

## STATEMENT

Insurance Association of Connecticut

Environment Committee

March 2, 2012

### SB 90, An Act Establishing A Loan Program For The Removal Of Hazardous Trees From Private Property

The Insurance Association of Connecticut, IAC, is strongly opposed to SB 90, An Act Establishing A Loan Program For The Removal Of Hazardous Trees From Private Property which is contrary to the fundamental principles of insurance mandating that insurers provide coverage for anticipated losses.

The law should not mandate what type of business a business should be in. Entities should have the freedom to pursue the enterprise it chooses. Insurers sell insurance. Banks provide loans. Yet SB 90 would mandate that insurers provide banking services. Insurers are not licensed, experienced or staffed to undertake the loan functions contemplated by SB 90. Insurers' articles of incorporation do not include banking provisions. This is an unnecessary administrative and costly endeavor for insurers as they will have to, among other things, amend their articles of incorporation and practices, obtain additional licenses, and add staffing just to comply with the bill's provisions. Also the requirement that an insurer provide unsecured loans could jeopardize a company's financial stability. This is a losing proposition for Connecticut's vibrant insurance industry.

SB 90 completely ignores the fundamental nature of insurance which requires that a covered event occur resulting in actual damage to trigger coverage. The purpose of an insurance policy is to indemnify the policyholder against a covered loss. Mandating that insurers provide loans to cover the cost for removal of potentially hazardous trees is requiring insurers to fund the maintenance of an insured's property. What's next, providing coverage to replace an older roof or leaky pipe? There are resources, like personal loans from established banking institutions, available to the public that can help finance the cost of home maintenance. Mandating that insurers pay for maintenance repairs is requiring the insurer to pay for damage that may or may not happen someday in the future. This is not insurance.

Beyond the obvious problems with this proposal, SB 90 contains many other provisions that are extremely problematic. For example, as set forth in SB 90 there isn't a tree that would not qualify as a "hazardous tree". Whereas tree wardens are not typically full-time positions this would amount to an unfunded mandate on the towns as the tree wardens would have to perform inspections potentially for every property in town. The Insurance Commissioner does not have the staff or expertise to promulgate rules for loans nor the authority over the consumer to impose fines.

Insurers are not in the business of providing loans. Insurers do not pay for anticipated losses. The IAC urges your rejection of SB 90.