



House of Representatives

General Assembly

File No. 177

February Session, 2012

Substitute House Bill No. 5230

House of Representatives, March 29, 2012

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING VARIOUS CHANGES TO PROPERTY AND CASUALTY INSURANCE STATUTES.

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

1 Section 1. Section 38a-316a of the general statutes is repealed and
2 the following is substituted in lieu thereof (*Effective July 1, 2012*):

3 (a) No insurer that delivers, issues for delivery, renews, amends or
4 endorses a homeowners insurance policy in this state shall refuse to
5 renew or issue such a policy solely on the basis that the insured or
6 prospective insured has failed to install permanent storm shutters on
7 his or her residential dwelling as a means of mitigating loss from
8 hurricanes or other severe storms.

9 (b) (1) For a homeowners insurance policy issued or renewed on or
10 after July 1, 2012, an insurer may impose a hurricane deductible in
11 such policy in lieu of an overall policy deductible during the period
12 commencing with the issuance of a hurricane warning by the National
13 Hurricane Center of the National Weather Service in any part of the

14 state if such hurricane results in a maximum sustained surface wind of
15 seventy-four miles per hour or more for any part of this state. Such
16 imposition shall be applied during the period (A) commencing not
17 earlier than the National Weather Service National Hurricane Center's
18 issuance of a hurricane warning for any part of this state, and (B)
19 ending twenty-four hours after said National Hurricane Center's
20 termination of the last hurricane warning for any part of this state or
21 twenty-four hours after said National Hurricane Center's downgrade
22 of the hurricane from hurricane status for any part of this state,
23 whichever is earlier.

24 (2) The commissioner may adopt regulations, in accordance with the
25 provisions of chapter 54, to implement the provisions of subdivision
26 (1) of this subsection and the most current guidelines and bulletins
27 issued by the Insurance Department and in effect that pertain to
28 hurricane deductibles.

29 Sec. 2. Section 38a-313a of the 2012 supplement to the general
30 statutes is repealed and the following is substituted in lieu thereof
31 (*Effective July 1, 2012*):

32 (a) Prior to commencing any repair, [or] remediation or mitigation
33 pursuant to a loss occurring on or after [October 1, 2011] July 1, 2012,
34 and covered under a personal risk insurance policy, as defined in
35 section 38a-663, or a commercial risk policy, as defined in section 38a-
36 663, the person who will perform the repair, [or] remediation or
37 mitigation shall provide an insured with a written notice that indicates
38 the scope of the work to be completed and the estimated total price.
39 Such notice shall not be required for (1) any repair of an automobile
40 that is subject to this chapter, or (2) any repair that is subject to chapter
41 400.

42 (b) If the person performing the repair, [or] remediation or
43 mitigation fails to provide the written notice in accordance with
44 subsection (a) of this section to an insured, any contract between such
45 person and such insured for such repair, [or] remediation or mitigation
46 shall be void.

47 (c) As used in this section, "remediation" includes, but is not limited
48 to, cleaning services.

49 Sec. 3. Section 38a-308 of the general statutes is repealed and the
50 following is substituted in lieu thereof (*Effective July 1, 2012*):

51 (a) No policy or contract of fire insurance shall be made, issued or
52 delivered by any insurer or any agent or representative thereof, on any
53 property in this state, unless it conforms as to all provisions,
54 stipulations, agreements and conditions with the form of policy set
55 forth in section 38a-307. There shall be printed at the head of such
56 policy the name of the insurer or insurers issuing the policy, the
57 location of the home office thereof, a statement showing whether such
58 insurer or insurers are stock or mutual corporations or are reciprocal
59 insurers or Lloyd's underwriter, provided any company organized
60 under special charter provisions may so indicate upon its policy and
61 may add a statement of the plan under which it operates in this state,
62 and there may be added thereon such device or devices as the insurer
63 or insurers issuing such policy desire. Such policy shall be clearly
64 designated on the back of the form as "The Standard Fire Insurance
65 Policy of the State of Connecticut"; and this designation may include
66 the names of such other states as have adopted this standard form. The
67 standard fire insurance policy provided for in section 38a-307 need not
68 be used for effecting reinsurance between insurers. If the policy is
69 issued by a mutual, cooperative or reciprocal insurer having special
70 regulations with respect to the payment by the policyholder of
71 assessments, such regulations shall be printed upon the policy and any
72 such insurer may print upon the policy such regulations as are
73 appropriate to or required by its form of organization. Insurers issuing
74 the standard fire insurance policy pursuant to section 38a-307 are
75 authorized to affix thereto or include therein a written statement that
76 the policy does not cover loss or damage caused by nuclear reaction or
77 nuclear radiation or radioactive contamination, all whether directly or
78 indirectly resulting from an insured peril under such policy; provided
79 nothing herein contained shall be construed to prohibit the attachment
80 to any such policy of an endorsement or endorsements specifically

81 assuming coverage for loss or damage caused by nuclear reaction or
82 nuclear radiation or radioactive contamination.

83 (b) Any policy or contract [~~which~~] that includes, either on an
84 unspecified basis as to coverage or for an indivisible premium,
85 coverage against the peril of fire and substantial coverage against other
86 perils need not comply with the provisions of subsection (a) [hereof] of
87 this section, provided: (1) [~~such~~] Such policy or contract shall afford
88 coverage, with respect to the peril of fire, not less than the substantial
89 equivalent of the coverage afforded by said standard fire insurance
90 policy; [,] (2) the following provisions in [relation to mortgagee] said
91 standard fire insurance policy are incorporated therein without
92 change: (A) Mortgagee interests and obligations, [in said standard fire
93 insurance policy shall be incorporated therein without change,] (B) the
94 definitions of actual cash value and depreciation, (C) the time period
95 for when a loss is payable after proof of loss, and (D) the time period
96 for when a suit or action for the recovery of a claim may be
97 commenced; (3) such policy or contract is complete as to all of its terms
98 without reference to any other document; and (4) the commissioner is
99 satisfied that such policy or contract complies with the provisions
100 hereof. The provisions of this subsection shall apply to any such policy
101 or contract issued or renewed on or after July 1, 2012.

102 (c) None of the provisions of this section shall apply to policies of
103 automobile or aircraft physical damage insurance or to policies of
104 inland marine insurance.

105 (d) The provisions of section 38a-346 shall apply in the event of
106 cancellation of a policy issued pursuant to this chapter.

107 (e) Any policies made, issued or delivered through a fire, liability
108 and allied lines underwriting facility established by the Insurance
109 Commissioner pursuant to section 38a-328 shall not be subject to the
110 cancellation of policy provisions or notice of cancellation requirements
111 of section 38a-307, provided such policies comply with any regulation
112 adopted by the Insurance Commissioner pursuant to subsection (a) of
113 section 38a-328.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	38a-316a
Sec. 2	<i>July 1, 2012</i>	38a-313a
Sec. 3	<i>July 1, 2012</i>	38a-308

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: None

Municipal Impact: None

Explanation

The bill has no state or municipal impact as it concerns private property and casualty insurance coverage.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5230*****AN ACT CONCERNING VARIOUS CHANGES TO PROPERTY AND CASUALTY INSURANCE STATUTES.*****SUMMARY:**

This bill broadens the applicability of standard fire insurance policy provisions regarding the (1) period when a loss is payable after proof of loss, (2) period when a suit or action for the recovery of a claim must be commenced, and (3) definitions of actual cash value and depreciation.

The bill specifies when insurers may impose a hurricane deductible in the policy in lieu of an overall policy deductible under homeowners policies issued or renewed on or after July 1, 2012.

The bill requires people who mitigate losses incurred on or after July 1, 2012 that are covered by a personal risk insurance or commercial risk policy to give the insured, before any work begins, written notice of the work to be completed and the estimated total price. If the person performing the mitigation does not do so, any contract for the mitigation between that person and the insured is void. The requirement does not apply to repairs to an automobile covered by insurance or repairs that are covered by the laws governing home improvement contractors. The bill does not define "mitigation."

EFFECTIVE DATE: July 1, 2012

EXTENSION OF STANDARD FIRE INSURANCE POLICY REQUIREMENTS

By law, a fire insurance policy must meet various requirements (CGS § 38a-307). A policy that covers against fire and other perils generally does not need to meet these requirements with regard to

coverage of perils other than fire.

The bill extends to the coverage against these other perils the provisions of standard fire policies that specify the following:

1. The amount of loss for which the company is liable is payable 30 days after it receives proof of loss and the loss is ascertained. The company and the insured may agree in writing to a partial payment as an advance payment, but this does not affect the requirement for the company to pay the total amount of loss within 30 days after proof of loss.
2. No suit or action on the policy for the recovery of any claim may be sustained in any court unless all the requirements of the policy have been complied with and the suit or action is commenced within 18 months after the loss.
3. The actual cash value at the time of loss for a building is the amount which it would cost to repair or replace the building with material of like kind and quality, minus reasonable depreciation.

Depreciation means a decrease in the value of real property over a period of time due to wear and tear.

These provisions apply to policies or contracts issued or renewed on or after July 1, 2012.

HURRICANE DEDUCTIBLES

The bill allows insurers to impose a hurricane deductible in the policy in lieu of an overall policy deductible for homeowners policies issued or renewed on or after July 1, 2012, if a hurricane results in a maximum sustained surface wind of 74 miles per hour or more for any part of the state. The deductible applies from the time the National Hurricane Center issues a hurricane warning for any part of this state and ends 24 hours after the National Hurricane Center (1) terminates the last hurricane warning for any part of this state or (2) downgrades

the hurricane from hurricane status for any part of this state, whichever is earlier.

The bill allows the insurance commissioner to adopt regulations to implement this provision and the department's most current guidelines and bulletins dealing with hurricane deductibles.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 18 Nay 1 (03/15/2012)