

Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

March 11, 2014

HB 5502, An Act Concerning Changes To The
Property And Casualty Insurance Statutes

The Insurance Association of Connecticut (IAC) opposes HB 5502, An Act Concerning Changes To The Property And Casualty Insurance Statutes.

Section 1 would provide that insurers cannot refuse to issue or renew a homeowners insurance policy on the basis that the insured did not install storm shutters on the dwelling. Currently that prohibition is limited to the failure to install permanent shutters. IAC believes such a change would be counterproductive, as it would diminish the likelihood of proper loss mitigation efforts being undertaken where they are most needed. Such a change would also restrict an insurer's ability to control its risk exposure in high risk areas, which could have a negative effect on the homeowners insurance market, to the detriment of consumers across the state.

IAC opposes section 2, which would require insurers to offer a premium discount to any homeowner who installs storm shutters on the dwelling. Currently the requirement is triggered by the installation of permanent storm shutters. Discounts are supposed to be based on "sound actuarial principles," yet the removal of "permanent" would make such a determination highly questionable if not impossible. How is the insurer to calculate a discount for non-permanent storm shutters that may or may not be used properly or in a timely manner? In contrast, permanent storm shutters establish a consistent and verifiable basis for any such discount.

Section 3 would amend CGS 38a-316d to prohibit homeowners insurers from underwriting based on a loss from “any”, rather than “a”, catastrophic event. IAC opposes such a change, as the fact of multiple claims from a property is highly predictive of future losses. If an insured property has repeated losses, there are likely reasons for that experience that increases the probability of future claims. If insurers are forced to ignore legitimate underwriting tools, they will be unable to properly manage their risk exposure, putting unnecessary strains on the homeowners insurance market.

Subsection (d) of section 3 would require a homeowners insurer to offer coverage for “code compliance improvements that are required under local or state law”. IAC opposes such a requirement, as code compliance requirements differ from town to town, making the pricing of such coverage difficult. It is also not clear how the coverage would be triggered, and how it would relate to properties that are grandfathered out of new code requirements.

IAC opposes section 4 of HB 5502, which would increase the time within which a suit may be brought under a fire insurance policy from 18 to 24 months after the loss. The purpose behind a statute of limitations law is to encourage speedy resolution of claims. Without a quick resolution, the claim becomes stale, proof of what happened may be less available and reliable, the claim will be more affected by inevitable repair cost inflation, and the possibility of secondary weather related damage only increases. Recent legislative and regulatory efforts have encouraged expedited claims resolutions, yet section 4 would move in the opposite direction. Such a change could also be contrary to public policy behind municipal anti-blight ordinances which are designed to encourage the quick resolution of claims and repair of damaged buildings for the public

good. The statute of limitations for these actions was increased from 12 to 18 months in 2009. IAC sees no reason for any further increase.

Section 5 amends the definition of “public adjuster” to include persons who, on behalf of the insured, discuss the insured’s property loss claim with the insured’s insurer. IAC opposes such a change as, due to the vagueness of the term “discuss”, section 5 will apparently require insurance agents to be licensed as public adjusters. Could a family member of the insured who discusses the claim with the insurer, in an attempt to assist the insured, also be considered a public adjuster under the revised definition? It is not clear what the meaning of “discuss” is in this context. Does a mere discussion entitle a public adjuster to compensation from the insured?

Section 6 of HB 5502 would remove the requirement that certain notifications be “prominently” displayed on the first page of a public adjuster contract. It is not clear what consumer benefit can come from removing the statutory requirement that certain consumer protection provisions be displayed prominently on such a contract.

IAC would respectfully urge rejection of HB 5502.