

Legislative History for Connecticut Act

SB713	PA 79-318	1979
Ans: 78-79, 105, 111, 113-114, 136-137, 10 258, 280		
Sen: 2132-2133, 2330-2331		4
How: 6708-6726		19
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JOINT  
STANDING  
COMMITTEE  
HEARINGS

INSURANCE &  
REAL ESTATE  
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COMR. MIKE (Continued): \$100,000 and \$10,000 and the other one wants to go to \$100,000 \$300,000 and \$10,000. Well, every individual has the option of buying these limits already, but I am opposed to the concept that -- to a bill that would force the higher limits on an individual. I think that -- we can harken back to Representative Wright's testimony. There is considerable difficulty already in various lines of insurance where we attempt to force individuals to buy coverages that are beyond either their need or maybe their ability to afford it. And I would oppose this also.

The cost -- the estimate in Senate Bill 664 for a premium increase would be approximately 20% for the required -- coverage and in 6905 our estimate is approximately 35%.

Senate Bill 707 requires insurers to issue auto insurance policies on an annual basis. Again this is a statement of purpose bill and we're really uncertain as to exactly what it intended. We aren't sure whether it would require the company to make available an annual policy or require that any policy itself be annual only. And we also aren't certain just how you would handle the payment of such policies. There are advantages and there are disadvantages. And we only suggest that they we waived in the final analysis. I'm not opposed to requiring insurance companies to issue policies for an annual basis so they don't file rate increases on quarterly or semi-annually, but recognize that in that case they would have the money of the insurer for a longer period of time and the question of investment income falling from the use of that money would arise.

Senate Bill 713 concerns the partial payment of claims. This is a proposed bill that does not contain final language but obviously addresses itself to the fact that -- a practice that -- of issuing advances against estimates, as a form of claim payment. We've received a great number of complaints concerning this method of claim handling. The company using it makes a direct payment to the claimant in an amount which in their opinion the value of the automobile or property has been reduced, and does not normally include enough money to adequately repair the item to its former state. For example, it appears that on average some of our companies will pay approximately 75% of an estimate for the repair to a damaged automobile. And if the claimant has the automobile repaired they will then pay the difference. In the event the claimant does not repair the automobile the company doesn't give them anymore money. There has been very controversial for a

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COMR. MIKE (Continued): number of years and it has generated a number of complaints to the Department and I feel that it is not in the public interest and requires a great many arbitrary decisions on the part of the insurance adjusters and we have found nothing but problems in the implementation of this policy. It sounded very good on paper when it first came out -- when it comes to practice it isn't working out.

Decisions are only arbitrary and -- and unfair. In fact nothing -- we've had nothing but problems with it. If the Committee desires, I'd be glad to submit -- some suggested language to help you address the bill if you -- if you see fit.

Proposed Bill -- Senate Bill 714 concerns standards for prompt repair and equitable settlement of claims. Creates several problems that are listed in the memo that I have submitted to you. It doesn't recognize the possibility of catastrophic type losses or a natural disasters and -- it doesn't address the kind of problems that we have encountered. Most of the complaints that are received have not been from the time schedule attended with handling of the complaints, but rather with the size of the offer. Or the willingness of the company to talk about the actual loss. It's unusual for us to receive complaints specifically involving the time element suggested in this bill.

I believe that this bill is not really necessary, suggest that part of it is now included under regulations concerning the conduct of auto physical damage appraisers insofar as leaving estimates, etc. Based on the experience that we had and the claim handling in the insurance department I would not favor passage of this proposal.

Senate Bill 791 concerns No-Fault insurance as does Senate Bill 1024 and House Bill 5572. Each of these bills proposes to revise the No-Fault threshold in different directions. The present -- the present threshold allows for third party injury claims to be made against negligent operator, if the injured person has sustained death from an injury, any bone fracture, permanent significant disfiguration or disfigurement, permanent loss of any bodily function, loss of a body member or any allowable expense in excess of \$400. Proposal in House Bill 5572 wants to lower that threshold to \$100. That -- would seriously impact what effectiveness there may be in the No-Fault legislation now. And it is in essence an attempt

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MR. FRIEDMAN (Continued): that we had until we saw that substitute language.

Senate Bill 145 would eliminate deductibles for replacement of auto glass in Auto Policies providing Comprehensive Coverage. While the Bill's purpose of increasing safety is audible, auto premiums will increase without any assurance that the stated purpose will be achieved. Policyholders will still have the option of receiving payment for the auto glass claim or having the glass replaced. We oppose Senate Bill 713, which would prohibit the conditioning of full payment of an auto claim upon completion of repairs. In Connecticut, and as far as we can determine in every other state, the laws for which an insurance company is liable is measured by the difference in fair market value before and after the accident. In most cases that difference is easily measured by the cost to repair the vehicle. In cases where repairs are not made, however, payment to the claimant of the full estimated cost of repairs may result in a windfall for him and a higher insurance cost for all policyholders. Let me give you an example. Older automobiles collect marks and scratches sustained in parking lots, they collect rust and other unrepaired damage. When these cars sustain new, often appearance related damage, their owners frequently choose not to repair them but instead pocket the claim proceeds. Consequently when the estimated cost of repairs exceeds the reduction in the auto fair market value, and the claimant does not repair the car, he receives a windfall gain. In order to contain claim costs some companies have implemented programs which offer the claimant the estimated decrease in the car's fair market value if it appears unlikely that the vehicle will be repaired. Of course if the insured decides to get the auto repaired, the cost of repairs are paid. As a result of this program, one Connecticut company estimates savings for property damage liability and collision coverage of 3% to 5%. In mindfull of these savings Massachusetts in 1976 enacted legislation paralleling this voluntary program in Connecticut.

Now I'd like to take, knowing time is short, I'd like to take just a bit more time on three bills or four bills rather than are not new to this Committee, although they may be new to some of you newer members on the Committee.

The Connecticut Insurance Industry is firmly opposed to specifically 5573, 6375, 6376 and a new bill which was first seen today, Raised Committee Bill 1366. All which would have the effect of preventing a policyholder from receiving any

MR. GRADY (Continued): insurance rates. My comment in this regard is very brief; that it is an axiomatic provision of insurance. That insurance is the transferring and distributing of the risk over as broad an area or grouping as is possible.

The second bill which I wish to address myself to is Proposed Bill 165 which calls for the study of the auto rate making a system currently in effect. Much has been said this evening; substantial comment by Commissioner Mike and others concerning the rate making system. It seems only logical that we should explore that further and I would make the suggestion that if a Committee is founded, that that Committee be granted subpoena power.

The next series of bills which I wish to address would be Proposed Bill 518, 713 and 714 which all deal with the form of payment and time limitations for adjustment of property damage claims. Again I am a practicing member of the bar and involved in this field, quite extensively, quite heavily. It is a very common problem in my practice to encounter the client who has had to wait several weeks; first of all to have even a first party loss appraised and I know that that has been poo-pooed by some, but I think Commissioner Mike has also spoken to it. I think the very real problem and I think time limitations should be imposed.

In terms of the form of payment, I think it only in keeping with the times, that the Insurance Company draft be eliminated. The draft is very beneficial to the carrier of course because its provided a substantial period of time in which to cancel out on payment. However, it does not take into effect or into account, really the convenience of the insured who has paid a valuable premium for that service. Too often times an insured or a third party claimant will present a draft to a bank and will be told, "well I cannot negotiate that for two or three weeks" and in the meantime the peron's automobile was still in the shop and the body repair will not yield it and properly so. I am also speaking in favor of 713 which speaks to the issue of partial payment of property damage claims. Commissioner Mike addressed that earlier and I would just add that again I have found from experience that the bar in this type of matter that it is becoming increasingly more common for the carrier to pay a percentage of the appraised value and then wait to see whether or not the insured has the vehicle repaired. The insured entered the contractual relationship with the carrier for payment and payment should be made when the vehicle is appraised.

MR. GRADY (Continued): corresponding reduction in rate. Thank you.

REP. PALMIERI: Any questions? Thank you Mr. Grady. Bob Lesser.

MR. LESSER: Mr. Chairman and members of the Committee. My name is Robert Lesser. I'm an attorney representing the Auto Body Association of Connecticut. I'm from Bridgeport, Connecticut. On behalf of the association I will speak briefly about certain bills, because there have been some comments already made to the Committee about them and we're all I think in general agreement.

One of the bills is Bill No. 518 which is the bill which refers to the use of checks instead of drafts. I think this seems to be in agreement by Commissioner Mike and other speakers here, that the public is better served and also the people whom I represent would be better served. There is no question what's happening is that a draft is not the same thing as a check in negotiable instrument law and a lot of garages will not accept these drafts and give a person their car. And say, "well we're very sorry, we've been burned before by these drafts". "Drafts go in, two, three weeks later the company rejects the draft and therefore we aren't paid for the car. Therefore you can't pick up your car."

Actually it increases the cost of insurance because now the customer who may be renting a car, has to rent a car for a longer period of time before he can get his car from repair. So it's rather evident I think from everybody that spoke this evening, that the practice should be stopped in using drafts and checks should be used in their place.

We also favor Bill No., well I'm going to skip, I'm going to speak about Bill No. 713 and we favor that bill which talks about the partial payment and the fact that partial payment should be made on claims. Now I think it was Mr. Friedman who spoke in favor of that. Commissioner Mike's, no. Mr. Friedman spoke against that bill. Commissioner Mike was in favor of the bill and it's evident why we're in favor of the bill and it's not because of our particular association. It's for the public. What's happening on the street is this. The people are in accidents and they're given a check. The check is not for the full amount of what it would cost to repair their car. Now that person is paying an insurance premium and we contend that person's premium that they're paying is so that they can get the full amount that it would cost them to repair their car. Now why shouldn't the

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MR. LESSER (Continued): insurance company pay them that full amount? What right do they have to say to them, "you can't get it, unless you repair that car?" That person may want to turn their car in; they may not want to repair it right then and they've paid the premium and the premium is based on what it would cost to repair the car. Therefore it's entirely unfair we think for this to be withheld from the.

Not only that but it causes trouble with repairers. The people get a partial payment. Now they've decided that the car is being repaired, they better contact the company and say to the company, "say look, my car has been repaired. I need to have the money". Well it takes longer. You've got to wait. They've gotta come over now and give you another check and it takes you longer to get your car from the repair garage. Therefore we think it's essential that if people have damage to their car, they're paid the full cost to repair that car because if they go to turn that car in, certainly a lot of automobile agencies, dealers will certainly deduct what it would cost to repair that car. And therefore they should receive that payment for their car.

The last thing I'm going to address myself to is a group of bills. I think that the Bills are 5573. There's also a Bill I think 6376 and I have my list here, 7376, 7375 and Commissioner Mike also stated that his department is requesting this Committee to raise the bill which is similar and pertains to this. And this is the question of insurance companies being able to recommend

[Faint, mostly illegible text]

[Faint, mostly illegible text]

MR. DICKINSON (Continued): available to the committee or any study group in this area.

SEN. MURPHY: Questions? Warren Azano.

MR. AZANO: My name is Warren Azano, I am counsel for Aetna Life & Casualty. With me tonight is Roy Anderson from Aetna in the event that you have any questions of technical nature that I cannot answer. We did not come prepared tonight to testify although I did sign the register in the event that we believed comments were in order in light of testimony we did hear. I would like to comment on House Bills 5573, 6375 and 6376 on Raised Committee Bill 1366 and on Senate Bill 713.

Regarding the first four bills, which address the body shop referral question, the questions I ask after sitting through this hearing are first, where are the consumers at this hearing? Where are the agrieved claimants? Who is complaining about the present state of the law? The claimants or the body shops? This legislation has one purpose and one purpose only, to prevent claimants from being informed of body repair shops where they can get their automobiles repaired at reasonable rates. I was going to review our programs in this area, but Mr. Watson of the Agents Association has already done it and a very capable job of that, so I'm not going to take your time to do this. I would just say that no other state forbids us from providing names of body shops at the claimant's request. And some of the states, as Mr. Freedman has indicated, actually require it.

We urge you to say, no, once again to this legislation, which is clearly special interest legislation and which hinders our efforts at cost control in the automobile insurance area.

Secondly, regarding Senate Bill 713. First, with respect to our legal or contractual obligations, I must point out that our policies do not give the insured the contractual right to have the vehicle repaired, nor do they give him the right to be reimbursed for the cost of repair, what they do do is entitle the insured to payment for "loss", under the law of Connecticut and every other state that we know of, the correct measure of loss is the difference in fair market value before and after the accident. In many cases, this may well be the cost of repairs, but it's not necessarily the cost of repair in all cases. Aetna and a number of other insurers doing business in the state, have implemented programs designed to thoroughly indemnify the claimant for his loss while simultaneously keeping costs, and as a result,

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MR. AZANO (Continued): premiums, as low as possible. Under our program, if we believe a claimant is unlikely to repair his vehicle, and I might add that this only happens under 20 percent of the time, less than one case in five, we will offer the claimant that amount which we believe fairly represents the decrease in value caused by the accident. In the majority of cases in which we make this type of an offer, the claimant accepts the offer. Of course, if we are incorrect in our assessment, and the claimant does, in fact, repair his car, we pay for the fair and reasonable cost of that repair.

Frankly, we fail to see how this type of program is unfair to anyone. And it is helpful in our efforts again to contain costs, so as to check the rising costs of automobile insurance. We urge you to box Senate Bill 713 also. I will provide you a copy of the comments I have made if you would like it in writing and, as I say, we do have a claim expert with us if you'd like to address any of the areas that have been discussed at length tonight.

SEN. MURPHY: Any questions? Thank you, Warren.

REP. VANCE: The only question I would have from the gentlemen who deals in claims is his brief comment on the auto -- the window glass because there were some very negative comments made there concerning the industry itself and it's feeling toward that type of claim.

MR. ANDERSON: You mean on the glass losses, you mean?

REP. VANCE: Yes, windshield.

MR. ANDERSON: Well, I'm not in the glass business as the other gentleman was here prior to me being --

REP. VANCE: I'm trying to balance it out.

MR. ANDERSON: But, with our company, we, on our claims, we either pay the claim in full to the owner or we have a glass shop put the glass in for them, but I can't believe what I heard tonight in the testimony that there are that many people in the State of Connecticut that would take their life in their own hands and half of their family, by driving around with a windshield that they can't see through, but I think that was blown out of distortion as far as I'm concerned, but as far as we pay the claims, we pay them when they are on --

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MR. FREEDMAN: (Continued)

Murphy won't be getting a tax bill until June for his first installment of taxes, the second bill for the month of January 1980, and those taxes won't be delinquent until sometime in the middle of 1980 or late 1980, the town of Franklin has a lien on those proceeds.

Senate Bill 384 would clarify that the claim proceeds would be subject only to delinquent taxes, and supply the mechanics for enforcement of municipal liens absent from last year's laws. The bill also extends the municipality's access to insurance claim proceeds by permitting liens to be filed for demolition expenses. The IAC strongly supports adoption of both bills, which would be models for the rest of the country to follow.

The next bill I'd like to speak about is 6120. Under present law, most Connecticut corporations wanting to affect a merger with a 90% or more owned subsidiary by trading their own shares for minority-owned shares of the subsidiary, do not need the approval of share-holders nor is a hearing necessary prior to merger. But this Bill would conform procedure that an insurance stock corporation would like to engage in, conform it with those for other stock corporations and permit the exchange of stock, except the Insurance Commissioner would have the power to order notice to shareholders and order a hearing if necessary.

This is a fairly extensive process, costing 25 to \$30,000 to notify the shareholders of the parent corporation and I think the bill deserves consideration by the Committee. There are a number of bills, miscellaneous bills which I'd like to comment on.

The first one being 713, which was heard the other evening, and would condition full payment of an automobile claim upon completion of repairs. As we said February 27, some companies in efforts to contain claim costs have implemented programs which offer the claimant the estimated decrease in the car's fair market value, if it appears unlikely that the vehicle will be repaired. Of course, if the claimant decides to have his vehicle repaired, the cost of repairs are paid.

Mindful of savings involved, Massachusetts has even enacted legislation requiring all companies to follow these procedures.

MS. RUBINOW: (continued)

on their behalf against the shops involved from whom the negligent driver had purchased liquors. There were three dram shops involved, only two of them had coverage. This meant \$40,000 was available for the lives of two parents with four children surviving them. This suggests, as others have before me, that the coverage suggested meets the coverages purchased is not the case. I think it's essential for the state to assume the responsibility that they have, in enacting the dram shop legislation and to pursue it by requiring that insurance coverage be purchased, and this is only a furtherance of the dram shop legislation.

As to Bill 713, which is an act concerning partial payment of claims, I just think this is unfair, as a person, again, not just a lawyer, but somebody who drives an automobile and has had a vehicle damaged. I paid the premium, and I think it's my choice to determine whether or not I'm going to expend the money received from the company in repair of my car, or in another manner. I don't see any underwriting connection between this bill and my payment of premiums. I think also that it is protection for the company in that they are entitled to a damage estimate and they do

As to Bill No. 374 which is an act concerning liens on proceeds of fire insurance, etc., etc., I think there's a big gap here, in that unlike many other subrogation type bills -- the no fault bills, and the welfare lien bills, there is no attention to attorney's fees in this bill. In fact, I see a potential here for a malpractice claim against an attorney who accepts, on behalf of his client, proceeds of a fire policy, and makes disbursement, perhaps even back to the town, and retains a portion for his fee. Without this very essential factor, I think it is possible that many people will be deprived of an opportunity to have an attorney represent them in pursuit of the insurance coverage for which they paid premiums and that type of thing.

I like to speak in support of 469 which is a clear language bill. The only thing I would request that this Committee consider is that the bill itself contains no standards for rectifying and creating standards where there had been none before, and I understand that there have been bills before the House that -- 461 proposed by Representative Granby, and 1221 proposed by Senator Curry who was a classmate of

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that should pass, but I do see obvious defects that were discussed in Committee that I think can be corrected and that's really why I made the Motion.

THE CHAIR:

The Motion is to pass retain the item. Is there further discussion on the Motion? Any objection? Hearing none, it is so ordered. The item is passed retaining its place on the Calendar.

THE CLERK:

Continuing on page 5 of the Calendar, Calendar 337, File 272, Favorable Report of the Joint Standing Committee on Insurance and Real Estate, Substitute Senate Bill 713, AN ACT CONCERNING PARTIAL PAYMENT OF CLAIMS.

THE CHAIR:

Senator Murphy.

SENATOR MURPHY:

Mr. President, I move acceptance of the Joint Committee's Favorable Report and passage of the Bill. I believe the Clerk has an Amendment.

THE CHAIR:

Question is on acceptance and passage and the Clerk has an Amendment.

THE CLERK:

Clerk has Senate Amendment, Schedule A, Senate Bill 713, offered by Senator Murphy, LCO 7664. 7664. Copies are on the desks.

SENATOR MURPHY:

Mr. President, I move adoption of the Amendment.

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THE CHAIR:

The question is on adoption of the Amendment. Will you remark Senator?

SENATOR MURPHY:

Briefly, Mr. President, the Amendment would become the Bill and what it does is ensure that for those companies who have the practice of making partial payments, rather than the full amount that would be necessary to repair a vehicle, they could do so only if the insured agreed to this plan or if the automobile, the insurance policy which they had purchased, contained a provision to that effect when they purchased it. And I move adoption of the Amendment, Mr. President.

THE CHAIR:

Question is on adoption. Will you remark? Hearing no remarks, those in favor indicate by saying aye. Those in opposition to? The Amendment is adopted. Proceed Senator.

SENATOR MURPHY:

Mr. President, as I indicated, the Amendment really is the Bill and if there is no objection, I'd move it to the Consent Calendar.

THE CHAIR:

The Motion is to place the item on the Consent Calendar. Is there objection to the Motion? Hearing none, it is so ordered. The item is on the Consent Calendar.

THE CLERK:

Turning to page 6 of the Calendar, top item on the page, Calendar 358,

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it in conformity with Bills that we passed a number of weeks ago and if there is no objection, I move it to the Consent Calendar.

THE CHAIR:

Question on the Bill as amended? Hearing none - Opposition to the Motion to place on Consent? Hearing none, it is so ordered.

THE CLERK: SB 713, SB 1344, SB 1423, HB 7003, SB 465, SB 1383, HB 7115, HB 5555, HB 7726, HB 7780, HB 7850, HB 7851, HB 5334, HB 6191,

Clerk is ready to go over today's Consent Calendar. Would all Senators please return to the Chamber to vote on today's Consent Calendar. On page 5, Calendar 337, on page 7, Calendar 416. On page 8, Calendar 456, on page 9, Calendar 489. On page 10, Calendar 500. On page 12, Calendar 553. On page - Calendar 500 was a Roll Call. I apologize. Page 12, Calendar 553. Page 13, Calendars 567, 569, 570, 571 and 572. Page 14, Calendar 573, 574, 575, 576, 577. Page 15, Calendar 579, 581, 582, 583. Page 16, Calendar 584, 587, 588, 589. Page 17, Calendar 590, 592, 594. Page 18, Calendar 596, 599. Page 19, Calendar 605. Page 20, Calendar 612, 614, 615. Page 21, all items on the page, calendars 616, 617, 618, 619, and 620. Page 22, Calendar 622. Page 23, Calendar 627, 628, 629 and 630. Page 24, Calendar 631, 633, 634, 635. On page 25, all the items on the page, 636, 637, 638, 639, 640. On page 26, Calendar 645, 647, 648, 649. On page 27, Calendar 650, 652 and 654. On page 28, Calendar 655, 656, 659. On page 29, Calendar 662, 663, 667 and on page 54, Calendar 528. HB 6424, HB 7524, HB 7729, HB 6158, HB 7656, HB 5521, HB 6366, HB 6365, HB 7119, HB 7684, HB 5298, HB 6691, HB 7836,

THE CHAIR: HB 5483, HB 7419, SB1231, HB 5329, HB 7776, HB 5294, HB 5887, HB 6336, HB 6188, HB 7331, HB 7916, HB 7731, HB 7201, HB 6377, HB 6906, HB 5711, HB 7614,

The machine will be opened. HB 7769, HB 7896, HB 5613, HB 5952, HB 6018, HB 5319, HB 5320, HB 7317, HB 7491, SB 372,

THE CLERK: SB 449, SB 869, SB 1468, SB 1474, SB 1543, SB 783, SB 389, SB 1099, SB 1359, SB 1533, SB 1605, SB 1607,

Roll Call is taking place in the Senate on today's Consent Calendar.

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Would all Senators please return to the Chamber. Roll Call in process in the Senate on today's Consent Calendar. Would all Senators please return to the Chamber.

Would all Senators please return to the Chamber to vote on today's Consent Calendar. All Senators, please return to the Chamber to vote on today's Consent Calendar.

THE CHAIR:

The machine is still opened. The machine is closed.

36 YEA

0 NAY

The Consent Calendar is adopted.

THE CLERK:

Clerk is ready to turn to page 51 of the Calendar, under the heading Unfavorable Reports, Senate Petition No. 56, Calendar 545, File 531, Unfavorable Report of the Joint Standing Committee on Environment, Substitute Senate Bill 163, AN ACT PROHIBITING THE USE OF STEEL JAW TRAPS.

THE CHAIR:

Senator Skowronski.

SENATOR SKOWRONSKI:

Mr. President, I move that the Unfavorable Report of the Environment Committee be sustained and the Bill and the Petition be defeated.

THE CHAIR:

Question is on sustaining the vote of the Committee, the Unfavorable

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CLERK:

House Bill No. 5390

Total number voting	139
Necessary for passage	70
Those voting yea	137
Those voting nay	2
Those absent not voting	12

SPEAKER ABATE:

Bill passes.

CLERK:

*File 86 Senate Bill 1309*

Calendar No. 1024, File No. 1309, AN ACT CONCERNING

EMPLOYER'S LIABILITY FOR PAYMENTS UNDER THE FEDERAL-STATE EXTENDED DURATION UNEMPLOYMENT BENEFIT PROGRAM, as amended by Senate Amendment Schedule "A". Favorable report of the Committee on Appropriations.

REP. GROPPA: (63rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. John Groppo.

REP. GROPPA: (63rd)

That this be passed temporarily, please.

CLERK:

Calendar No. 1025, File 272, substitute for Senate Bill

No. 713, AN ACT CONCERNING PARTIAL PAYMENT OF CLAIMS, as amended

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by Senate Amendment Schedule "A". Favorable report of the  
Committee on Insurance and Real Estate.

REP. CIBES: (39th)

Mr. Speaker.

SPEAKER ABATE:

Rep. William Cibes.

REP. CIBES: (39th)

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

SPEAKER ABATE:

The question is on acceptance of the Joint Committee's  
favorable report and passage of the bill in concurrence.

Will you remark, sir?

REP. CIBES: (39th)

Yes, Mr. Speaker. Clerk has an amendment LCO, 7664,  
may he call please and may I be permitted to summarize?

SPEAKER ABATE:

The Clerk has in his possession an amendment, LCO 7664,  
previously designated Senate Amendment Schedule "A". Would  
the Clerk please simply call the amendment?

CLERK:

LCO 7664, offered by Senator Murphy of the 19th district.

SPEAKER ABATE:

Is there objection to summarization in lieu of Clerk's

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reading. Is there objection? Hearing none, you may proceed with summarization, Rep. Cibes.

REP. CIBES: (39th)

Thank you, Mr. Speaker. The amendment strikes Section 1 in its entirety and replaces it with another section which provides that sub-division six of Section 38-61 of the General Statutes be amended to provide essentially what is provided now in Section 1. It simply shifts similar language and makes clearer the language from the present Section 12. Specifically, it says that "it shall be an unfair practice to use as a basis for cash settlement with the first party automobile insurance claimant, and amount which is less than the amount which the insurer would pay if repairs were made."

I move the adoption of the amendment.

DEPUTY SPEAKER COATSWORTH:

The question is on adoption of Senate Amendment Schedule "A". Will you remark further on the amendment? Will you remark further on the amendment? If not, all those in favor, please indicate by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER COATSWORTH:

Opposed, no. The ayes have it. The amendment is adopted, and ruled technical. Will you remark further on the bill as

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amended by Senate Amendment Schedule "A"?

REP. CIBES: (39th)

Yes, Mr. Speaker. Essentially the amendment is now the bill. As amended, it provides that Section 6, in Section 6 of 38-61, "that any insurance company doing business in the State may not use as a basis for cash settlement an amount which is less than the insurer would pay if repairs were made."

DEPUTY SPEAKER COATSWORTH:

Will you remark further on the bill as amended?

REP. MATTIES: (20th)

Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Rep. Charles Matties.

REP. MATTIES: (20th)

Question through you, Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Please frame your question, sir.

REP. MATTIES: (20th)

Do you mean that if in the case of some of the small claims where the insurance company asks for two or three claims, or two or three estimates, that they can no longer do that?

DEPUTY SPEAKER COATSWORTH:

The gentleman are to respond.

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REP. CIBES: (39th)

Through you, Mr. Speaker. No, sir that's not the case. It simply provides that when there is a settlement, a cash settlement, on the basis of how many estimates the insurance company may require, that that settlement not be less than the insurer would pay if repairs were made.

REP. MATTIES: (20th)

Through you, Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Rep. Matties.

REP. MATTIES: (20th)

Who is to be the judge of what a proper amount is. If a person gets two or three estimates and then as many insurance companies do today, they came up with a different estimate, how do you finally resolve the difference, through you, Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Rep. Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker. The practice would be no different in that regard than the practice today. The bill does not amend any, make any change in statutory law which pertains to that practice.

REP. MATTIES: (20th)

Thank you.

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DEPUTY SPEAKER COATSWORTH:

Will you remark further on the bill as amended.

REP. MC MANUS: (88th)

Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Rep. McManus

REP. MC MANUS: (88th)

Through you, Mr. Speaker, a question to the proponent.

DEPUTY SPEAKER COATSWORTH:

Please frame your question, sir.

REP. MC MANUS: (88th)

What happens in the situation where body shop, many body shops in the State are now requiring partial payment by insurance companies in order to order parts because they are not stocking them.

DEPUTY SPEAKER COATSWORTH:

Does the gentleman care to respond to the question.

REP. CIBES: (20th)

Yes, Mr. Speaker. I believe that that problem was addressed in the amendment. That is, in the original bill what was precluded, what was an unfair practice, says that what is precluded is making partial payments or claims, rather than full payment. The amendment does not speak to that. The amendment says simply, that however the settlements are made, and it may be

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that partial payment is permitted, I think. The basis of the cash settlement cannot be an amount which is less than the insurer would pay if repairs were made.

To expand on that a bit, through you, Mr. Speaker.

Rep. McManus, the purpose of this amendment is simply to ensure that unless agreed to by the insured, or otherwise provided for by the insurance policy, that the cash settlement would not be less than the amount of repairs in the case of an old car, which has apparently been the case in some instance.

REP. MC MANUS: (88th)

Through you, Mr. Speaker, one final question.

DEPUTY SPEAKER COATSWORTH:

Rep. McManus:

REP. MC MANUS: (88th)

Does this mean now, that an insurance company cannot say to a claimant, even if there is a question as to the validity of a claim, that we are going to give you 40% or 50% of the claim right now, and when you have the car repaired that we will pay the balance of the claim.

DEPUTY SPEAKER COATSWORTH:

Rep. Cibes.

REP. CIBES: (20th)

Through you, Mr. Speaker. My understanding is that that practice would not be precluded.

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REP. MC MANUS: (88th)

Thank you, Rep. Cibes.

Mr. Speaker I agree with the intent of the legislation, for the protection of the consumer. My understanding of the bill, is a little bit different, however, in an era of rising insurance premiums, and a tremendous proliferation of insurance fraud, I think this might limit the insurance company's ability to control the claim situation, a little bit only because of the ambiguity of that amendment.

I think it has made a bill which the intent was originally good, might have watered it down to a point where we might lose some of the tremendous advances that have been made in controlling insurance fraud, and controlling rising insurance premiums, so for this I'm going to oppose the bill.

DEPUTY SPEAKER COATSWORTH:

Will you remark further on the bill as amended?

REP. MATTIES: (20th)

Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Rep. Charles Matties.

REP. MATTIES: (20th)

I'd like to ask just one more speaker to the proposal please. Through you, Mr. Speaker, there is a practice presently being employed, whereby, if your car is damaged and you get it repaired,



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REP. SWOMLEY: (17th)

If I had a automobile, that had a book vlaue of \$1,000 and I had an accident and the damage or the estimate for repair was %1,500, and the insurance company felt that the car in effect was totalled and wanted to pay me the value of the car, rather than the repair value, how would this bill as amended affect the situation.

DEPUTY SPEAKER COATSWORTH:

The gentleman care to respond to the question.

REP. CIBES: (20th)

Through you, Mr. Speaker. It would primarily depend on the insurance policy and the language of the insurance policy. If the insurance policy provided the maximum, payment would be for the cash value, the book value of the automobile. Then that would be the amount paid. If the insurance policy was mute on this subject, then at that point this bill would govern and the insurance company would be required to pay you the full amount of the repairs.

REP. SWOMLEY: (17th)

In other words, if it was not specifically in the policy, Mr. Speaker, I can assume that I could get \$1,500 for my \$1000. car.

DEPUTY SPEAKER COATSWORTH:

Gentleman care to respond to the question?

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REP. CIBES: (20th)

Through you, Mr. Speaker. That is correct.

DEPUTY SPEAKER COATSWORTH:

Excuse me, sir. It's getting very difficult to hear in the Chamber. Members please conduct their conferences outside this room. Members please be seated, the House will come to order.

Rep. Cibes to respond to the question.

REP. CIBES: (20th)

Through you, Mr. Speaker. I may have been in error when I referred to the book value, it's actual, actual cash value is the basis for settlement. And, as I understand it, insurance policies which are written in the state do provide for that settlement on the basis of the actual cash value for the automobile. If it were not provided for in the insurance company, in the insurance policy, who or less the insured and the insurance company came to agreement otherwise, then the payment would be for the cost of repairs.

DEPUTY SPEAKER COATSWORTH:

Rep. Swomley, you have the floor sir.

REP. SWOMLEY.

Yes, sir Mr. Speaker, I am somewhat confused on the basis of the answers. The explanation was that policies normally would provide for this, but if they didn't then the

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settlement would be much larger than at the present time, and I would like to hear somebody who supports this bill indicate what the cost is going to be to the insured in terms of additional premium costs if we pass this legislation.

I know we are all concerned about the cost of insurance and the affect that accidents and repairs have on our insurance rates, and I'd like to hear a discussion on the part of the proponent of this bill. What this is going to do to premium costs, because I think this is one of the crucial issues before us right now and one of the problems for many people who drive cars. And I would ask the question of anybody who favors this bill, what does it do to the cost of insurance, or what will it do to the cost of insurance. Thank you.

DEPUTY SPEAKER COATSWORTH:

Will you remark further on the bill as amended. Will you remark further on the bill as amended. If not, will the members please be seated. Staff and guests come to the well --

REP. HANLON: (70th)

Mr. Speaker, I just would like to rise and indicate that I'm still waiting for an answer. I think Mr. Swomley raised a very valid point and I think this House deserves an answer before we vote on this legislation.

REP. MILNER: (7th)

Mr. Speaker.

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DEPUTY SPEAKER COATSWORTH:

Rep. Thirman Milner.

REP. MILNER: (7th)

Yes, all of the policies within the state of Connecticut are based on actual cash value, and it's a depreciating type value. There are special rates for classic type cars, and any other special cars. These are separate from any other policies. So it's actual cash value. If there's a special car that's very expensive, it would come under that special heading and would not receive the same rates. I don't speak as an expert only a former insurance agent.

REP. LA ROSA: (3rd)

Mr. Speaker.

DEPUTY SPEAKER COATSWORTH:

Rep. La Rosa.

REP. LA ROSA: (3rd)

I believe there is an awful lot of confusion in regard to settlement of claims. The question that was posed by Rep. Swomley, the fact that he had a vehicle that was worth \$1,000 may be through purchase, maybe by the actual value of the vehicle in the NADA book, which gives the retail value of that vehicle and then that vehicle is involved in an automobile accident, and to repair that vehicle will say cost \$1,800. It would seem ridiculous under the provision that

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of the policy that a company would pay \$1,800 for that particular claim.

The company at that time would give you either the book value or make some special exceptions if the car was exceptionally, in an exceptional good condition.

Case in point. Not too long ago a 67 Chevrolet Camaro was stolen about ten months ago. The vehicle had no book value and as a result because the insured was able to produce evidence that that vehicle was worth more than any book value could be, the Company \$1,070. What we're trying to say here, is that it is not intended for any legislation for any insurance company to pay \$1,800.00 to a vehicle that's worth \$1,000, because this would perpetrate fraud and it would give people an opportunity to say that damage to their cars on purpose, or whatever, as a result of getting more money.

I would say that a provision of a policy would be judged by the damage if the damage did not exceed the value of the care and it was feasible for them to repair the car the company then would give that option to the insured. If the repairs of the damages were in excess of the value of the vehicle, then of course, the insured would receive the value of the vehicle, plus whatever extra consideration the company would give as a result of the vehicle being in excellent condition. I think

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this is what the provisions of all the standard policies in Connecticut provide.

SPEAKER ABATE:

Will you remark further on the bill as amended by Senate "A"?

REP. SWOMLEY: (17th)

Mr. Speaker.

SPEAKER ABATE:

Rep. James Swomley.

REP. SWOMLEY: (17th)

Mr. Speaker, I appreciate very much the clarification from Rep. LaRosa. However, my final question when I was speaking previously, that had gone unanswered was, what does this bill do to the cost of insurance for the men and women of Connecticut who are buying insurance, and I don't believe I have had an answer to that question. And, I think that it is important when we come up with bills like this, that somebody give us an idea what it's going to cost the consumer when we make a change of this nature, and if anyone can give me that information of what it's going to do to my insurance rates or anyone else's insurance rates, I would appreciate knowing an answer to that sir. Thank you.

SPEAKER ABATE:

Will you remark further on this bill as amended?

SPEAKER ABATE:

Rep. James Swomley.

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REP. LA ROSA: (3rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. Paul LaRosa.

REP. LA ROSA: (3rd)

Mr. Speaker, through you I will attempt to answer the question of Rep. Swomley. I would say that many bills have been passed that would in effect reduce premiums as a result of legislations from this House, and fortunately, today the bill that we passed in this House a week or so ago, passed in the Senate which would in effect maybe lower insurance premiums.

The insurance rates are predicated on the basis of losses. And I believe that if the companies experience a good loss ratio, if the companies experience claims that are less than they were in the last year or two or whatever, then of course, the premiums are based on the losses experienced by most companies.

If this would prevent losses, then of course, it would have not immediate effect on the premium structure at all.

SPEAKER ABATE:

Will you remark further on the bill as amended? Will you remark further?

REP. MC MANUS: (88th)

Mr. Speaker.

SPEAKER ABATE:

Rep. John McManus.

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REP. McMANUS: (88th)

For the second time, Mr. Speaker. There is another point that has not been mentioned in this bill. And, granted the intention of this is consumer oriented, but we have to take care that in reference to what Rep. Swomley said, that some of these things might affect insurance premiums and this might affect them adversely.

The point which has not been mentioned is that most of the insurance estimates which we receive today include the cost of labor; which is the majority of most estimates, to the tune of \$21-\$22 per hou

Now, if we are bound or the insurance companies are bound to pay on repair bills whether or not the repairs have been completed, the hey are also at the same time being paid a bill for labor which is not being done, and this is not the reason why people buy insurance. If this bill stated that the insurance companies would be required to pay for the parts of the automobile that were damaged, fine. Then, that is what the consumer, what the insurance policy body is paying for. But, he is not paying for damages, for the labor which is not being done on the car, and if all of us want to know why we're paying such high insurance, it's because of bills like this.

SPEAKER ABATE:

Will you remark further on the bill as amended. Will you remark further on this bill as amended by Senate "A". If not, would all the members please be seated. Would all staff and guests please come to the well of the House. The machine will be opened.

The House of REpresentatives is voting by roll at this time. Would all members please return to the Chamber immediately. The House of Representatives is voting by roll at this time. Would

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the members please return to the Chamber immediately.

Would the members please check the roll call machine to determine if their vote is properly recorded. The machine will be locked and the Clerk will take the tally.

REP. BERMAN: (92nd)

Mr. Speaker.

SPEAKER ABATE:

Rep. Rosaline Berman.

REP. BERMAN: (92nd)

May I please be credited in the affirmative?

SPEAKER ABATE:

The Journal will so note that Rep. Rosaline Berman has cast her vote in the affirmative.

REP. GILES: (4th)

Mr. Speaker.

SPEAKER ABATE:

Rep. Abraham Giles.

REP. GILES: (4th)

I inadvertently pushed the wrong button. Could my vote be cast in the affirmative, please?

SPEAKER ABATE:

The Journal will so note. Rep. Giles' vote should be recorded in the affirmative.

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REP. LaROSA: (3rd)

Mr. Speaker.

SPEAKER ABATE:

Rep. LaRosa.

REP. LaROSA: (3rd)

In the affirmative, please.

SPEAKER ABATE:

The journal will so note. The Clerk please announce the tally.

CLERK:

Senate Bill 713 with Senate Amendment "A".

Total number voting	144
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Necessary for passage	73
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Those voting yea	91
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Those voting nay	53
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Those absent and not voting	7
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SPEAKER ABATE:

The bill as amended passes.

CLERK:

Calendar No. 1026, Files 280 and 863, Substitute for Senate Bill No. 781. AN ACT CONCERNING STATE CONTRACTS. As amended by Senate Amendment Schedule "A". Favorable Report of the Committee on Labor and Public Employees.

REP. GROPPA: (63rd)

Mr. Speaker.