

Legislative History for Connecticut Act

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SB 124 PA 424 1980

House - 5874 - 5882 9

Senate - 2285-2287, 2628, 3628-3629, 3731

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Insurance - 1-6, 16-24

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CONNECTICUT  
GEN. ASSEMBLY  
HOUSE

PROCEEDINGS  
1980

VOL. 23

PART 20

5788-6223

House of Representatives

Wednesday, April 30, 1980 87

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REP. GROPPPO: (63rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. John Groppo.

REP. GROPPPO: (63rd)

To the democratic side of the aisle, we intend to have a caucus immediately in the Appropriations Room. When I say immediately, I expect each and every democrat to be there.

SPEAKER ABATE:

The House will stand at ease.

Return to the Chamber immediately. The House of Representatives is now in session. Would the members please return to the Chamber immediately.

CLERK:

Calendar Page 6, Calendar 692, File 281, Substitute for Senate Bill No. 124, AN ACT REQUIRING THE INSURANCE COMMISSIONER TO ADOPT REGULATIONS GOVERNING THE AVAILABILITY OF INSURANCE ON REAL PROPERTY REGARDLESS OF LOCATION. As amended by Senate Amendment Schedule "A." Favorable report of the Committee on Insurance and Real Estate.

REP. CIBES: (39th)

Mr. Speaker.

SPEAKER ABATE:

Rep. William Cibes.

REP. CIBES: (39th)

Mr. Speaker, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

SPEAKER ABATE:

The question is on acceptance of the Joint Committee's Favorable Report and passage of the bill. Will you remark sir.

REP. CIBES: (39th)

Yes, Mr. Speaker. There has been evidence for some time that some insurance agents and/or insurance companies refuse to even consider issuing insurance in some areas of cities. This has been brought to the attention of the insurance companies and they have responded with an open-line program which has attempted to meet the problem. The problem is also brought to the attention of the Insurance Commissioner who, after investigation last year attempted to promulgate regulations to deal with this problem under the authority of our statutes as they then existed. The regulations were subject to intense negotiations, they were submitted to the Regulations Review Committee, the Attorney General then issued a statement saying that the Insurance Commissioner had no statutory authority to issue such regulations prohibiting insurance red-lining. This statute is an attempt to meet that problem to grant the Commissioner the statutory authority necessary to issue such regulation. Mr. Speaker, as

I said, this whole issue has been one of -- undergoing intense negotiations, both in the Senate, as it did in the committee and there is a developing situation. For that reason, I would ask that the House would reject Senate Amendment Schedule "A" and instead, adopt House Amendment Schedule "A" which I will proceed to offer. For that reason, Mr. Speaker, I would note that the Clerk has an amendment LCO No. 3651, and I would ask that he call and I be permitted to summarize.

SPEAKER ABATE:

Clerk has in his possession an amendment LCO NO. 3651, previously designated Senate Amendment Schedule "A." Would the Clerk please call the amendment. LCO No. 3651, offered by Senator Murphy of the 19th.

SPEAKER ABATE:

Is there objection to summarization in lieu of Clerk's reading? Hearing none, you may proceed to summarize the amendment, Rep. Cibes.

REP. CIBES: (39th)

Thank you Mr. Speaker. The amendment changed -- dropped out some language. It was not intended to severely alter the intent of the bill. We now think we have a better amendment, and accordingly, I would move rejection of Senate Amendment "A."

SPEAKER ABATE:

Question is on rejection of Senate Amendment Schedule "A."

Will you remark further on its rejection. Will you remark further on the rejection of Senate Amendment Schedule "A?"

If not, all those in favor of its rejection, please indicate by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER ABATE:

All those opposed nay. The ayes have it. The amendment is rejected. Will you remark further on the bill?

REP. CIBES: (39th)

The Clerk has in his possession an amendment, LCO No. 4427, designated House Amendment Schedule "A." Would the Clerk please call the amendment.

CLERK:

LCO 4427, offered by Rep. Palmieri and Rep. Cibes.

SPEAKER ABATE:

Is there objection ot summarization. Hearing none, you may proceed to summarize the amendment. Rep. Cibes.

REP. CIBES: (39th)

Mr. Speaker, House Amendment Schedule "A" drops out section 1 of the file copy and replaces it with language which is substantially similar to the language of the file copy, adding that such regulations must be adopted before September 1st, 1980 and that such regulations shall include, but not be

limited to a statement of those acts, practices or methods which are deemed to constitute such unfair discrimination. Mr. Speaker, I move adoption of House Amendment Schedule "A".

SPEAKER ABATE:

The question is on adoption of House Amendment Schedule "A". Will you remark further on its adoption? Will you remark further on the adoption of House "A"? Rep. Van Norstrand.

REP. VAN NORSTRAND: (141st)

Mr. Speaker, I don't rise to object to the amendment. I just would point out to the proponent that, that September 1, 1980 date, with my experience with Regulations Review is a bit optimistic.

SPEAKER ABATE:

Will you remark further on the adoption of House Amendment Schedule "A"?

REP. CIBES: (39th)

Very shortly, Mr. Speaker. The Insurance Commissioner has already prepared regulations assuming that he had statutory authority to issue them. So, we are very far along in the preparation of such regulations, and I think it is probably possible to make.

SPEAKER ABATE:

Will you remark further on the adoption of House Amendment Schedule "A"? If not, all those in favor of its adoption, please

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indicate by saying, aye.

REPRESENTATIVES:

Aye.

SPEAKER ABATE:

All those opposed, nay.

REPRESENTATIVES:

Nay

SPEAKER ABATE:

The ayes have it. The amendment is adopted and it is ruled  
technical.

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House Amendment Schedule "A".

Strike out section 1 in its entirety, and substitute the following in lieu thereof:

"Section 1. (NEW) Not later than September 1, 1980, the insurance commissioner within the department of business regulation shall adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, to ensure the availability of insurance on real property in the state by prohibiting unfair discrimination in the availability or sale of such insurance on the basis of location, age or disparity between replacement cost and market value of such property. Such regulations shall include, but not be limited to, a statement of those acts, practices or methods which are deemed to constitute such unfair discrimination."

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SPEAKER ABATE:

Will you remark further on this bill as amended by House Amendment Schedule "A"?

REP. CIBES: (39th)

Mr. Speaker, the bill -- Mr. Speaker.

SPEAKER ABATE:

Rep. Cibes.

REP. CIBES: (39th)

Mr. Speaker, the amendment is the bill. I hope we can move forward rapidly.

SPEAKER ABATE:

All the members please be seated. Will you remark further?

REP. VANCE: (123rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. Morag Vance.

REP. VANCE: (123rd)

Thank you, Mr. Speaker. I would just like to support the comments of my colleague, Rep. Cibes, and urge the support of this bill.

SPEAKER ABATE:

Thank you, Madam. Will you remark further on this bill?

If not, --

REP. JOYCE: (25th)

Mr. Speaker.

SPEAKER ABATE:

Rep. Raymond Joyce.

REP. JOYCE: (25th)

Mr. Speaker, I would ask to be excused because of a possible conflict.

SPEAKER ABATE:

The Journal will so note, sir.

Will all the members please be seated. Will all staff and guests please come to the well of the House. The machine will be opened.

The House of Representatives is voting by roll at this time. Would the members please return to the Chamber immediately. The House of Representatives is voting by roll at this time. Would the members please return to the Chamber immediately.

Have all the members voted? Would the members please check the roll call machine to determine if their vote is properly recorded. The machine will be locked. The Clerk will take the tally.

REP. SPONHEIMER: (103rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. Sponheimer.

REP. SPONHEIMER: (103rd)

In the affirmative, please.

SPEAKER ABATE:

The Journal will so note.

SPEAKER ABATE:

Will the Clerk please announce the tally.

CLERK:

Senate Bill No. 424 as amended by House Amendment Schedule "A".

Total number voting	143
Necessary for passage	72
Those voting yea	142
Those voting nay	1
Those absent and not voting	8

SPEAKER ABATE:

The bill as amended passes.

CLERK:

Calendar No. 693. File No. 195. Substitute for Senate Bill No. 312. AN ACT CONCERNING CERTIFICATION OF PHYSICIAN ASSISTANTS. (As amended by Senate Amendment Schedule "A".) Favorable report of the Committee on Public Health.

REP. LA ROSA: (3rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. Paul La Rosa.

REP. LA ROSE: (3rd)

I move acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

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SENATE

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1980 GENERAL ASSEMBLY

SENATE

APRIL 24, 1980

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Bill now defines physicians assistants. Further, it specifies standards and procedures and it also requires that the Commissioner of Health Services, with the advice and the assistance of the Connecticut Medical Examining Board to adopt regulations by December 31st, 1981. It's a good Bill. It gives some definition. It gives some guidelines for physician assistants. There was no opposition to the physician Bill as it came out of committee originally. If there is no opposition to the Bill here sir, I would move it to the Consent Calendar.

THE CHAIR:

Thank you Senator. Are there further comments on the Bill? If not, there will be a Roll Call immediately called. No? Consen t? Are there any objections? Hearing none, it will go on Consent.

THE CLERK:

Moving to page 3 of the Calendar, page 3, Calendar 208, File 281, Substitute for Senate Bill 124, AN ACT REQUIRING THE INSURANCE COMMISSIONER TO ADOPT REGULATIONS GOVERNING THE AVAILABILITY OF INSURANCE ON REAL PROPERTY REGARDLESS OF LOCATION, with a Favorable Report of the Committee on Insurance and REal Estate. The Clerk has an Amendment.

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THE CHAIR:

Senator Murphy.

SENATOR MURPHY:

Mr. President, I move acceptance of the Joint Committee's Favorable Report and passage of the Bill. The Clerk has an Amendment.

THE CHAIR:

Would you care to read the Amendment, Mr. Clerk, please.

THE CLERK:

The Clerk has Senate Amendment, Schedule A, LCO 3651, copies have been distributed, offered by Senator Murphy.

THE CHAIR:

Senator Murphy.

SENATOR MURPHY:

Mr. President, I'd move the reading be waived.

THE CHAIR:

Please proceed.

SENATOR MURPHY:

Basically, Mr. President, the Amendment becomes the Bill. The Amendment sets forth the criteria to be used by the Commissioner and instead of limiting the regulations to cover

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residential real estate, the regulations that he promulgates could cover all kinds of real property, residential, commercial and anything else that may fall into the category and I'd move adoption of the Amendment, Mr. President.

THE CHAIR:

Any further comment on the Amendment? Hearing, I'll try your voices. Those in favor please say aye. Those opposed? The ayes have it. The Amendment is passed.

SENATOR MURPHY:

Briefly on the Bill Mr. President, what it does is give to the Insurance Commissioner, statutory authority to promulgate regulations to deal with red lining. It had been believed that he already had the statutory authority to do this. He had sent some regulations over to Regulations Review but in March of this year, the Attorney General advised the Commissioner that in his opinion, he did not have the authority to promulgate regulations on red lining and this Bill is intended to correct that. If there is no objection, I'd move it to Consent.

THE CHAIR:

Is there any objection? Hearing none, the Bill is on Consent.

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vote on the Consent Calendar. Are there any announcements at this time, prior to voting on the Consent Calendar? No announcements? The machine is open. Have all Senators voted? The machine is closed. Clerk will take a tally. Senator Schneller, you have not voted sir. How do you wish to vote, Senator Schneller?

SENATOR SCHNELLER:

Mr. President, apparently my light is not working and I'd like to have my vote cast in the affirmative.

THE CHAIR: SB 744, SB 688, SB 611, HB 5810, HB 5505, HB 5314, HB 5510, SB 8, SB 274, SB 300, SB 170, SB 384, SB 647, SB 633, SB 432, HJ 15, HJ 17, HJ 19, HJ 23, HJ 24, HJ 25, HJ 22.

The Clerk shall so note.

The vote is:	<u>SB 312, SB 124, SB 505, SB 324, SB 687, SB 183, SB 415, SB 660, SB 727, HB 5898, HB 5523, SB 381, SB 507, SB 746,</u>
32      YEA	<u>SB 747, SB 748, SB 749, SB 750, SB 192, SB 249, SB 301, SB 383, SB 401, SB 571, HB 5838, HB 5217, HB 5910,</u>
0      NAY	<u>HB 5854, HB 5710, HB 5950, HB 6001, HB 5906, HB 5167, HB 5841, HB 5302, HB 5356, HB 5515, HB 5524, HB 5578,</u>

The Consent Calendar is passed. Senator Lieberman.

SENATOR LIEBERMAN: HB 5702, HB 5705, HB 5789, HB 5796, HB 5852, HB 5962, HB 5988, HB 5222, HB 5698, HB 5823, SB 369, SB 743,

Mr. President, I move for a suspension of the rules to allow for immediate transmittal to the House of those items that should go to the House.

THE CHAIR:

Without objection, it is so ordered. Senator Lieberman.

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SENATE

PROCEEDINGS  
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PART 11

3477 - 3733

Friday, May 2, 1980

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roc

THE PRESIDENT:

Senator Ruggiero.

SENATOR RUGGIERO: (30th)

Mr. President, I move acceptance of the joint committee's favorable report and passage of the bill in concurrence with the House.

THE PRESIDENT:

Question is on acceptance and passage in concurrence with the House. Will you remark, Senator?

SENATOR RUGGIERO:

Mr. President, House Amendment A adds to the bill that the commissioner of administrative services report to the Finance, Revenue and Bonding Committee on or before the first of December the feasibility of establishing a self-supporting state printing and document office.

Mr. President, if there is no objection, I move this to the Consent Calendar.

THE PRESIDENT:

Objection? Hearing none, it is so ordered.

THE CLERK:

Cal. 208. File 281. Substitute for Senate Bill 124.

AN ACT REQUIRING THE INSURANCE COMMISSIONER TO ADOPT REGULATIONS GOVERNING THE AVAILABILITY OF INSURANCE ON REAL PROPERTY REGARDLESS OF LOCATION, as amended by Senate

Friday, May 2, 1980

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Amendment Schedule A and House Amendment Schedule A.  
Favorable report of the Committee on Insurance and Real  
Estate.

House rejected Senate Amendment Schedule A on  
April 30, 1980. Senate passed the bill on April 24, 1980.

THE PRESIDENT:

Senator Murphy.

SENATOR MURPHY: (19th)

Mr. President, I move acceptance of the joint com-  
mittee's favorable report and passage of the bill in con-  
currence with the House.

THE PRESIDENT:

Question is on acceptance and passage, in con-  
currence with the House. Will you remark, Senator?

SENATOR MURPHY:

The House rejected our amendment, Mr. President,  
and substituted their own amendment which just changed  
the effective date of the legislation and also changed  
two words in the Senate Amendment and in effect doesn't  
change the intent or the result of the bill.

If there is no objection, I would move it to Consent.

THE PRESIDENT:

Further remarks on the bill as amended? Objection  
to placing it on Consent? Hearing neither, it is so ordered.

Proceed, Mr. Clerk.

Friday, May 2, 1980

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roc

Will all senators please take their seats. An immediate roll call has been called for in the Senate. Will all senators please be seated.

THE PRESIDENT:

Have all senators voted? The machine is closed.

The Clerk will take a tally.

The vote is 31 Yea - 0 Nay. THE CONSENT CALENDAR  
IS PASSED. Senator Barry. HB 5776, HB 5995, HB 6028, HB 6040, HB 6047,  
HB 6050, HB 6051, HB 6033, HB 6041, HB 6043,  
 SENATOR BARRY: (4th) HB 6044, HB 6053, HB 5679, HB 5756, HB 6048,  
HB 5720, HB 6049, HB 5185, HB 5012, SB 309,  
SB 586, SB 124, SB 265, SB 508, SB 482, SB 565,  
 Mr. President, I move for suspension of the rules

for immediate transmittal to the House of all items  
 acted upon. SB 601, SB 643, SB 144, SB 701, SB 14, SB 616,  
SB 507, HB 5022, HB 6022, HB 6062, HB 6063,  
HB 5785

THE PRESIDENT:

All items needed to be transmitted to the House,  
 the rules are suspended with no objection, and they shall  
 be transmitted to the House. Senator Barry.

SENATOR BARRY:

May the Senate stand adjourned to the Call of the Chair.

THE PRESIDENT:

All those in favor indicate by saying Aye. Those  
 in opposition to. THE SENATE STANDS ADJOURNED to the Call of  
 the Chair.

Senator Barry.

SENATOR BARRY:

Mr. President, it is our intent to meet on Monday

JOINT  
STANDING  
COMMITTEE  
HEARINGS

APPROPRIATIONS

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1980

**JOINT  
STANDING  
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HEARINGS**

**INSURANCE  
AND  
REAL  
ESTATE  
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**1980  
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INSURANCE AND REAL ESTATE

State Capitol  
Room 419  
February 13, 1980  
3:00 P.M.

PRESIDING CHAIRMEN:

Senator Murphy  
Representative Palmieri

COMMITTEE MEMBERS PRESENT:

SENATORS:

Murphy, Mustone, Cunningham

REPRESENTATIVES:

Palmieri, Cibes, Vance, Parker,  
Mastrianni

SB 124

SEN. MURPHY: ( Tape not functioning when he began the meeting )

REP. HINES: -- one leading to the bill, itself and then the bill as if relates to the regulations that are being proposed. And therefore, what we better be careful of with this proposed bill as to what realities may well be here before the end of the session.

I have some very specific suggestions relative to line numbers, and I'd like to go through those with you. On line 20, I am concerned that we leave undefined how many instances of this cancellation or refusal to issue or renew. And I think you ought to add in that line 20, any instance of cancellation of or refusal to issue or renew or limit. In other words the people -- I think the company does not have to go all the way, but just to limit in a way that's unfair. I think that ought to be also included.

And I think on line 21, when you talk about the kinds of insurance policies, I don't see fire insurance listed, and I'm not sure whether that is included in your thinking relative to the other commercial or tenants or homeowners. But, it seems to me that ought to be spelled out.

Again in line 21, I'm concerned about this idea of solarly. I'm not quite sure what that means and I think it could be construed in different ways. I'm afraid that someone might construe that you could not refuse a policy on the basis of any one of these, but you could, in fact, specifically, mention all of them and be free of the law. And I think that

REP. HINES: (continued)

issue has got to be cleared up. That issue is brought out again when you're talking about the idea of frequency which is in the regulations -- a frequency or a pattern in practice, which is a legal problem that certain people are put under as a burden to prove a pattern in practice of something existing.

What does that mean? In this case, what does solely mean? I'm not sure, and what I hope you mean is that neither individually nor in combination are these things agreeable. And if you do mean that, then I think you ought to say that and I think that's important because we don't have that now, and I see that as a major loophole in the existing redlining position of the state relative to the insurance companies that, that's wide open for manipulation and confusion.

On line 22 -- I think this relates down to later lines 26 and 27. It appears to me that you have a duplication. You say in line 22 on the basis of geographic location or age, and then later in 26 and 27, you also mention location and age. That just seems like a simple duplication there.

Again on line 25 -- I would suggest that we add limiting in with the issues of renewing, cancelling or limiting policies. The idea of the phrase solely comes up again there in line 25, also again in line 33. The issue of limited as opposed to cancelled or refused comes up again on line 36½. That should be inserted there. And again, on line 43. I think you need a limit as well as renew or terminate.

On line 44 -- the concept of fire, I think again is, to me, at least, left out in the way that the bill is phrased. Now, in addition to this, I would like to see frankly, two other things and they related to the regulations that have been proposed and are now in the Regulations Review Committee. I think the idea of frequency, the regulations now require that no company perform such acts with such frequency as to indicate a general business practice. And that is totally undefined in the regulations as to what frequency is, what a general business practice is and therefore, I think that because of this gap in the regulations, that this proposed bill could go a long way to clear that up. And that's why I suggested that in line 20, we talk about any instance, 'cause that would certainly be my position that as far as the dictum is concerned, any instance, as far as rumors that get out, any instance, in terms of word of mouth, in terms

REP. HINES: (continued)

SB 124

REP. of the frustration that our neighborhood's have, particularly in urban areas, any instance is something that is what, I think, those of us who are supporting this kind of legislation mean. Not just a general practice that has to go weeks, months, years in the discovery process in trying to collect the kind of information. It's going to be very hard when you talk about hundreds and thousands of policies where the insurance companies as well as the clients have every right to privacy along certain lines.

REP. How do you get at that kind of information, if you've just got one or two? It's very hard, and yet the damage has been done. I think the other thing that we could borrow in a positive sense from the regulations which I think is good, is the concept in Section C of the regulation which limits -- it is prohibited to limit the sale of homeowner's insurance policies to 80% of replacement cost value without offering -- and I think that's the catch there -- without offering homeowner's insurance policies which provide replacement cost coverage in amounts not less than the greater of either the market value or 50%. And I think that gets into an area of fairness. That's in the regulation. I would like to see it also in the proposed bill.

Also, I think something that came up in the discussions of the regulation. I would like to see the proposed bill also have some kind of a penalty for doing this. At this point, the frustration I would have is that an insurance company could look at this, even a well-intended insurance company, and say it's not worth putting a lot of administrative effort or money, resources, into watching out for this kind of thing 'cause the worst that can happen to us is that it will be pointed out to us and then we'll have someone else doing our work and then we'll stop it.

And that's a typical civil type of procedure. That's happened before as far as I'm concerned, relative to enforcement of racial steering in the real estate industry. It's happened in terms of banks and mortgages. We aren't doing it now. We won't do it any more -- is really the attitude that that fosters. So, wait until you get caught, and then the worst you have to do is stop it. And you don't have to spend any time or effort or money in the meantime to deal with that. So I would hope that we'd have stiff penalties. I would like to see any agent that is caught doing this kind of thing have their license suspended for six months. I would like to see

REP. HINES: (continued)

a thousand dollar fine for each and every instance to either the agent or the insurance company, and try and deal up front with what creates a preventive attitude. Some administrative effort on the part of the insurance companies to know what their agents are doing and to know what their own patterns and practices are, because they're really the only folks who are going to know what that is. We're going to find it very hard, from the outside looking in, to try and create some concept of a pattern or practice. Those are my comments. Thank you. Are there any questions?

REP. PALMIERI: Yes. Has the redlining in Hartford decreased any?

REP. HINES: Well, in my personal opinion? No. In my personal opinion the things that have been done have helped to educate many people as to how to accomplish the same end without using this solely based on reasons. So if someone can deny you insurance now in the Blue Hills neighborhood where I live, they won't tell you it's because you live in Blue Hills, because they found out that's a no-no. Again, it's just like the racial steering - you don't say don't move into that area because blacks are there to the white family - you just say don't move into that neighborhood. You learn what not to do. You become a more sophisticated individual in doing what it is you want to accomplish anyway. I think you'll find that the net effects are still there, and the more we try and deal with it in terms of legislation, the more we educate the people who are doing it, and the more sophisticated they become. And the harder, therefore, it becomes to deal with the issue. But I don't think the issue has gone away, and I think as long as people view profits as the most important thing, rather than the public safety or the health of whole neighborhoods, as long as people can take a very limited view in a profit-making institution, they're going to do that on behalf of their stockholders. Not on behalf of the various neighborhoods that are made or broken by the need for their services.

I don't have any facts to back that up, Jimmy. I honestly don't. But it's very hard to get any facts.

REP. PALMIERI: No, I've had information from the Commissioner's office that their so-called hot line is working good and I was just wondering how it affects different cities.

SB 124

REP. HINES: Well, that's not been my impression, and as you know, sometime I'd love to discuss with the Committee my feelings of hot line and try and get some information to see how that kind of a band-aid approach has helped or not helped.

REP. VANCE: Boyd, in your dealing with the problem, do you find the problem is based primarily with the agents not want to impact on their particular agency sales by loss ratio, or do you find that it goes back as far as the company's refusing to issue policies, or is it both?

REP. HINES: Well, I think it's really both. The people that we can feel and touch are the agents, but I feel they're being -- personally - I feel that the problem is that the insurance companies are holding the agents out as a shield for themselves and that it's the companies themselves who - and it may not be the top management -- you can say one thing in a company, but by the time it filters down to the field inspections of the local area supervisors and what-not going out and dealing with the issue, they are more worried about their ratios, about their statistics, than they are about some kind of a good company policy, and therefore the innuendos, the rumors that -- again, it doesn't have to be a map where someone draws a red line around a neighborhood and tells an agent don't you do that, all they've got to do is say, you know, look for yourself where are your weakest, what part of your portfolio is the most vulnerable, and you better bring that part of it up. And so, you know, I personally feel it's very hard for an agent to fight that tie. I think it's the companies that are responsible and it's the profit motive which I think all of us understand, that drives companies to say one thing and do another. And again, I think if a company is well intended and has a policy, a clearly stated policy, and you can see it in all the management tools that they hand out to all their supervisors, and they audit themselves, monitor themselves, and they can produce statistics internally which show that they are not inadvertently redlining center areas or urban business versus suburban business or whatever, I say fine. But companies aren't willing to do that or if they are, they're not certainly willing to share that information with anybody who has been critical of them - that's been my experience. So we have asked directly several of the major insurance companies to share that information. Oh, no no, that's where the privacy of the corporation comes in. They don't believe us, but they can't show us in any budgets where there's

REP. HINES: (continued)  
any resources within the company being spent to really do that kind of analysis or that kind of thing.

REP. VANCE: So you're really speaking on your own opinion. You've had no way to substantiate, at this point, because the information is not available.

REP. HINES: The information is not available.

REP. VANCE: And you've tried?

REP. HINES: I have certainly tried.

REP. VANCE: Thank you.

SEN. MURPHY: Any other questions of the Committee members? Thank you. Representative Glassman.

REP. GLASSMAN: Mr. Chairman and members of the Committee, I'm Representative Abe Glassman from the 14th district, and I'm here to speak on raised committee bill 5131 an act concerning three-dimensional description of real property. And basically what this attempts to do is to bring a new dimension, if you will, to describing the description of real property.

Today, we have the horizontal description of longitude and latitude, but because of the fact an increasing number of condominiums, I think it's critical and important that the vertical description in those types of situations also be used as a tool in describing the property that is being surveyed. And that's basically the intent of the bill before you - just to add that third dimension, the vertical dimension in such situations where you have condominiums occupying both the same horizontal longitudinal and latitudinal surface dimensions. That basically is the purpose of this piece of legislation.

SEN. MURPHY: Are there any question of Representative Glassman?

REP. VANCE: Please explain paragraph 6.

SEN. MURPHY: She's asking you to explain paragraph 6. She may have asked me, but, you know, you're the one that's going to have to do it.

REP. CIBES: What about requirements for other professions for continuing education? Are there such requirements in other professions in the state?

MR. STAFFORD: Yes, there are. I believe the accountants, I know, have a continuing education bill, and I know optometrists and nursing home, I guess, administrators.

REP. CIBES: So you would not be the only profession that ...?

MR. STAFFORD: Right.

REP. CIBES: Thank you.

SEN. MURPHY: Any other questions from Committee members? Thank you. The next speaker is - it's hard to make out the last name - it looks like Robert Teitenberg.

ROBERT TEITENBERG: Close enough. Ladies and gentlemen of the Committee, my name is Robert A. Teitenberg and I'm a practicing attorney in West Hartford. I'm also a local counsel for the Alliance of American Insurers, the National Trade Association for Property and Casualty Insurers. One of my primary responsibilities is in Connecticut since many of our member companies are active in the Connecticut market. The specific subject of the hearing - the portion of the hearing that I'm interested in is Senate Bill 124 concerning the cancellation, issuance and renewal of home owners, commercial and tenants insurance policies, based upon geographic location or age of property and other requirements concerning agency contracts and the reporting to the Connecticut Insurance Department of the various policies written, etc., or cancelled.

In general Senate Bill 124 addresses itself to the assumption that insurance companies redline or refuse to insure inner-city properties solely because of where the property is located. This view fails to acknowledge the totality of the problem. For instance, insurers consider many inner-city properties to be relatively poor risks - it's true. Buildings in these areas may be older and less fire resistant than new buildings in other areas or in the suburban areas. They may have defective heating and electrical systems, narrow and congested streets often may hamper fire fighting equipment, the density of construction and the closeness of properties

MR. TEITENBERG: (continued)

may invite the spread of individual fires into entire burned out city blocks. Damage from heat, smoke and water may be widespread as well. Insurers have to cope with general environmental hazards. Property in excellent condition may be exposed to nearby fire risks. It may be vulnerable to unusual crime hazards as well. So you can see it's more than just geography and age that are involved in any risk. Despite these conditions the American Insurance Industry has made available the fair plan. And these have been set up in 26 states including Connecticut, the District of Columbia, Puerto Rico, and essential insurance coverages are now much more readily acceptable to property owners in these high risk areas. All losses from insuring these fair risk plans - fair plan risks rather - are paid for by insurers and ultimately of course by the policyholder.

Underwriting losses from fair plans have been running between \$40 and \$60 million dollars a year - these are actual losses. And we can furnish you with more statistics on this - complex and detailed statistics, should the Committee desire. The job of insuring inner-city risks, whether it's in the regular market or in the fair plan poses a number of special problems. For instance, insurers are often asked to provide coverage for older structures whereby the replacement costs easily exceeds the market value. A home built 50 years ago in an inner-city neighborhood may have hardwood floors, natural woodwork, high plaster ceilings, stained glass and free-standing bathroom fixtures. Such features today would cost \$150,000 to replace, if you could indeed someone to replace them. But the home itself might bring no more than \$30,000 on the open market. Insuring for full replacement cost, as the present homeowners policies do, under those circumstances this home would be worth more burned to the ground than it would be offered to sale - to sell it. Obviously, this provides a built-in incentive for arson.

To solve this problem the insurance industry has designed a new type of policy for the older home which we're waiting for the Connecticut Insurance Department to consider. It's already been filed with the department. This is the HOA policy - Homeowners Aid. It provides financial protection to the owner up to the actual cash value of the home.

MR. TEITENBERG: (continued)

This insurance is cheaper for the homeowner to buy, it offers him full coverage on the value of his home, and helps to discourage arson for profit. Coupled with this, we have a homeowners 256 endorsement which can provide full replacement cost coverage up to the level of market value. Another reason for questioning the need for legislation at this point in time is the success of Connecticut's open line program. In a year of its operation, Open Line in Connecticut has helped over 340 homeowners obtain protection to cover their property. It has also provided assistance to over 500 individuals seeking to obtain property insurance coverage in the voluntary market. The Open Line program has also handled over 1,000 calls from insurance agents seeking information on the program or requesting coverage for customers. All of this was done at the request of the Commissioner who asked that insurers in this state help to find a way to make homeowners insurance more available.

Moreover, the expected new redlining regulation due from the Insurance Department, and which the department held extensive hearings last year at which we provided testimony, is expected to be finished momentarily, I would think. And the regulatory approach embodied in these regulations would seem more practicable than flexible legislative approach. Also, in Senate Bill 124 the filing requirements for policies written, renewed, except like that, would provide -- well, it really would serve as a disincentive to provide coverage, rather than spur to even write more business. Because it is unnecessarily costly and burdensome on both the insurer and the Insurance Department.

In conclusion, let me suggest that this legislation is not needed for several reasons - because of the success of the Open Line program in Connecticut, because of the fact that greater availability could be fostered if the Insurance Department would, if they haven't already indeed, approved the HO-8 and the HO-256 filing which we mentioned previously, and moreover, the new regulations drafted by the Insurance Department should be finished soon and that, coupled with the other programs we have mentioned, the fair plan, should be sufficient to correct any problems of insurance availability that may exist in Connecticut.

MR. TEITENBERG: (continued)

Finally we would point out that a straight jacket bill such as 124 would cause market dislocations and restrictions which would create insurance availability problems rather than solve them. It would also seem that the measures and programs that I have discussed here would obviate the need to legislate contractual restrictions between insurance agents and companies and insureds. Indeed they would tend instead to encourage more open markets which in turn would encourage the appointment of more agents rather than the chance of a possible boomerang effect that a bill such as S.B. 124 would have by placing artificial constraints which would discourage writing the business, quite frankly. Thank you.

SEN. MURPHY: Are there any questions? Thank you. James Brown.

JAMES BROWN: Good afternoon. My name is James Brown. I'm counsel for the Insurance Association of Connecticut and I'd like to comment briefly on behalf of the Connecticut insurance companies with regard to Senate Bill 124. I'd like to offer the comments of the Connecticut companies - I'll take just a second to follow up on a couple of things that Mr. Teitenberg said and then I'd like to take two seconds to respond to a couple of the comments that Representative Hines made.

To the general proposition, Connecticut basic carriers and the industry believe that in connection with the issuance, renewal, cancellation of a homeowners or other property insurance policy, that each property should be evaluated on its own merits. And the practice of our companies reflects this belief. Senate Bill 124 statement of purpose indicates that the bill was designed to address an availability problem. We oppose the bill for two reasons. First we believe that property insurance is available throughout the state. And secondly, as has been mentioned, the Insurance Department has taken administrative action to address the issue of potential unfair practices in this area, making the need for legislation unnecessary.

MR. BROWN: (continued)

Insurance companies provide an excellent market for responsible homeowners in all areas of the state. Nearly 100 companies compete for the business of over one-half million residential households in Connecticut, and our Connecticut companies write over 40% of this business. The voluntary competitive system where homeowners purchase insurance through the company and agent of their choice works well for the vast majority of Connecticut residents. And for those few homeowners who have had difficulty in obtaining coverage, the insurance companies, the agents, and the state Insurance Department together have created as you know a voluntary consumer service called Connecticut Open Line.

This program provides assistance to anyone who has had trouble purchasing property insurance for owner occupants of one family dwelling, and you make a toll-free telephone call to a phone number that is located in the Independent Agents Association in Wethersfield. The public has been informed of this service through news stories, advertising, brochures printed in both English and in Spanish, and through direct mailings to banks, real estate brokers, and to 76 neighborhood organizations throughout Connecticut. And in addition, nearly 2,000 homeowners with policies in Connecticut's fair plan have been notified individually by mail and informed of the opportunity to exchange coverages through the Open Line.

As of last Friday, February 8th, I believe, there have been 779 requests from homeowners seeking assistance in obtaining property insurance through the Open Line. And of these 668 have received assistance. 65 were finally denied, and 45 are still pending through the process. Denials for coverage were issued for such individually determined reasons as hazardously installed wood stoves, water in the cellar dangerously close to a furnace, broken chimneys, a history of incendiary fires, arson arrests and generally rundown conditions including broken windows and broken staircases. For example, the most recent declination was due to a dangerous condition of the exterior stair and the owner was informed that coverage will be offered as soon as the condition is rectified. We think that the statistics for the first 15 months of the operation of the Open Line are significant for two reasons.

MR. BROWN: (continued)

First, the voluntary competitive system where homeowners purchase insurance through the company and agent of their choice works well for almost all Connecticut residents. Secondly, and more importantly, those few homeowners who for whatever reason are unable to secure insurance are able to be plugged back into the system by the private sector without unnecessary government involvement. And though the Commissioner and his staff have supported and participated with us in making Open Line a success, he has nonetheless felt it necessary to define by regulation what he considers to be unfair practices in this area. We believe that the Open Line experience shows that even a regulation is unnecessary, however, as has been mentioned here, in fact a couple of times, a regulation has been finalized and has been submitted to the Regulation Review Committee. The Commission has said on numerous occasions that he doesn't need any legislative authority to deal with this issue and his recent regulation backs up this belief.

We feel that Senate Bill 124 is not needed and we urge you to take no action on it. With regard to the alternative types of insurance policies designed specifically for older dwellings in urban areas, Mr. Teitenberg mentioned that the filing by the Insurance Services Office has yet to be approved by the Department. Well, some of our companies, the Connecticut companies, have had approved and have in place alternatives that are designed to assist persons owning older dwellings and in urban areas. And these are in place and they're being offered today.

And two comments with regard to the testimony by Representative Hinds. First of all, he felt that a penalty should be in order and I would just like to clarify for the record that in Section 38-62 there is a penalty in place for violating a regulation of the Insurance Department, specifically for a violation of a regulation promulgated under Section 38-61 which is the section of the statute under which the redlining regulation had been promulgated. That penalty provides not only for the issuance of a cease and desist order and the potential for suspension of license, but also provides for an up to \$10,000 penalty per violation and up to \$50,000 penalty in the case of an intentional violation. So I think that the penalties are in place.

MR. BROWN: (continued)

Secondly, with regard to his testimony that it's his feeling that redlining is not declining as a problem in the city of Hartford, he commented that he doesn't have facts to show that that is the case, but that he feels it is not. That's an understandable position to take because the facts just don't exist. The Department has said that there is a need for regulation, that there is a problem. But that they can't document it. Well there are facts, but they're not facts of redlining. They're facts that insurance is available in Connecticut and is being written in Connecticut. I think the Open Line program, the purpose of the Open Line program and the statistics that have been compiled in the Open Line program show that. And more specifically the Department in their following up on the complaints of education instruction over the last year and a half has requested information from insurance companies with regard to the number of policies that are written in Hartford. That evidence shows that the policies are written -- numerous policies are written all over Hartford.

And to give you one specific example, the Hartford Insurance Group did a study of its policies in the city of Hartford and determined that they insure a larger percentage of the population in both of the zip codes in the north end of Hartford than they do in any other area in the state of Connecticut. So I think that the facts show that the industry is willing to write insurance in any area of the state, and that it is writing. And I guess my conclusion would be that we are better off, if public policy is based upon facts rather than upon general accusations and subjective judgment. And I have a written statement which I will submit to you.

SEN. MURPHY: Any questions of Mr. Brown? Yes.

REP. VANCE: Jim, you raised <sup>SB 124</sup> two points that I'd like to expand upon. It seems when you commented about availability of insurance through the Open Line you used the word owner-occupied. What happens to the property which is not owner-occupied which may be a spec house but certainly is available for rental and the owner is not a resident of the house? What is the situation in terms of getting insurance for that property?

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MR. BROWN: Well, there is certainly nothing to preclude the voluntary market of which the Open Line is only one segment of the voluntary market, for that person to procure insurance through normal channels.

REP. VANCE: Do you have any information available as to the ability of that type of property to be insured? You don't have to give it to me now. If you do I'd just like it.

MR. BROWN: I'll be glad to talk to you about it, but we don't have any information of their inability to be insured. And should they not be eligible for a full homeowners coverage, the essential insurance that is necessary, for instance, to purchase a mortgage on a property, is available through the Connecticut fair plan.

REP. VANCE: Is there a premium problem in obtaining insurance in what might be considered areas subject to redlining? You're saying the insurance is available. If an individual in a fringe area obtains insurance, is he paying a penalty by virtue of premium - higher premium?

MR. BROWN: I don't think he's paying a penalty. I think he may be paying a price for the insurance that reflects the risk that is being exposed to the company. That if anyone is paying the penalty it may be other persons in the state who may have to pay a little more in order to make up some of those losses.

REP. VANCE: Would you be aware of the comments made by the previous speaker about \$40 to \$60 million dollars in losses - is that related nationally or ...?

MR. BROWN: I don't know what he meant. I know, I can ...

REP. VANCE: Alright, I'll get it from him later.

MR. BROWN: I can tell you that as of last year the Connecticut fair plan had absorbed something on the order of \$15 million dollars in losses, but I'll be glad to be more specific with you.

REP. VANCE: Thank you very much.

REP. CIBES: Is commercial insurance covered under the Open Line?

MR. BROWN: No, it's not.

REP. CIBES: Is tenants insurance?

MR. BROWN: Not at this time. And the reason is - both of those issues have come up and have been discussed by the Open Line Management Committee which meets monthly and has for over the past year. Particularly tenants has been discussed recently toward including it. The idea at the beginning of the Open Line was that the accusations of redlining and the problem of availability is as it was perceived at the beginning was an owner-occupant homeowner problem as we saw it.

REP. CIBES: Is commercial insurance available under the fair plan?

MR. BROWN: I couldn't tell you. And I will, but I couldn't tell you off the top of my head.

REP. CIBES: And what about tenants insurance available under the fair plan?

MR. BROWN: I don't believe so. The fair plan offers fire, theft, and liability.

SEN. MURPHY: Any other questions? Thank you. Larry Hannafin.

LARRY HANNAFIN: Mr. Chairman, members of the Insurance and Real Estate Committee, my name is Lawrence Hannafin, I'm the Executive Director with the Connecticut Real Estate Commission and with me also is my assistant Robert Hurley who will speak briefly on the, I believe, Senate Bill No. 60, an act concerning mobile home parks. My intention is to speak on approximately five bills, and I will make every effort to keep this as brief as possible because I know that the day is growing short for the members of the Committee and Bob Hurley and myself.