

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 18-160—sHB 5209

Insurance and Real Estate Committee

AN ACT IMPOSING A SURCHARGE ON CERTAIN INSURANCE POLICIES AND ESTABLISHING THE HEALTHY HOMES FUND

SUMMARY: This act imposes a \$12 surcharge on the named insured under certain homeowners insurance policies issued over the next 11 years and authorizes the insurance commissioner to adopt implementing regulations. Revenue from the surcharge is deposited into the Healthy Homes Fund, which the act establishes.

Under the act, 85% of the surcharges collected, after subtracting an amount to cover the cost of an Insurance Department employee to facilitate collection, must be deposited into the Crumbling Foundations Assistance Fund to assist homeowners with concrete foundations damaged by the presence of pyrrhotite. The remaining 15% must be used by the Department of Housing (DoH) to fund:

1. grants, up to a total of \$1 million, from the Department of Economic and Community Development (DECD) to certain homeowners in New Haven and Woodbridge with structural damage from subsidence or water infiltration; and
2. lead, radon, and other contaminant abatement activities, including necessary administrative expenses. (PA 18-179 limits these particular funds to lead removal, remediation, and abatement only. See “Related Acts” below.)

EFFECTIVE DATE: January 1, 2019, for the insurance surcharge provisions, and applicable to policies delivered, issued, or renewed on or after that date; and upon passage for the Healthy Homes Fund provisions.

INSURANCE SURCHARGE

Applicability

The act imposes a \$12 surcharge on the named insured under each homeowners insurance policy delivered, issued, renewed, amended, or endorsed between January 1, 2019, and December 31, 2029. The surcharge applies to policies on residential dwellings with four or fewer units and on condominiums.

Under the act, the surcharge is not a premium and constitutes a special purpose assessment under state law (i.e., it does not trigger certain tax reciprocity repercussions).

Remittance and Deposit into the Healthy Homes Fund

Each admitted and nonadmitted insurer, acting on behalf of and as a collection agent of the Healthy Homes Fund (see below), must, by April 30 annually, remit

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to the insurance commissioner the surcharges on policies delivered, issued, or renewed in the previous calendar year, along with documentation substantiating the amount in a form and manner she prescribes. (Presumably, insurers must also remit the surcharge imposed on amended policies. For nonadmitted insurers, the act presumably requires the insurers' licensees to collect the surcharge. Such licensees are the state regulated entity for nonadmitted insurers.)

Under the act, the Insurance Department may keep from the total remitted an amount necessary to fund an administrative officer to facilitate the surcharge collection process. The rest must be deposited into the Healthy Homes Fund.

HEALTHY HOMES FUND

The act establishes the Healthy Homes Fund as a separate nonlapsing General Fund account to collect insurance surcharge funds to (1) help homeowners with concrete foundations damaged from pyrrhotite, (2) provide grants to certain homeowners in New Haven and Woodbridge with structural damage from subsidence or water infiltration, and (3) fund a program to reduce residential health and safety hazards.

Within 30 days of deposit of the surcharge funds, 85% must be transferred to the Crumbling Foundations Assistance Fund, which by law is used by the Connecticut Foundation Solutions Indemnity Company, LLC to assist homeowners with crumbling concrete foundations. (The company is a captive insurer created by PA 17-2, June Special Session, to facilitate aid to affected homeowners.)

The remaining 15% of surcharge deposits in the Healthy Homes Fund must be used by DoH to:

1. provide DECD with up to \$1 million for grants to homeowners with homes (a) in the immediate vicinity of the West River in the Westville section of New Haven and Woodbridge that are structurally damaged due to subsidence and (b) abutting the Yale Golf Course in Westville that are damaged from water infiltration or subsidence and
2. fund a program, including related administrative expenses, to reduce residential health and safety hazards from such things as lead, radon, and other contaminants and conditions, including removal, remediation, and abatement. (PA 18-179 limits these particular funds to lead removal, remediation, and abatement only. See "Related Acts" below.)

Municipal Notification

The act requires DoH to notify the Department of Public Health (DPH) within 30 days after the Insurance Department deposits money into the Healthy Homes Fund. However, the act also requires DPH to annually notify each municipal health department of available Healthy Home funds within the same time period.

Report to the General Assembly

By January 1, 2020, the act requires the DoH commissioner to begin annually reporting to the Housing, Planning and Development, and Appropriations

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committees on the status of the Healthy Homes Fund and any money from it spent by DoH. The act allows the report to be electronically submitted.

BACKGROUND

Related Acts

PA 18-179 limits the scope of the residential health and safety hazard reduction program by requiring all program funds to be used for lead removal, remediation, and abatement.