

# Legislative History for Connecticut Act

## PA 16-136

### HB5520

Senate	3089, 3094-3096	4
Insurance & Real Estate	858-866, 935-943	18

House Transcripts have not been received. They are available on CGA website, but are not the Official copy. Contact House Clerk for assistance (860) 240-0400 **22**

**Transcripts from the Joint Standing Committee Public  
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**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2016**

**VOL. 59  
PART 9  
2751 – 3097**

/je  
SENATE

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May 4, 2016

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR DUFF (25TH):

On Calendar page 18, Calendar 501, House Bill 5520--

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR DUFF (25TH):

On Calendar page 21, Calendar 527, House Bill 5510 -  
-

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR DUFF (25TH):

On Calendar page 22, Calendar 536, House Bill 5540 -  
-

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR DUFF (25TH):

On Calendar page 21, Calendar 527, House Bill 5510 -  
-

THE CHAIR:

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THE CHAIR:

All right. Mr. Clerk, will call the Consent Calendar. The machines will be open.

UNKNOWN SPEAKER:

(Inaudible comment.)

THE CHAIR:

Okay. Just get going. It's getting there. It's getting there. You've got to call for a vote. Okay. She's pulling it up, she's pulling it up.

SENATOR DUFF (25TH):

Madam President, if the Clerk can just read the bill numbers and not the titles, that would be great.

THE CHAIR:

That's right. Okay.

THE CLERK:

House Bill 5470, House Bill [inaudible], 5423,  
[inaudible], 5593, 5360, 5311, 5359, 5366, 5317,  
5329, [inaudible], 5438, 5637, 5520, 5553, 5510,  
5420, 5540, 5484, 5306, 5289, 5639, 5147, 5411,  
5055, [inaudible], 5479, 5138, 5189.

(HB5356) (HB5629)

(HB5433) (HB5291)

(HB5601) (HB5051)

(HB5638) (HB5556)

(HB5261) (HB5596)

(HB5259) (HB5444)

THE CHAIR:

Okay.

(Applause.)

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May 4, 2016

The machine is open.

SENATOR DUFF (25TH):

Madam President, I need to add one more. Calendar 513, page 19, Calendar 513, House bill 5553.

THE CHAIR:

It's already on Consent, sir. May I open the machines to vote.

SENATOR DUFF (25TH):

Madam President.

THE CHAIR:

Yes?

SENATOR DUFF (25TH):

I need to, does the Clerk have agendas 6 and 7?

THE CHAIR:

Yes, sir.

THE CLERK:

The Clerk has Senate Agenda 6 and 7. They have been printed and on Senators' desks and dated Wednesday, May 4, 2016.

SENATOR DUFF (25TH):

Madam President, I move that all items on Senate Agendas 6 and 7, dated Wednesday, May 4, 2016, be

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acted upon as indicated and the Agenda be incorporated by reference in the Senate Journal and transcript and placed immediately on the Calendar.

THE CHAIR:

So ordered, sir.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Immediate roll call is ordered in the Senate.

THE CHAIR:

Come on, come on, come on. Crisco, Crisco, Crisco.  
Where's Crisco? Where is Crisco? Come on Joe.

All members have voted? All members have voted?  
The machine will be closed. The Consent Calendar passed.

THE CLERK:

Consent Calendar Number 3 [inaudible].

(Applause.)

THE CHAIR:

I almost [inaudible] holding the clock back. Don't worry about it [inaudible] it. Senator Duff.

SENATOR DUFF (25TH):

Madam President, I move that we adjourn Sine Die.

THE CHAIR:

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**INSURANCE AND  
REAL ESTATE  
PART 2  
468 – 962**

**2016**

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I'd be happy to talk -- talk about with you later.

CHAIRPERSON MEGNA (97TH): Okay, thank you. Any other questions? No. Thank you very much, Dallas.

DALLAS DODGE: Thank you.

I do believe I might be the one speaker on the next bill.

CHAIRPERSON MEGNA (97TH): (Indiscernible) 5520?  
Let's see who do we have after that? Dallas, nah, it's 50--.

DALLAS DODGE: Thank you. Again just for the record, my name is Dallas Dodge and I serve as counsel to the Insurance Association of Connecticut. Thank you for the opportunity to testify on H.B. 552, an ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE.

The IC opposes this bill as all four sections would have a direct and adverse impact on insurers and consumers.

Sections 1 and 2 would curtail the use of proximity rating for homeowners insurance. It is a simple fact, however, that the increased density of residential dwelling -- excuse me -- with the increased density of residential dwellings, there's a greater likelihood that a loss of some magnitude on one property could damage -- could do damage to another property, especially in instances of fire.

In order to be fair and equitable, a rating plan should be able to reflect that fact otherwise homeowners in less densely populated areas will end up unfairly subsidizing the premiums of homeowners



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with those -- with homes that are closer together.

We also oppose Section 3 which would require insurance cancellation notices to be sent with return receipt requested. In the internet age when more and more states are moving towards e-communications, Section 3 would be a step backwards for Connecticut. Such a requirement would appear to serve little to no purpose as the failure to receive a return receipt has no bearing on the validity of a cancellation.

Instead, this requirement would put a needless administrative burden and cost on insurers. Cancellation notices are already required to be sent by certified mail and a return receipt would double the cost of postage. This cost would ultimately get passed onto consumers.

Also, most cancellation notices are sent for non-payment. Such a policyholder would have almost no incentive to return a receipt and thereby acknowledge that they have received the notice of cancellation.

And finally we oppose Section 4, which would restrict the ability of auto insurers to set minimum coverage above the statutory minimum.

The IC does not see a need for such a bill given the robust market for auto insurance in Connecticut. This is fundamentally a business decision and some insurers may require higher levels of liability coverage in order to better manage their risks and target different populations.

Additionally, liability coverage provides financial resources to pay out claims to victims of serious

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bodily injury or death. It does not make sense to discourage insurers from requiring drivers to carry more coverage to protect both themselves and others.

Thank you for the opportunity to testify and I'm happy to take any questions.

CHAIRPERSON MEGNA (97TH): That's -- thank you, Dallas. Now you're opposing all four sections. I -- I don't have the bill in front of me but one of the sections just puts in statute that a homeowner policy is four families or less?

DALLAS DODGE: I think that appeared to be intertwined with Section 2 because I think Section 2, the section of statute that it deals with --

CHAIRPERSON MEGNA (97TH): The proximity?

DALLAS DODGE: Right.

CHAIRPERSON MEGNA (97TH): Yeah.

DALLAS DODGE: That's the only place where homeowners insurance is used within that statute, so I -- I viewed those as essen--, essentially one section.

CHAIRPERSON MEGNA (97TH): So you have no opposition of four family or less putting in -- getting put into statutes from regulations?

DALLAS DODGE: I think that we would be concerned with restricting the definition of homeowners in that way.

CHAIRPERSON MEGNA (97TH): Okay, so I appreciate the -- the -- the -- the property casualty industry.

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Urban areas have a tough time. That proximity to another occupied dwelling I -- sometimes we find it to be a way to wiggle out of neighborhoods because when a home is located very close to another occupied home, of course there is a risk but we're not telling you how much premium to charge and you're supposed to take the good with the bad here in the state of Connecticut. We don't want to limit the marketplace for urban area homeowners who already pay five times that of someone in a -- in a suburban area for a homeowner policy and we don't want, especially in blighted areas, we don't want a -- a -- a very limited marketplace for homeowners to buy insurance. And in blighted areas it's even much higher for a -- a -- a -- a premium than say in another part of a -- an urban area.

Now the other section about not selling minimum financial responsibility auto policies, the more you say robust. I -- I -- I agree it's -- it's robust but the more carriers offering policies in urban areas the better. I find -- we find that minimum liability, financial liability, financial responsibility policies are often sold at a maximum in urban areas and we don't want -- we want to have a competitive -- more competitive. We want all those carriers are taking in that business.

I mean they're -- they're supposed to -- some could look at this as a form of -- almost a form of redlining where they -- where they are not often in those policies and now there's a limited amount of companies offering those policies.

In terms of the return receipt requested, you know, you got 100 companies out there they're competing on a -- I don't think they're worried about 50 cents on a -- when their policies and premiums are -- are all

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over the place in a competitive nature and they're doing -- they're doing well if you look at the loss ratios overall, for -- for that industry.

The reason why that bill is here is several individuals have come and said, listen, they -- I -- my policy got cancelled. I didn't see this letter or -- or the notice and I got into an accident and I had no insurance. And then I had another -- I had actually a constituent of mine call me up and say Bob, you know, my father passed away, I forgot to -- I'm cleaning up his bills and -- and mess and he must have forgot to pay the homeowner insurance on the house and I got a cancellation notice. So that's why that section of the bill is here today.

And I -- I -- I understand the argument of, you know, pay attention to your business but people are busy. And if your policy gets cancelled and then you get into an accident or your -- your house burns down or something -- actually I -- I think this is specific to auto, this coverage?

DALLAS DODGE: Yes.

CHAIRPERSON MEGNA (97TH): Okay. So you get into an accident or, you know, -- it could be a real bummer, you know? And if you just got a return receipt maybe it's a -- a -- you know, it's an in your face pay your policies being cancelled.

DALLAS DODGE: I -- I would just say as far as the return receipt, I don't think that the way it works is that the policyholder can actually deal with (indiscernible) sign the return receipt. This is just a -- because of the way the postal service works.

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Anybody who's at the dwelling can sign one of those return receipts and send it back. So again, I -- I understand the concern and wanting to make sure that people are aware that their policy's being can--, cancelled, I'm just not sure that this is the remedy for that problem.

CHAIRPERSON MEGNA (97TH): You have another remedy?

DALLAS DODGE: Not -- not on me.

CHAIRPERSON MEGNA (97TH): Yeah, okay. Thank you. Are there any questions? Representative Scott.

REP. SCOTT (40TH): Thank you, Mr. Chairman. Pretty sure that the cancellation notices they have to sent out certified as it is right now, is that correct?

DALLAS DODGE: That's correct, yes.

REP. SCOTT (40TH): And there's a proof of mailing process?

DALLAS DODGE: Yes.

REP. SCOTT (40TH): And I believe the insured is responsible for opening their own mail, correct?

DALLAS DODGE: I'm sorry?

REP. SCOTT (40TH): Receiving their mail, there's -- there's -- I guess the -- the proof is --

DALLAS DODGE: My -- my -- my wife opens my mail, so I --

REP. SCOTT (40TH): A similar problem.

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DALLAS DODGE: Yeah.

REP. SCOTT (40TH): But I guess what's the point I'm trying to make is that, you know, the insurance company does their due diligence and the client doesn't receive the mail or -- or chooses not to open it, that's, even with the return receipt I suppose that's not an insurance company's problem. (Indiscernible).

DALLAS DODGE: Right.

REP. SCOTT (40TH): Yeah, right. And also aren't -- aren't the certified return receipt with the little green card, they're not 50 cents, they're like \$6.00 a piece or something, correct?

DALLAS DODGE: It's -- it's very expensive. I -- I actually did look at the prices before I came and I think that the cost for a certified piece of mail is around \$2.80 and I think that the cost for to then add the green card to it is almost \$1.50. So -- or -- almost close to \$2.00. I -- I think it would almost double the cost of -- of sending that.

REP. SCOTT (40TH): Right. Would be about 4-\$5.00.

DALLAS DODGE: Right, right.

REP. SCOTT (40TH): All right. Thank you.

CHAIRPERSON MEGNA (97TH): Actually just to follow up, what about individuals have been with that insurer for ten years and it seems pretty clear that they just forgot, they just missed it, they didn't see the letter, should we -- should we do it for individuals that have been with the company for more than several years? Would that be more palatable

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for you?

DALLAS DODGE: Well a -- again, Mr. Chairman, the -- the notice is already required to be sent out certified mail and so there's already, you know, --

CHAIRPERSON MEGNA (97TH): I going to disagree with you. I think there's an order in there somewhere. It says certificate of mailing or something? Whatever that is and I don't know --

DALLAS DODGE: Okay.

CHAIRPERSON MEGNA (97TH): -- I have a feeling that's just insurance lingo for not certified mail.

DALLAS DODGE: Right.

CHAIRPERSON MEGNA (97TH): And if you look at the -- the language which I've -- I looked at there's an order in there.

DALLAS DODGE: Right.

CHAIRPERSON MEGNA (97TH): But it could be -- it could be the less of a much -- I think that's what happened in this one case that came to me.

DALLAS DODGE: Uh-huh. Well, and -- and again, it comes back to the -- to the issue though of the actual policyholder can't -- wouldn't be able to be required to sign the -- the return slip. You know, anybody who's at the address could sign for it and send it back and so --

CHAIRPERSON MEGNA (97TH): Okay. Thank you. Any further questions? No. Thank you very much for your testimony.

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DALLAS DODGE: Thank you.

CHAIRPERSON MEGNA (97TH): We're going to move on to House Bill 5051. Kate Kiernan. Welcome back to the general assembly.

KATE KIERNAN: Thank you. (Indiscernible.) And I'm bringing it to you.

CHAIRPERSON MEGNA (97TH): Hi. Can I -- both of you identify yourself, please. Thank you.

KATE KIERNAN: We will.

CHAIRPERSON MEGNA (97TH): Thank you.

KATE KIERNAN: Representative Megna, Senator Crisco and members of the Committee, my name is Kate Kiernan, I'm here on behalf of the American Counsel of Life Insurers and our 200-plus members that are offering pol--, policies in Connecticut and with me today is Gill Valdez. I'll let him introduce himself.

CHAIRPERSON MEGNA (97TH): Sure.

GILL VALDEZ: My name is Gill Valdez. I'm here on behalf of New York Life Insurance Company based in New York.

KATE KIERNAN: Good afternoon. As you've heard in prior testimony, states develop different standards over the course of time for the approval of life insurance products. This system is expensive. It's also confu--, confusing for both companies and for consumers. It can take as long as two years for a company to receive approval for a product filed in





Property Casualty Insurers  
Association of America

Advocacy. Leadership. Results.

## STATEMENT

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

#### H.B. No. 5520— AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES

#### COMMITTEE ON INSURANCE AND REAL ESTATE

March 8, 2016

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on House Bill No. 5520. PCI is a national property casualty trade association comprised of over 1,000 member companies. PCI member companies write 36% of all property casualty insurance sold in Connecticut.

PCI has serious concerns with a number of the provisions in this bill. PCI is concerned that this bill may have unintended consequences which may reduce insurance choices for consumers and/or add unnecessary costs to insurance. Our concerns with the various sections of this bill are as follows:

#### **Section 1: Definition of Homeowners Insurance**

PCI is concerned that this definition is too all encompassing and would make certain policies which are not homeowners insurance policies subject to all of the provisions of the law to which homeowners insurance policies are subject. For example, a commercial policy could include coverage for a owner-occupied home with four or fewer dwelling units and, pursuant to the provisions of the homeowners insurance definition in this bill, such a policy would be improperly deemed a homeowners insurance policy. Similarly, a dwelling fire policy could improperly fall within the homeowners insurance definition in this bill.

#### **Section 2: Prohibiting Homeowners Insurers from Considering Proximity to another Occupied Residential Dwelling.**

PCI is concerned that the prohibition against considering proximity to another occupied residential dwelling may prevent insurers from considering appropriate risk factors related to dwellings in close proximity to the insured dwelling. For example, if dwellings are in very close proximity or share a common wall, there may be an increased risk of fires spreading between the structures which would merit consideration. Any major loss to one dwelling could impact another dwelling when the dwellings are in close proximity and, by prohibiting consideration of proximity of dwellings, this bill would prohibit insurers from considering this factor. Additionally, this provision could prohibit consideration of factors involved in rating multi-unit dwellings (when there are four or fewer dwelling units) which may lead to the inappropriate pricing of policies for such dwelling.

### **Section 3: Requiring Auto Insurance Notices of Cancellation to be Sent by Registered or Certified Mail, Return Receipt Requested**

PCI has concerns with this provision because it will add unnecessary costs to auto insurance and will add ambiguity to the issuance of cancellation notices. Current law requires insurers to maintain proof of mailing through utilizing registered or certified mail or maintaining a certificate of mailing evidencing that the notice was sent. Such options ensure that the insurer maintains proof of mailing in a manner which is cost effective and clear. PCI is unaware that there is a widespread problem in Connecticut relative to the issuance/receipt of cancellation notices. Mandating that cancellation notices be sent by registered or certified mail, return receipt requested, would add significant unnecessary costs to auto insurance, without significant consumer benefit.

The return receipt requested requirement would also potentially add significant ambiguity, burdens and potential for fraud relative to auto insurance policy cancellations. It is unclear what the effect would be on whether a policy is deemed to be effectively cancelled if the addressee has a Post Office box or fails to accept the letter. If no one accepts the letter, can the policy not be cancelled? Would the insurer be required to pay for multiple attempts at delivery? If someone other than the recipient accepts delivery, is the cancellation effective? In short, this would add significant ambiguity to whether a policy is cancelled, potentially resulting in costly litigation. In addition, this provision would provide an opportunity for insureds who have not paid their premium to game the system by not accepting the letter with the cancellation notice. If insurers, under these circumstances, are unable to cancel policies due to unpaid premium and are required to pay claims for policies on which no premium was paid, then the resulting costs will have to be shared by Connecticut insureds who are doing the right thing and making their premium payments as required under the policy. PCI would submit that it would not be fair to the insureds who are duly making their premium payment to have to pay increased insurance costs due to the actions of those who are trying to game the system.

This requirement is also contrary to the trends across the nation toward modernizing the transmission of insurance notices and documents through electronic delivery. In a number of states, laws have been passed allowing for the electronic delivery of cancellation and other notices so as to improve efficiency, reduce costs and recognize that electronic delivery of mail and documents is a common mode of transmission. This bill would take Connecticut a major step backward in this regard and would also add significant costs to auto insurance due to the increased mailing and staffing costs necessary to effectuate this burdensome and unnecessary requirement.

### **Section 4: Prohibiting auto insurers from requiring minimum coverage amounts in excess of the minimum financial responsibility requirements.**

PCI opposes this provision because it would prohibit insurers from targeting certain market segments and managing their risk and portfolio. PCI is also opposed to the prohibition against a minimum coverage amount because it would prohibit insurers from targeting certain segments of the market in which an insurer may choose to specialize. Some business models of insurers may focus on targeting certain segments of the market and having coverage minimums may be a part of this business model. Specializing in certain segments of the market allows insurers to gain expertise in addressing the needs of the targeted market segments which can be beneficial. By prohibiting coverage minimums in excess of the minimum financial responsibility requirements, this bill would prohibit

insurers from specializing, which may not be beneficial to the consumer who may wish to have a policy which is more tailored to their needs.

This provision would make Connecticut an outlier among other states and may make Connecticut a less attractive state for insurers to consider writing policies. The impact of this would be to potentially reduce insurance choices for Connecticut consumers and potentially render Connecticut's auto insurance market less competitive.

Accordingly, for the foregoing reasons, PCI urges your Committee NOT to advance this bill.



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**HB 5520, AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES**

**Statement of the American Insurance Association**

**March 8, 2016**

The American Insurance Association is a leading national trade association representing approximately 325 major property and casualty insurance companies that collectively underwrite nearly \$117 billion annually in direct property and casualty premiums nationwide. AIA member companies write approximately thirty percent of the homeowners' insurance market in Connecticut. AIA must respectfully oppose House Bill 5520, which would substantially alter the Connecticut insurance market place for both homeowners and automobile insurance. The changes proposed will only complicate insurers' ability to do business in Connecticut and have a negative impact on consumers.

The legislation would prohibit homeowners' insurers from using proximity to another occupied residence in rating plans. Such a move is contrary to people's own experience and the need for insurance to reflect risk. Such a move would also be contrary to section 38a-686 (b)(1) which currently permits insurers to give consideration, to the extent possible, to conflagration and catastrophe hazards. The argument can certainly be made that proximity to other structures is certainly a conflagration hazard and a catastrophe hazard.

To provide you with a case in point: consider the tragedy that occurred in the Breezy Point neighborhood in New York City, whereby approximately 130 houses burned to the ground due to fire which occurred as a result of Superstorm Sandy. One of the biggest contributing factors to this catastrophe was the extraordinary density of the housing. Had these properties been further apart, it is likely that we would have seen a fewer number of affected homes. As such, given the very real hazard associated with proximity to other occupied residences, insurers should be permitted to use these factors as a way of accurately reflecting insurance risk.

Additionally, the legislation would also prohibit automobile insurers from requiring a minimum amount of coverage greater than the amounts set forth in the financial responsibility law. Limiting the ability of insurers to craft coverage consistent with consumer demand or the insurers' perception of the risk will likely harm insurance capital formation in Connecticut. For example, some insurers may want and need higher limits because of a consumer's prior driving record and the possibility they could pose an enhanced risk to the driving public. Connecticut

should not limit the ability of insurers to establish limits they believe are needed as that could negatively impact the overall automobile insurance market.

Enacting such legislation would be problematic to the homeowners and automobile insurance markets in Connecticut. Thank you for the opportunity to provide comments and share our concerns on this issue. For the foregoing reasons, AIA urges the Committee to reject House Bill 5520.

Alison Cooper  
Regional Vice President, Northeast Region



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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

#### House Bill No. 5520 An Act Concerning Homeowners and Motor Vehicle Insurance Policies.

Senator Crisco, Representative Megna, Ranking Members, and members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony in opposition to House Bill No. 5520 An Act Concerning Homeowners and Motor Vehicle Insurance Policies.

Section 3 of the bill concerns the methods that an insurer may use to notify an insured of the cancellation of his or her motor vehicle insurance policy. Current law permits insurers to send a notice of cancellation by mail evidenced by a certificate of mailing. The proposed legislation mandates that the only method to notify an insured of the cancellation of a motor vehicle insurance policy is by registered or certified mail, return receipt requested. The Department believes that eliminating the long-standing use of "certificate of mailing" procedures – as fully discussed and upheld by the Connecticut Supreme Court in the case of *Echavarría v. National Grange Mutual Ins. Co.*, 275 Conn. 408 (2005) – would result in additional costs to insureds since only actual receipt of a cancellation notice by certified mail, return receipt requested, would satisfy proper cancellation notice. Insurers would be required to change their procedures for processing motor vehicle cancellation notices resulting in additional costs that insurers may seek to reflect in Connecticut motor vehicle insurance rates. For these reasons, the Department believes that long-standing procedures for providing cancellation notice should not be changed.

In addition to the above, the Department does not fully understand the provisions in Section 4 of the bill dealing with the limitation offering of minimum motor vehicle liability limits. For example, a number of insurers offer single limit motor vehicle insurance policies and the Department is unclear how this proposal would apply in those situations.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit testimony on H.B. 5520.

**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.

**Statement  
Insurance Association of Connecticut  
Insurance & Real Estate Committee**

**March 8, 2016**

**HB 5520 AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE  
INSURANCE POLICIES**

My name is Dallas Dodge, and I serve as Counsel to the Insurance Association of Connecticut ("IAC"). The IAC opposes House Bill 5520, An Act Concerning Homeowners and Motor Vehicle Insurance Policies.

HB 5520 would have a direct and adverse effect on the property and casualty insurance marketplace in Connecticut, to the detriment of personal and commercial insurance consumers across the state.

Sections 1 and 2 appear to be an effort to prohibit insurers from recognizing the proximity of one residential property to another in their rating plans. It is a simple fact, however, that with increased density of residential dwellings, there is a greater likelihood that a loss of some magnitude on one property could cause damage to a neighboring property, especially in instances of fire. In order to be fair and equitable, rating plans should be able to reflect that fact.

Unlike versions of this bill from previous years, HB 5520 would limit the prohibition on proximity-rating to owner-occupied buildings with four or fewer dwelling units. Such an arbitrary limitation only serves to highlight the underlying problem with the bill. Neither the number of dwelling units in a home nor the fact that it is owner occupied have any bearing on the danger posed by nearby buildings. Ultimately, HB 5520 may result in unfair cross-subsidization of premiums.

The IAC also opposes section 3, which would require notice of cancellation to be sent return receipt requested. In an age in which most states are embracing electronic communication, such a requirement would be a step backwards for Connecticut.

The new requirement would also appear to serve almost no purpose. As the bill is currently drafted, it does not appear that the failure to return or sign a receipt would have any legal effect on the validity of a notice of cancellation. Moreover, such a requirement would be completely untenable. This is because the postal service only requires a return receipt be signed by a person at the address a letter is sent to, and that person may not necessarily be the policyholder. Further, most cancellation notices are sent for nonpayment, and such a policyholder would have little incentive to acknowledge receipt of their cancellation notice. The requirement would present serious practical problems, as many insurers would be required to track and maintain return card receipts for no purpose. Finally, cancellation notices are already required to be sent via certified mail, and return receipts would nearly double the cost of postage. In sum, Section 3 would place a needless financial and administrative burden on insurers, and the costs would ultimately be passed onto consumers.

The IAC also opposes section 3, which would prevent automobile insurers from requiring a minimum coverage amount that is greater than the statutory minimum for purposes of issuing or renewing an automobile policy. The IAC sees no reason for such a restriction, as it could have a counterproductive effect on the availability of automobile insurance in this state and potentially reduce the amount of money available to victims of accidents. Some insurers may make the business decision to require a higher minimum coverage amount, either for the purposes of better managing risk or to target



different parts of the population. Additionally, auto liability coverage provides financial resources to payout claims for serious bodily injury or death. Steps to discourage higher coverage amounts may have the effect of reducing money available to pay victims and protect the assets of drivers.

In sum, HB 5520 would have a direct and adverse effect on the property casualty insurance marketplace in Connecticut, and it would negatively impact personal and commercial insurance consumers across the state. The IAC urges rejection. Thank you for the opportunity to present our viewpoint.