

Act Number	Session	Bill Number	Total Number of Committee Pages	Total Number of House Pages	Total Number of Senate Pages
PA 71-464		8277	30	4	3
<u>Committee Pages:</u> <ul style="list-style-type: none"> • <i>Insurance & Real Estate</i> 266 • <i>Insurance & Real Estate</i> 271 • <i>Insurance & Real Estate</i> 272-295 				<u>House Pages:</u> <ul style="list-style-type: none"> • 2354 • 4092- 4094 	<u>Senate Pages:</u> <ul style="list-style-type: none"> • 2412- 2414

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

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**VOL. 14
PART 5
1968-2502**

Monday, May 10, 1971

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THE CLERK:

Next matter, Calendar No. 702, Substitute for H.B. No. 8277, An Act Concerning Mass Marketing of Personal Lines of Property and Casualty Insurance.

MR. GENOVESI (18th):

Mr. Speaker, the Clerk has an amendment.

THE SPEAKER:

Question is on acceptance and passage. The Clerk has House Amendment "A". Would the Clerk call House Amendment Schedule "A"?

THE CLERK:

House Amendment Schedule "A" offered by Mr. Genovesi of the 18th, Palmieri of the 90th.

In line 111, change the period after the word "purchase" to a comma, and add the following words: "and (6) premium rates under a plan shall comply with the standards of title 38 of the general statutes, including the standards that rates not be excessive, inadequate, or unfairly discriminatory. Rates shall not be deemed to be unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, or like expense factors but different loss exposures, so long as the rates reflect the differences with reasonable accuracy. Rates shall not be deemed to be unfairly discriminatory if they are averaged broadly among persons insured under a plan."

THE SPEAKER:

Ask not for whom the bell tolls, Representative Genovesi, the bell tolls for thee. The question is on adoption of House Amendment Schedule "A". Will you remark?

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MR. GENOVESI (18th):

Mr. Speaker, very briefly, the amendment clarifies the bill somewhat and gives the companies, the insurance companies the right to individually rate policies written under a mass merchandising plan. I move for acceptance of House Amendment Schedule "A".

THE SPEAKER:

Will you remark further on House Amendment Schedule "A"? If not, all those in favor, indicate by saying aye. Opposed? The amendment is ADOPTED. It's ruled technical.

MR. GENOVESI (18th):

Mr. Speaker, I move for acceptance of the Joint Committee's favorable report and acceptance of the bill.

THE SPEAKER:

Will you remark further?

MR. GENOVESI (18th):

Mr. Speaker, the purpose of this measure is to prevent discrimination in the mass merchandising of personal lines of property and casualty insurance, while preserving the inherent benefits of this marketing technique for the insurance consumers of Connecticut. Some of the greatest immediate threats to the public without the guidelines provided by this measure are one, the utilization of discriminatory underwriting practices whereby an insurer insures only those members of the group who in that insurer's estimation constitutes the best risk. This practice is referred to as cream skimming; two, arbitrary cancellation or non-renewal of policies already held by members of the group, leaving the victims to seek replacement coverage in an increasingly restrictive market place. This practice is even more discriminatory and insidious than cream skimming. Three, selective underwriting practices which

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would deny insurance to youthful drivers, drivers over sixty-five, certain ethnic minorities, inner-city property owners and similar groupings; and four, failure to provide continuity of coverage to those persons leaving an insured group.

This measure would protect the insurance buying public by mandating guaranteed issuance of insurance and regulating cancellation and non-renewal provisions. Simply stated, the cost of insurance must rise drastically if cream skimming is not prevented by this Legislature. Mass marketing of personal lines of property and casualty insurance is a new technique in Connecticut's insurance market which will grow and take its rightful place in the insurance industry. However, this marketing technique, like most new techniques, requires guidelines. Mr. Speaker, I move for acceptance of the Joint Committee's favorable report and passage of the bill.

THE SPEAKER:

Will you remark further? Further remarks? Further remarks on the bill? If not, all those in favor indicate by saying aye. Opposed? The bill is PASSED.

THE CLERK:

On page 7.

MR. MAHANEY (92nd):

Mr. Speaker, before we leave page 7, I would like to ask at this time that Calendar No. 700, H.B. No. 8009, File No. 672 be placed on the Foot of the Calendar.

THE SPEAKER:

Motion is to place Calendar No. 700 at the Foot of the Calendar. Will you remark? Is there objection? Hearing none, so ordered.

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THE CLERK:

On Page 21, disagreeing action. Calendar No. 234, Substitute for S.B. No. 560, an Act concerning a defendant's motion for judgment and the finality of nonsuits. From Judiciary.

PETER W. GILLIES:

Mr. Speaker, the Chairman of the Judiciary Committee has indicated that there are considerable problems with this Bill that he does not feel can be treated through an Amendment process. I would therefore move that the Bill be recommitted to Committee.

MR. SPEAKER:

Motion is to recommit. Will you remark. Is there objection? Hearing none, so ordered.

THE CLERK:

The next item, 702, from Insurance, Substitute for H.B. No. 8277, an Act concerning mass marketing of personal lines of property and casualty insurance.

DONALD S. GENOVESI:

Mr. Speaker, I move for acceptance and passage of Substitute H.B. No. 8277, as amended by Senate Amendment Schedule "A".

MR. SPEAKER:

Question's on acceptance and passage as amended by House Amendment Schedule "A" and Senate Amendment Schedule "A". Will you remark.

DONALD S. GENOVESI:

Mr. Speaker, if I may I'll try to summarize the Amendments...the Senate Amendment.

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Question now is on House adoption of Senate Amendment Schedule "A". Does the gentleman wish to outline it?

DONALD S. GENOVESI:

Yes, Mr. Speaker. The Mass Merchandizing Bill which this House passed unanimously just a few days ago and sent to the Senate has some clarifying...words added by Senate Amendment Schedule "A". Although the basic Bill never intended to eliminate members of credit unions or members of associations whose principal purpose is furtherance of a professional interest, the wording in the Bill was not clear, and so the Senate has added that wording to make it perfectly clear that people belonging to credit unions and so forth were not...or could not be eliminated for a mass merchandizing plan. In addition, Mr. Speaker, the Senate Amendment also makes it very clear that retired employees can take part in a mass merchandizing plan if they were employed by the firm when the massmerchandizing plan took effect. There's also added a Section 9, which allows the Insurance Commissioner to promulgate regulations as necessary to carry out the purposes of the mass merchandizing Act, and Section 10, Mr. Speaker, which makes it very clear that there's nothing in this Act that...to prohibit the establishment of Mass Merchandizing Plans for other lines of insurance. I move for acceptance of the Bill, Mr. Speaker.

MR. SPEAKER:

Will you remark further on Senate Amendment Schedule "A". If not, the question is on adoption of Senate Amendment Schedule "A". All those in favor indicate by saying "aye". Opposed. Senate "A" is adopted and ruled technical. The question now is

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on acceptance and passage as amended by House Amendment Schedule "A" and Senate Amendment Schedule "A". Will you remark further.

DONALD S. GENOVESI:

Mr. Speaker, H.B. No. 8277, an Act concerning mass marketing of personal lines was passed in this House as I say about a week-and-a-half ago on a unanimous basis, and all it attempts to do, Mr. Speaker, is establish guidelines for the marketing of mass merchandizing plans. I move for acceptance of the Bill, Mr. Speaker.

MR. SPEAKER:

Further remarks on the Bill as twice amended. If not, all those in favor indicate by saying "aye". Opposed. Passed.

THE CLERK:

There are two disagreeing actions referred to Committees of Conference. Are there any reports?

MR. SPEAKER:

Is either Committee on Conference prepared to report at this time?

PETER W. GILLIES:

They have not reported that they are. I would therefore request that they be passed retaining.

MR. SPEAKER:

I suggest that we pass these temporarily, because we have to go back to the Calendar again. If they then are not ready, we can pass and retain them.

THE CLERK:

Page 6, on Page 6 of the Calendar, second from the

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Calendar 873, 875 and 876. I move for suspension of the rules for consideration of all starred items, and I also move that all double starred items not mentioned in the past retaining their place.

THE CHAIR:

So ordered in each case that is recommended by the Majority Leader, if there is no objection.

THE CLERK:

Beginning the Calendar, page 4. Subs. H.B. 8277. An Act Concerning Mass Marketing of Personal Lines of Property and Casualty Insurance. The clerk has an amendment.

SENATOR DINIELLI:

Mr. President, I move for acceptance of the Joint Senate Committee's favorable report and passage of the bill. Will the clerk read the amendment, please.

THE CLERK:

Senate amendment (a) is offered by Senator Dinielli. In line 35 after the word "employed" insert "or who were immediately prior to retirement actively employed". In line 36 immediately before the word "association" insert "members of a credit union, members of any association whose principal purpose is the furtherance of the professional interests of its members." In line 124 after the word "employment" insert "other than by retirement." In line 159 insert a period after "insurance", delete the rest of the line and delete all of

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lines 160, 161, 162, 163, 164 and 165. Renumber sections 9 and 10 as Sections "11" and Sections "12" respectively and insert a new section 9 as follows: "Sections 9. The commissioner may promulgate such regulations as he deems necessary to carry out the purposes of this act." Insert new section 10 as follows: "Section 10. Nothing in this act shall be deemed to prohibit the establishment of mass marketing plans for other lines of insurance in addition to those specifically mentioned in this act."

SENATOR DINIELLI:

Mr. President, members of the circle, in spite of the inaudible, the amendment clarifies the definition of groups under the plan who maybe sold group marketing, group insurance. This opens it up to any group. There was some question on whether we were trying to in the purpose of the act, trying to restricts this. This opens it up so that there is no question any group, or type of group maybe covered. The other item in section 10 refers to the fact that the guaranteed issue which is the basic concept of the mass marketing bill is applied only to automobile insurance and we have removed the provisions of guaranteed issue from home owners property insurance. I move adoption of the amendment and I further state, Mr. President, that this has been reached as part of an agreement between all the people concerned and everyone is now in favor of this much talked about bill.

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THE CHAIR:

The question is on adoption of the amendment, will you remark further, if not all those in favor of adoption of the amendment, signify by saying Aye. The Ayes have it, the amendment is adopted, and ruled technical. You may remark on the bill as amended.

SENATOR DINIELLI:

Mr. President, most of my remarks apply to the bill, but in essence the purpose of bill basically is to provide guidelines for mass marketing of insurance so that the public is protected by companies who are offering these plans. It gives the Commissioner power to step in if he deems it advisable and it really is a good consumer protection bill.

THE CHAIR:

Question on passage of the bill as amended. Will you remark further, hearing none, all those in favor of the passage of the bill as amended, signify by saying Aye. The Ayes have it, the bill is passed.

THE CLERK:

The clerk has --

SENATOR CUTILLO:

May I make an announcement, please. The Joint Committee Executive and Finance at 3:45. Thank you.

THE CHAIR:

Where Senator.

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Dr. Woodruff continued: the faculty members who are by and large not exactly overpaid and in our institution certainly are not and who need all the help of this kind that they can get.

May I thank you again Mr. Chairman for the privilege of saying this first because I do have some other chores I need to go do.

Sen. Dinielli: Thank you Dr. Any questions from the Committee? Thank you. We will now go into the first order of business. The first bill on our list is HB-8277 AN ACT CONCERNING MASS MARKETING OF PERSONAL LINES OF PROPERTY AND CASUALTY INSURANCE. And we will accept comments on mass merchandising as a whole. You can speak on any of the bills so that we can get all the information in a group so to speak on the mass merchandising concept. Rather than take each individual bill pro and cons we will accept testimony on all the mass merchandising bills at this time.

Bernard McMahon, insurance agent, Wethersfield, appearing as Vice President and Legislative Chairman of the Independent Mutual Insurance Agents Association of Connecticut. Our Association represents some 2,000 licensed agents and approximately a million and a half clients from the Connecticut insurance buying public strongly supports Substitute HB-8277 sponsored by Rep. Genovesi. Because of the paramount importance of indiscriminatory mass marketing legislation to the consumer and to the independent agent, with your permission I have asked our President Mr. Richard Peck of New Britain to appear here today and to address you on this matter. Thank you. Mr. Peck.

Sen. Dinielli: Thank you Mr. McMahon.

Richard Peck, President of the Independent Mutual Insurance Agents of Connecticut: Mr. Chairman, members of this Committee I am appearing today here in support of substitute HB-8277, sponsored by Rep. Donald Genovesi.

The purpose of this measure is to prohibit discrimination in the mass marketing of personal lines of property and casualty insurance. In the course of our legislative campaign in 1969 we predicted several abuses arising from weak or non-existent mass marketing guidelines. While we will not repeat all of these predictions today, we would like to reiterate a few of these which we feel pose the greatest immediate threat to the public; namely: General application of discriminatory underwriting practices, whereby an insurer underwrites only those members of a group who, in that insurer's estimation, constitute the best risks. This is the practice we refer to as cream skimming.

Mr. Peck continued: Arbitrary cancellation or non-renewal of policies already held by members of this group leaving the victims to seek replacement coverage in an increasingly restricted marketplace. This is incidentally probably even more insidious than initial rejection.

Selective underwriting practices, which would deny coverage to youthful drivers, those age 65 or over, certain ethnic minorities, even inner city property owners and similar groupings.

Failure to provide continuity of coverage to those persons leaving an insured group, for whatever the reason.

Gentlemen we feel the consumer, or victim if you wish must have protection. He does not have this protection now and unless it is immediately forthcoming, we are convinced that this type of abuse will proliferate rapidly. And that brings us to the meat of the issues before you today...guaranteed issue; and cancellation and non-renewal of insurance policies.

Guaranteed issue, within the context of this measure, means the acceptance by the insurer of all application by eligible members for the kinds of insurance offered under a mass marketing plan on a basis which precluded individual selection of risks or property, except that the insurer may reject an application from an otherwise legitimate members of the group for any one or more of the following reasons:

Now in the area of automobile policies, those persons convicted in the past three years of:

1. Operating a motor vehicle while intoxicated;
2. Operating a motor vehicle while under the influence of drugs;
3. Leaving the scene of an accident;
4. Homicide or assault arising out of the use of a motor vehicle and guilty of criminal negligence;
5. Making false statements in the application for a motor vehicle operator's license;
6. Operating a motor vehicle while the operator's license is suspended or revoked; or
7. Misconduct in the use of a motor vehicle. and in the area of property insurance:

If the applicant is convicted of arson within thirty-six months of his submission of an application; if the dwelling is vacant for a period of 90 consecutive days; if the dwelling is burned out and not being rehabilitated; if the dwelling or building is condemned or; if there is a proven moral hazard.

The measure provides that no policy may be cancelled or non-renewed, except for non-payment of premium, fraud, misrepresentation, termination of the group or, for the reasons

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Mr. Peck continued: mentioned previously as an exception to guaranteed issue.

Why do we support these consumer-oriented guideline? Because it is an obvious thing that there is a direct relationship between conditions which exist or develop in that market and those existing in what we presently consider the regular, voluntary property and casualty market.

It is to say the least, paradoxical that our regular markets are becoming increasingly restricted, while some of our largest insurers are showing intense interest in mass marketing and, by all indications, are moving rapidly toward exploitation of that marketplace.

We have to raise questions. Just what are the motives of these large mass merchandisers? If property and casualty business is so unprofitable that insurers are voluntarily restricting their operations in the regular market, how can they insure part of the same business in a market that theoretically produces an even smaller profit margin? And most important of all, what will happen to the 60-75% of the public not eligible for a mass marketing plan and who are left in a drastically restricted regular market?

Simply stated, the cost of insurance to those not in mass marketing plan must rise drastically if cream skimming is not prevented by this legislature. Today several large insurance companies in Connecticut are offering automobile policies, on a mass marketing basis, to everyone with a valid driver's license, yet many of you know, are violently opposed to any legislation that regulates this practice. Why? Our Board of Directors call this the loss leader of the 70's because they believe that once the plan is in effect, they really believe this, all but the gilt edged risks will be culled from the plan.

We would like to conclude this testimony by clearing up two grave and damaging misconceptions which arose during our legislative campaign in 1969 and again during this session: The misconception that we were, or are now, acting purely in our own self-interest; that equally disturbing misconception that our objective is to prevent the application of mass marketing techniques to property and casualty insurance.

Nothing could be further from the truth. We were then, and are now acting in the interest of a misinformed or uninformed public which could find itself in serious trouble unless protected against the potential abuses of uncontrolled mass marketing

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Mr. Peck, continued: To bring the matter even closer to home, we are taking about protection of our own clients, many of whom are personal friends or business acquaintances whom we have served for years.

Furthermore this Association has clearly demonstrated its consumer orientation in the area of insurance legislation. For example we originated the 1969 bill setting up guidelines for the mass marketing of property and casualty insurance, we are on record as supporting the no-fault concept, and we vigorously supported legislation for regulation of policy cancellation and non-renewal. This is hardly the track record of a selfish interest group.

The second point, trying to impede or kill mass marketing is sheer nonsense. Far from wishing to prohibit mass marketing we recognize it as a viable, modern sales technique with potentially great benefits for the insured public. In truth we as independent businessmen would like nothing better than to get a piece of this action; and to this end many of our recent conventions and educational workshops have featured experts in the field whose sole missions have been to instruct our members in the application of these techniques. We readily grant that this is self-motivation, but it is hardly within the context of the accusations, direct or indirect, which have been levelled against us.

Mr. chairman, members of this Committee, we thank you for this opportunity to testify. We submit that substitute HB-8277 is responsive to the needs of the Connecticut public, as well as the independent agent, and should receive a favorable report by this joint committee.

In conclusion we believe that substitute HB-8277 will open the door to the benefits of mass marketing while closing it tightly on potential abuses. Thank you.

Sen. DiMella: Thank you.

John W. Maloney, insurance agent in New Britain, President elect of the Connecticut Association of Independent Insurance Agents: Our Association representing over 2,000 individual agents throughout the State, strongly supports substitute HB-8277
AN ACT CONCERNING MASS MARKETING OF PERSONAL LINES OF PROPERTY AND CASUALTY INSURANCE as amended in our letter to you of this date.

Since the insurance industry became actively involved in the solicitation of personal automobile and homeowners insurance

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John Maloney continued: on a group type basis approximately five years ago, our association has constantly followed the progress of such effort. We were concerned and continue to be, that the plans of mass marketing conform to Connecticut law and regulation. Primarily our purpose has been to assure that these consumers ineligible for mass marketing plans, because of an accident of employment or other non-controllable reasons, were not unfairly discriminated against in either policy form or cost of insurance. During these years our association has sponsored many meetings and seminars for our membership in order that the independent agents in the State of Connecticut might use the mass marketing techniques to the best interest of the public and their own. We have attempted to provide such educational information because it has been our conviction that mass marketing, properly administered and regulated, would be in the public interest.

Unfortunately we have found that not all such plans presently in effect do protect citizens of the State of Connecticut and we firmly believe that legislation such as outlined in House Bill #277 is now necessary. For example there is in force in Connecticut a mass merchandising program under which the premiums charged for automobile insurance can be in excess of 40% less than the same insurance costs charged to people outside the plan by the same insurance company. We believe that such is unfairly discriminatory to those outside of this employee group and we seriously question further the adequacy of these rates.

Certainly no group has spoken longer or louder about the need to reduce the ever-escalating cost of personal lines insurance than our Association. It goes without saying that cost reduction because of proven reduction in expenses or losses, is good and proper and must be passed along to the consumer by the insurance industry. However cost reduction which cannot be justified aimed solely at securing a large group of policyholders at an artificially designed rate, is neither proper nor in the public interest.

If premiums are not adequate, then any insurance program must be subsidized by the other persons outside the particular plan through higher rates than necessary to provide the service guaranteed in their own insurance contracts. The Assigned Risk Pool in Connecticut is now so subsidized to an extent where a considerable number of dollars is included in every automobile insurance premium in order to make up the losses in the Assigned Risk business.

A further aim of this bill is to provide guaranteed issue for everyone in the group in order to avoid enlarging the mass of

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John Maloney contineed: of our citizens already unable to obtain insurance except through assigned risk type arrangements. We have long favored this approach.

The statement of purpose of HB-8277 indicates that the bill is to provide for mass marketing of personal and property insurance but to prohibit unfair discrimination in such marketing. We believe that the proposed legislation is consumer oriented and in the best interest of the public and all segments of the insurance industry. Again we support as amended HB-8277.

Sen. Dinielli: Thank You. Any questions from the committee?
Rep. Fabrizio: We will interrupt the testimony on mass merchandising.

Rep. Fabrizio: Thank you very much. Mr. Chairman, committee members of Insurance. I am in favor of HB-8769 which I have submitted. AN ACT CONCERNING FIRE INSURANCE COVERAGE BASED ON REPLACEMENT COSTS. This bill is a very good and much needed bill. This bill requires all the fire insurance policies to include replacement costs. Replacement costs. At the present time the homeowners' policies are covered by replacement costs provided they are insured for 80% or more of their value. This bill would apply to non-homeowner occupied dwellings, which of course included apartment houses.

At the present time any one can obtain replacement cost insurance endorsement for \$1 extra. Here again the building must be insured for 80% or more of this value at the time of the fire. Most people do not know they can obtain this endorsement and they are not informed that they can obtain this endorsement and thus do not have it on these dwellings. If one does not have a replacement cost endorsement on a non-homeowner occupied dwelling he is not insured for replacement cost. Thus the fire insurance company will deduct for depreciation. This can be a great amount of money.

Thus if you have a fire loss of \$20,000 the insurance company could deduct 25% or \$5,000 for depreciation. Now you all know fire insurance companies will still deduct for any code violations or roof depreciation. An example, if the roof costs \$15,000 and the roof is 12 years old, then you will receive \$300 to replace this roof which costs you \$15,000 to replace. Now if you have code violations it could go into thousands and thousands and thousands of dollars in apartment houses or even two or three family houses, because after you get a fire the building inspector comes along and says wow, now you got a, this apartment complex has to be up to the present codes, which require fire doors, sheet rocking of all hallways, sheet rocking of the cellar, sheet rocking around the furnace, fire escapes, iron fire escapes. Well it could amount to thousands of dollars.

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Rep. Fabrizio continued:

We are not correcting that here. If this bill is passed it will help everyone including the insurance agents. What happens after you have a fire and you lose \$5,000 as I showed you for depreciation because the insurance company deducts \$5,000 and then you have to spend another \$5,000 for code violations, there's \$10,000. Now if you are 50 or 55 years old you can't obtain this money from the banks because they won't give it to you because you are too old to get a mortgage. So now you have to sell your house because the insurance company didn't cover you for replacement costs which was \$5,000 and then you might have code violations for another \$5,000. Now this bill would protect that. This would make the insurance companies cover you for depreciation, replacement costs. Now it only costs \$1.00 extra. If this bill is passed it will help everyone including the insurance agents. Now the agent can inform the people that in order to take advantage of the replacement costs that is, not allowing the insurance companies to deduct for depreciation they must insure their properties for 80% or more of its value. Now everyone if they are informed of the fact are going to jump their insurance policies up because most policies are not up to 80% and they should be up to 80% or more. Thus the people will increase their insurance coverages.

Now I think this is a very good bill and it's long overdue. And it's much needed and I urge a favorable report. If you have any questions on this, I'd appreciate it if you'd ask me about it.

Sen. Dinielli: Thank you Rep. Fabrizio. Any questions from the committee? I guess not. Thank you. We will now resume on our mass merchandising testimony. We are still hearing arguments in favor of the proposed plan specifically Substitute HB-8277. Are there any other proponents? Well then we'll hear opponents.

Joseph Cooney, Attorney for the American Insurance Association;
First of all I'd like to say a preliminary word about why mass merchandising is necessary. As you gentlemen well now there are two parts to an insurance premium. Roughly for our thinking here today we may consider that two thirds of the insurance premium is the loss portion of the premium. And we can call the other one third of the premium the expense portion. Now you know that you can do nothing about the loss portion of the premium while we're killing 55,000 people a year on a highways while faster cars are being built and there is no regulation about the construction of the automobile as yet to avoid accidents and there is no proper regulation of drivers as to their fitness. So that the loss of the, the loss portion of the premium has mounted and mounted, necessitating increases in rates in Connecticut and all

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Joseph Cooney continued: over the country. Therefore attention has been directed to the expense portion of the premium. If the expense portion of the premium can be lowered the public can get lower rates and God knows everyone wants lower rates.

Now the expense portion of the premium can be lowered by insuring large groups of persons with a common source of collection such as a labor union, or a common employer and this is one of the reasons why mass merchandising has come into being and why it is proceeding in the State of Connecticut at a phenomenal rate. Now in spite of what the gentlemen said two years ago this Legislature was victimized by passing a bill the purpose of which was to preclude mass merchandising because it provided that in order to have the group, the minimum number in the group must be 700. And there had to be 75% participation at the outset. And we proved to the court that two thirds of the people in this State worked for employers who do not have 700 people. There was another provision that said that if the group had an affiliate, the smallest affiliate must have 700 members. So this would knock out great world wide concerns like ITT because they have small companies that have less than 700 members and would knock out every labor union in the country because they all have affiliates with less than 700 members. So the purpose of that bill was to strangle mass merchandising at its birth. We went to court and we beat it.

Now you're back today to consider the question of mass merchandising. The substitute bill is not as drastic, as draconian, as repulsive as the one that was passed two years ago. I want to start off by saying that you don't need any legislation at all for mass merchandising. You don't need to pass any legislation for mass merchandising. It is functioning in Connecticut. And as to rates you know that the law on the books says that it is the duty of the Insurance Commission to make sure that any rate charged is neither excessive, inadequate, or unfairly discriminatory. So this statement made that the rates aren't large enough or aren't high enough or are being cut too much will not stand up while the Insurance Commissioner functions in this State.

There are already a great many plans in the State of Connecticut. You are going to hear right after me from the representative of the Hartford which is now about a program to insure 38,000 state employees under mass merchandising. And is signing them up at 1,000 a month and already has thousands of them signed up on a mass merchandising program. If you look at Section 8 of this bill it says that "no insurer shall issue or renew a policy except in accordance with the provisions of this act if you pass it. This means that the present program in effect now among the state employees, advisor and all over as I will come to later would have to be revised. In other words they want to eliminate the programs and prevent their renewal except in

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Joseph Cooney continued: accordance with the terms of this bill and if they are eligible under this bill.

So one of the purposes of this bill is to invalidate the present existing successful plans. It is so that the Hartford County Bar Association of which I happen to be a member is sponsoring a plan for its members. I just got the literature the other day on it. There is a serious question whether these members can be covered under the definition of eligible members that's in quotes in the bill, eligible members. Members of the same labor union may be included which is all right. But apparently it excludes members of the same professional association. Now people say the lawyers have a good union. But technically they're not a labor union. So under this bill the Hartford County Bar Association's plan apparently would be knocked out. Under the definition of an insured automobile a car can't be covered if it is used in the profession or in the business of the insured. And I would refer you in the substitute bill a definition of automobile two thirds of the way down, which is not used in the occupation profession or business of the insured. In other words if you use other than a private passenger car, if you use a private passenger car in your profession like I do to go to court or like most people do whether he's a doctor, architect, engineer or anything else and an insurance agent. Then under the definition of an automobile on page two he couldn't be covered. That may be just poor draftsmanship and might be amended.

Under Section 1 guaranteed issue basis means that the insurer must accept everyone who applies with the exceptions which he mentions and which I'll come to. Section 2 (2) states that everyone must be covered without discrimination as to form or coverage. This means that those who are now in the assigned risk pool can secure coverage in any amount that anyone else gets. For instance if you want \$200,000, \$500,000 on your car and you were a member of the group a fellow employee who was in the assigned risk pool could get the same coverage. The only person who can be excluded is one who would in three years has been convicted of serious motor vehicle violations and it doesn't matter how old he is, how many other convictions he's had within the the three years, how many accidents he's had, how many accidents his teenager had and he isn't even required to have a driver's license, under this bill. In the case of property insurance the policy must issue unless the applicant has been convicted of arson within 36 months. He could have been convicted of murder and arson 46 months ago but he, you still got to take care of him. Then it says that the dwelling has to be actually unoccupied for 90 consecutive days or it must be covered. Now I don't know any insurance company that's

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Joseph Cooney continued: going to insure a building that's been unoccupied for 60 days. Or else the building must have been burned out and not rebuilt. They try to load in undesirable things here to increase the rates that would have to be charged to cover these things that are not normally covered. Then the policy must be renewed no matter how many of the insured's teenagers have had fatal accidents. And here's a strange one and I'll direct this to my friend who is familiar with labor matters, if the employee is fired or terminates he still gets coverage for a full year. But the bill goes further. It directs the insurance company, the Insurance Commissioner I mean to promulgate regulations continuing the policies "during temporary interruption of employment such as strikes, layoffs, and other absences." Now you must remember that the insurance company is being paid by payroll deduction, so that if there is a strike that lasts six months or four months, the insurer is not getting paid out this law says that it's got to continue the insurance. It doesn't define what a strike is. It doesn't define what a layoff is. It doesn't define what other absences are. It has no limitation in regard to time and such a bill if you recall was held unconstitutional in Massachusetts in regard to debit insurance when they said that during the strike they had to still keep the insurance in force and trust to luck that somehow the poor unfortunate individual was going to be able to make up his back payment. That provision I believe is unconstitutional and of course it is extremely vague. You would have to go to court to find out a definition of what other absences are. Or what strikes or layoffs are. I always understood there was a big argument about whether a thing was a strike or a lockout or a layoff although I'm not an expert in this field, all I know is how and what I read in the paper.

Now today we've got group life, group accident and health, group retirement, group annuities. Under the present law it's permissible to mass merchandise casualty insurance without regulation. The people who are sponsoring this bill are not content to leave the matter in the hands of the Insurance Commissioner as it is now. He now has the power to make regulations. There's a bill in here about that. But he has the power to make regulations. He has the duty to see that the rates are not excessive, inadequate or unfairly discriminatory.

Now this legislation is not needed. And I respectfully suggest oh, before I call on Mr. Ripley who will tell you about the State Employees situation I have a note here. The Royal Globe due to being in New York could not present you with their figures in regard to, there are 12000 people on the payroll at Visor. Of these 644 accepted automobile insurance, 40 accepted home-owners insurance and only 1 application, only 1 applicant has been rejected.

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Joseph Cooney continued: The reason for that I do not know but my friend Mr. Ripley will tell you a very interesting story about the state employees and how many they have had to reject.

Unless you have some question for me I'll ask Mr. Ripley if he will explain that.

Sen. Dinielli: Questions from the committee? Mr. Cooney before you call Mr. Ripley, I've gotten a note here from a person who came in late who was planning on speaking in behalf of the plan. I'd like to accept his testimony. John Civitello, Jr. Please.

John Civitello, Jr., consumer of insurance: I'm here just to state as a consumer of insurance from Salem, Connecticut who purchases insurance, pays a great amount of money for my insurance because of my age which is 24. I came also as a request of my insurance man. I belong to a union which has just adopted a program of mass merchandising insurance, a group plan. And upon calling in and asking to become part of this program I was called and stated, called back, well after I had called him back the man I had called stated to me that I would not be eligible for this program and no reason was stated.

I have a perfect driving record. I have never been convicted of anything not even a traffic violation for parking or whatever you might consider a minor offense in that. And I am 24 years of age which is under 25 which seems to be the cut-off point. And besides that I have no other belief in my mind that I was discriminated against in my mind, in that they wouldn't give me insurance and I pay a great amount of insurance and I feel it is unfair that I should be discriminated against as, just because I have no reason for it, only that I am 24 and under an age bracket which they consider the hazard. But I was not included in this policy.

Sen. Dinielli: Thank you Mr. Civitello. Any questions from the Committee? Thank you. Mr. Ripley.

Scott Ripley, Secretary for the Hartford Insurance Group, manager of their mass merchandising departments: I think it is a truism in the marketing business that if the needs of the consumer are not met that you will not long be in business consequently I would like to direct my remarks and the experience of the Hartford around that point, that key point.

We have been in business in mass merchandising several years only two months in the State of Connecticut and I would like to relate to you some statistics as they pertain to Connecticut in reference to our national experience after two years in the business. We have been writing the Connecticut State Employees

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Scott Ripley continued: Account, some 38,000 people for a little over two months. We made one initial mailing to the members. As a result of that we have to date through the end of March written 3,078 policies. We have approximately 4,000 more individuals who indicate they would like to buy our policy at such time as their present policy expires and they will be contacted and we would say that with no more promotion activity approximately 7,000 of those people are available as inaurera.

As you know this is a voluntary program. An employee may buy or may not buy. That is his election. We know that as a consumer he will buy if he thinks we have a good program for him. I would like to point out today that of those we have seen, 87.1% have bought our program. And in reference to the charge made earlier by an esteemed colleague from the Mutual Agent's I would like to point out a very significant factor. We have rejected 3.1% of all of the people who have applied. These reasons vary. I would like to mention a few things to you. We have had people come onto our premisses drunk. We have rejected those people. We have had people who have 8 and 10 traffic violations within the last two years. We have rejected those people. We have people who have come aboard and who have asked to come aboard and they are in their 80's. We have rejected those people who could not meet a physical examination. I would also like to make a point that this program is available for retired people of any group that we write. And consequently age is not a factor in precluding. We do have a requirement that if in the best judgment our licensed agent feel that man should have a medical examination we would ask him to do this so that we can be sure that for his need and the public's need that the man is qualified to drive an automobile.

This experience squares with what Hartford has done on a national basis. Our national rejection rate is approximately 4.2% of those who apply. This is hardly cream skimming as the expression would go. I would ask really how many are rejected by those who would oppose mass merchandising as a concept in their regular book of business. I would also like to point out and I think this is quite significant not only to the agents of this state but to the insurance public and particularly to the people that we insure. 13.2% of those policies we have written formally had no insurance; Absolutely no insurance. This advantage is quite obvious as it relates not only to those people who have bought but to those people who are now protecting the financial integrity for the first time. This squares with the 14.1% nationally of people who were formally uninsured.

Further the savings have made it possible for people to take better advantage of the capability to insure their financial
I'd like to give you some more statistics.

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Scott Ripley: 74 % of those policies we have sold to date in the State of Connecticut, mass merchandising have bought limits of 100,000 or in excess thereof. Comparable policies being written 39.4%. So I think it is obvious that savings enable people to protect their financial integrity in a much more significant way than heretofore.

Another percentage that may be of interest to you. Nationally 44.3% of all the business we have written in a mass merchandising way has come from the direct rider or the no-agency type of competition. So this is not anything that is not in the best interest of the agency plan of this state, much as has been made about the agents who are represented in their viewpoint. You add the 44.3% from the direct riders and the 14% that I mentioned earlier and nearly 60% of all the business is coming from other than an agency type of organization. The Connecticut, I would like to be truthful on this, Connecticut has not had the inroads from the direct riders, for example as have many other companies. In Connecticut those percentages amount to a total of 36.3% that is coming from either uninsured or from the non-agency companies.

I would submit that the capability to deliver lower cost insurance to the consumer is a very much needed. The consumer is demanding it. I would also submit that giving a quality product has always been and continues to be most strongly regulated by the insurance commissioner. His responsibility for seeing that rates are not unfairly discriminatory remains the law of the land and we think this is a competent authority to regulate the automobile insurance business. In terms of the property we feel that certainly an analogy could be quite meaningful to you. This State, the federal government has recognized that some properties by virtue of their condition have needed a very special market. It has been seen fit to establish a fair plan in this state and in many states in the country. This bill would require properties to be put in in a place that we have all recognized that do not properly belong in either a regular book of business and particularly not to a mass merchandising business. It is attempting to bring lower premiums to the insurance public. Thank you for your attention. It has been a pleasure to be here and I would be pleased to answer questions.

Sen. Dinielli: Thank you Mr. Ripley. Any questions from the committee? Rep. Genovesi.

Rep. Genovesi: Mr. Ripley I just have a couple of questions you might be able to help me with. Do you have any knowledge Mr. Ripley of the Hartford's position with regards to their agents throughout the state cutting back on any writings of those

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Rep. Genovesi continued: agents limiting the amount of policies that these agents are able to write; Or in any way restricting their agents in writing automobile insurance.

Mr. Ripley: We have and I think it is a matter of public knowledge such a charge levied against us in the State of Ohio. That answer is-

Mr. Genovesi: No, I mean in the State of Connecticut.

Mr. Ripley: In Connecticut not to my knowledge. I represent the mass merchandising department, I don't mean to evade you - I would say this-

Rep. Genovesi: No, no. I know that, that's why I say-
Could you get us some information from the Hartford on that?

Mr. Ripley: I'd be pleased to do that.

Rep. Genovesi: Thank you very much.

Mr. Ripley: You're welcome.

Senator Dinielli: Any other questions? Rep. Genovesi you mentioned you had a couple of questions, do you have any more?

Rep. Genovesi: Yes, approximately what is the difference in premium between the mass merchandising plans offered to the State Employees and if that state employee were to buy the same policy through a local agent, if you give me the-

Mr. Ripley: This is one of the most difficult questions to answer without being unfair and in an apple and orange comparison for the reason that even coverage limits vary by the type of contract offered the types of coverage bought within the contract vary. If I can give you analogy in terms of a comparable kind of product in a particular rating territory, you are aware that there are many rating territory groups, there are many classifications, and we talk in a median level and that may not be significant to any one individual. One individual may pay \$200 and another individual may only pay \$10. Of those people who rejected us approximately 0% rejected us for price proving that no company can always sell the lowest product in any area at any one time. But if I may take a median figure with that understanding it would not necessarily be true in an individual case. That figure would be on the order of 14%.

Rep. Genovesi: O.K. thank you very much. I would like that information though concerning the Hartford.

Mr. Ripley: Their Connecticut policy as regards any restrictive

Mr. Ripley continued: action in terms of writing automobile insurance.

Rep. Genovesi: All that you are writing at the present time for the-

Mr. Ripley: That is correct. I would like to make one more point if I may. This is outside the scope of the question but that young gentlemen raised the question about restricting action in the terms of age group. I had mentioned earlier that we certainly had no misgivings about taking retirees, the elderly, assuming that we are all satisfied that they did not have physical infirmities. I'd like to point out just as an example one month's experience in the State of Connecticut our writings, for example, unmarried females age 17 to 20 we wrote 54 policies. Married males age 17 to 20 we wrote 16. Married males age 21 to 24 we wrote 38. Non-married males 17 to 20 59. Unmarried male age 21 to 24, these last two figures are not the owner or principal operator classification. 10. Unmarried male 28, the last three figures. 36 unmarried male age 21 to 24, 36. Unmarried male age 25 to 29, 16. These are classifications that are built into and approved by the State of Connecticut. My only point is that there is no discriminatory action on the part of age within the program.

Rep. Genovesi: Mr. Ripley since you brought it up. I don't think the gentlemen referred to the State Employees Association group when he was speaking. I'm not sure of that, but I don't think he was speaking to that. But since you are and apparently you do write without discrimination or restriction it seems only fair then, this is only in my opinion the heart of what we are trying to get at today. You are here speaking in opposition to this bill and you can cite us that the Hartford is not taking these actions, what we are really interested in though is the consumer being protected against those insurance companies who might be taking those actions and that is the thing that bothers us. Now the Hartford might very well be doing a good job in this program and if they are we can congratulate them, but what we are interested in is those groups, those insurance companies who might not be doing a good job and if you are already doing a good job then it seems to me you wouldn't be opposed to making sure that that same good job is done by all companies writing mass merchandising plans in the State of Connecticut.

Mr. Ripley: We certainly agree that we are behind in any efforts, any and all efforts to insure that the public gets a fair break because that is the basis that we are on. But I would submit that the Insurance Commissioner of the State of Connecticut has the specific charge to do those very things and our job is to

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Mr. Ripley: that rather than a restrictive underwriting list with all of the in-built complications to exercise sound judgment, the Commissioner of the State of Connecticut has that specific charge to preclude this unfair discrimination. Thank you again.

Sen. Dinielli: Thank you, any other questions? I believe I neglected to read a letter from John Maloney who spoke previously in favor and I should read the letter now even though it is a little late. "Both the Independent Mutual Insurance Agents of Connecticut and the Connecticut Association of Independent Insurance Agents respectfully urge the deletion of the words "or renew" in Section 8, line 2 and the addition of a new sentence after the words "take effect July 1, 1971" in Section 10, as follows: "Mass Marketing plans in effect on or before July 1, 1971 shall conform to this act prior to July 1, 1972."

This was something I should have read earlier and I hope you will forgive me. This time I'd like to in my continuing efforts to upgrade the status of our Committee, I'd like to ask Rep. Pearson of the 128th District to take the chair for the next half hour.

Rep. Pearson: Are there any more speakers on mass merchandising?

George Katz, Manchester, Aetna Life and Casualty: Madam Chairman, I really hesitate to come forward in opposition to my fellow townsman's bill but I'm not really sure that the intentions of this bill and our intentions are in opposition. I do think though that the bill over swings in its effort to achieve fairness and equity in mass marketing. And I think commenting specifically to Rep. Genovea's last question of the last speaker that the risk of endeavoring always to regulate and control the one fly by nighter who might step out of line is that you put an undue burden upon all those who would go the proper way and as we have I'm sure argued before you in many respects before, the industry is competitive and competitive in this area. And competition is driving in the direction of broadening eligibility. This seems to be the basic thrust of your bill. I think that you will find that competition will achieve broadening eligibility in the field of mass marketing and take with it a broader eligibility in the entire market in time to come.

But the problem of superimposing legislatively it seems to me a virtually guaranteed issue requirement upon mass marketing comes upon because it was pointed out the Assigned Risk Plan which presently takes up the involuntary slack of the business and is as stated to some extent subsidized by the voluntary market by the voluntary rates will be also in turn subsidized

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Mr. Kata continued: by the mass market because this is part of automobile insurance written subject to assigned risk obligation. And if you impose a regulation which requires guaranteed issue to highly substandard risks you will find that the kind that would appear in the Assigned Risk Plan you would in effect impose the double whammy on mass marketing that is not imposed on individual marketing. All of the bad risks rejected in the individual market are absorbed by the mass market and in addition to the burden of carrying the assigned risk plan assignments falls upon them too. And I don't think that that problem has been resolved in the thinking that has produced this bill to date. And I'm not sure really that the testimony of one person is sufficient to indicate that we have a problem in this area.

I can tell you and the main reason I want to get up was to tell you that the Aetna has not rejected a risk yet that has a license and that pays a premium in its mass marketing program in Connecticut. I do feel also that we are still under a filing obligation and a review obligation with the Insurance Department, our rates are reviewed very thoroughly I can assure you. And the rates that we are currently using have been reviewed by the Department and its experts in this field, so that the rates that are being used can be challenged if they are out of line.

Rep. LAKOSA: Madam Chairman, Mr. Katz you said something about you didn't feel that under this bill this would allow all the companies to take the cases of the people that with so called fly by nighters-

Mr. Katz: I was referring to some unidentified companies that might be cream skimming in this field.

Rep. LAKOSA: Oh, o.k. You know you said I think the magic word cream skimming. Just for example can you tell me that some of the same people that would be turned down as a result of a motor vehicle violation under the group concept of insurance, these same people, or some people within that organization who had maybe a heart condition who are insured under group life insurance at the initiation of the contract, why then don't we say let's eliminate those people under the concept of group insurance. This is what I can't understand.

Mr. Katz: Well I want you to know that my company is working and I think effectively on ways and means of providing insurance for people with heart conditions, for people with a record of violating, for every manner and condition of

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Mr. Katz continued: what we call risk exposure among motorists in Connecticut and in other states. And we are providing a market for all of those people.

Rep. Lakosa: But isn't it true under the group concept of insurance they do have a guaranteed issue on life insurance when Aetna, Travelers, Connecticut General, take on a group policy for group life insurance. So it just doesn't seem possible in mass marketing that the same companies should not adopt a different principle where they should exclude and pick and choose the clients that they desire. So if they are going to do it on one why don't they do it right down the line.

Mr. Katz: I think that what I have been trying to say is that this is exactly what we are doing and that, for that reason the law should not attempt to overregulate us. It should give us an opportunity to produce this in competition with each other, that the result of that competition will produce it and if regulation is needed as previous speakers have indicated the Insurance Department has the authority. If you wish specifically to enact a special authority directed at this for the Department to regulate we certainly would support that. We are not here to argue that we should not be regulated.

Rep. Lakosa: Well I would say then from what you just said that you would have objection to this bill because you are already doing it.

Mr. Katz: I do indeed. I think it is bad regulation and I think that it will have a negative impact on the business.

Rep. Lakosa: Negative impact, which means that then you will have taken all the risks that are eligible without any violations and all the ones that have had a little bit of infraction pertaining to motor vehicles and what have you, these people would more or less have to just go on and get insurance on their own, and of course that would be under the assigned risk. And this is exactly what would happen then, wouldn't it?

Mr. Katz: I endeavored to explain that we are presently doing precisely this. We are doing it voluntarily and we think the market for mass marketing requires that this be the approach that we take.

Rep. Lakosa: What would happen under mass marketing under your company if all of a sudden you assumed a risk that was eligible at the inception and ineligible two years later as a result of a violation or didn't adhere to the underwriting rules, what would

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Rep. Lakosa continued: you do then?

Mr. Katz: Our underwriting rules are to accept everyone.

Rep. Lakosa: No, but what would you do two years later when he no longer complied with your underwriting rules, would you then say that he no longer would be eligible for the plan?

Mr. Katz: We have and it is part of our file plans a method of adjusting the rates to be charged to people who do develop adverse driving records while they are insured with us or at a time previous to their buying insurance.

Rep. Lakosa: Why not adjust the rate at the inception then?

Mr. Katz: We do. The rate is adjusted to every individual's driving exposure. At the inception and during the period that they are insured with us. Just as it is in the ordinary market.

Rep. Pearson: Are there any other questions?

Rep. Genovesi: Madam Chairman, Mr. Katz I appreciate the fact that you hesitate to come forward and speak in opposition to the bill sponsored by me since we are both from the Town of Manchester. I do just have a couple of questions that maybe we could get squared away in my own mind on this particular- is it true that the, I read about this in other states and I just ask this question because I'm not sure, I don't represent the Aetna, is it true that the Aetna has a program to write all insurance, insurers and all risks in some states under a program, and I just saw it in some trade paper maybe you could help me with it, but I think it was in Illinois where they will write everybody it's just a matter of pricing.

Mr. Katz: That is correct. That is correct. We have such a program. It's being conducted on an experimental basis and I believe if it works it will be-

Rep. Genovesi: I think that was a fine innovation by the Aetna to be able to come out with that. Do you, is there some misunderstanding in this particular bill, and I'm not sure this and this is why I ask the question on the part of the Aetna, to know that the Aetna can charge although we speak of guaranteed issue, the Aetna can charge the premium that they feel is necessary for the particular risk involved. In other words we aren't saying to the Aetna you have to take this individual and you have to charge him the same rate as his neighbor even though they are two different risks involved.

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Mr. Katz: No, I understand that and I think our principle problems with the bill are with the idea that regulation of this kind is all that's required. Very frankly I would come before you if I thought that I would get a welcome here and propose to you that you enact legislation that would exempt a program that guaranteed issue from the onus of the Assigned Risk Plan. Now we recognize that this is going pretty far. There is federal legislation to this effect right now being considered in Washington. My point in testifying frankly was to point out that there is a quid pro quo here and the legislation that you proposed upon the industry in general in the field of mass marketing would put a double burden upon mass marketers and in effect would require mass marketing to subsidize the individual market.

Rep. Genovesi: You don't think that without it it's going to be the other way around? That the individual market will be subsidized or subsidizing the mass market.

Mr. Katz: No I don't and based on our experience to date and what you've heard of much more detailed testimony by the Hartford and ours accords with what their findings are. The direction in which mass marketing and this is marketing is going requires that there be the means provided to enlarge the market. This is the necessary ingredient to achieve group sponsoring for the plan to begin with. You can hardly approach a group and say well we would like to insure your group but we only want 25% of them, you have to approach the group and find a way. And this is what we are trying to do, to insure them all.

Rep. Genovesi: Well that seems to be the problem that we are running in to here with the Aetna and the Hartford. You people want to insure everyone and you say that we are now insuring everyone. It is my understanding that the Aetna has a program for the Bar Association that says all you need is a valid driver's license and we will insure you. And yet you resist very vigorously any attempt for the Legislature to say to you well these are at least the minimum of what we would expect you to do for all of your groups, whether it be an attorney's group, or a labor's group or an electrician's group. And you're now doing more than we ask. And we appreciate that. But I don't understand if there is some way that we can change this to make it better, come forward with the ideas and we will try to do that. But if you are now doing it and from the testimony that you give and from the testimony that we heard from the Hartford, you are now doing it, why do you resist even the minimal of standards so that we can assure the public that if there is a mass merchandising plan introduced that all of

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Rep. Genovesi: the people in that group will be able to join it. I don't understand why the industry doesn't come forward.

Mr. Katz: I will Joe but I just have to respond to this, if of course all the testimony that you have and the evidence that you have and I think this is true indicates that the company is doing more than the law would require it raises a question as to why you have to wrestle with the passage of such a law to begin with.

Rep. Genovesi: Only because we are concerned with the fact that there might be some groups where this will become a problem.

Rep. Pearson: Mr. Cooney I don't believe we will have any rebuttals here this morning.

Joseph Cooney: I'd like to answer Mr. Genovesi's question I may. Rep. Genovesi, if a person were a dope addict I think that you would say that the company should not take him. In this instance it was specified by the Hartford where they are including in the State Employees Mass Merchandising Plan retired state employees if you get a person who is over 80 years of age I don't think you should take him for the sake of the public unless he is able to demonstrate his physical capacity. The first thing you now you have a law suit from lawyers claiming as they do under engineering standards that when you gave him the policy you inflicted an injury on the public. I think that there has got to be some outside limits. Theoretically yes, everybody in the class who is a member of a labor union or retired state employee can be eligible but there must be certain safeguards for the public built in. If we were to take for instance you realize that under the State Employees Program the active employee or the retired employee may have a spouse who is the driver who is much older or who may be in such a condition that he should not have a license. Under the provisions of the bill before you the insured doesn't even have to have an operator's license in the State of Connecticut.

Rep. Genovesi: I don't mean to rebut what you say Mr. Cooney, except that the public hearing is being held so that we can come up with the very best bill that the Legislature can come up with. And if those are your recommendations, we will take them into consideration and just come forward with them that's why we are here.

Mr. Katz: Let me make this an affirmative recommendation then, if you are concerned about the practices of some companies in this field and you're satisfied that other companies are attempting to achieve a market approach to this along the

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Mr. Katz: lines of approaching guaranteed issues; Or in fact guaranteed issue. Then I suggest that maybe there should be some inducements to the other companies rather than penalties on the companies that are performing and that inducement might very easily be to exempt any company that writes on a guaranteed issue and makes known the availability of its plan to all members of a group the exemption from the onus of assigned risk. And then perhaps you can turn this thing around and affirmatively move in the direction of inducing all companies to participate this way.

Rep. Pearson: Thank you Mr. Katz. Are there any other speakers?

Rep. Vicino: Yes, I have a question Madam Chairman of Mr. Katz. I wonder if you would pursue that idea which you have just come forth with, I find it quite interesting and I don't think I completely understand about the exemption and on those who are-

Mr. Katz: Well those, there is a proposal in one of package of Hart Bills relating to various subjects, no-fault, mass marketing so forth which recognizes that the impact in mass marketing of a completely open acceptance of the entire group. And this of course is the most acceptable kind of mass marketing proposal that you can make. This is to cause under present rules and regulations and obligations of companies writing automobile insurance to participate in Assigned Risk Plans imposes a double whammy so to speak. You initially agree to accept all of the members of a group recognizing that within any group you will get a cross section of risks some of the best and some of the worst. A small percentage of that group is going to be people who are being extracted if you will from the Assigned Risk Pool. You have them on a voluntary basis but having written premium on that Plan necessarily as a participant in this Assigned Risk Plan you continue in fact you enlarge your obligation to accept a distribution of risks on a pro rata share basis from the Assigned Risk Plan itself. So that you not only accept a certain share within the group who are not of the part of the voluntary market but you pick up an increased share of the involuntary market because you do accept and write this group in that fashion. It is a kind of double whammy.

And there are problems in working out a solution to this but I think it should be solved before you attempt to regulate or legislate a guaranteed issue policy in one phase of this market.

Rep. Vicino: The only problem I can see with that Mr. Katz is that under the present conditions that now exist many companies voluntarily write risks that you would normally put into the Assigned Risk Pool, called non-standard policies. However

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Rep. Vicino: The surcharges far exceed any charges, surcharges that are placed on that same risk in the Assigned Risk Pool. So in fact they are driving this business which they will voluntarily accept into the Pool. I wonder if mass merchandising that offers everyone policy at a price would be in some cases the same situation where the surcharges will be such that they could not accept it.

Mr. Katz: This is true. You'd have to recognize that some portion of the mass merchandised group rejected the mass marketing plan because of price or because the Assigned Risk Plan had a cheaper premium. And this is why I say there is a matter of principle here that should be resolved. The point still is and I'm speaking to the over-awing of this legislation. There has to be a way to work this out and again I would welcome a study of this an opportunity to review with you and with the Insurance Department ways of doing it and the means. I heartily think that we are far enough down the road in mass marketing in Connecticut in terms of the percentage of the market that's influenced by this to come to a hard and fast conclusion right now.

Rep. Vicino: Well might you agree that any risks that would be accepted under the mass merchandising scheme could or should not exceed the rates in the Assigned Risk Pool?

Mr. Katz: Well for one reason or another many people are willing to pay more than the rates in the Assigned Risk Pool. If the rates in the Assigned Risk Pool are totally self supporting then they should be about the same as the voluntary rates and there wouldn't be any difference. If the person is willing to pay more I think they should certainly be entitled to do so.

Rep. Lakosa: Madam Chairman, Mr. Katz, one more question. In the event that we allowed you and your company and all the companies that do business in Connecticut under mass merchandising or marketing to go into a plant with say of 1500 people and take whatever risk that they feel that they can live with. The question is at the end of two years or at the end of three years they have assumed 1,000 people in a plant at the risk and they all adhere to the underwriting rules, the companies that they have assumed these responsibilities, and now their loss ratio in this particular group goes up to 200 or 300% what is the company going to do?

Mr. Katz: Raise the rates.

Rep. Lakosa: Raise the rates to what proportion?

Mr. Katz: Well it's not 300% it's some fragment or fraction of that sufficient to be able to pay the losses in the future.

Mr. Katz continued: that is what it is.

Rep. LaRoas: O.K. assuming that they had another case within the same structure there that their losses were minimum with one group offset the other or would each group stand on its own merits.

Mr. Katz: We are getting into rather complicated-

Rep. LaRoas: We're getting into mass merchandising that what we are getting into.

Mr. Katz: No, we are getting into rating and I can only answer for our particular company approach to it. Unless you had an extremely large group, the loss experience of a group of 1500 which you referred to would not in our opinion be large enough to turn around and say the losses on that group have to be considered to be the future experience for that group and we won't consider any other group that might have lower losses when we set the premium for that. We would pool together and make only a small difference between the rates of the one group and the other group. And our filing presently with the Insurance Department permits us to do this to the extent of a 2% swing one way or another after we've had 3 years of experience on that group's business.

Rep. Pearson: Thank you Mr. Katz, if we could interrupt the mass merchandising testimony for a moment, excuse me sir, Rep. Fabrizio from Norwalk is here again.

Rep. Fabrizio: I'm sorry I didn't talk before on this bill. Madam Chairman, committee members, I have introduced HB-8822 REQUIRES COMPULSORY MOTOR VEHICLE INSURANCE. I feel that Connecticut is behind times, New York has compulsory motor vehicle insurance, Massachusetts has compulsory motor vehicle insurance and many other states have compulsory motor vehicle insurance. I have heard of numerous instances where someone was involved in an accident and one of the parties did not have insurance and one of the occupants of the car was landed in the hospital without compensation. Also if we had compulsory motor vehicle insurance we would be protecting the pedestrian who walks across the street, and gets hit by an uninsured motorist and lands in the hospital. He receives no compensation from the insurance company whatsoever.

But if we had compulsory motor vehicle insurance he would be protected against this loss. About 95% of the people who drive cars have insurance and it is not fair that the remaining 5% do not have insurance. And we should not allow this remaining 5% to use the streets in Connecticut without insurance. This is a good and much needed and long overdue bill and I urge a favorable report. Thank you.

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Rep. Pearson: Thank you Rep. Fabrizio. Now we will get back to the mass merchandising. Excuse me.

Rep. Crockett: Madame Chairman, has Mr. Katz of the Aetna left? O.K. Anyone else here from the Aetna Life and Casualty that could answer a question? Bill Yeats?

Willard Yeats: I'll pass along any question that you may have. If it is a simple one I'll try to answer it.

Rep. Crockett: Does the Aetna Life and Casualty market group life insurance, accident and health and so forth?

Willard Yeats: Yes it does.

Rep. Crockett: How much of this business is done through agents? Rather than on a direct basis company to company.

Mr. Yeats: A great deal of it is done through insurance brokerage houses in conjunction with salaried home office representatives so there is an agent in the picture and I would say in all of the cases or most all of them. The large cases particularly are all done through the brokerage houses.

Rep. Crockett: This may not be completely pertinent to the thing that we are discussing here but it just appears to me having been in the life insurance business for the last 17 years, that what this mass merchandising is really getting down to is the elimination of the agent.

Mr. Yeats: I think that there may be concern on that score, yes.

Rep. Crockett: Well I'm very concerned about it. Thank you.

Rep. Pearson: Thank you. Rep. Connors you wanted to speak.

Rep. Connors: Madam Chairman and all you handsome gentlemen from the Assembly and the Senate, I'd like to go on the record in favor of HB-6333 and HB-6334. PAYROLL DEDUCTIONS OF INSURANCE PREMIUMS BY PUBLIC SERVICE COMPANIES and SAME STATEMENT REPEALING I don't want to bore you with any details I happen to be a member of a union, The Connecticut Union of Telephone Workers. I feel and I don't want you to pick me up and say this is a conflict of interest here, cause I only work for the State part time. But I would like to go on in favor of these bills and I'd appreciate it very much if you would give it a favorable. Thank you very much.

Rep. Pearson: Rep. Connors will you explain to the committee where Stamford is.

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Rep. Conners: Where Stamford is? The gateway to New England. There is only one part of the gateway that is richer and that is Greenwich and New Cannan is even richer. Crockett is really loaded down there in Old Greenwich. They have stock-brokers cleaning the streets.

Rep. Peareon: Thank you Rep. Conners. Now we will continue with the mass merchandising air.

Humbert M. Orio, West Haven, small insurance agent: I am the small agent that Mr. Crockett seemed to have wanted to ask the question of the gentleman from the Aetna Casualty. I have a small agency and a small agent we have the same problems as many of the big agents, the writing of business; Whether it be auto, homeowners, homes and so on.

It is my honest belief that I am against mass merchandising but as Abe Lincoln once said in the Gettysburg address I don't think my words will be much heard after this particular hearing but however if we are going to continue the agency system of over 2,000 or so agents in the State of Connecticut of whom most are small enterprising businessmen who have to struggle with the constant problem of writing new business, retaining the old, then basically mass merchandising if it is going to have any effect should only be the fact that some gentlemen from some firm had the opportunity to write mass merchandising with some company or organization, the Telephone Company or something like that. To me that's sufficient advantage that he has in writing mass merchandising but I definitely do not feel that he should have any additional advantages having garnered all these customers of a captive audience, put them on his block of business, to have any discrimination at all with regards to premiums, acceptability, location of the property, age, race, color, ethnic background or anything else that this country for the last 20 years has been trying to eliminate to make it a better country for everybody.

Frankly speaking for myself I doubt if I would ever get close to an account where I would write mass merchandising. I think that goes for the majority of the insurance agents in the State of Connecticut. Mass merchandising means to probably the big 3 or 4 of Connecticut insurance companies who through their exclusive benefit and through the discrimination of every other agent would take this business away from smaller agents and not give any particular advantage of benefit even with regard to so called initial premium. It has been my experience in the 10 years that I've had my agency. I've seen premiums double for clients who have never had an accident, who have never had a claim, who have been turned down because the

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Mr. Orio continued: neighborhood changes consistency and still maintain their property or cars in excellent condition and I find that most of the arbitrary reason for turning down an individual and writing insurance are biased and unfair to everybody whether they are rich or poor. Because the poor and the rich have both been discriminated against in the writing of insurance in this State. And I feel that if they are going to allow mass merchandising in-and they probably will, they already have it instituted and so the Commissioner is an able and capable man knows what's going on would not allow the destruction of the agency system, the small agent, and putting more people out of business over which they have no control. And the constant feeling of the big companies, they have already shown their attitude by the cancellation of agency contracts even when the law states, the loss ratio is reasonable. And within an area where they are still making a company profit.

I was cancelled by a company with a five year loss ratio of 37.5% and I doubt that many agents in this room could boast a better one in today's market. Now what are we going to do? Are we going to put 2,000 or so agents out of business? Are we going to let the insurance company land in the hands of a half a dozen agents in strategic areas in Connecticut to the exclusion of the others. These men have paid their taxes for 20, 30 or 40, 50 years, built family agencies and brought their children into the business. They're staying off the welfare rolls, they're self sufficient, they pay taxes, they're public spirited, they get involved in the Legislature as you can see, we have gentlemen here in the insurance business.

Are you going to let a few big companies motivate and decide what's going to be best for the millions of people in the State of Connecticut? I can cite you witnesses where you are talking about they'll write anybody in the Pool in the group. If you think they do you can rest assured that that man who is having a conviction for reckless driving, or under the influence or something, his rates will be higher than the others, than the Assigned Risk Plan. If they take him. And you can rest assured that the first opportunity they will look to eliminate him from the thing and there is no place in my mind. And everybody talks about viewpoint where they are personally involved. I'm speaking not only for myself but for 2,000 agents in Connecticut who don't even know that I am here trying to speak in their behalf.

Now what you do with this bill, what you do with the rest of legislation you are going to hear on today and for the rest of the session, you must take it with the viewpoint what is good for the

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Mr. Orio continued: general good and in this particular case we talk about the general individual agent, of which there must be over 2,000 in the State of Connecticut. And I am sure that with the Commissioner that we have who knows his business, the committee knows its business, then you don't get any evasive answers from me and when I am through I'll be glad to answer any questions within my knowledge.

But this is the way if we are going to have a better State of Connecticut, a better insurance industry where an agent can sleep nights and do his business and grow and prosper as in any other business then this is what must be done. Thank you.

Rep. Lakosa: Madam Chairman, Mr. Orio just a basic question. As an independent agent do you at the present time have a free market available to you to write automobile and personal lines insurance on a standard basis excluding the Assigned Risk?

Mr. Orio: Speaking for myself and for every agent and I have canvassed the State of Connecticut from the wonderful area of Stamford to New London and just about every place, I spent a lot of time in trying to develop what is good for the industry and what is good for the public, what is good for the State of Connecticut and there is no unlimited auto buying insurance program by any company.

Rep. Lakosa: At the present time in other words you cannot serve as an agent because I feel we have a responsibility to the people of the State of Connecticut, you cannot service your clients the way you would like to serve them because the market is more or less restricted, is that correct?
May I make a suggestion? I would suggest that there is a hearing on April 12th here is a bill for the expansion of the market SB-1378 and I would suggest that you get everyone who is interested in that market to be here and to give their testimony to the-

Mr. Orio: Your honor I've also introduced three bills today which help eliminate the problem for the insurance industry and I hope that they will be granted a favorable impression and consideration when they are discussed later.

Rep. Pearson: Thank you very much Mr. Orio. Are there any other speakers?

Arnold Zackin, independent agent, Wolf Zackin Associates, Vernon:
The previous speaker indicated somewhat that the legislator or the people of Connecticut, owe the independent agent a living. I don't believe in the philosophy. I just want to make one

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Mr. Zackin continued: point. Hearing the representatives of the insurance companies association, the Hartford Group and the Aetna. We write in our agency considerable sum of auto insurance in the course of the year. We do have a substantial marketing problem; From some of these companies you heard from today. They will not write a person who's had maybe one chargeable accident or a towing charge, maybe two towing charges in a couple of years. But my point is this, they are now going out and saying that they will write 96 or 97% of all the applicants State Employees or some large corporation. When today in our agency and many many other agencies, most agencies, they will not write the same people at higher rates. Now granted I am for any product, any marketing program that can reduce the premium including mass marketing. If we can find a way to get this product to market at 10% less, 15% fine. But no matter what any company tells you they are not going to write all the risks that work for this certain employer under a mass marketing plan. They will write this person under their rating plans which is substantially higher than our assigned risks, which normally will force this person to an assigned risk, and when I say substantially higher, I'm talking about hundreds of dollars on what we call a poor risk.

Also the question of mass marketing I would like to point out that brought to my attention that the filings on some of these plans have been made for what we call mass marketing payroll deduction. This is well and good because this is where the savings is involved. I do think Mr. Cooney and anybody here from the insurance companies will say that this is the key to mass marketing is payroll deduction. A few of the plans that are being sold have been converted back to non payroll deduction for one reason or another. For example the Hartford Bar Association is not payroll deduction. They will in effect, The Aetna Casualty sold a policy to somebody in the Hartford, two people in the Hartford Bar Association, who are neighbors, live in the same town, have the same exposure, same accident rates for substantially less with no payroll deduction. Each get billed to their house and either pay monthly, quarterly, or annually or whatever you have. This is in my opinion discrimination.

In summary I am for any plan that will save the consumer money but it has to confine with our present discrimination laws. These companies are discriminating substantially under certain mass marketing plans that are in effect.

Rep. Pearson: Thank you very much Mr. Zackin.

Mr. Orio: No, I just want, he said they, I asked that they owed me aliving. They don't owe me anything. I just want to have

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Mr. Orio continued: the open opportunity to be able to sell the insurance on the open market as you can a pair of shoes or any other commodity.

Rep. Pearson: Are there any other speakers? Then I think we will close the hearing on this portion for mass merchandising. Senator is that all right?

Rep. Palmieri: We will now take the rest of the bills in the number called for on your sheet. We will open up hearings on HB-7556 and before we do this I want to turn the chair over to Rep. Vicino.

Rep. Vicino: We will first have any one in favor of HB-7556.
AN ACT CONCERNING INCREASES IN MOTOR VEHICLE INSURANCE PREMIUMS FOLLOWING ACCIDENTS. Anyone opposed?

Thomas Sullivan, Attorney, Connecticut General Insurance Corporation:
I would like to speak in opposition to HB-7556. I make this statement on behalf of the Insurance Association of Connecticut. I won't go into a great deal of detail on this except to point out to you that the bill misapprehend and/or overlooks the basic principle of motor vehicle insurance rate-making which is the equitable distribution of insurance costs. The bill assumes that the involvement of an insured in one accident automatically results in a premium increase without regard to this insured role in the accident, his previous driving record etc. This is simply not the case. Before anyone who is insured under an auto policy is given a rate increase very careful consideration is given to his safe driving record, previous accidents and most particularly his role in the accident for which the claim is made if only one.

Actually the whole basis of safe driving claims or plans is the fact that statistics have demonstrated beyond a shadow of a doubt that an involvement of a person in an accident which is his fault demonstrates statistically over a long period of time perhaps the balance of his driving career that he will be involved in other auto accidents. And the purpose of a premium increase is not to recoup the loss because obviously most losses that result today at least in this kind of a market, would be impossible to recoup with premium increases. It's simply to provide for losses in the future predicated on fault in a particular accident. So on this basis we would urge that you do not give your favorable consideration to this bill. And I have a statement Mr. Chairman which I would make known and leave with the committee.

Rep. Vicino: Are there any questions of the committee?
Thank you sir. Anyone else in opposition to this bill?