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## STATEMENT

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

#### H.B. No. 5502 – AN ACT CONCERNING PROPERTY AND CASUALTY INSURANCE STATUTES

#### COMMITTEE ON INSURANCE AND REAL ESTATE

March 11, 2014

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on H.B. 5502, An Act Concerning Property and Casualty Insurance Statutes. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide 49 percent of Connecticut's personal lines insurance coverage.

PCI has serious concerns regarding this bill. Section one of this bill would prohibit insurers from refusing to issue or renew a homeowners policy because the insured failed to install storm shutters. Under current law, insurers are prohibited from refusing to issue or renew a homeowners policy if an insured fails to install permanent storm shutters, but this bill would prohibit insurers from refusing to issue or renew a policy when the policyholder refuses to agree to install even temporary storm shutters. Storm shutters are one of the most effective mitigation measures and, depending upon the type of shutter, can be relatively inexpensive. Installing shutters over windows can reduce the chance that the glass will break, allowing wind-driven rain to soak the home's interior. They also can keep wind pressure from building up inside the structure, which often leads to roof loss. As severe weather events become more frequent, storm preparation and employing mitigation measures becomes increasingly more important and this bill would take CT in the wrong direction by prohibiting insurers from requiring insureds to install even temporary storm shutters.

This bill would also require insurers to give a premium discount for the installation of temporary shutters (Section two of the bill). As previously stated, insurers support and should be able to require the use of temporary shutters when the installation of permanent shutter is too costly or is otherwise not feasible under the circumstances. Because the shutters are temporary, however, it may not be appropriate for an insurer to give a discount for such shutters because temporary shutters may or may not be installed appropriately or at all in advance of a storm. Requiring a premium discount for a mitigation measure which may not be used is not appropriate and will require CT policyholders who do not receive the shutter discount to subsidize those who may be inappropriately receiving the discount.

PCI is also concerned with the provisions in Section three of this bill which would amend a law passed only last year which prohibits insurers from declining, cancelling or nonrenewing a homeowners policy based solely on a loss incurred as a result of one catastrophic event. This bill would prohibit such actions by an insurer based on a loss incurred as a result of any catastrophic event, thereby prohibiting insurers from considering multiple losses from catastrophic events when

determining whether to write a policy or whether to continue to insure a property. Insurers must be able to consider multiple losses when making these decisions as such losses show a likelihood of future losses and an insurer must be able to consider this so that the insurer can appropriately manage risk. A property which has been subject to repetitive losses due to catastrophic events may be simply too risky for a given insurer to continue to insure and insurers must be able to take a property's loss history into account when making decisions as to whether to insure or continue to insure a property.

Section four of this bill would increase the time period during which suit must be brought under the standard fire policy from eighteen to twenty-four months. PCI opposes this extension because it will increase litigation costs and make insurance more expensive in CT. The current eighteen month timeframe provides ample time in which to bring an action under the standard fire policy and extending this timeframe will only allow more litigation regarding stale claims which will increase costs. Many CT homeowners are already struggling to pay their insurance premiums and make ends meet and changing the law to allow more lawsuits under the standard fire policy will likely only exacerbate affordability issues with regard to this coverage.

For the foregoing reasons, PCI urges your Committee NOT to advance this bill.