



House of Representatives

General Assembly

File No. 309

February Session, 2018

Substitute House Bill No. 5204

House of Representatives, April 9, 2018

The Committee on Insurance and Real Estate reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING LAW AND ORDINANCE COVERAGE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-307 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective January 1, 2019, and*
3 *applicable to policies made, issued or delivered on or after said date*):

4 Except as provided in section 38a-307a, the standard form of fire
5 insurance policy of the state of Connecticut, with permission to
6 substitute for the word "Company" a more accurate descriptive term of
7 the type of insurer, shall be as follows:

8 [Space for insertion of name of company or companies issuing the
9 policy and other matter permitted to be stated at the head of the
10 policy.]

11 [Space for listing amounts of insurance, rates and premiums for the
12 basic coverages insured under the standard form of policy and for

13 additional coverages or perils insured under endorsements attached.]

T1 In Consideration of the Provisions and Stipulations
T2 Herein or Added Hereto

T3 AND OF DOLLARS PREMIUM

T4

this company, for the term

}
}
}

from the day of 20..

to the day of 20..

{
{
{

at noon,

Standard Time, at

location of

property involved

T5

T6

T7

of ...

T8

to an amount not exceeding Dollars,

T9

does insure

14 and legal representatives, to the extent of the actual cash value of the
15 property at the time of loss, but not exceeding the amount which it
16 would cost to repair or replace the property with material of like kind
17 and quality within a reasonable time after such loss, [without] with an
18 allowance of at least ten per cent of the amount of coverage
19 attributable to a covered building for any increased cost of repair or
20 reconstruction by reason of any ordinance or law regulating
21 construction or repair, and without compensation for loss resulting
22 from interruption of business or manufacture, nor in any event for
23 more than the interest of the insured, against all DIRECT LOSS BY
24 FIRE, LIGHTNING AND BY REMOVAL FROM PREMISES
25 ENDANGERED BY THE PERILS INSURED AGAINST IN THIS
26 POLICY, EXCEPT AS HEREINAFTER PROVIDED, to the property
27 described hereinafter while located or contained as described in this
28 policy, or pro rata for five days at each proper place to which any of
29 the property shall necessarily be removed for preservation from the
30 perils insured against in this policy, but not elsewhere. The actual cash
31 value at the time of loss for a building described herein shall be the
32 amount which it would cost to repair or replace such building with
33 material of like kind and quality, minus reasonable depreciation. As
34 used herein, "depreciation" means a decrease in value of real property
35 over a period of time due to wear and tear.

36 Assignment of this policy shall not be valid except with the written

37 consent of this Company.

38 This policy is made and accepted subject to the foregoing provisions
39 and stipulations and those hereinafter stated, which are hereby made a
40 part of this policy, together with such other provisions, stipulations
41 and agreements as may be added hereto, as provided in this policy.

42 In Witness Whereof, this Company has executed and attested these
43 presents.

44 (Secretary).

45 (President).

46 Concealment, fraud. This entire policy shall be void if, whether
47 before or after a loss, the insured has wilfully concealed or
48 misrepresented any material fact or circumstance concerning this
49 insurance or the subject thereof, or the interest of the insured therein,
50 or in case of any fraud or false swearing by the insured relating
51 thereto.

52 Uninsurable and excepted property. This policy shall not cover
53 accounts, bills, currency, deeds, evidences of debt, money or securities;
54 nor, unless specifically named hereon in writing, bullion or
55 manuscripts.

56 Perils not included. This Company shall not be liable for loss by fire
57 or other perils insured against in this policy caused, directly or
58 indirectly, by: (a) Enemy attack by armed forces, including action
59 taken by military, naval or air forces in resisting an actual or an
60 immediately impending enemy attack; (b) invasion; (c) insurrection;
61 (d) rebellion; (e) revolution; (f) civil war; (g) usurped power; (h) order
62 of any civil authority except acts of destruction at the time of and for
63 the purpose of preventing the spread of fire, provided that such fire
64 did not originate from any of the perils excluded by this policy; (i)
65 neglect of the insured to use all reasonable means to save and preserve
66 the property at and after a loss, or when the property is endangered by
67 fire in neighboring premises; (j) nor shall this Company be liable for

68 loss by theft.

69 Other Insurance. Other insurance may be prohibited or the amount
70 of insurance may be limited by endorsement attached hereto.

71 Conditions suspending or restricting insurance. Unless otherwise
72 provided in writing added hereto this Company shall not be liable for
73 loss occurring (a) while the hazard is increased by any means within
74 the control or knowledge of the insured; or (b) while a described
75 building, whether intended for occupancy by owner or tenant, is
76 vacant or unoccupied beyond a period of sixty consecutive days; or (c)
77 as a result of explosion or riot, unless fire ensue, and in that event for
78 loss by fire only.

79 Other perils or subjects. Any other peril to be insured against or
80 subject of insurance to be covered in this policy shall be by
81 endorsement in writing hereon or added hereto.

82 Added provisions. The extent of the application of insurance under
83 this policy and of the contribution to be made by this Company in case
84 of loss, and any other provision or agreement not inconsistent with the
85 provisions of this policy, may be provided for in writing added hereto,
86 but no provision may be waived except such as by the terms of this
87 policy is subject to change.

88 Waiver provisions. No permission affecting this insurance shall
89 exist, or waiver of any provision be valid, unless granted herein or
90 expressed in writing added hereto. No provision, stipulation or
91 forfeiture shall be held to be waived by any requirement or proceeding
92 on the part of this Company relating to appraisal or to any
93 examination provided for herein.

94 Cancellation of policy. This policy shall be cancelled at any time at
95 the request of the insured, in which case this Company shall, upon
96 demand and surrender of this policy, refund the excess of paid
97 premium above the customary short rates for the expired time. This
98 policy may be cancelled at any time by this Company by giving to the

99 insured and any third party designated pursuant to section 38a-323a, a
100 thirty days' written notice of cancellation accompanied by the reason
101 therefor with or without tender of the excess of paid premium above
102 the pro rata premium for the expired time, which excess, if not
103 tendered, shall be refunded on demand. Notice of cancellation shall
104 state that said excess premium (if not tendered) will be refunded on
105 demand. Where cancellation is for nonpayment of premium at least ten
106 days' written notice of cancellation accompanied by the reason therefor
107 shall be given.

108 Mortgagee interests and obligations. If loss hereunder is made
109 payable, in whole or in part, to a designated mortgagee not named
110 herein as the insured, such interest in this policy may be cancelled by
111 giving to such mortgagee a ten days' written notice of cancellation.

112 If the insured fails to render proof of loss such mortgagee, upon
113 notice, shall render proof of loss in the form herein specified within
114 sixty (60) days thereafter and shall be subject to the provisions hereof
115 relating to appraisal and time of payment and of bringing suit. If this
116 Company shall claim that no liability existed as the mortgagor or
117 owner, it shall, to the extent of payment of loss to the mortgagee, be
118 subrogated to all the mortgagee's rights of recovery, but without
119 impairing mortgagee's right to sue; or it may pay off the mortgage debt
120 and require an assignment thereof and of the mortgage. Other
121 provisions relating to the interests and obligations of such mortgagee
122 may be added hereto by agreement in writing.

123 Pro rata liability. This Company shall not be liable for a greater
124 proportion of any loss than the amount hereby insured shall bear to
125 the whole insurance covering the property against the peril involved,
126 whether collectible or not.

127 Requirements in case loss occurs. The insured shall give immediate
128 written notice to this Company of any loss, protect the property from
129 further damage, forthwith separate the damaged and undamaged
130 personal property, put it in the best possible order, furnish a complete
131 inventory of the destroyed, damaged and undamaged property,

132 showing in detail quantities, costs, actual cash value and amount of
133 loss claims; AND WITHIN SIXTY DAYS AFTER THE LOSS, UNLESS
134 SUCH TIME IS EXTENDED IN WRITING BY THIS COMPANY, THE
135 INSURED SHALL RENDER TO THIS COMPANY A PROOF OF
136 LOSS, signed and sworn to by the insured, stating the knowledge and
137 belief of the insured as to the following: The time and origin of the loss,
138 the interest of the insured and of all others in the property, the actual
139 cash value of each item thereof and the amount of loss thereto, all
140 encumbrances thereon, all other contracts of insurance, whether valid
141 or not, covering any of said property, any changes in the title, use,
142 occupation, location, possession or exposures of said property since
143 the issuing of this policy, by whom and for what purpose any building
144 herein described and the several parts thereof were occupied at the
145 time of loss and whether or not it then stood on leased ground, and
146 shall furnish a copy of all the descriptions and schedules in all policies
147 and, if required, verified plans and specification of any building,
148 fixtures or machinery destroyed or damaged. The insured, as often as
149 may be reasonably required, shall exhibit to any person designated by
150 this Company all that remains of any property herein described, and
151 submit to examinations under oath by any person named by this
152 Company, and subscribe the same; and, as often as may be reasonably
153 required, shall produce for examination all books of account, bills,
154 invoices and other vouchers, or certified copies thereof if originals be
155 lost, at such reasonable time and place as may be designated by this
156 Company or its representative, and shall permit extracts and copies
157 thereof to be made.

158 Appraisal. In case the insured and this Company shall fail to agree
159 as to the actual cash value or the amount of loss, then, on the written
160 demand of either, each shall select a competent and disinterested
161 appraiser and notify the other of the appraiser selected within twenty
162 days of such demand. The appraisers shall first select a competent and
163 disinterested umpire; and failing for fifteen days to agree upon such
164 umpire, then, on request of the insured or this Company, such umpire
165 shall be selected by a judge of a court of record in this state in which
166 the property covered is located. The appraisers shall then appraise the

167 loss, stating separately actual cash value and loss to each item; and,
168 failing to agree, shall submit their differences, only, to the umpire. An
169 award in writing, so itemized, of any two when filed with this
170 Company shall determine the amount of actual cash value and loss.
171 Each appraiser shall be paid by the party selecting him and the
172 expenses of appraisal and umpire shall be paid by the parties equally.

173 Company's options. It shall be optional with this Company to take
174 all, or any part, of the property at the agreed or appraised value, and
175 also to repair, rebuild or replace the property destroyed or damaged
176 with other of like kind and quality within a reasonable time, on giving
177 notice of its intention so to do within thirty days after the receipt of the
178 proof of loss herein required.

179 Abandonment. There can be no abandonment to this Company of
180 any property.

181 When loss payable. The amount of loss for which this Company
182 may be liable shall be payable thirty days after proof of loss, as herein
183 provided, is received by this Company and ascertainment of the loss is
184 made either by agreement between the insured and this Company
185 expressed in writing or by the filing with this Company of an award as
186 herein provided. This Company and the insured may agree in writing
187 to a partial payment of the amount of loss as an advance payment.
188 Any advance payment shall be credited against the total amount of
189 loss due to the insured. An advance payment shall not affect the
190 requirement of this Company to pay the total amount of loss not later
191 than thirty days after proof of loss.

192 Suit. No suit or action on this policy for the recovery of any claim
193 shall be sustainable in any court of law or equity unless all the
194 requirements of this policy shall have been complied with, and unless
195 commenced within twenty-four months next after inception of the loss.

196 Subrogation. This Company may require from the insured an
197 assignment of all right of recovery against any party for loss to the
198 extent that payment therefor is made by this Company.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2019, and applicable to policies made, issued or delivered on or after said date</i>	38a-307

INS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:** None**Municipal Impact:** See below**Explanation**

The bill changes the standard fire insurance policy to require an allowance for law and ordinance coverage and is not anticipated to result in a fiscal impact to the state. Property insurance covering state buildings already includes the required allowance. To the extent, albeit unlikely, that a municipality has fire insurance without the required allowance, there may be an increase in premiums when the allowance is added, upon renewal on or after January 1, 2019, but this change would correspondingly decrease liability in the event of a claim.

The Out Years**State Impact:** None**Municipal Impact:** Same as above*Sources: Department of Administrative Services*

OLR Bill Analysis

sHB 5204

AN ACT CONCERNING LAW AND ORDINANCE COVERAGE.

SUMMARY

This bill requires fire insurance to cover certain additional repair costs due to construction laws or ordinances (e.g., the increased cost of repair required to bring a property into compliance with the building code).

Existing law requires fire insurance policies and contracts (e.g., homeowners insurance policies) to comply with the requirements for standard fire insurance forms specified in CGS § 38a-307. The bill inserts into the standard fire insurance policy an allowance of at least 10% of the building's total coverage for any increased cost of repair due to law or ordinance.

EFFECTIVE DATE: January 1, 2019 and applicable to policies made, issued, or delivered on or after that date.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/20/2018)