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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 6549 – AN ACT ESTABLISHING A MEDIATION PROGRAM FOR CERTAIN INSURANCE POLICY CLAIMS ARISING FROM A CATASTROPHIC EVENT

COMMITTEE ON INSURANCE AND REAL ESTATE

March 5, 2013

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on House Bill No. 6549, legislation that would establish a mediation program for certain claims arising from a catastrophic event. PCI is a national property casualty trade association comprised of over 1,000 member companies. PCI member companies write approximately 49 percent of all personal lines insurance sold in Connecticut.

While PCI does not oppose the concept of mediation and supports measures which will facilitate the speedy and fair resolution of claim disputes following a major disaster, PCI has concerns with certain provisions of this bill. Specifically, our concerns include the following:

- The mediation process should be limited to homeowners claims. Other claims may be more complex and not appropriate for the mediation process.
- The trigger for the mediation needs to be clarified such that the program would only be activated in the event of major and serious catastrophic event.
- The \$500 disputed amount to qualify a claim for mediation is too low. Such a low amount may result in a situation where the mediation fee and/or expenses are higher than the disputed amount. This low amount may also result in a flood of nominal disputes being submitted to the mediation process. This will add unnecessary costs to insurance.
- The costs for the mediation should be shared by the parties rather than being required to be borne entirely by the insurer. In the absence of such shared costs, the policyholder has nothing to lose by going through the mediation process which may result in policyholders seeking mediation just to see if they can obtain additional funds, regardless of whether a legitimate dispute exists.
- Coverage issues must be excluded from mediation. Mediation is not the appropriate forum for the consideration or resolution of coverage issues. Rather, interpretation of insurance contracts to determine coverage is properly a matter for the courts. Determination of such issues through mediation could result in an inconsistent, inequitable and confusing range of contractual interpretations.

PCI encourages the Committee to consider these concerns if the Committee wishes to advance legislation relative to this issue.