Senate

General Assembly

File No. 166

January Session, 2003

Substitute Senate Bill No. 842

Senate, April 3, 2003

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT TO STUDY TERRORISM COVERAGE UNDER THE STANDARD FIRE INSURANCE POLICY.

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

Section 1. (NEW) (*Effective July 1, 2003*) The Insurance Commissioner shall study the terrorism coverage provided under the standard fire insurance policy form set forth in section 38a-307 of the general statutes and shall determine the implications of excluding terrorism coverage under such form for personal risk insurance, commercial risk insurance, or both. The commissioner shall also examine the definition of terrorism under the federal Terrorism Risk Insurance Act of 2002 and shall determine whether, in the commissioner's opinion, such definition should be made applicable to policies issued in this state. Not later than January 1, 2004, and annually thereafter, the commissioner shall submit findings and recommendations concerning terrorism coverage to the joint standing committee of the General Assembly having cognizance of matters relating to insurance, in accordance with section 11-4a of the general statutes.

This act shall take effect as follows:	
Section 1	*July 1, 2003*

INS *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 $	FY 05 $
Insurance Dept.	IF - Cost	less than 500	less than 500

Note: IF=Insurance Fund

Municipal Impact: None

Explanation

The bill requires the Insurance Commissioner to study terrorism coverage and annually report her findings to the General Assembly by January 1, 2004. A cost of less than $500 would be incurred for printing or copying and other miscellaneous costs.

OLR Bill Analysis
sSB 842

AN ACT TO STUDY TERRORISM COVERAGE UNDER THE STANDARD FIRE INSURANCE POLICY

SUMMARY:
This bill requires the insurance commissioner to study terrorism coverage under the state's Standard Fire Insurance Policy and determine the implications of excluding terrorism coverage under the policy for personal or commercial risk insurance or both. The commissioner must examine the definition of terrorism under the federal Terrorism Risk Insurance Act of 2002 and decide whether, in her opinion, the definition should apply to policies issued in Connecticut.

The bill requires the commissioner annually to submit her findings and recommendations to the Insurance and Real Estate Committee beginning January 1, 2004.

EFFECTIVE DATE: July 1, 2003

BACKGROUND

Standard Fire Insurance Policy

The Standard Fire Insurance Policy incorporates minimum standards for fire insurance protection. It includes provisions specifying (1) uninsurable and excepted property, (2) perils not included, (3) other insurance, (4) conditions suspending or restricting insurance, (5) waiver, (6) cancellation, (7) mortgagee's interest and obligation, (8) pro rata liability, (9) appraisal, (10) when losses are payable, (11) abandonment, (12) suits, and (13) subrogation.

Federal Terrorism Risk Insurance Act of 2002

The act (P. L. 107-297) establishes a mandatory offer program to guarantee the availability of terrorism coverage for commercial policyholders. For commercial policies, it requires insurers to make available insurance coverage for insured losses that does not differ materially from the terms, amounts, and other coverage limitations that apply to losses arising from events not related to terrorism. The mandatory offer requirement lasts until December 31, 2004. The U.S. treasury secretary decides whether the mandatory offer provision will continue into 2005.

The act also establishes a cost-sharing program by which the federal government pays a portion of insured losses that exceed certain per-company and industry-wide retentions. Companies that fail to comply with the mandatory offer and other notice requirements forfeit their access to this financial backstop. The cost-sharing program extends to losses occurring through December 31, 2005, with insurers retaining a larger share of responsibility in each succeeding year. Neither the government nor insurers are responsible to pay any insured losses exceeding $100 billion.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 16 Nay 1