

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
<http://www.cga.ct.gov/ofa>

sHB-6435

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

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,¹ according to the Department of Insurance. The current cost to the department for each

¹ 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.

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 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.