



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony Insurance and Real Estate Committee March 8, 2016

#### **House Bill No. 5522 An Act Concerning Homeowners Insurance Policies and Coverage for the Peril of Collapse.**

Senator Crisco, Representative Megna, Ranking Members, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to provide testimony regarding **House Bill No. 5522 An Act Concerning Homeowners Insurance Policies and Coverage for the Peril of Collapse.**

The Department certainly understands the Legislature's sincere desire to help remedy a very frustrating, challenging and expensive situation for some homeowners in eastern Connecticut. Like you, the Department is engaged in helping to find a solution and has been working with Attorney General Jepsen and our sister agency, the Department of Consumer Protection, in an investigation that, when completed, should offer a much clearer picture of the scope and cause of the problem.

In addition to working directly with homeowners who have reached out to the Department for help with coverage and claims concerns, the Department notified carriers this past October that they are prohibited from canceling or non-renewing homeowners' policies based solely on crumbling foundations. It was one step in the larger state response to this issue and did, we believe, bring a measure of relief to some policyholders. The mission of the Connecticut Insurance Department is consumer protection – and the Department remains wholeheartedly committed to helping all consumers in the state.

The Department thinks it is important to inform the public policy conversation on the ramifications of a coverage mandate for all homeowner policyholders in Connecticut. Specifically we have concerns about future availability and affordability of coverage for all of the state's consumers. If H.B. 5522 is enacted, carriers would need to increase rates in the regions affected by the faulty foundations by reflecting the claims costs of those losses in future pricing. As a result, all homeowners in the territories impacted by this issue – regardless of the status of their foundations – could face significantly higher premiums in the years to come.

The Department believes it is important to allow the ongoing investigation by the Attorney General and the Department of Consumer Protection to proceed to conclusion later this year. While well-intended, any additional mandates adopted by the Legislature could have significant consequences on the affordability and availability of homeowners insurance for every Connecticut resident.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit testimony on H.B. 5522.

**About the Connecticut Insurance Department:** The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.