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## **HB 5520, AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES**

### **Statement of the American Insurance Association**

**March 8, 2016**

The American Insurance Association is a leading national trade association representing approximately 325 major property and casualty insurance companies that collectively underwrite nearly \$117 billion annually in direct property and casualty premiums nationwide. AIA member companies write approximately thirty percent of the homeowners' insurance market in Connecticut. AIA must respectfully oppose House Bill 5520, which would substantially alter the Connecticut insurance market place for both homeowners and automobile insurance. The changes proposed will only complicate insurers' ability to do business in Connecticut and have a negative impact on consumers.

The legislation would prohibit homeowners' insurers from using proximity to another occupied residence in rating plans. Such a move is contrary to people's own experience and the need for insurance to reflect risk. Such a move would also be contrary to section 38a-686 (b)(1) which currently permits insurers to give consideration, to the extent possible, to conflagration and catastrophe hazards. The argument can certainly be made that proximity to other structures is certainly a conflagration hazard and a catastrophe hazard.

To provide you with a case in point: consider the tragedy that occurred in the Breezy Point neighborhood in New York City, whereby approximately 130 houses burned to the ground due to fire which occurred as a result of Superstorm Sandy. One of the biggest contributing factors to this catastrophe was the extraordinary density of the housing. Had these properties been further apart, it is likely that we would have seen a fewer number of affected homes. As such, given the very real hazard associated with proximity to other occupied residences, insurers should be permitted to use these factors as a way of accurately reflecting insurance risk.

Additionally, the legislation would also prohibit automobile insurers from requiring a minimum amount of coverage greater than the amounts set forth in the financial responsibility law. Limiting the ability of insurers to craft coverage consistent with consumer demand or the insurers' perception of the risk will likely harm insurance capital formation in Connecticut. For example, some insurers may want and need higher limits because of a consumer's prior driving record and the possibility they could pose an enhanced risk to the driving public. Connecticut

should not limit the ability of insurers to establish limits they believe are needed as that could negatively impact the overall automobile insurance market.

Enacting such legislation would be problematic to the homeowners and automobile insurance markets in Connecticut. Thank you for the opportunity to provide comments and share our concerns on this issue. For the foregoing reasons, AIA urges the Committee to reject House Bill 5520.

Alison Cooper  
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