of Representatives, March 6, 2025*

The Committee on Insurance and Real Estate reported through REP. WOOD of the 29th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT CONCERNING THE INSURANCE DEPARTMENT'S  
AUTOMOBILE PHYSICAL AND PROPERTY DAMAGE ARBITRATION  
PROCESS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 38a-9 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective October*  
3 *1, 2025*):

4 (b) (1) The Division of Consumer Affairs shall provide an  
5 independent arbitration procedure for the settlement of disputes  
6 between claimants and insurance companies concerning automobile  
7 physical damage and automobile property damage liability claims in  
8 which liability and coverage are not in dispute. Such procedure shall  
9 apply only to disputes involving private passenger motor vehicles as  
10 defined in subsection (e) of section 38a-363. Any company licensed to  
11 write private passenger automobile insurance, including collision,  
12 comprehensive and theft, in this state shall participate in the arbitration  
13 procedure. The commissioner shall appoint an administrator for such

14 procedure. Only those disputes in which attempts at mediation by the  
15 Division of Consumer Affairs have failed shall be accepted as arbitrable.  
16 The referral of the complaint to arbitration shall be made by the  
17 Insurance Department examiner who investigated the complaint. Each  
18 party to the dispute shall pay a filing fee of twenty dollars. The  
19 insurance company shall pay the claimant the undisputed amount of the  
20 claim upon written notification from the department that the complaint  
21 has been referred to arbitration. Such payment shall not affect any right  
22 of the claimant to pursue the disputed amount of the claim.

23 (2) The commissioner shall prepare a list of at least ten persons, who  
24 have not been employed by the department or an insurance company  
25 during the preceding twelve months, to serve as arbitrators in the  
26 settlement of such disputes. The arbitrators shall be members of any  
27 dispute resolution organization approved by the commissioner. One  
28 arbitrator shall be appointed to hear and decide each complaint.  
29 Appointment shall be based solely on the order of the list. If an arbitrator  
30 is unable to serve on a given day, or if either party objects to the  
31 arbitrator, then the next arbitrator on the list shall be selected. The  
32 department shall schedule arbitration hearings as often, and in such  
33 locations, as it deems necessary. Parties to the dispute shall be provided  
34 written notice of the hearing at least ten days prior to the hearing date.  
35 The commissioner may issue subpoenas on behalf of the arbitrator to  
36 compel the attendance of witnesses and the production of documents,  
37 papers and records relevant to the dispute. Decisions shall be made on  
38 the basis of the evidence presented at the arbitration hearing. Where the  
39 arbitrator believes that technical expertise is necessary to decide a case,  
40 such arbitrator may consult with an independent expert recommended  
41 by the commissioner. The arbitrator and any independent technical  
42 expert shall be paid by the department on a per dispute basis as  
43 established by the commissioner. The arbitrator, as expeditiously as  
44 possible but not later than fifteen days after the arbitration hearing, shall  
45 render a written decision based on the information gathered and  
46 disclose the findings and the reasons to the parties involved. The  
47 arbitrator shall award filing fees to the prevailing party. If the decision  
48 favors the claimant, (A) the decision shall provide specific and

49 appropriate remedies including interest at the rate of fifteen per cent per  
50 year on the arbitration award concerning the disputed amount of the  
51 claim, retroactive to the date of payment for the undisputed amount of  
52 the claim, and (B) the arbitrator shall require the insurance company to  
53 reimburse the department for the department's costs incurred in  
54 connection with the administration of the arbitration hearing, unless  
55 such claimant rejected such insurance company's prearbitration offer of  
56 compromise of equal or greater value than the arbitration award. The  
57 decision may include costs for loss of use and storage of the motor  
58 vehicle and shall specify a date for performance and completion of all  
59 awarded remedies. Notwithstanding any provision of the general  
60 statutes or any regulation, the Insurance Department shall not amend,  
61 reverse, rescind, or revoke any decision or action of any arbitrator. The  
62 department shall contact the claimant not later than ten business days  
63 after the date for performance, to determine whether performance has  
64 occurred. Either party may make application to the superior court for  
65 the judicial district in which one of the parties resides or, when the court  
66 is not in session, any judge thereof for an order confirming, vacating,  
67 modifying or correcting any award, in accordance with the provisions  
68 of sections 52-417, 52-418, 52-419 and 52-420. If it is determined by the  
69 court that either party's position after review has been improved by at  
70 least ten per cent over that party's position after arbitration, the court  
71 may grant to that party its costs and reasonable attorney's fees. No  
72 evidence, testimony, findings, or decision from the department  
73 arbitration procedure shall be admissible in any civil proceeding, except  
74 judicial review of the arbitrator's decision as contemplated by this  
75 subsection.

76 (3) The department shall maintain records of each dispute, including  
77 names of parties to the arbitration, the decision of the arbitrator,  
78 compliance, the appeal, if any, and the decision of the court. The  
79 department shall annually compile such statistics and send a copy to the  
80 committee of the General Assembly having cognizance of matters  
81 relating to insurance. The report shall be considered a public document.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>October 1, 2025</i>	38a-9(b)
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**INS**      *Joint Favorable Subst.*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Insurance Dept.	IF - Revenue Gain	Less than 35,000	Less than 50,000

Note: IF=Insurance Fund

### **Municipal Impact:** None

### **Explanation**

The bill results in a potential revenue gain to the Insurance Fund of less than \$35,000 in FY 26 and less than \$50,000 annually beginning in FY 27. The bill requires insurance companies involved in an automobile physical or property damage arbitration hearing to reimburse the Department of Insurance for the cost of the hearing if the arbitration award is in the claimant's favor, except in certain circumstances.

The estimate is based on data regarding automobile arbitration hearings and Department of Insurance costs. In FY 22 – FY 24, an annual average of 29 arbitration hearings were conducted, with an average of 15 resulting in a decision in favor of the claimant,<sup>1</sup> according to the Department of Insurance. The current cost to the department for each arbitration that proceeds to a hearing is \$3,075. The estimate assumes a reduction in the number of arbitration hearings, since the reimbursement requirement is likely to encourage insurance companies

<sup>1</sup> The estimate assumes none of the 15 claimants rejected the insurance company's pre-arbitration offer of compromise of equal or greater value than the arbitration award. In such instances, the insurance company would not be subject to the bill's reimbursement requirement. The exact number of such occurrences is unknown.

to resolve claims before reaching arbitration. The lower impact in FY 26 reflects the bill's October 1 effective date.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the number of times annually that an arbitration award is in the claimant's favor in applicable circumstances.

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**OLR Bill Analysis****sHB 6435*****AN ACT CONCERNING THE INSURANCE DEPARTMENT'S  
AUTOMOBILE PHYSICAL AND PROPERTY DAMAGE  
ARBITRATION PROCESS.*****SUMMARY**

This bill makes certain private passenger motor vehicle insurers, instead of the Insurance Department, responsible for the department's administrative costs associated with arbitration hearings that are statutorily required to resolve disputes over claim amounts (see BACKGROUND).

Specifically, under the bill, arbitrators in these hearings must require the insurance companies to reimburse the department for its costs to administer a hearing if the (1) arbitrator decides in the claimant's favor and (2) claimant did not reject a pre-arbitration offer of compromise from the insurance company for an amount that is at least the arbitration award's value.

By law, claimants and insurers may apply to the Superior Court for the judicial district in which one of the parties resides or, when the court is not in session, any judge in the district for an order confirming, vacating, modifying, or correcting an arbitrator's award.

EFFECTIVE DATE: October 1, 2025

**BACKGROUND**

Under existing law, the Insurance Department's Division of Consumer Affairs must provide an independent arbitration procedure to settle disputes between claimants and private passenger motor vehicle insurers when (1) there are automobile physical damage and automobile property damage liability claims in which liability and

coverage are not in dispute and (2) attempts to resolve the dispute at mediation by the division have failed. By law, all companies licensed to write private passenger automobile insurance, including collision, comprehensive, and theft, in this state must participate in the division's arbitration procedure.

Under this law, a "private passenger motor vehicle" does not include a motorcycle or motor vehicle used as a public or livery conveyance. But it does include a:

1. private passenger automobile;
2. station-wagon-type automobile;
3. camper-type motor vehicle;
4. high-mileage motor vehicle;
5. truck-type motor vehicle with a load capacity of 1,500 pounds or less, registered as a passenger motor vehicle or a passenger and commercial motor vehicle or used for farming purposes; and
6. vehicle with a commercial registration (CGS § 38a-383(e)).

By law, a "high-mileage motor vehicle" is a motor vehicle with at least three wheels in contact with the ground; a completely enclosed driver's seat; a single or two-cylinder, gasoline or diesel engine or an electric-powered engine; and efficient fuel consumption (CGS § 14-1(45)).

## **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 12    Nay 1    (02/20/2025)