



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony

#### Insurance and Real Estate Committee

March 5, 2013

**Raised Bill No. 6378 AN ACT CONCERNING CHANGES TO PROPERTY AND CASUALTY INSURANCE AND RELATED STATUTES.**

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide written testimony regarding H.B. 6378: AAC Changes to Property and Casualty Insurance and Related Statutes. Generally, raised Bill 6378 makes a number of changes to Connecticut's statutes. The greatest impact of these changes is on residential property coverages.

Section 1 of the bill requires the Insurance Department to maintain a list of companies licensed to do private passenger motor vehicle, homeowners and commercial property coverages in the state. The bill also requires the Insurance Department to post a list and contact information for all public adjusters licensed as such in the state. The Insurance Department currently provides a list of companies and other licensees on its website and therefore does not see the need for this legislation.

Section 2 and 3 of the bill add an arbitration provision applicable to Homeowners property insurance claims. The Department has several issues with the proposed change. Insurance policies currently contain an "Appraisal" provision which adequately addresses valuation disputes. The change in Section 2 would only apply to a limited class of policies since most policies are written not as standalone fire coverage but as multi-peril coverage. If the change is intended to apply to homeowners coverage more broadly then it needs to be inserted into a different portion of the statutes. If that is done, forms would need to be refilled. This would create a substantial workload for the Department and an added expense for insurers that would likely be passed on to consumers.

The language refers to disputes where liability and coverage are not in dispute. The arbitration proposed applies only to first party claims. Liability is a third party issue. Totaled Motor Vehicle Arbitration under current Insurance Department statutes has proved efficient since there is an objective market in which to value these losses and information is readily determinable through many sources including trade magazines, local newspapers and the internet. Homeowners claims are far more complex given the unique nature of residential real property. Greater expertise is needed to value reconstruction

costs, materials to be used, labor costs, compliance with Code requirement costs, etc. Therefore, the Department does not believe that it will be efficient to permit the arbitration of homeowners claims; rather the appraisal provisions in homeowner's policies should be the remedy in addition to the courts. However, for catastrophe situations, the Department believes that its proposed Mediation Legislation will be a more effective means of resolving homeowner's claims.

Section 7 The Insurance Department does not support the removal of this section. Our current guidelines require insurers to give potential new policyholders the choice between hurricane installed shutters and other options to mitigate potential losses. Within 2600 feet of the coast, insurers may mandate mitigation such as pre-cut and pre-drilled plywood shutters. Renewal business can be required to accept a choice between various mitigation options and a hurricane deductible. It is unclear to the Department what the intent is behind the removal of this section.

Thank you for the opportunity to testify on this bill. The Department remains available to answer any questions.