

## ***Statement***

### ***Insurance Association of Connecticut***

Insurance and Real Estate Committee

March 5, 2013

#### **HB 6378, An Act Concerning Changes To Property And Casualty Insurance And Related Statutes**

The Insurance Association of Connecticut has the following concern with sections 7, 8 and 9 of HB 6378, An Act Concerning Changes To Property And Casualty Insurance And Related Statutes.

Section 7 would delete current statutory language, established in 2007, that would prevent insurers from failing to issue or renew a homeowners policy solely on the basis that permanent storm shutters have not been installed on the home. It is not clear what is intended by this change.

Subdivision (1) in section 8 of HB 6378 would require homeowners insurers to offer to any and all prospective insureds a premium quote for homeowners insurance. Such a mandatory offer provision would do real harm to the homeowners insurance marketplace.

Everyone is not eligible for an insurer's homeowners insurance program. Insurers file underwriting guidelines with the Insurance Department for approval. Once approved, those underwriting guidelines are used to determine whether prospective insureds will be offered insurance by the insurer. By overriding that authority of insurers to appropriately manage their insurance portfolio, section 8 will expose insurers to a heightened possibility of solvency problems.

Insurers do not have the ability or capacity to write all risks. For example, some insurers set a maximum capacity of a certain amount of insurance for any one risk in the state. If an insurer is required to write business in a fashion that is faster than their level of equity allows, the potential for a financial disaster for that insurer is real, to the detriment of the interests of all of its insureds. In addition, if a home has a crumbling roof and dated, dangerous wiring, how is an insurer to price that risk? Insurers would in effect be required to price insurance for the proverbial burning building

Section 8 would also increase insurer administrative costs, as quotes would have to be developed for everyone that asks, regardless of the condition or nature of the property. Those increased costs would be passed on to all insureds.

Connecticut has a competitive and functioning homeowners insurance marketplace, despite the recent series of major weather events. In fact, in 2008 the Insurance Department set up a Market Assistance Plan (MAP) to ensure that homeowners would be able to find insurance in what was perceived to be a tightening marketplace. If insurance wasn't available in the standard market, the homeowner could get it through the MAP. Since July of 2008, the MAP has written a grand total of zero policies in Connecticut. There is no need for subdivision (1) of section 8.

Section 8 would also amend C.G.S. 38a-316b to require insurers to offer premium discounts on homeowners policies when the insurer submits proof that storm shutters were installed. Current law requires such an offer when "permanent" storm shutters are so installed.

Deleting the word "permanent" places the legitimacy of a mandatory discount offer in question. What would constitute "proof of installation" of non-permanent shutters? Is plywood stacked in the garage or cellar sufficient proof? In contrast with

permanent shutters, there is no certainty of any kind that non-permanent shutters, such as plywood, will actually be used, and no way to accurately judge the effectiveness of their use. Since such discounts are to be based on sound actuarial principles, it is logical that mandatory discounts offered for non-permanent shutter arrangements would likely be miniscule.

Section 9 of HB 6378 would amend C.G.S. 38a-689 concerning the filing by insurers of the underwriting rules and regulations with the Insurance Department in a way that would make underwriting guidelines useless. The changes in section 9 presume that insurers must offer to write any risk that is presented. As was discussed previously in regard to statutory changes proposed in section 8, such a change will only serve to do real harm to the homeowners insurance marketplace in Connecticut.

IAC urges rejection of sections 8 and 9 of HB 6378.