PCI Property Casualty Insurers Association of America
Shaping the Future of American Insurance
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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 90 – *AN ACT ESTABLISHING A LOAN PROGRAM FOR THE REMOVAL OF HAZARDOUS TREES FROM PRIVATE PROPERTY*

COMMITTEE ON ENVIRONMENT

March 2, 2012

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on SB 90, which would require insurers to establish a program to provide loans to policyholders for the removal of hazardous trees. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide 43 percent of Connecticut's property casualty insurance coverage.

PCI is strongly opposed to this legislation because it would force insurers to enter the lending business. The additional regulatory and other requirements associated with becoming a consumer lender would be substantial and compliance with such requirements would take insurers away from their core mission of providing insurance coverage to Connecticut residents. Insurers are not currently capitalized, licensed, or staffed to undertake such an operation. In addition, the charters of many insurers currently do not authorize them to enter the lending business. The likely substantial additional costs associated with complying with lending laws and regulations would need to be reflected as an additional operating expenses and factored in to the premium.

Furthermore, if consumers defaulted on these unsecured loans, that would compromise the capitalization and reserves of insurers and impact their ability to fulfill their traditional commitments to policyholders. While the bill gives insurers to right to bring a civil action when the policyholder fails to repay the loan, if the policyholder does not have sufficient funds to repay the loan, it is likely that the policyholder would not have sufficient funds to pay any resulting judgment, thereby making this provision of limited value and raising legitimate concerns about insurers being forced to put their capital at risk in this manner.

Insurance policies indemnify policyholders against covered losses. Such policies are not designed to be used as maintenance agreements. Home maintenance is the responsibility of the homeowner. This bill would turn insurance contracts in Connecticut into maintenance agreements which does not comport with the basic principles of insurance.

An insurer should be free, as a private corporation, to decide the businesses in which it wants to engage. This bill would take that choice away from insurance companies by mandating that they enter into the business of banking. Governor Malloy has identified bringing insurance jobs to

Connecticut as a priority. This bill does not send the message to insurers that Connecticut is a state where they should be locating, operating or expanding. Rather, this bill sends the opposite message and would potentially serve as a major disincentive to attracting insurers to locate or do business in Connecticut.

For the foregoing reasons, PCI urges your Committee not to favorably advance SB 90.