

Act Number	Session	Bill Number	Total Number of Committee Pages	Total Number of House Pages	Total Number of Senate Pages
Pa 71-466		6872	13	2	2
<u>Committee Pages:</u>				<u>House Pages:</u>	<u>Senate Pages:</u>
<ul style="list-style-type: none"> • <i>Insurance & Real Estate</i> 55-64 • <i>Insurance & Real Estate</i> 71 • <i>Insurance & Real Estate</i> 89-90 				<ul style="list-style-type: none"> • 3624-3625 	<ul style="list-style-type: none"> • 2613-2614

H-115

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
1971**

**VOL. 14
PART 8
3377-3877**

Monday, May 24, 1971

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THE CLERK:

Page 7, Cal. 1051, Sub. for H.B. 6872. AN ACT
ESTABLISHING THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.

THE SPEAKER: (John Miscikoski)

The gentleman from the 88th.

MR. COLUCCI: (88th)

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

THE SPEAKER:

Question is on acceptance and passage. Will you remark.

MR. COLUCCI: (88th)

Mr. Speaker, this bill provides the means to avoid financial loss to Connecticut residents because of the insolvency of property chargeable to the insurance company. This bill is substantially the same bill as the model bill adopted by the National Association of Insurance Commissioners, which is an organization made up of the Insurance Commissioners of the 50 states. Insolvency of property casualty insurance companies has not been a problem in the State of Connecticut but there is always a possibility of an insolvency of a property casualty company as a result of disasters such as hurricanes, forest fires, embezzlements and undetected fraud. This bill establishes an association that will^{be} available to adjust claims and pay losses of any property casualty company which becomes insolvent. It does not require any state funds or state employees. It provides that any shortage in the assets of a

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defunct company will be made up by assessing the property casualty companies after the insolvency for the shortage needed to meet the obligations to policyholders and claimers. Over 25 states now have laws similar to this bill. Mr. Speaker, it's a good bill and we would like to see it passed.

THE SPEAKER:

Will anyone remark further. If not, question is on acceptance and passage. All those in favor will indicate by saying AYE. Anyone opposed. THE BILL IS PASSED.

THE CLERK:

on Page 8, Cal. 1054, H.B. 7274. AN ACT CONCERNING THE PURCHASING OF CERTAIN SERVICES BY THE ALCOHOL AND DRUG DEPENDENCE DIVISION OF THE STATE DEPARTMENT OF MENTAL HEALTH.

THE SPEAKER:

The lady representative from the 17th.

MRS. YACAVONE: (17th)

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

THE SPEAKER:

Question is on acceptance and passage. Will you remark.

MRS. YACAVONE: (17th)

Mr. Speaker, this legislation is requested by the Department of Mental Health in order to obtain authorization for the department through the Alcohol and Drug Dependence Division to contract or to be contracted with, to make grants or to receive grants for the broadening of its educational services

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SENATE

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2436-2873**

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Opposed nay. The ayes have it. The bill is passed.

THE CLERK:

Cal. 966, File 1142 Favorable report of the joint standing committee on Insurance and Real Estate. Substitute H.B. 6872 An Act Establishing the Connecticut Insurance Guaranty Association.

THE CHAIR:

Senator Dinielli.

SENATOR DINIELLI:

Mr. President, I move for acceptance of the joint committee's favorable report and passage of the bill.

THE CHAIR:

Will you remark?

SENATOR DINIELLI:

Mr. President, this bill provides a means to avoid financial loss to Connecticut residents because of the insolvency of a property casualty insurance company. This bill is substantially the same as the model bill that is adopted by the national association of insurance commissioners, which is an organization made up of the commissioners of the 50 states.

In the late 60's the state insurance commissioners in some parts of the insurance industry realized that plain down problem of insolvencies was impractical. Consumers were being hurt and on a personal scale and insolvency can be ruinous. This bill is the result of the combined efforts of many many people. Insolvency of the property casualty insurance company has not been a problem in the state of Connecticut. But there is always the possibility of an insolvency as a result of a disaster such as hurricain, forest fires and embezzlement and undetected fraud. This bill establishes an association that will be available to adjust claims and pay losses of any property casualty company which becomes insolvent. It does not require any state funds or state employees. It provides that any shortage in the assets of the defunct company will be made up by assessing the property casualty companies after the insolvency, who are left doing

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business in the state of Connecticut, for the shortage needed to meet the obligations to policy holders and claimants. I move adoption of the bill. Its a very fine bill.

THE CHAIR:

The question is on passage of the bill. Will you remark further? Senator Ives.

SENATOR IVES:

Mr. President, I rise to support this bill. Senator Manguson on the Federal Level conducted a series of hearings which showed that companies specializing in high risk automobile insurance suffered failures. Very thankful none in the state of Connecticut. But in some of the other states. And an effort was made on the federal level to establish that federal guarantee insurance corporations ostensibly to do the same thing. The states have moved very quickly and I think Connecticut will be somewhere around the 36th or 37th state to pass this. To protect the policy holders and its a good bill. And shows how fast the insurance industry can move when threatened on the federal level.

THE CHAIR:

No plugs please. The question is on passage of the bill. Will you remark further? All those in favor signify by saying aye. AYE. Opposed nay. The ayes have it. The bill is passed.

THE CLERK:

Cal. 968, File 1140 Favorable report of the joint standing committee on Education Substitute H.B. 6969 An Act Concerning The Waiver of Certification Requirements for Bilingual Teachers.

THE CHAIR:

Senator Mondani.

SENATOR MONDANI:

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

THE CHAIR:

Will you remark?

**JOINT
STANDING
COMMITTEE
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MARCH 3, 1971

Members present: Senators: Dinielli, Power
Representatives: Colucci, Scully, Palmieri
Newman, Violette, Simons, LaRosa, Vicino,
Genovesi, Mastrianni, Dzialo, Crockett,
Johnson, Billington, Pearson

Senator Joseph Dinielli, presiding

Chairman Dinielli: Our procedure today will be to hear 4 bills first which all deal with the insolvency of the insurance companies. We feel they should all be heard together. They are HB-6746, HB-6872, HB6997 and SB-717. I would like to ask Mr. Kelly to come up and be heard on that bill please.

Peter Kelly, Insurance Department, State of Connecticut: I am speaking in favor of HB-6746, HB-6872, HB-6997 and SB-717. With your permission I would like to address my comments first to Hb-6872 and analyze that particular bill. Then just have a brief comment on HB-6997 and SB-717 which are similar and HB-6746 concerns itself with life companies.

HB-6872, this bill provides the means to avoid financial loss to Connecticut residents because of the insolvency of a property-casualty insurance company. This bill is substantially the same bill as a model bill adopted by the National Association of Insurance Commissioners, which is an organization of the insurance commissioners of the fifty States.

Back in the early 1960's, the United States Senate, through one of its sub-committees, held hearings on the problem of automobile insurance companies going insolvent and leaving thousands of policyholders and claimants with unhonored insurance obligations. Now there is a difference of opinion as to the extent of the actual dollar amount of lost premiums and unsatisfied claims of the insolvent insurance companies, from being a statistically small problem to an amount exceeding 200 million dollars on a nationwide basis. A bill was introduced in the United States Senate which would have set up the Federal Insurance Guaranty Agency, an agency similar to the Federal Deposit Insurance Corporation. In 1969 and 1970 a determined effort was made by the sponsors of that bill to have it reported out of committee and on December 8, 1970, it was reported out of the Senate Commerce Committee with both majority and minority reports.

In the late 1960's the state insurance commissioners and part of the insurance industry finally realized that playing down the problem of insolvencies just didn't work. Consumers were

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Mr. Kelly continued: being hurt and on a personal scale, an insolvency can be ruinous. The bill that is before you today is the result of the combined efforts of all the insurance commissioners of the 50 states and from advisory groups from industry. We do not want you to think that this bill has unanimous support from the insurance industry. It doesn't.

I think a brief run through of the bill will help explain the important features. After that we can discuss the reason for using this approach instead of some other alternatives.

Page one, Section one of the bill is, of course the title. And Section two contains the purpose which I briefly outlined. Protecting Connecticut residents either policyholders or claimants of an insurance company if a company becomes insolvent.

Section three is regarding the type of coverages involved in this bill. They are all the usual property-casualty lines of insurance such as fire; extended coverage; homeowners; commercial multiple peril; inland marine; workmen's comp; liability, B.I. and P. D., including automobile; automobile physical damage; glass, burglary and theft and boiler and machinery. This does not include life, title, surety, accident and health, credit, mortgage, guaranty and ocean marine insurance. Life and accident and health insurance are covered in a companion bill, HB-6746,

Section four just says the bill will be construed liberally if it's ever needed.

Section five contains the definitions in the Act.

And over on Page two Subsection 4 covers what is covered as a claim, and this includes unearned premiums in the event an insurance company becomes insolvent, the policyholder is entitled to his unearned premium. This differs from the other two bills that do not include unearned premium reserves.

Section f defines an insolvent insurer. Subsection 6 on page two this creates the legal entity which will be used as the vehicle to protect Connecticut if an insolvency occurs. It provides for 3 accounts, an auto account, a workmen's comp account, and an all other account. This association is not a state agency, it does not set up any jobs, and it costs nothing in the state budget, now or ever, if this bill is passed.

Mr. Kelly continued: Over on page three, section 7 provides for a Board of Directors of the Association. Section 8 provides for the fact that all claims existing prior to insolvency will be covered and those arising 30 days after the insolvency and up to \$300,000., except workmen's compensation claims will be paid in full.

Over on page four, subsection C. This contains the mechanical means for allocating the deficiency of any insolvent insurer among the remaining licensed insurers writing the same lines of business. So that if there is a deficiency amongst a workmen's comp carrier all the workmen's comp carriers are assessed that deficiency in a ratio of their premiums in the state to the deficiency. This is the so called post-assessment feature of the bill. No assessment is made or is any fund built up until after there is an actual insolvency.

Over on page five sections d, e, f, and g contain the mechanical operations for paying claims.

On pages six and seven particularly section 9 it outlines the plan of operation of the Association.

Page nine, subsection 3 provides for a review by Superior Court of any actions taken by the Commissioner under the bill. Also on page nine, section 11 it requires any person who is paid by the Association to assign his right to the Association for recovery from the receiver of the insolvent company.

On page ten, section 12 prevents duplication of coverage and a requirement that the insureds other policies pay first before the Association would reimburse him. Subsection 2 under section 12 provides that a person with a claim in more than one state where there is a similar Association makes the claim in that state where there is an association. Section 13 also on page 10 requires the Association to notify the Commissioner if it has any information that a company might be in hazardous financial condition and provides that the Association may request the Commissioner to make an examination any company it believes to be in a hazardous condition.

Page twelve provides for a tax exemption except for personal property taxes. Section 16 also on page 12 provides that if any assessment is made on insurance companies it may be recouped by having the rate filings made with the insurance department contain such assessments. This provides the means for all insurance companies assessed to recover from the entire insured

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Mr. Kelly continued: residents of this state the cost of such assessments so that it is really not an assessment on a company but an assessment on the entire residents of the state who are insured after the fact. This is spreading the risk amongst all Connecticut residents.

What are some of the possible alternatives to this bill? As I mentioned earlier there is the idea let the Federal Government do it. This is a pre-assessment fund. Well you have here a chart showing the various states that have enacted a similar bill. There are 29 states already having this protection and you people are interested in numbers and if you multiply 2 times 29 Senators you come out with 58 out of 100 U. S. Senators who probably feel that the States are doing a reasonably good job of solving this problem and you'll have 58 Senators who are opposed to a Federal bill. So that anyone who says we are in favor of a Federal Bill at this point is really saying we are in favor of no bill, state or federal, pre or post assessment. We believe states can and should do the job if they can.

One of the other comments would be does this create a new empire or a new bureaucracy. As I mentioned this bill contains nothing of the sort. No jobs, no empire, no cost to the state budget. An assessment to companies passed on to all policyholders, if an insolvency ever occurs.

Will the passage of this bill decrease the regulation of insurance companies, or will our regulations be less stringent in the future? We would say no and our answers to this would be the Federal Deposit Insurance Corporation has not caused the State Banking Department to regulate Connecticut banks less than before FDIC existed. Savings and Loans Associations are not regulated less because of the existence of the insurance of the Federal Home Loan Bank Board. And brokerage houses now are going to be even more closely supervised with the new Investors Guaranty bill recently passed by Congress to protect customers of brokerage houses which become insolvent.

If someone should say it will lessen competition and cause insolvencies, we would expect a loud uproar from the insurance industry after perhaps the second insolvency and a plea from them to your committee for a thorough investigation of the Insurance Department. And we would feel that would be of and in order. There is a comment of course that this type bill post assessment, good companies will be subsidizing poorly run inefficient companies. The answer to this of course would be a pre assessment insolvency fund where you collect the amount in advance and build up a kitty. The insurance industry is opposed to that concept and being practical with people we

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Mr. Kelly continued: would like to see consumers protected in the best way with the least possible cost. I think you must remember that industry is not paying the cost. This bill provides that Connecticut residents will pay the cost. The same argument could be used that good banks subsidize bad banks, good brokers subsidize bad brokers, good savings and loans subsidize bad savings and loans through the federal insurance guaranty programs. This bill provides for protections of residents of this state and the residents if any assessments are ever made will pay for the cost of such assessments in their future insurance premiums.

And of course you may ask us well haven't we done a good job? Is it needed in Connecticut. Well we think the Connecticut Department has done a pretty good job protecting Connecticut residents and if it's not needed we say good then we know there will be no objections to it since it will never be used and will just remain a shell corporation. We hope that would happen. But the Connecticut Department in looking at companies can detect trends in companies that are being mismanaged, but we cannot detect and prevent the president of an insurance company from taking five million dollars of securities from the company and using them to secure a collateral loan for his personal use and especially when there is another financial institution assisting in the fraud. The Connecticut Department cannot prevent disasters such as the fires that swept the United States in 1968 in various cities. The Connecticut Department cannot prevent forest fires, hurricanes and to mention hurricanes and other natural disasters which may cause a smaller insurance company to close its doors. Some failures are bound to occur in any highly competitive business, no matter how well it is regulated. We take pride in the record of the Connecticut Insurance Department as it relates to protecting Connecticut residents from insolvent insurance companies, but we are not infallible and want to see that if we make an error in judgement, Connecticut residents will not suffer a financial loss.

Residents of 29 states have this protection, our residents should. We and South Carolina are the only states on the eastern seaboard who do not have this type of protection. Laws in force in other states now cover about 65% of the premium volume written in the United States.

Somebody may say that the uninsured motorist endorsements protect Connecticut residents against insolvent insurance companies. That's true. Up to last year it only protected Connecticut residents up to \$20,000. You could not buy uninsured motorists in amount in excess of \$20,000. Now it's available in greater amounts. It does not protect you on property damage coverage.

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Mr. Kelly continued: And of course the uninsured motorist does not protect you if your property company, your fire company, your homeowner's company or your liability company becomes insolvent.

Someone may say well this bill sure isn't fair and should permit insurance companies to offset any assessment against the premium taxes paid to Connecticut. As I mentioned Section 16 does provide for recovery from policyholders in future rate filings. Policyholders are taxpayers and a deduction from the premium tax would require the lost revenue to be made up by increasing some other tax, or the premium rate tax which would again be passed on to the taxpayer policyholder.

I have a list of exhibits which we would like to submit to the committee. The first exhibit was this chart with the states having the funds. The second list is a list of cases outstanding involving one insurance that went broke in 1968. A New York chartered company. The Connecticut Department did detect trends in this company over a period of years since 1963. We stopped them from writing various lines of business in the State. We actually took away their license one year before they went insolvent. Before the New York Insurance Commissioner moved to be appointed receiver. It involved 7 Dram shop claims amounting to \$155,000. and 5 architect liability claims. One of our requirements when we had problems with this company was placing with our State Treasurer \$150,000 in securities. We had those securities here and we feel they will be more than sufficient to cover all the outstanding claims on the Dram Shops. But the architects liability claims just popped up out of the woodwork. They come only when there is discovery on a building having been built and there is some problem. So we don't know what they will be adjudicated for. But there is a pretty good possibility that there won't be sufficient funds in the State to protect the policyholders who had this type coverage. We call that a property casualty exhibit 2.

We have another exhibit here which is a telegram from the Indiana Insurance Department dated February 16, 1971 stating that they had restrained United Bonding Insurance Company from any further business. Now that company is not licensed in Connecticut. We had reviewed an application submitted by them on a number of different occasions and the commissioner refused to license them. What does that have to do with Connecticut you must ask? Well The Wall Street Journal on February 17 and February 22 have two articles which we would also submit as an exhibit stating that there was another company Emmco which is

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Mr. Kelly continued: involved with United Bonding which has fronted for United Bonding and Emmco may very well lose 2 millions of dollars. Emmco is licensed in Connecticut. So a transaction by an unlicensed company could very well affect the solvency of a licensed company and then effect Connecticut residents.

We have exhibit 5 which is a current article February 1, 1971 again stating that Fidelity General Insurance Company of Illinois wasbled of 5.5 million dollars after it was taken over. Now again it was a substitution of good good bonds and stocks for other bonds and stocks which had questionable value. This is again another item we can't detect. Over night you can move in. New People move in, the company is licensed, they take out the assets, where are the policyholders?

We have here a study exhibit number 6 insolvencies among automobile insurers, prepared by the United States Department of Transportation. Just released in 1970. On page 145 after going through all the insolvencies they say of the three major alternatives (State preinsolvency and post insolvency plan which we are talking about today and the federal proposal) only one could be expected to provide an appropriate stimulus for State regulation. And what they are saying here is that the post assessment in solvency funds is the answer. Because it is immediately visible to the consumer and to the residents of the State. So that if you go the federal proposal the money goes off to Washington and nobody really has any incentives for curbing any insolvencies or seeing that a good job is done on a state regulation.

If we have an insolvency for here the Connecticut companies are going to know about it. You are going to know about it and the consumers are going to know about it and you are going to know why.

We have one last exhibit. Exhibit number 7. This shows from the period 1963 to 1970 action taken by our Department on 21 insurance companies that were licensed here. Of the 21 companies that were licensed there there are only 2 companies where there are potential claimants. One is Citizens Casualty which I gave you a list of the claims. The other is Workmen's and Suffolks, a New York company that went insolvent in 1968 after the fires that swept the companies in 1968. We know of one resident who has an owner occupied house in Hartford, four family, He had insurance for \$20,000. Because of the location of the house he could not get one company to write the whole \$20,000. He had four companies for \$5,000 apiece.

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Mr. Kelly continued: He had a \$5,000 fire claim; prior to the insolvency the claim was adjusted. \$5,000 was considered fair. Three of the companies paid off, \$3750.. \$1250 apiece. The 4th company was Workmen's and Suffolk. This particular homeowner is now out \$1250. He's waiting for some notice from the receiver in New York whether he will receiver \$1250, \$625, or \$125. There are the only two companies since 1963 that have involved any Connecticut residents.

Now we feel that that is a pretty good record, when you look at the record of what is going on in other states. We would request that you give favorable consideration to this bill HB-6872 on property casualty. The other two bills HB-6997 and SB-717 are essentially the same bills with some modifications. There is a difference of whether unearned premiums is considered a claim, there is a difference on the limit, \$50,000, \$300,000. We are in favor of the concept of all three bills and any of the three bills we think would do the job for Connecticut residents.

I have a copy of our statement that I have just given you. If I may take up your time for just a moment. Mr. Chairman I would like to comment on the other bill HB-6746 which is the companion department bill for life. The bill, I won't bore you with the analysis of the bill as I did on the previous bill, I'd just like to hit the reason for this bill and a few variances, unless you would rather have questions on the property casualty first sir.

Rep. LaRosa: May I ask a question first of Mr. Kelly? Mr. Chairmaa? You mentioned United Bonding, that they were not licensed in the State of Connecticut. Now just for clarification what is the procedure when a company who is presently licensed in the State of Connecticut automatically says that now the United Bonding will now take over all the surety bonds that were previously written by a company that was duly licensed by the State of Connecticut. Now this is what I believe is what happened to some companies in Connecticut who were licensed in Connecticut and all of a sudden one or two or three of these companies shifted this business to the United Bonding. Now wouldn't that have been illegal at that time because a licensed company in Connecticut would have transferred business to another unlicensed company and that is so could that possibly be put into one of these bills which in all probability would have prevented the insolvency, the United Bonding from being one of the insolvent companies.

Mr. Kelly: Mr. LaRosa there are two points. We would consider the passing off of business written in this state by a licensed carrier to an unlicensed carrier as being illegal and I believe the Department would move upon the license issued to the company

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Mr. Kelly continued: that tried to enter into this transaction. We have a similar transaction right now where a company is attempting to sell its credit life business to an unlicensed Arizona company. We would feel that the license of that carrier is in jeopardy. The second point is if the United Bonding becomes insolvent, let's say it has happened without our knowledge, we would go back to the carrier that issued the policy since this would have been in the nature of a re-insurance transaction and the issuing carrier would still be liable in our eyes for the liability under the policy. So that this fund would cover those policies that were issued by licensed carriers.

Rep. LaRosa: Because I know that there aren't in this particular case, there are companies that are licensed in Connecticut that did transfer business to United Bonding. I happen to know of it. And this is the reason I give you that information if you want it.

Mr. Kelly: Well if you want to see us afterwards and if you give us those names we will follow up on it. We were not aware of it.

Rep. LaRosa: Happy to give it.

Sen. Dinielli: I would just like to comment although you have commented on the fact that the claim, that an insolvency fund weakens regulation, I think we would like to hear your assurance that the caliber of the Department would remain the high place that it does.

Mr. Kelly: I think the system that we have set up where the Governor appoints the Insurance Commissioner, we get a continual review of this. No Governor is ever going to appoint an incompetent man to run the Department in my opinion. So that we have this review periodically and The Commissioner comes in and takes a look at what everybody is doing and I see no reason-I can't see why I am going to be less stringent in reviewing statements than I have been in the past. And I can't imagine any people who work for me feeling that way.

Sen. Dinielli: Excuse me Mr. Kelly would you mind giving way to our Secretary of State. I know she is in a rush and she would like to be heard. Question first Mr. Kelly.

Rep. Vicino: Mr. Kelly is there anything in your judgement that can be done by the Department to lessen the risk of insolvencies?

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Rep. Vicino continued: Or are you at your maximum at this time?
Are you doing everything that can be done?

Mr. Kelly: I think we are. Where we see a property casualty company with substantial underwriting losses, losses in surplus we usually call them in talk to management, find out what they are doing to reverse the trend. We can follow that along. This list of companies that I have given you 21 companies, we've followed that pattern right along. Workmen's and Suffolks was following the same pattern. They had losses. Actually we had stopped them on March 6, 1968 from writing any new business. And on May 1 they were prohibited from renewing any new business. Now the fires occurred March 28-29 1968, so we had actually followed along on it. Those catastrophies had not occurred all our residents would have been home free and clear before the company eventually went broke. We followed that on 19 out of those 21 companies. We followed it on the two where there are possible losses. We can't prevent fraud. We can't detect it overnight. We have takeovers now. People moving in. A little bit shadier perhaps. We think we've gone the limit as to the things we can do on an analysis of the data that is filed with us and by our examining force. Most of the business written in this State is written by companies not incorporated in Connecticut. We don't have a problem solvency wise with Connecticut chartered companies. We feel the Commissioner has unlimited authority on moving against Connecticut chartered companies that are operating in a hazardous manner. But on a non resident company, An Illinois company or a New York company where we are one step removed. We have to rely on Illinois or New York to take the initial action and in most cases they have not. So we have had to take action ourself. All these companies here, the companies that have gone broke. For instance I'll just give you Reliable Insurance Company, we nonrenewed 5/1/66. That went broke in 68. There were no residents in this State with policyholders or claimants. Our neighboring State down the south of us. That company wrote three million dollars of business that year they went broke. Some of these companies have not gone broke yet. We except they will.

TransAtlantic Reinsurance. They went broke and another company was able to pick it up and convert it to a different type company. A lease guaranty company. There is Virginia Surety we cancelled their license. Again over a period of time their business had run off, the claims had been paid and we cancelled their license. But if they go broke like that, there is no possibility sir.

Sen. Dinielli: Thank you Mr. Kelly, Mrs. Shaffer.

Atty. Richard Wallace, American Mutual Alliance: This came as a little bit of a surprise to me today I had anticipated some of these bills being heard next Wednesday as originally was indicated. However our position on this type of legislation HB-6872, HB-6997, and SB-717 is one of complete agreement and accord. We feel there is a definite need for this type of post insolvency legislation. All three bills are basically the same as that draft recommended by the National Association Insurance Commissioners and although we support SB-717 particularly we feel that all three of these bills are worthy of your consideration.

I think they are needed. Mr. Kelly went into a good deal of detail on the operation of the bill. Basically they are all the same. I would have nothing to add. Thank you.

Sen. Dinielli: Thank you questions?

Rep. Genovesi: Just one question why would you prefer SB-717 rather than the ones that Mr. Kelly outlined?

Atty. Wallace: Actually the differences are relatively minor. The limits would be the only difference. \$300,000. For the limit of payment of claim.

Sen. Dinielli: Any others in favor of these bills?

Leo W. Doyle, National Independent Association of Insurers (Independent): My Association is comprised of Stock Mutual Lloyd's Reciprocals, representing 500 such affiliates who write an excess of 50% of the automobile business in the United States. I appear before you today gentlemen to speak in favor of Hb-6997. There will be much rhetoric, there has been already. There will continue to be not only within this State throughout the country with regard to what must be done, and what is essential to do in order to preserve the innocent victim of insolvency in the catastrophic losses resulting there from. We certainly concur with that. We wouldn't attempt to minimize it.

The truth of the matter is if there is not a solution to this problem no doubt it will spell the demise of the property casualty industry which we seek to preserve. However we think that there is a more important problem that transcends just the issue of preserving this innocent victim, namely the matter of manner in which this solution is implemented. Mr. Kelly already touched on the fact that there has been an attempt to make a federal solution to the problem. And unlike Mr. Kelly I don't necessarily agree that because there have been a number of states that have already enacted the state's

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Mr. Aldrich continued: a law. We would think that Bill #o872 which is almost identical with the model NAIC bill. We believe that HB-6872 should be ammended in three important respects and I might add that HB-6997 which Mr. Doyle spoke to I think goes along way towards making the ammendment we feel necessary. The first that we have noticed it is excluding unearned premiums from the definition of covered claims. That has been fully discussed.

The second is strengtheing the provisions of the bill excluding claims against companies which are in fact insolvent before the law becomes effective. I don't think there has been much discussion of this. But HB-6997 does try to deal with this problem and it is a very important problem. It's been a serious problem in other states. Where the companies have been forced to pick up the tab for companies that were insolvent before the legislation was even passed. And we suggest that perhaps a little more drafting is necessary along this line. And finally it is the provision for recoupment of the assessments through a tax offset or perhaps some other means. HB-6997 provides for a tax offset, perhaps there is some other method that is doing the same thing. The mere provision for recoupment through rates may not be satisfactory.

I think you would run into problems of allocating the assessments by lines of insuzance in rate making. The tax offset seems to be a much more direct and cleaner method of achieving the same result.

We also think that the \$100 per claim exclusion should be put back in Hb-6872. And I am in full sympathy with Mr. LaRosa's comments on that score. I agree that no one should have to suffer from an insolvency. But at the same time I think we should recognize that the main pu rpose of this bill is to protect the person who is really seriously hurt, that has a big loss claim that's going unsatisfied. There is a problem and Arizona is a perfect example of this when the available funds are exhausted and in a single year and the combination of unearned premiums and small losses and large losses far exceed the amount that is available. Then everybody has to stand in line and whatever order they happen to line up in.

We feel that it would be much better. Much more equitable if the smaller claims, the nuisance claims were eliminated so that the people who need the relief and need it promptly

Mr. Aldrich continued: could stand in line first. Now we have not offered any specific language to implement our suggestions. But again if you feel that a law is necessary we would be happy to work with the Insurance Department on drafting and to report back to the Committee. And I'd be happy to answer any questions that anyone might have.

Rep. Palmieri: Thank you Mr. Aldrich. Are there any other opponents to the bill?

Sen. Dinielli (chairman): I'd like to close the hearings on the insolvency bills. I'd also like to announce that because of the logjam in the legislative commissioner's office we have scheduled today two of the so called mass merchandising bills but we are aware that three others will be presented to our committee. They are not before us yet. We intend to have another hearing on those bills and also those bills, those two before us today. So that if anyone wishes to defer their remarks today til the next hearing on mass merchandising they may. If they wish to stay and make their remarks today we will accept them and include them with the other hearing.

The next order of business I believe out of all fairness should be on the psychiatric care in health insurance polcies. Specifically HB-6745 and other related bills. And I would like to ask for the first speaker. The chairman on behalf of the committee received a number of telegrams which are much too lengthy to read in support of these various bills. We will submit them as part of the documentation in this public hearing. So they will be included in the minutes.

The telegrams mainly from the medical profession were sent to Senator Dinielli (17) Representative Palmieri (17) and Representative LaRosa (7). They were for the most part not duplications and all original messages. They came from a cross section of the State. There was a lengthy message from The president of the American Psychiatric Association, Washington D. C.

Theodore Zanker, M. D. representing the Connecticut Council of Child Psychiatrists: This is the organization that virtually comprises every child psychiatrist practicing in the State of Connecticut. I myself am in part time private practice of both adult and child psychiatry in New Haven. I am also about half time on the staff of Clifford Beers Child Guidance Clinic in New Haven so that I have both private practice and clinic experiences regularly. And I also teach on the staff of the Yale Medical School, teaching in child psychiatry there.