

Insurance and Real Estate Committee JOINT FAVORABLE REPORT

Bill No.: HB-7179

Title: AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.

Vote Date: 3/19/2019

Vote Action: Joint Favorable Substitute

PH Date: 3/8/2019

File No.:

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

To establish grant programs to allow research and innovative practices to reduce costs of restoration to home and buildings whose foundations were affected by pyrrhotite. The bill also would redefine “residential building” to be more suited to the statutes in concern to the issue of crumbling concrete foundations. These processes will relieve the burden of crumbling concrete foundations of many residents where said burden can be quite extensive and costly.

SUBSTITUTE LANGUAGE:

LCO #6082

The language makes changes to the definition of “residential building” in Section 3, and to the \$12 Health Homes surcharge in Section 4. Also, in Section 4 it contains clarifications on who the surcharge is assessed on.

RESPONSE FROM ADMINISTRATION/AGENCY

Insurance Department wrote testimony regarding section 4 of the bill, concerning a \$12 surcharge on homeowner policies in this state. The Department states it has worked with stakeholders to pinpoint four sections where additional clarity is needed for the Department to carry out that surcharge: Clarification (1) of the types of coverages subject to the surcharge, (2) that the surcharge’s applicability should only be to new or renewed policies and not, for example, new endorsements, (3) that the surcharge should only apply per policy, not multiplied by the amount of the named insureds, and (4) that surplus lines policies are included. The Department also offered substitute statutory language for the bill.

NATURE AND SOURCES OF SUPPORT:

Representative Tim Ackert, 8th District wrote in testimony that he supports the bills contents, including the reassessment of which types of residents might receive coverage, as well as the charging of only one person on the plan and not every individual separately. He did note in his testimony that he felt the innovation board which was proposed to be unnecessary.

Representative Jeff Currey, 11th District testified that the bill in question truly “encompasses a number of vital provisions” to support residents of this state who have experienced this problem. Those provisions he included were the innovation board to review applicants, the \$8mil estimated appropriated fund for the program, modification to the Healthy Homes Fund Surcharge, and the redefinition of “residential building”.

Representative Geoff Luxenberg, 12th District testified in support of the bill stating it is myth that “homeowners insurance premiums will skyrocket if homeowner’s insurance policies have to cover collapsing homes through perils of collapse legislation,” and that the insurance industry is hardly exposed, and those who are exposed have re-insurance to cover such exposure. He also addressed further myths and truths about how insurance coverage would be enough to handle this problem, and that the problem in this and the real estate market is not only within effected towns but has spread through the whole state.

American Property Casualty Insurance Association states in testimony that it supports the intents and provisions of the bill, but has issues with the \$12 surcharge discussed in Section 4. They state that the section contains elements of Public Act 18-160 which Governor Malloy also saw problems with that were to be changed by Jan. 1, 2019, but were not. The APCIA also goes on to offer potential revisions of the bill cited by line, and urges language changes for clarification purposes.

Connecticut Bankers Association testified that their concerns revolve around the financial stability of borrowers and their communities in the state, the housing market, and the potential impact on cities and towns across Connecticut. From a banking perspective their concern is “the outright losses that banks may face on mortgages”. They explain the elusive solution network as legislation has been tried and passed on levels up to the federal level as recently as last year, but it still has not proven enough to ensure the people dealing with crumbling foundations are not putting their lenders in serious jeopardy.

Eric George, President, IAC in his testimony concurs similarly with the APCIA about necessary clarity when it comes to the \$12 surcharge; more specifically how often it can be collected. He stated that the IAC would be happy to assist in the clarification alongside the committee and other proponents of the bill.

John Filchak, NECCOG testified on the behalf of the organization stating this bill simply needs a language change from “Eastern Region” to “Northeastern Connecticut”.

Linda Tofolowsky testifies that she has been dealing with an issue of crumbling foundation since 1993, and advocates for condominium owners and legacy victims who she says have

been “left behind” in the financial strides made on this topic. She cites the Captive insurance funds will run out by 2022 and there are 790 DCP complaints, while there are only funds for 514 homes. Thus, she urges her strong support for the financial backing necessary, as well as for new construction standards in attempt to prevent future issues.

Margaret Wilcox, REALTOR, William Raveis Real Estate says the scope of the problem has grown enormously, so much so that in Glastonbury (a low risk area), engineers and inspectors are adding charges to do inspections because of the precautionary measures that must be taken with core testing.

Many owners of condominium units in Ryefield OHA in Vernon, CT expressed their support of the bill through written testimony that explained the assistance provided from the grants is crucial. Many of the residents also are bearing the burden of loans meant to attend to the siding and roofs of their community. It is claimed that Ryefield cannot qualify for a loan concerning its foundation which is “devastated by pyrrhotite”:

Wojciech Beiniarz

Carol Bohnet

Garvin Boudle

Phylisse Bowen

Nancy Brigggett

Jacob Camp

Robert Carlson

Kimberly Chasse

Caroline Chistman

Cheryl Cranick

Steven Daigle

Diane Lux

Katie Ginn

Barbara Groff

Greg Heacock

Sam Hockaday

Barbara Hopkins

Lane Huff

Raghawan Iyer

Erica Keefe

Piotr Kluba

Kathy Labrencis

Robert and Laura Laskey

Rebecca Lounsbury

Thomas and Carolyn Maas

Mary B. Messenger

Susan Michaud

Kimberlee Midford

Sylvia Morgan

Beth Palasek

Diane Peskurich

Mario Prata

Niki Rittenhouse

Jessica Ruman

Manikandan Subramanian

Robert Woodbury

Deborah MacGlaflin wrote about having the same problems in her neighborhood, Lydall Woods, aside from the loans for siding and roofing.

NATURE AND SOURCES OF OPPOSITION:

None Expressed

Reported by: Logan Cotter

Date: 03/22/19