

Legislative History for Connecticut Act

SB 871	PA 476	1967
House 4018-4019		(2)
Senate 1608		(1)
Insurance 125-127, 193		(4)
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CONNECTICUT
GENERAL ASSEMBLY

HOUSE

PROCEEDINGS

1967

VOL. 12

PART 9

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THE CLERK:

Calendar 1143, S.B. 525, An Act Amending the Charter of Hartford Fire Insurance Company.

MR. OLIVER (104th):

I move acceptance of the committee's favorable report and passage of the bill.

THE SPEAKER:

The question is on acceptance of the committee's favorable report and passage of the bill. Will you remark?

MR. OLIVER (104th):

This bill also, a charter bill approved by the insurance commissioner, joint committee on insurance. This bill ties in with other bills in the reorganization trend for an insurance company to allow individual and various annuities to be sold. It's a good bill and ought to pass.

THE SPEAKER:

All those in favor? Opposed? The bill is passed.

THE CLERK:

Calendar 1144, Substitute for S.B. 871, An Act Prohibiting Fictitious Grouping for Insurance Purposes.

MR. VICINO (34th):

I move acceptance of the committee's favorable report and passage of the bill.

THE SPEAKER:

The question is on acceptance and passage. Will you remark?

MR. VICINO (34th):

Fictitious grouping is defined as a grouping other than common majority ownership of the risk to be insured. The insurance department has consistently resisted all efforts on the part of insurance agencies or other organizations in attempts to write fire and casualty insurance to so called fictitious groupings. The present statutes do not contain specific definitions of groups, and passage of this bill will give us the definitions and be of great help to the insurance department. I move passage of the bill.

MR. OLIVER (104th):

This bill will interfere with the modern progressive labor management relations. It's an anti-labor bill and I oppose the bill.

THE SPEAKER:

Will you remark further? All those in favor? Opposed?

The bill is passed.

THE CLERK:

Calendar 1145, Substitute for S.B. 1757, An Act Requiring Foreign and Alien Insurance Companies which Cease Doing Business in this State to Pay Premium Taxes on Renewal Premiums.

MRS. SIMONS (139th):

I move acceptance of the committee's favorable report and passage of the bill.

THE SPEAKER:

The question is on acceptance and passage. Will you remark?

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passage of the bill. Mr. President, this bill would amend the Charter of Fredericka House, allow them to maintain a summer camp for needy children in Newtown. It's a good bill and should pass.

THE CHAIR:

All those in favor of the Committee's favorable report and passage of the bill, indicate by saying, "aye". Opposed? Ayes have it and the bill is passed.

THE CLERK:

Cal. No. 916 File No. 961. Favorable report of the Joint Committee on Insurance Substitute for Senate Bill No. 871. An Act Prohibiting Fictitious Grouping for Insurance Purposes.

SENATOR PICCOLO:

Mr. President, I move for acceptance of the Committee's favorable report and passage of the bill. Very briefly, this bill is aimed at correcting an abuse which is not used too often, it is not being strictly misrepresented, but it has potential. What it would do, would be to prevent certain groups, certain people, from obtaining writs, which under the reviews of the Insurance Department, and particularly the Insurance Committee, that they are not entitled to because they are not bonafide partisipants in a great benefit. I urge passage of the bill.

THE CHAIR:

Further remarks? All those in favor of the acceptance of the Committee's favorable report and passage of the bill, indicate by saying, "aye". Opposed? Ayes have it and the bill is passed.

THE CLERK:

Cal. No. 925 File No. 978. Substitute for Senate Bill No. 523. An Act Amend-

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Chm. Piccolo: Any questions? Anybody else in opposition of this Bill? Seeing none, we will conclude the hearing on S.B. 673 and open the hearing on S.B. 871.

S.B. 871: AN ACT CONCERNING FICTITIOUS GROUPING OF INSURANCE, TO PROHIBIT THE FICTITIOUS GROUPING OF INSURANCE IN THE FIRE, CASUALTY AND SURETY FIELD.

G. T. Wholly: Mr Chairman, if I may suggest the opening of the hearing on House Bill 2822, which is on the same subject.

Mr. Chairman, Rep. _____, called me this morning and asked that H.B. 2822 be withdrawn.

Chm. Piccolo: Let the record show that it is withdrawn.

G.T. Wholly: Mr. Chairman, I have given you the position of the Department on both of the bills. S.B. 871 which was introduced into the legislature at the request of the Connecticut Insurance Department, the Department has consistently resisted all efforts on the part of the insurance companies or other organizations in their attempts to write fire and casualty insurance on a so-called fictitious grouping. The present statutes do not contain specific definition of group, but these definitions are generally found in the filings made by the company or on behalf of the company through the various rating bureaus. This particular bill, S.B. 871, establishes a yardstick, whereby a group could be written, it says that a minimum standard that in order to group together certain risks, there must be a common majority ownership of the risk to be insured. This definition set by statute will clearly indicate on what condition fire insurance and casualty risks may be grouped together in the writing of a single policy covering all such risks. We are opposed to H.B. 2822, which is the direct opposite of S.B.871, and in view of the fact that it was withdrawn we won't comment further on that. It was brought up in the form of a question prior to the hearing as to whether or not this 871 was in conflict with the so called wrap-up legislation. We would be perfectly willing to clearly spell out this bill that it does not apply to those risks involved in the wrap-up.

Jack Croser, State National Director of the Connecticut Association of Independent Insurance Agents. I am here to add our enthusiastic support of Senator Piccolo's bill 871, which will aid our insurance department in its task of safe guarding the public against discriminatory insurance offerings by some insurance companies. You heard the Insurance Department tell of the numerous schemes which are submitted with increasing regularity and which take the time of the department and that of the Attorney General to

determine their legality. Our present rating law is not specific about fictitious groups, our statutes merely state rates must be adequate, not excessive nor unduly discriminatory, so each one of these new offerings to the Department has to be weighed under those general terms. This bill will specifically disallow these fictitious groups and free the insurance department of much needless time and effort in their constant study of these offerings. Only five years ago we had a very long and expensive hearing on just this subject which was held before the late Insurance Commissioner Primo. Companies were trying to get approval for a fleet filing for groupings of risks which had management or franchise control, but not common ownership control. The classic example was that Howard Johnson chain. The theory was advanced that this kind of group deserves a lower premium because of management controls and standards, not only could the Howard Johnson franchise holder get insurance coverage for his restaurant at lower rates, but he could also get it for his personally owned car and it might be extended to his homeowner's policy. Now as comprobable risk, not such price differential could be really be substantiated, so Commissioner Primo ruled that such filings were illegal, that the rate treatment was discriminatory and it was not in the public interest. Unfortunately, while he disallowed that specific filing, the problem was not settled! and we have had fictitious groups continually being offered to the Insurance Department for approval. 33 other states have an act of specific legislation to prohibit fictitious groupings in the fire casualty and surety fields. We urge your favorable consideration of this bill, which will help our Insurance Department control these discriminatory offerings.

Joseph Cooney: We favor the principle of this bill, but I didn't understand the Insurance Department, I think we all agree the American Insurance Association Company, that wrap-up should be accepted from this bill, they are literally forbidden in this bill now. There is one other thing that I want to point out to this committee, joint ventures, for instance on large construction projects where two contractors take it on together, joint ventures have always been combined under existing rating procedures and it is permissible under the present rate filing. I don't think that my friend meant to exclude those, but we would like to confer with the Insurance Department if they are going to submit an amendment of the bill to make sure that wrap-up and joint ventures.

Kauffman: I have a brief memorandum in support of S.B. 871. This measure is designed to strengthen the prohibition of unfairly discriminatory rate making practices. Simply stated this bill will provide that no insurance company, in other words, we are in support of the bill and our association wholeheartedly supports it.

Chm. Piccolo: Anyone else that would like to be heard? Again, if there are any written statements, because of the fact the hearing had been going on for awhile, the weather is getting bad, the committee and the public would appreciate any short statements.

Dale Carlson: I speak in favor of the bill, and my concern is similar to that of the wrap-up phrase of it, that is the section 3, the definition of what is a fictitious group. Take the area regarding churches, which concerns me. Each church is owned by a separate distinct corporation, they are not owned by the arch diocese or the national church body, etc, they have a separate corporation, so that my concern is for the churches because their situation is a little bit unique, when you compare it with other general business ventures, the real test of ownership for a church lies in the tightness of control of the parent body, also in the relationship of the local congregation to the parent body, a very strong example of this, is the Roman Catholic church and the Lutheran Church of American, both are tightly controlled by the National body, but I think that they have to be looked at differently and therefore I have suggested an amendment that I will read to you amplifying section 3 and the definition of fictitious grouping as it pertains to churches. Before I read my statement I am an insurance agent in New Britain and I am writing a group of Lutheran churches which are now approved under the existing guidelines and I feel that the tightness of control is a critical thing and must look at differently for the benefit of the Church of Connecticut and the good that they are doing throughout the state. Any church meeting would of course then not be considered a fictitious group and would be eligible for special rating plan and programs. I think it would not burden the insurance department by this new definition because it would be quite explicit as to what test a church must meet in order to qualify for special treatment.

Chm. Piccolo: That will conclude the hearing on S.B. 871, at this time I would like to announce S.B. 1441. which was introduced under my name.

S.B. 1441:

I understand that the problem which it concerns itself with has been taken care of so, therefore, I do not see any need for holding any hearing on it at this time, S.B. 1441 Labeling of Auto Liability Policies. Lets go on to S.B. 1454.

S.B. 1454: AN ACT CONCERNING QUALIFICATIONS OF APPLICANTS FOR A LICENSE AS A REAL ESTATE BROKER.

Gentlemen, I normally do not like to impose on your rights of asking questions, but because of the weather, I would appreciate it if when you speak if you could kindly hold your questions and either get them privately or get them at the Executive Session. Anyone wishing to speak in favor of S.B. 1454.

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Gerard Wholly, Insurance Department: This bill originally came up on either the first or second public hearing of the insurance committee, and if my memory serves me correctly, it was withdrawn at that time at the request of the sponsoring representative. However, at that time it was also heard, S.B. 871, which was introduced at the request of the insurance department, which establishes the standards where group casualty or fire insurance could be written and was said that basically was under a common majority ownership. We opposed at that time H.B. 2822 and I would like to submit to you, Mr. Chairman, a copy of our memorandum that had been submitted at that time in clear opposition to H.B. 2822.

Herbert Bland, Connecticut Association of Insurance Agents: If the bill has been withdrawn I won't take your time, but if it hasn't I merely want to say that I am in very strong opposition to 2822.

Chm. Salamone: We will now open the hearing on H.B. 4605.

H.B. 4605: AN ACT CONCERNING CANCELLATION OF ACCIDENT AND HEALTH OR CASUALTY POLICIES.

Anyone want to speak in favor of H.B. 4605?

Edward Sorington: I am here on a different purpose, however, the language of this particular bill is one that I understand. I don't represent anybody, I though maybe you might profit from an individual opinion of language pertaining to insurance that I can understand. 16 years ago I changed by employment, I was told that one of the privileges of the company I was joining had insurance with the same company that I had previously and the benefits were very similar. When I got there, however, I found that the coverage was not as good as I hoped it would be. I then went out and got individual policies for disability and also for health. Each page of the policy that I received had a stamp on it which said this policy is cancellable. Gentlemen I don't know what this meant, but for 16 years I honestly do not know whether I was covered by insurance or not. Unfortunately, I think there are other people similar to myself, who have obtained a poor image of the insurance companies because of language that is not too easily understood. This language which would indicate that my insurance policy would be continued, unless I reneged on payments, this seems to be a very desirable bill to me.

Chm. Salamone: Sir, let me bring this to your attention that public hearings are not directed to people who represent somebody, the public hearings are for the public and for you to come and speak at anytime at anyone of the hearings. Please don't feel that you have to represent anybody, this is your assembly and we represent you.

Rep. Allen: Did you consult the insurance department of your employer where you work in regard to what your policy benefits were?

Edward Sorant: This was an individual policy, no sir, I did not consult