

Legislative History for Connecticut Act

HB 8446	PA 73	FAY	1973
Ins: 45-46, 97-98, 183-185			5
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INSURANCE  
&  
REAL ESTATE

1973

FRIDAY

FEBRUARY 23, 1973

Commissioner Altermatt continued: to the bond provision which is a requirement that a bond be furnished, not less than \$5,000. Now if we're talking about Connecticut Bar Association and some other Bar Association that might be an adequate figure. But what concerns me is when there is a statement in the Statute of a minimum of \$5,000. That comes to be in the eyes of many a going rate and of course this is all out of wack with any other capital and surplus requirements in other lines. So I would just question whether that type of amount is adequate in any case.

The bond limits as stated there might be more than adequate if the participating lawyers agreed to pro rate their claims and accept from the corporation part payment as full payment to their client and incidentally we wouldn't with that kind of a bond requirement approve any policy forms unless that provision was there. In other words if the corporation didn't have the money to pay, there should be an agreement on the part of those branching the services to take less than full payment if there was danger of insolvency and that could be provided for by regulation on approving the policy form. But even that guarantee is rather meaningless if we are talking about 7 individuals who are going to provide the service. Supposing these policies were sold all over the State of Connecticut and 7 persons with a \$5,000 or some such sum in the form of a bond, and only 7 persons guaranteeing that if we run out of money we'll pro rate our bills accordingly.

So that's, I'm in favor of the concept. I think it is an interesting one that should be tried. I'm just concerned about that particular Section. The bill as you know also authorizes licensed insurance companies to apply to the Department for a license to sell pre paid legal insurance. And we of course in that case would require what we deem to be sufficient capital and surplus to underwrite such a new line of insurance. So that part of the bill presents no problem as far as we are concerned.

I believe that the last one that relates to insurance is the Unfair Trade Practice Bill. HB-8446. I rank this as an important bill. In the main stream of strongly oriented consumer legislation. In my opinion it can be compared with the Bill that was passed in the 1971 Session which establishes property casualty guaranty fund and the bill that you passed in the last Session which created the life and accident and health, life, accident and health guaranty fund. These last two bills were designed to grant protection to Connecticut policy holders if and when in spite of the best efforts of the Department an insolvency should occur and would otherwise result in substantial losses

Commissioner Altermatt continued: to Connecticut citizens. This bill before you on the other hand is designed to supplement existing Legislation so that we in the Insurance Department can better protect Connecticut citizens in the purchasing of insurance and in any dispute that may arise between Connecticut citizens and their insurance carriers or agent. Generally speaking the bill fully and more fully spells out what constitutes an unfair practice. And an unfair claim practice. And there is pretty strong language in the bill, defining such practices. And incidentally it updates considerably, modernizes the language in the present unfair trade practice bill. And this bill also in case of violation provides for monetary penalties which have been heretofore non existent in Connecticut.

We have little recourse now. We can suspend licenses but monetary penalties in this area have been not available in the past. The vehicle used on this draft before me was the model bill prepared by the National Association of Insurance Committees which was finally adopted in late December 1971. Rather than propose the adoption of the model bill in its entirety, a conscious effort was made to amend our existing statute to keep what we have that is good and to substitute to or add more modern language for better enforcement provisions.

Frankly we say sections of existing Connecticut laws that to us appeared to be superior to what was offered in the model bill. We have amended existing provisions to bring in the language of the model NAIC bill. I think this is an extremely good piece of Legislation and I recommend it highly. Now it looks like a long bill but much of it as it is printed before you was repetition of what already exists. I could point out to you some of the provisions just to give you the thing I think are important. But unfair claims settlement practices for instance which are now spelled out in detail include the committing or performing with such frequency as has been indicated general business practice any the following. And it is rather a long Section, but it spells out the, precisely what is an unfair practice and what isn't as regards claims, and claims settlement practices. And of course this is where we get most of our complaints, the settlement of claims. And it is under existing Statutes it is always rather difficult to put your finger on the statutory violation that is involved. This will no longer be questioned if you seek to adopt this piece of Legislation. I intended to go through it in sort of part by part but I realized I've talked at some length already and there are many other people waiting so we're here to answer specific questions and of course will be in the future on the- It is one in my opinion one of the key pieces of legislation before you.

Rep. Johnson: Thank you Commissioner. Are there any questions by members of the Committee at this point? Thank you.

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Mr. Gasheick continued: work of the special committee appointed by my predecessor and has been under the able leadership of Bill Cole throughout. When I assumed the reins of the organization last October I didn't hesitate to extend the life of the Committee. And of course it started out as a study Committee to determine whether this kind of service being made available to the public would be desirable or not. It was the decision of the Committee that it was and then they said about coming up with proposed legislation.

I would only add that the concept of approaching it in this manner I think is designed to provide a broad base enabling legislation so that whether it be a legal corporation that is organized to provide the service to the public or whether it be an existing insurance company that has got into the market area, this legislation would make that possible.

And so I merely want to underscore the fact that the Connecticut Bar Association is certainly in favor of the proposed legislation.

Rep. Johson: Thank you sir. Any other testimony? I would just like to make one comment. Having suffered through this agony of no-fault it is nice to be able to sit before attorneys and have them come out and smile-

Sen. Power: Especially when they say something nice about the Insurance Commissioner.

Rep. Johnson: It has been a pleasant morning to that degree gentlemen. I appreciate it. Hearing no other comments on this bill we will then go to the last one on our hearing list this morning.  
Bill 8446 AN ACT CONCERNING UNFAIR INSURANCE TRADE PRACTICES.  
I dare say I'd be surprized if I heard anybody stand up here and say it was a lousy bill. Anybbody like to comment? I know John Ahern would.

Mr. John Ahern: The Insurance Association of Connecticut. As Commissioner Altermatt said earlier this bill, Committee Bill 8446 has been adopted from the NAIC Model Unfair Practices Act. The terms of the NAIC Model Act are generally satisfactory and acceptable to the Insurance Association. If I could make just one comment however.

I'd merely like to suggest that when you were considering the bill you attempt to track the provisions of the model act as closely as possible. Consistent with the objective of amending present Connecticut law as the Commissioner said. In other words if you adopt the provision of the model act we would ask that you adopt it verbatim. If you are going to take a provision

Mr. John Ahern continued: of the model act we'd ask that you stick as closely to it as possibly can. And the reason for this is simply that the precise terms of the model act have been the subject of a great deal of study over a long period of time. By the industry and by the NAIC and the language has been worked out to the point where it is generally acceptable to all parties concerned. That would be my only comment.

Rep. Johnson: Any questions by any member of the Committee? Thank you John. Any other testimony on this bill? Hearing none, I would then call the public hearing ajourned and I would ask the Committee members to stick for just five minutes so we can talk. Thank you very much.

May I reopen the hearing please and allow this gentlemen to speak? I'm sorry sir. I missed it. I thought that we had concluded testimony on 1720 quite some time ago.

Mr. Donald Vining: I apologize Mr. Chairman, Ladies and Gentlemen of the Committee, I'm a neophyte in appearing before the Legislature so I might apologize. I didn't realize. I thought by signing I was going to be called. My name is Donald J. Viering. Canton, Connecticut. I'm a life insurance salesman. I've been in the business for 28 and 1/2 years. And I'd like to speak regarding this term 95 which is Committee Bill 1720. My friend Carl spoke in behalf of this bill, said he represented the Connecticut Life Underwriters Association. I'm also a member of that Association but we must be representing the Board of Directors or the majority of them because he is not representing me.

This term 95 is a new contract and it's presently being offered by only a few companies. However I know that there are 40 States presently offering this same type of coverage. I question the motivation behind this bill mainly because it appears to me that it is prompted by people of those companies who are not presently offering it. Now I represent an independent insurance agency in Simsbury and I'm always on the look out to sell the right product with the right company. And there are few companies that are offering this term to 95.

It is quite obvious to all of us that mortality is such as we are living longer, thank God. And there are some actuaries of some companies that have shown that the term to 95 would not stop before people died and is inexpensive type of contract. This is not the only type of contract that I sell. I sell many of the others, whole life, shorter term, but this in certain areas meets a certain condition that I feel should be continued. It is interesting that not long ago when the variable annuity was allowed in this State, it had automatic resistance by

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SENATOR POWER: Any other testimony of Bill 2124?

DAVID SCHWARTZ: Good morning, my name is David Schwartz, representing the Savings Banks Association of Connecticut. We object to one aspect of this bill, an aspect that was not mentioned by the proponent in his testimony. As drafted the bill would prohibit a fire and casualty insurance agent from being a director of a lending institution. This particular prohibition we think goes way beyond what may be needed in this area. There are more reasonable ways of dealing with the problems that may be encountered and you have been pursuing such means. Public Act 109 in 1972 session prohibits an insurance agency which is controlled by a lending institution from selling insurance on property which is security for a loan made by that institution. In this session you have favorably reported out in committee Bill 8446, AN ACT CONCERNING UNFAIR TRADE PRACTICES, which would add a new sub-section 11 to section 38-61 in the general statutes. New sub-section 11 would prohibit four specific practices. It would prohibit a lender from requiring that a debtor obtain insurance from a particular insurer, it would prohibit a lender from unreasonably disapproving an insurance policy provided by the debtor, it would prohibit a lender from opposing handling charges in connection with any insurance policy, and it would prohibit a lender from using or disclosing certain information. It seems to me that adequate safeguards can be provided by legislation of that sort. We do not need a blanket prohibition on a casualty or fire insurance agency being on the board of directors of a lending institution. So we would urge you to delete the word director where it appears in line 30 of this bill.

SENATOR POWER: Any questions by members of the committee? Thank you sir.

DAVID BIZER: Mr. Chairman, my name is David Bizer. I represent the Connecticut Bankers Association, the commercial banks in this State. I would endorse the concepts of Mr. Schwartz representing the Mutual Savings Banks, but would go a bit further than he. We would oppose this bill in its entirety.

Let me start by remarking that the way I read this bill and the way we read this bill, sections 1 and 2 when read together would prohibit a bank holding company from ever acquiring or forming a subsidiary which is in the insurance business and which intends to sell fire or casualty insurance. Basically what this is is a anti-competitive measure. There are three other reasons why we are opposed to it. First of all we feel that there is no public need that would be served insofar as 1972 Public Act 109 prohibited tie-ins. So the tie-in provision where a bank as a condition for extending credit would require the buying of an insurance policy, that's out. Number 2, the bill would be premature. Premature because the Federal Reserve Board is now wrestling with this very problem on a National level and has not come up with any definitive or let me say anything subtle rules as to what bank holding company will or will not be permitted to do. And third, and importantly too,

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DAVID BIZER: (Cont.) is the fact that if this committee in this legislature were to pass such a bill it would cause a great deal of lack of uniformity in the relationship between insurance companies and banks across the nation. What we need in this area, rather than a hodge podge of laws, is a set of uniform laws which would govern relationships between the two industries alike, whatever State they may be in. Thank you.

SENATOR SMITH: Excuse me sir, I didn't catch what association you are with.

DAVID BIZER: The Connecticut Bankers Association.

SENATOR SMITH: I do have a question. I'm Senator Smith 14th District. You said, you stated that as far as arranging a loan from a bank that that they cannot require that a borrower, or that a potential borrower buy insurance. However, I do have two instances of gentlemen who are willing to come to this committee and testify secretly that they were forced to buy insurance that ran them several thousand dollars in each case, before their loans were approved. I am sure there are other instances. However, many people I think find that in some cases, that if they make this public that they banks can put a great deal of pressure on them through either their bank or through the association, and make it very difficult for them to obtain money. And this is one reason I think that this is an excellent bill until such other legislation is enacted that would protect the individual from having to buy insurance of this type.

DAVID BIZER: Senator Smith, maybe I can clear up a misunderstanding. Maybe there really isn't a problem here. When I said that Public Act 109 of last year prohibited the requirement that insurance be bought as a condition for obtaining credit, I was referring to an area other than the-- what the past gentlemen mentioned, or earlier gentlemen mentioned, which was credit, life, health and accident insurance. Now those three forms of insurance are insurance that a bank is now authorized to write to guarantee the repayment of a particular loan. We are talking now about other types of insurance mainly fire and casualty which may have no relationship to the particular extension of credit. So there are two different areas here. There certainly are circumstances, and I will agree with you, where as a condition of getting a loan, a prospective debtor must buy insurance.

SENATOR SMITH: Well, this isn't a case of must buy, but it's, and I think we're all aware of this situation where they can suggest that you do it, and until such time as insurance is purchased, that the loan is held up. I mean there are subtle ways to do this, and I think we're all aware of them.

DAVID BIZER: Might I submit, that if the problem as you see it, and as the committee sees it, is this requirement, the mandatory buying of insurance--

SENATOR SMITH: No, not mandatory, but where a bank is in the insurance business,

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SENATOR SMITH: (Cont.) and somebody wants a loan, and they say fine, and then part way through the conversation perhaps the loan officer says, by the way--. That's all he has to say. They get the message more often than not. There's no requirement. It's not written, not even directly implied. But I think we're all intelligent enough to realize that there are perhaps only one or two as in any profession, unscrupulous people that will do it, but it can and does happen.

DAVID BIZER: I think your point may be well taken. But again, if in fact that is the case, then a measure other than 2124 can and should be addressed to take care of that problem. 2124 goes way further than prohibiting permissive or greater degrees of pressure in causing a person to buy insurance. And for that reason, because of the breadth of this bill, we are objecting to it.

SENATOR POWER: Further questions? Any other testimony on 2124?

JOHN AHERN: Mr. Chairman, members of the committee, my name is John Ahern, representing the Insurance Association of Connecticut. Although this bill is evidently not intended to apply to insurance companies, it is conceivable in some circumstances that insurance companies could be construed to be a lending institution, in that it lends money on occasion, so that the bill could not be erroneously interpreted to apply to insurance companies we suggest that it be amended by adding the language in section 5 of the bill, quote, this act shall not apply to insurance companies. Just to make that clear. That's all I have to say.

SENATOR SMITH: Excuse me. I do have one question. Wouldn't the addition that was suggested by one of the previous speakers in line 19 where they added, and, accepts deposits and lends money, wouldn't that eliminate the situation that you're concerned with?

JOHN AHERN: I'm not looking at the bill at the moment, but I guess insurance companies don't accept deposits. I would think that to simply state that the act does not apply to insurance companies would remove any possible doubt. There's nothing like making sure.

SENATOR POWER: We will now go to bill 8936, AN ACT CONCERNING RATES CHARGED UNDER MASS MERCHANDISING OF PLANS FOR PROPERTY AND CASUALTY INSURANCE.

ALLAN TIBBITS: Senator Power, Representative Johnson, members of the committee, my name is Allan Tibbits and I am an insurance agent in the City of Bridgeport. I am also the Co-chairman of the Legislative Committee of the Connecticut Association of Independent Insurance Agents. And we strongly support the bill that is currently being heard. The Connecticut general statutes apparently requires that the insurers writing policies

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body, it doesn't mean we have to act on it. Will you remark  
further on the motion to Reconsider. All those in favor signify  
by saying Aye. Opposed Nay. The ayes have it. THE BILL SHALL  
BE RECONSIDERED. roc

It will go back on tomorrow's Calendar with two stars.

THE CLERK:

Cal. 285, File 160. House Bill 8801, AN ACT CONCERN-  
ING THE BOUNDARIES BETWEEN THE TOWNS OF ASHFORD AND EASTFORD.  
Favorable Report of the Committee on Government Administration  
and Policy.

THE CHAIR:

Senator Smith.

SENATOR WITHROP SMITH:(14th)

Mr. President, I move for acceptance of the Committee's  
favorable report and passage of this bill and I move that it  
be put on the Consent Calendar.

THE CHAIR:

Motion is to a Consent Calendar. Hearing no objection,  
so ordered.

THE CLERK:

Page 4 of the Calendar. Cal. 287, File 83. House  
Bill 8446, AN ACT CONCERNING UNFAIR TRADE PRACTICES. Favorable  
Report of the Committee on Insurance and Real Estate.

THE CHAIR:

Senator Power.

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SENATOR POWER: (30th)

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

THE CHAIR:

Will you remark.

SENATOR POWER:

Yes. This bill concerning unfair insurance practices is an extremely important bill in the eyes of the Insurance Commissioner and Department. The insurance laws of the State contain sections defining what constitutes an unfair or deceptive act or practice in the business of insurance. Existing statutes were enacted in 1955 and are entirely inadequate for conditions existing in the 70s. The insurance commissioner along with the insurance commissioners of the other 49 states recognize the problems that have arisen and recently in the insurance business and together they drafted a model unfair trade practices bill. This is what is before us today. The bill contains the provisions of the model bill drafted into our existing statutes on this subject. In this way we keep those parts of current Connecticut statutes which are good, improve those that need modification and add needed new sections to enable the insurance commissioner to more effectively carry out his responsibility of protecting our Connecticut citizens. One of the important new provisions contained in the bill is on page 4 entitled Unfair Claims Settlement Practices. At the present time, the Insurance Department receives and investigates

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complaints about insurance from Connecticut residents but this statutory authority covering these duties is limited and penalties short of revocation of an insurance company's license do not exist. This bill in simple language states among other acts that it is an unfair claims settlement practice to commit or perform with such frequency as to indicate a general business practice, any of the following: misrepresenting facts or policy, provisions relating to coverage at issue, failing to acknowledge and act promptly upon communications respecting claims, failing to adopt standards for proper investigation of claims, refusing to pay claims without conducting an investigation, failing to affirm or deny coverage in a reasonable time, not attempting in good faith to effectuate prompt settlement of claims, compelling insured to sue by offering substantially less than amounts ultimately recovered, attempting to settle a claim for less than the amount that a reasonable man would be have believed that he was entitled to by reference to a written or printed ad. Another important provision of the bill that it requires a company to establish a complaint handling procedure and to maintain a complete record of all the complaints it has received since it was last examined by the Insurance Department. It is estimated that only ten percent of the Connecticut residents who have a complaint actually bring the matter to the attention of the Insurance Department and this procedure will permit a review of the other ninety percent. This bill also provides real enforcement provisions which do not exist in the

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existing law. Section 3 of this bill provides for a monetary fine of one thousand dollars for each violation or an aggregate penalty of ten thousand dollars or suspension of a license. It's a good bill and I urge its passage.

THE CHAIR:

Is it going to the Consent Calendar, Senator, or a roll call or what.

SENATOR POWER:

I would move that it go on the Consent Calendar, if there is no objection.

THE CHAIR:

Senator Fauliso.

SENATOR FAULISO:

Mr. President, on another occasion when we vested this power, this type of power with the Liquor Control Commission, I opposed the bill. I don't think it should be the prerogative of any quasi-judicial body or any commissioner to impose a fine, such as this bill provides. I think that prerogative belongs to the courts. I think the power to desist and to issue cease and desist orders are proper and appropriate but to go beyond that and to impose sanctions such as this bill provides, I think goes beyond the principles that we have long lived by in our State. We certainly have courts that have adequate jurisdiction. It deprives an insurance company or any company for that matter who is agreed and comes before this commission to be governed by rules of evidence and the imposition

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of a fine based upon some arbitrary ruling of a commissioner would be unfair. I think that we as lawyers at least can appreciate how important that is. I think to expand that principle of imposing fines by a quasi-judicial body or a commissioner is an encroachment on the judicial function of our State. I think this belongs to our judicial department. I think it is outside the prerogatives of the commissioners or the quasi-judicial departments and I don't think we ought to expand that particular power. I think that power resides in the courts of this State.

THE CHAIR:

You are opposing the motion to go to the Consent Calendar. It will not be on the Consent Calendar as a result of your opposition.

SENATOR FAULISO:

Correct.

THE CHAIR:

Fine, thank you. Senator Power.

SENATOR POWER:

Mr. President, I would point out to the Senator from the 1st that in the files of the Insurance Department there are some ten or a dozen cases where the then insurance commissioner has imposed a fine on insurance companies that have violated the provisions of the Connecticut statutes. So what this merely does, Senator Fauliso, through you, Mr. President, is it gives him a little greater authority as far as the monetary

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fine. There are cases, as I indicated, that some nominal fines some as I recall up in the neighborhood of fifteen hundred or two thousand dollars. So there have been punitive measures involving sums of money so we are not doing anything new.

THE CHAIR:

Senator Rome.

SENATOR ROME:

I move that when the vote be taken, it be taken by roll call.

THE CHAIR:

Thank you. All those in favor of a roll call vote, signify by saying Aye. Opposed Nay. The ayes have it. More than 20 percent having assented, when the vote is taken it shall be by roll call. Senator Alfano.

SENATOR ALFANO: (7th)

Mr. President, I concur with the remarks of Senator Fauliso in connection with this matter. I know there are other areas in which the insurance commissioner can impose a fine in lieu of a suspension. The thing that I am concerned about is we are opening the door even further and where are we going to go when quasi-administrative bodies impose penalties that rightfully belong to the judiciary. Will we next be going to the Motor Vehicle Department and say to the person apprehended for operating under the influence of liquor or any other motor vehicle violation and appear before the Motor Vehicle Commissioner or a hearing man and a penalty be imposed at that time in lieu

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of a suspension. I think we are going too far in this area. We have started with the insurance commission and opened the door here. Now we are broadening it. Last year we did it with the Liquor Control Commission. I think we should bring this to an immediate stop and I certainly would oppose this bill.

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THE CHAIR:

Will you remark further? The Clerk please announce the roll call and proceed to call the roll.

THE CLERK:

Senator Fauliso	No
Senator Wilbur Smith	No
Senator Burke	No
Senator Odegard	Yes
Senator Lenge	Yes
Senator Zisk	No
Senator Alfano	No
Senator Rome	Yes
Senator Truex	Yes
Senator Lieberman	No
Senator Ciarlone	No
Senator Page	Yes
Senator Zajac	Yes
Senator Winthrop Smith	Yes
Senator Cutillo	No
Senator Sullivan	No
Senator Powanda	Yes
Senator Hellier	Yes
Senator Murphy	No
Senator Cashman	Yes
Senator Gunther	Yes
Senator Scalo	Yes
Senator Caldwell	No
Senator Petroni	Yes
Senator Lyons	Yes
Senator Guidera	Yes
Senator Strada	Abs.
Senator Gormley	Yes
Senator Berry	Yes
Senator Power	Yes
Senator Dinielli	Yes
Senator Bozzuto	Yes

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Senator Costello	Yes
Senator DeNardis	Yes
Senator Carruthers	Yes
Senator Finney	Yes

THE CHAIR:

Results of the roll call vote on House Bill 8446:

Whole Number Voting . . . . .	35
Necessary for Passage . . . . .	18
Those Voting Yea . . . . .	24
Those Voting Nay . . . . .	11
Absent and Not Voting . . . . .	1

THE BILL IS PASSED.

THE CLERK:

Cal. 288, File 179. House Bill 8638, AN ACT CONCERNING THE EXTENSION OF TIME FOR THE ORGANIZATION OF THE CONNECTICUT GENERAL FIRE AND CASUALTY INSURANCE COMPANY. Favorable report of the Committee on Insurance and Real Estate.

THE CHAIR:

Senator Power.

SENATOR POWER:

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

THE CHAIR:

Will you remark.

SENATOR POWER:

Yes. This merely extends the time for the organization of the Connecticut General Fire and Casualty Insurance Company. It was originally granted in 69, extension was given in 71. They are asking for an extension until 75 and I would move that

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aisles. The machine will be opened. Double time. Has everyone voted? Take your time fellas. The machine will be closed. The Clerk will please announce the tally.

EFR

THE CLERK:

H.B. 8438 as amended by House Amendment Schedule "A".  
Total number voting - 150. Necessary for passage - 76. Those voting yea - 105. Those voting nay - 45. Absent and not voting - 1.

MR. SPEAKER:

The bill is passed as amended.

## BUSINESS ON THE CALENDAR

THE CLERK:

Your Calendar No. 102, H.B. 8446, File 83, an Act concerning unfair trade practices. Favorable report of the Committee on Insurance and Real Estate.

## SPEAKER IN THE CHAIR

MR. SPEAKER:

The gentleman from the 112th again.

GEORGE A. JOHNSON, JR.:

Good afternoon, Mr. Speaker. Like I haven't been here before, sir. But I move for acceptance and passage of the Joint Committee's favorable report on this bill.

MR. SPEAKER:

Question's on acceptance and passage. Will you remark.

GEORGE A. JOHNSON, JR.:

Yes, I will, Mr. Speaker. I would like to preface my remarks by saying that notwithstanding the real estate measures,

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EFB

this is a very monumental piece of consumer legislation that I'm proud to introduce to the House today. The insurance laws of the State of Connecticut contain sections defining what constitutes an unfair or deceptive act or practice in the business of insurance. The existing statutes were enacted in 1955 and are entirely inadequate for conditions existing in the 1970's. The Connecticut Insurance Commissioner, along with the Insurance Commissioners of the other 49 states, recognize the problems that have arisen recently in the insurance business, and together they have drafted a model Unfair Trade Practices Bill. The bill before us today contains the provisions of the model bill drafted into our existing statutes on this subject. In this way we keep those parts of current Connecticut statutes that are good, improve those that need modification and add needed new sections to enable the Insurance Commissioner to more effectively carry out his responsibility for protecting our Connecticut citizens. One of the most important new provisions contained in this bill is on Page 4 entitled: "Unfair Claims Settlement Practices". At the present time the Insurance Department receives and investigates complaints about insurance from Connecticut residents, but his statutory authority covering these duties is limited, and penalties short of revocation of an insurance company's license do not exist. This bill, in simple language, states that among other acts that is Unfair Claims Settlement Practices to commit or perform with such frequency as to indicate a general business practice of any of the following: misrepresenting facts or policy provisions relating to coverage at issue; failing to acknowledge and act promptly on

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communications respecting claims; failing to adopt standards for prompt investigation of claims; refusing to pay claims without conducting an investigation; failing to affirm or deny coverage in a reasonable time; not attempting, in good faith, to effectuate prompt settlement of claims; compelling insurance to sue by offering substantially less than amounts ultimately recovered; attempting to settle a claim for less than the amount that a reasonable man would have believed he was entitled to by reference to a written or printed ad. Mr. Speaker, another important provision of this bill is that it requires a company to establish a complaint-handling procedure and to maintain a complete record of all the complaints it has received since it was last examined by the Insurance Department. It is estimated...

MR. SPEAKER:

Please give your attention to the gentleman from the 112th.

GEORGE A. JOHNSON, JR.:

Thank you, sir. It is estimated that only ten percent of the Connecticut residents who have a complaint actually bring the matter to the attention of the Insurance Department, and this procedure will permit a review of the other 90%. This bill provides real enforcement provisions, which do not exist in the present law. Section 3 of the bill provides for a monetary fine of a thousand dollars for each violation and an aggregate penalty of ten thousand for suspension of the license. Mr. Speaker, this is beautiful legislation, and I urge its adoption.

MR. SPEAKER:

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Question is on acceptance and passage. Will you remark. EFR  
If not, if all members would please take their seats. Question is  
on acceptance and passage of H.B. 8446. Will you remark further.  
If not, if all members would take their seats, non-members please  
come to the well, the machine will be opened. Everyone voted?  
The machine will be closed, and the Clerk please take a tally.  
The gentleman from the 3rd.

PAUL A. LAROSA:

I'd like to be recorded in the affirmative.

MR. SPEAKER:

The gentleman from the 3rd shown not as having voted  
wishes to be recorded in the affirmative.

EDWARD F. DONOVAN:

Mr. Speaker, I'd like to be recorded in the affirmative,  
please.

MR. SPEAKER:

The gentleman from the 115th, shown as not having  
voted on the tally machine, wishes to be recorded in the affirma-  
tive.

WILL MAHONEY:

Mr. Speaker, I'd like to be recorded in the affirmative.

MR. SPEAKER:

The gentleman from the 118th, shown as not having voted  
on the tally machine, wishes to be recorded in the affirmative.

CLYDE BILLINGTON:

Yes, Mr. Speaker. I'd like to be recorded in the  
affirmative.

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MR. SPEAKER:

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Gentleman from the 7th, shown as not having voted, wishes to be recorded in the affirmative.

EARL T. HOLDSWORTH:

Mr. Speaker, I, too, would like to be recorded in the affirmative.

MR. SPEAKER:

Gentleman from the 123rd, shown as not having voted, wishes to be recorded in the affirmative.

DOROTHY K. OSLER:

I would like to be recorded in the affirmative, please.

MR. SPEAKER:

Lady from the 150th, shown not as having voted, wishes to be recorded in the affirmative. Are there other additions? The Clerk please announce the tally.

THE CLERK:

Total number voting - 145. Necessary for passage - 73. Those voting yea - 144. Those voting nay - 1. Those absent and not voting - 6.

MR. SPEAKER:

Joint Committee's favorable report is accepted, and the bill is passed.

AUDREY BECK:

Mr. Speaker, would it be possible to make an announcement?

MR. SPEAKER:

Please proceed.