



INSURANCE ASSOCIATION OF CONNECTICUT

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Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

March 5, 2015

**HB 6865, AN ACT REQUIRING CERTAIN DISCLOSURES CONCERNING
COINSURANCE CLAUSES IN COMMERCIAL INSURANCE POLICIES AND
CONTRACTS**

I am Eric George, President of the Insurance Association of Connecticut (IAC). The Insurance Association of Connecticut (IAC) opposes HB 6865, AN ACT REQUIRING CERTAIN DISCLOSURES CONCERNING COINSURANCE CLAUSES IN COMMERCIAL INSURANCE POLICIES AND CONTRACTS.

HB 6865 would require insurance policies covering commercial real property that include a coinsurance clause to state, on the policy's declaration page, the minimum dollar amount of coverage needed to avoid triggering the clause. Such a requirement would be untenable, given the nature of the commercial insurance contract, and should be rejected.

The declaration page on such a policy is issued at the start of the policy term and remains in effect for at least one year. After the policy's inception, the insured could make additions or other substantive changes to the insured building which affect the building's value, and of which the insurer is unaware. That unforeseen change in value could render invalid the insurer's original calculation, as required by HB 6865, of the minimum dollar amount of coverage

necessary for the insured to avoid triggering the coinsurance clause. Through no fault of the insurer, it would apparently be prevented from enforcing the contract's coinsurance provisions due to the change in the nature of the risk initiated by the insured, even though the insured's coverage amount was actually inadequate to avoid triggering such provisions under the terms of the contract.

The new declaration page requirement in subsection (c) (2)(B) is unnecessary and misleading, potentially preventing proper implementation of valid coinsurance provisions in commercial insurance contracts. In addition, HB 6865 could impose a significant burden and expense on insurers as they could be forced to repeatedly complete full evaluations of commercial properties in order to attempt to maintain the applicability of coinsurance clauses. Premiums would have to be increased to reflect the new and unnecessary expenses incurred as a result of HB 6865.

IAC urges rejection of HB 6865. Thank you for the opportunity to present IAC's viewpoint.