

SB 52

PA 82-28

House - 744, 948

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restaurant liquor permit to hold a bowling establishment permit. It is to correct an oversight in the law by allowing a holder of a restaurant liquor permit to also hold a bowling establishment permit. If there is no objection, sir, I move it be placed on Consent.

THE CHAIR:

Is there any objection to moving this matter to the Consent Calendar? Hearing none, it is so ordered.

THE CLERK:

On an item that was previously passed temporarily, Calendar 53, File 58, Senate Bill 52, AN ACT ENABLING THE INSURANCE COMMISSIONER TO ESTABLISH A JOINT UNDERWRITING ASSOCIATION, with a Favorable Report of the Committee on Insurance and Real Estate.

THE CHAIR:

Senator Knous.

SENATOR KNOUS:

Thank you Mr. President. Mr. President, I recommend acceptance of the Committee's Favorable Report and passage of the Bill.

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THE CHAIR:

Will you remark?

SENATOR KNOUS:

Thank you Mr. President. Mr. President, basically what the Bill does is amend the statute which authorizes our Insurance Commissioner to establish an assigned risk plan for auto insurance by broadening his authority to create other mechanisms for providing insurance to people who cannot obtain insurance in the voluntary market. And under our existing law the Insurance Commissioner must establish and approve a reasonable plan or plans for the equitable appointment among insurance companies or applicants for fire and casualty insurance who are unable to obtain such insurance through ordinary methods. And this Bill would allow the Commissioner to establish and approve any reasonable plan or plans to provide these types of insurance for such applicants. I think, Mr. President, what the Bill does is give the Department more flexibility and hopefully plans can be developed which will, in the long run, assist the consumer. Again, if there is no objection to the Bill, Mr. President, I would recommend we

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move it to the Consent Calendar.

THE CHAIR:

Is there any objection to placing this item on the
Consent Calendar? Hearing none, it's so ordered.

THE CLERK:

Moving to page six of the Calendar, Page six,
Calendar 59, File 67, Senate Bill 183, AN ACT CONCERNING
THE SALES AND SERVICE FUND FOR THE BOARD OF EDUCATION AND
SERVICES FOR THE BLIND, with a Favorable Report of the
Committee on Human Services.

THE CHAIR:

Senator Martin.

SENATOR MARTIN:

Mr. President, I move acceptance of the Committee's
Favorable Report and passage of the Bill.

THE CHAIR:

Will you remark, Senator?

SENATOR MARTIN:

This Bill will increase the net worth allowed for the
fund at the end of the fiscal year. The Board has developed
a new experimental product workshop program involving a

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THE CHAIR:

Is there any question or remark in reference to the Consent Calendar for today? If not, the machine is open.
Senator Morano.

SENATOR MORANO:

Mr. President, I'd like the Clerk to please record that Senator Santaniello is away because of a serious illness in his family.

THE CHAIR:

Thank you Senator. The machine will be closed and locked.

TOTAL VOTING 32

YEAS 32

NAYS 0 SB 51, SB 188, SB 207, SB 98, SB 99,
SB 257, SB 52, SB 183, HB 5772, HB 5115, SB 267

The Consent Calendar is adopted. Senator Schneller.

SENATOR SCHNELLER:

Mr. President, for the record, I would like the Journal to so note that Senator Sullivan is absent today due to illness. Are there any other announcements or Points of Personal Privilege? We will meet a week from today. I think we'll probably have a little more business

COMM. MIKE: (continued)

bill or we run into the problem where the second bill undoes what was done in the first bill.

; What number was that again, Joe?

COMM. MIKE: That's Senate Bill 51. That's a technical change that we need just to clarify who calculates our fringe benefits. The Comptroller does it, but right now we have to have the Comptroller give it to DAS so they can give it to us because the bill says we have to get it from DAS.

Senate Bill 52 enables the Insurance Commissioner to establish a joint underwriting association. There are a number of questions about this issue. Essentially, there has been a proposal by some of the insurance agents in the state that instead of an assigned risk plan for auto insurance, we have a joint underwriting association.

This proposal, as I understood it, is designed to allow me the flexibility to create a joint underwriting association instead of an assigned risk pool if the Department felt it was warranted. There is some question about whether it requires or allows. I will support the bill as long as it gives me the authority to do it. Right now I have the authority to establish a number of pooling mechanisms but I can't necessarily establish a JUA.

Under a JUA, instead of all the insurance companies participating in the pool, a fixed number of companies, a chosen number of companies would administer the risks and the losses would be spread to everyone. But you wouldn't have every company taking assigned risk cases. You would have the losses spread afterward. Whether it's a good idea or not remains to be seen. There is a lot more discussion that has to take place. Other states have done it, some with mixed effect, some positively, some other way.

There's a cost to making such a change. I'm willing to entertain it. I'm not willing to say right now that it should be done. If the bill would be to require me to do it, then I would oppose it. As long as it just allows

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COMM. MIKE: (continued)

one if it becomes a good idea, then I'm in favor of that.

Senate Bill 53 concerns the termination of insurance agents. There's a piece of legislation on the books right now that requires a company to notify us when we need, I believe, with all the information that we require on the facts surrounding the termination of an agent. Now I'm perfectly comfortable with the bill as it is now. There are some concerns on the part of some of the agents or agents' associations with the bill, as I understand it.

And there has been some discussion about changing the bill so that certain situations would not be included. For example, it is felt apparently, by some segments of the industry that if it were reported that an agent were cancelled for reasons like bad loss ratio, or lack of production of new business, that that kind of information should not be transmitted to the Department and show up in their file. It really, in fact, does not. That's not the kind of reason we would be investigating for. And we would not care if those reasons were excluded.

Belt 2

My concern, however, is that we don't want to limit this in such a way that we won't be able to get the information we do need. So I have no problem with the bill the way it is now. If there is a desire to control the flow of that information to the Commissioner, then I would submit that what the bill should do is identify the instances in which it is not necessary to give us the information. I would prefer that approach. If they don't want reporting of agents terminated for loss ratio, put a proposal in saying it doesn't have to be done in cases of bad loss ratio.

If we attempt to identify all the situations in which the information should be reported to us, then we're stuck with the responsibility of guessing ahead of time all the possible combinations of information. Additionally, it would require the insurance company to make the finding. If we say in the case of fraud, the company has to decide it's fraud. We want the facts surrounding the case so we can make an enforcement determination. If you try to force the company to call it fraud, they're going to be

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MR. SMITH: (continued)

This will invite more people into the locating business, reputable people. However, the locating business is somewhat of a conflict to the management firms which I head up in the other corporation. We're charging our fees from the owners of those buildings. We're offering a service free to the customer, to the person looking for rent. Now, the locating firm serves a great purpose to the public but when they don't know the area, and want to find a particular building, sized out a certain way, certain type of maintenance happening there, so we're able to describe what is available, what they're looking for and this is where they're getting their service from the locating firm.

The real key is to look long and hard on a control of a client's fund. And as I see it, there are some of these locating firms operating with a license, they call themselves realty and there's a licensed broker involved and that hadn't been allowed to happen and it might place the bond funding with the real estate commission in jeopardy. Should these people decide to put a complaint there, I think they're going to have to pay every one of those complaints and I don't think that's what the Real Estate Commission wanted to head into. Are there any questions?

REP. ANASTASIA: Any questions from any members of the Committee? Thank you, Frank. Norman Waggle.

MR. NORMAN WAGGIE: Mr. Chairman and members of the Committee, my name is Norman Waggle. I'm an insurance agent in Waterbury, Connecticut. I want to speak on behalf of JUA. One of the reasons I'm here today is on behalf of our association, Professional Insurance Agents of Connecticut and also I wish to speak on behalf of myself as an insurance agent. I have been, for the last five years, the public member, producer member to the governing committee of the Automobile Assigned Risk Plan. I was appointed by the Insurance Commissioner and I serve at his will and pleasure and the present mechanism is called an assigned risk plan here and in some other states, it's called a residual market. In other places it's called the shared automobile insurance market. It is a mechanism for distributing those people who need and

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MR. WAGGIE: (continued)

require, for the Financial Responsibility Laws of the State, and to protect the interest of lien holders on cars, insurance coverage. And there is a percentage of the insurance buying public that does not have the ability to obtain coverage in the voluntary market and therefore they go to this other mechanism.

This mechanism has been in force in its present state since 1939. My observations in my period on the governing committee and also in operating the businesses, that there is a better way to do it. Recently, three other members of our association and myself went down to Florida and examined the Florida Joint Underwriting Association. We spoke to the Insurance Department in Florida. We spoke to the heads of both producer organizations. We spoke to three of the companies who are the servicing carriers down there. We went into insurance agents at random in a number of Florida cities without announcement and we asked them what's wrong with it, what would you do if --differently if you had to do it again. How does it compare with what you had before? It's been in force there since 1973 and we were just amazed at the wonderful response that was given to this kind of a mechanism over the kind of mechanism that they had prior to that which is similar to what we have now in Connecticut.

Belt 11

For your information, just briefly and this is getting late so I will make it as briefly as I can, somebody needs insurance to get their ID cards or register their car or to protect themselves as they should, they come to an agent's office--if they've had any kind of a history of accidents or violations, the voluntary market will not accept them so we do have this assigned risk plan. We complete an application, mail it to an office in New York which decides which of the sixty-seventy odd companies that may be assigned to, based upon a quarter share distribution they have worked out in advance. It's mailed to that company and from that point, we deal with a company that we don't deal with normally and it can be any one of these companies. And each of these companies operates their assigned risk business as they wish. So we are never aware of exactly how it's going to be handled, where to apply for claims and in some cases, they are way

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MR. WAGGIE: (continued)

out of state and in some cases they are even in a different time zone and we have a great deal of difficulty in servicing our customers. One of the horror stories is under the present system, if someone calls us at 4:00 on a Friday afternoon and says he's changing his car and he wants to finance a new car, can we give him coverage on the new car? Under many circumstances, we cannot. We have got to tell him, no, don't drive your new car, drive your old car, come over, sign the form, give us the money and we can go ahead.

Under a JUA, some of these problems would not exist. We would not have as much difficulty. There are complaints against some producers for the failure to comply with the performance standard and since these complaints are spread out over all the companies, even impossible for us to police our own organization because it's a complaint here, a complaint there. It doesn't exceed the norms whereas if they were all being handled by one company, we could self-improve. The way the Florida system works I don't like to bring up another State, Connecticut, but if I have to, I think I should, to give you an idea of what's happened down there.

A producer such as myself would contract with a company of his choice, of the carrier's. Originally there were fourteen. Now it's down to six and they're doing a very good job. The companies are making money on it. I have their reports on this kind of business. The producer would then be dealing with one company, similar to what he does now with his regular voluntary companies so that the service to the consumer, to the public, would be vastly improved. The turnaround time would be better. We wouldn't have as many complaints against companies over whom we have no control, no leverage in any way as to get them to improve their service to the customer.

So I feel that this is a vast improvement over the system as we have it now. This is--as I see it, a coming trend. There are other states--Michigan has just gone on a similar type of thing and in addition, it's interesting to note that while we are talking about a joint underwriting association for private passenger car business, there is

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MR. WAGGIE: (continued)

in the works, now, and before the end of the year, we will have one, with everybody's approval, in Connecticut called the K Program, for commercial business. It seems to me if we can have it for commercial, we should have it--the whole ball of wax, with the whole thing--for the private passenger as well. With all of the producers doing business with a much fewer number of companies, I feel that our service to our insuring public and to be honest with you, our cost of doing business which right now we--our studies show that under the assigned risk business, we lose money because of the extra handling that must be done in our office. I've made--it's not what I would call a statistically accurate count, but to just give you--our volume of mail, one third of the volume of the mail in my office is assigned risk business and there's nowhere do we do one third of our volume in the assigned risk plan.

Yet, we must service it. And it is costly, both to us and, therefore, and to the companies and therefore, I think that a much better system would be to have a joint underwriting association in force in Connecticut. May I answer any questions that anyone may have?

SEN. KNOUS: Are there any questions from the Committee? Representative Vance.

REP. VANCE: In your discussion you mentioned the fact that Florida was working successfully with this proposal as related to auto insurance?

MR. WAGGIE: Yes, auto insurance.

REP. VANCE: But, isn't Florida's auto insurance law quite different from ours? Don't you insure yourself rather than--

MR. WAGGIE: Recently they changed from a mandatory state--the only thing that is required now is for what they call PIP which is somewhat similar to our basic reparations benefit here and it's a \$10,000 limit and this I couldn't believe, one of the things down there, you can buy it with an \$8,000 deductible and it costs \$31.00 so

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MR. WAGGIE: (continued)

as a result, the population of the assigned risk plan in Florida has gone way, way down but so has the voluntary market as well, because a lot of people who could buy this simply on a voluntary market were not in the assigned risk plan, have gone down.

REP. VANCE: I just felt it wasn't necessarily a very good example.

MR. WAGGIE: I don't think that--I agree with you--I don't think that that phase of it, but this is what was passed by the legislature in Florida.

REP. VANCE: I mean in terms of the underwriting pool.

MR. WAGGIE: No, it is hurting the underwriting pool severely because there's a much less of a cash flow. It is helping them from this point of view, that if anybody takes a \$10,000 policy with an \$8,000 deductible, there aren't going to be too many claims that will be paid even though it's only a \$31.00 premium.

SEN. KNOUS: Thank you. Are there any other questions? Thank you for your testimony. We inadvertently bypassed Raphael.

MR. RAPHAEL VILDOWSKI: My name is Raphael Vildowski. I'm a lawyer with the legal services training and advocacy project which represents low income consumers and tenants. I just briefly want to make a couple of comments about House Bill 5114 which is the Bill involving licensing of apartment listing services.

We had worked a great deal with the Department of Consumer Protection and last year, on the Bill that eventually became Public Act 81-166. We had been urged very strongly that the missing element of that Bill was the registration and bonding of those agencies and I think what happened was that after that Bill was passed without that provision, the Department of Consumer Protection in a sense, got burned. And they got burned because in October, when the new law took effect a number of apartment listing services left the State on very short notice. I'll leave with each of you an

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MR. VILDOWSKI: (continued)

like to inform you on the record that I have done that. His name was somewhere further down the list and he was unable to stay because of a conflict. If you have any questions, I will be more than happy to answer them.

REP. VANCE: The next speaker is Mr. Jerry Barton, or Barter.

MR. JOHN BARTER: My name is John Barter. I am an Agent in West Hartford, Connecticut. I am a member of the Connecticut Professional Insurance Agents Association and as such, as the Chairman of their Auto Study Committee, have studied the JUA in depth and would like to speak to the Bill on the JUA, 52.

Consider, for a moment, if you would, a customer who comes into my office on a Monday morning in August and wants to know if his policy is in force and I have to give him an answer that there is no way I can answer until at least 11:00 at the earliest. The customer has failed to pay his premium on time, said his premium may be a little bit late and in the crossing of the mail, has received a cancellation notice, but he has sent his premium in on time and it would be received by the company in due fashion but he's sitting in my office Monday morning in August waiting to go on vacation and he has no verification that he has coverage. He has just merely the cancellation notice and he sent his check.

He is insured with an insurance company who does their underwriting in Seattle, Washington. Therefore, I cannot even attempt to make the phone call until 11:00. Then I am going to be running the risk that it's a company I don't regularly do business with. It's the residual market and I'm hoping that I can find some underwriter that will be able to match the two--the left hand and the right hand and be able to tell me yes, in fact, his coverage is in effect.

But for the consumer who's determined to leave on his vacation, is quite frustrated by the mechanism that I'm dealing with, where I'm dealing with an underwriting outfit in Seattle, Washington within a different time zone. Compound this problem and I'm a captive agent working for one of the large life companies recently that have gone into the automobile insurance marketplace, some

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MR. BARTER: (continued)

of them do not give me the blessing of their office facilities for underwriting the assigner's automobile insurance, and I leave the business. This customer, then is totally left without any representation whatsoever, til the end of his policy term and is then sort of left dangling for the renewal.

The mechanism that we are operating under is a 1939 system. It didn't anticipate the growth in the automobile insurance marketplace or the number of cars in the residual market. The JUA would benefit the consumer, the agent and the company by benefiting the agent and the company. It's obviously indirectly benefiting the consumer. Obviously, if we are dealing with one company as we would in the JUA as an agency, we would set aside some of the problem that our customer in August had. We would be dealing with a telephone or let's say a company in the same telephone area of that's in the same time belt so that I would be able to make my phone call immediately.

I would be able to call somebody who I would normally be dealing with. It would not be the mail delay perhaps because the payment wouldn't be going across the country to Seattle. The company would benefit in that they wouldn't have the contract with the insuring agent or the insurance agent. They would have some kind of control over the agent. The Insurance Department has indicated a concern about the agent who might get involved in fraudulent practices. The inefficient and dishonest agent is hard to detect when he is dealing with a variety of insurance companies and they only take one insurance company at a time.

Whereas if there was a contract created as the JUA system would imply, the agent would be more easily identified as he is in the voluntary market now. The small companies would be relieved of having to deal in the assigned risk marketplace. There are companies who have a very limited amount of insurance, automobile insurance in the State of Connecticut, but they still receive some assignments and they are forced to deal, have an underwriter, have the forms and deal with us on a very limited fashion. JUA would allow the larger companies willing to become servicing carriers to be able to use their automated mechanisms in the most efficient manner by dealing with larger numbers at any one time. The cost efficiency is obviously inherent

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MR. BARTER: (continued)

in that type of a program while as they may not directly benefit the consumer, indirectly, most certainly do.

For example, an endorsement which generates a small commission payment, the company has to make out that small commission payment which would be a costly factor. The insurance agent, by the same token if he is automated, runs an expense which may very often be larger than the commission itself. These are costs which the agents and the companies incur which could be avoided under a JUA concept. I would encourage you to consider a Connecticut JUA as a possible alternative mechanism to modernize our present assignments plan. Are there any questions?

REP. VANCE: Thank you. Are there any questions? Thank you very much.

MR. BARTER: May I also give you one of the agent's, Donald Crosscup was unable to remain. He has his written testimony.

REP. VANCE: Sure. Thank you. The next speaker, I believe is William Malcolm.

MR. WILLIAM MALCOLM: Madam Chairman, members of the Insurance Committee, my name is William Malcolm. I've been a licensed agent in the State of Connecticut for 36 years. I speak on behalf of my own agency, my own business operation in Connecticut and the professional insurance agents of Connecticut of whom I am a Vice President. Having spent a few years in this business, I have watched the assignments plan change and develop over the years and it is in many ways quite different than it was when it first began. But it present problems, serious problems. We have great inconsistencies in the plan from company to company to cite just a few, we will have one company that will issue a policy with no premiums. They give you the coverage but no premiums.

That's Nationwide Insurance Company. That is the way they issue policies. They believe it is proper, and it may be for them, but it is most difficult for us when a customer calls and tries to ascertain what the correct premium is. We are not in a position to correct it, to challenge it or to make changes in it because we do not

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MR. MALCOLM: (continued)

have that information. They will tell you that they are cancelling the insurance because the improper premium was paid, yet we have no way of knowing. So, we get on the telephone. Fortunately, they have a fine staff in Hamden Connecticut and they are able to straighten things out very quickly for us.

But this just cites one difference. There is a difference in that company from every other company in the business. Another company has decided that all automobile applicants under the plan for physical damage coverage will have to have their cars inspected. Now, the inspections are being done by the Equifax Company. They are not doing this on their volunteer business, just on that business that is assigned to them so that there's a prejudicial situation there. Trying to get together with the Equifax Company very often is difficult and leads to cancellations.

Now, you then put them back in the box of trying to reinstate trying to get these two people together so that the coverage can be written, so that the bank will be satisfied with the protection provided. Okay? We have another company that whatever their reasons may be, it comes out as harrassment. They are sending out performance complaints on insurance agents probably on the average of 50 to every other company's 1. Okay? They will file a complaint that the mail is slow. I have them in my briefcase. That the mail is slow. That over a long weekend, it took five days to get a piece of mail to them.

Now, that is not a condition that the agent can correct. And yet, they will send these out. Now, I do not know what the purpose is in doing this unless at some time in the future, in the defense of their own position, they will file all of these documents with this committee or with some other group that has jurisdiction over their activities. I do not know. But these are the sort of things that slow down the assigned risk function in an insurance agent's office and make it impossible to turn this business through in the regular fashion to a profitable conclusions. As a result the assigned risk business in our office costs us. We don't make any profit. It costs us in excess of \$3,000 a year, and that is our contribution to this business.

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MR. MALCOLM: (continued)

Now, we are grateful to be able to pay this for this very simple reason, that we do not, as so many company people do, think of this business as second class. I have four children, three of them have been through and out again of the assigned risk plan. I have a grandson with me today. We will be in the assigned risk plan in all probability in about five years. So, these are the things that we have to deal with. These are people, friends, children, the greatest sin in the automobile insurance business today and the principal reason for joining the throngs in the assigned risk plan is simply inexperience.

There are certain numbers of people who shouldn't be on the highway under any circumstances, but the majority of assigned risk clients are there for lack of experience. Okay. Now, these then are our problems. We feel that the JUA would be a solution. We would have one group of people to do business with. They would set certain performance requirements and we could live with those requirements because we would know what those requirements were. It would not be a guessing game as it is today, an expensive guessing game. Now, people might say, well if you are losing money on this business, why don't you go to the Commissioner and seek a commission increase.

That might be a solution, but we feel that the principal reasons for our loss of money on this business is the inefficient way that it is handled and that it would be unfair to impose a burden for the sake of pure mismanagement and inefficiency on the buyer of insurance if something could be done to resolve that inefficiency. Therefore, as an agent, as a member of an agent's association, we support the concept of a JUA as a solution to this chaos that we have had for some years. Thank you. Are there any questions?

REP. VANCE: No questions? Thank you, Mr. Malcolm. Mr. Henry McGuire?

MR. HENRY MC GUIRE: I come here with a briefcase full of papers. I have to testify on five bills and I'll go through them very briefly. On House Bill 5102, concerning the real estate listing agreements, we support that very strongly.

MR. MC GUIRE: Each applicant for such license shall file with the Real Estate Commission a bond in favor of the State such as the Commission may prescribe.

REP. BROUILLET: The question is, in such sums as the Commission may prescribe.

MR. MC GUIRE: Can we get together with them and determine what we feel -- yes, we certainly can.

REP. BROUILLET: What would it realistically turn out to be, probably, if you had to give a ball park figure, how much?

MR. MC GUIRE: I would guess probably the sums of any one of these operations could accumulate in a short period of time. Well, between \$25 and \$50,000. It would be a very short time because they would be in and out and how many subjects are they going to get within two weeks or a month. So I don't think the monies will be - between \$25 and \$50,000. In that area.

REP. BROUILLET: Okay. Thank you.

REP. VANCE: Arthur Kranz.

ARTHUR KRANZ: I am Arthur Kranz. I come from Middlefield and I own an independent insurance agency in the Town of Middlefield. A small suburban town and most of my business is that of personal lines as compared to commercial lines. I have a few statistics here that I have developed myself -- by the way, I'm a member of the PIA and also the Independent Insurance Agencies Association. But I'm here today speaking for myself.

The total number of assigned risk policies that I have in my agency, this is for 1981, is 328. This comprises between 8 and 9% of my total agency policy count. The amount of time and expense it takes to enter these 328 policies comprises something in excess of 20% of the agency's time and expense. It's obviously to the agency a loser. We have to deal with between, or with these 328 policies, they are written by between 60 and 70 different companies. Obviously with all sorts of different procedures and locations. Many times, we have to call out of state and make calls two or three different times to two or three different departments to try to find somebody

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MR. KRANZ: (continued)

to help with direct claims. With a lack of procedure again in the present system and one thing that hasn't been pointed out so far with our no-fault card law, we are running into an extreme amount of difficulty in getting these cards properly issued by these assigned risk companies. Many of whom are again out of state. They don't have any idea as to what our problems are in the State of Connecticut. The, some companies may send the cards direct to the clients, sometimes they send the card to us, sometimes they just never send the cards at all. This has been a severe problem. As respects return premiums to clients, there's many times where we have to fight right up to the hilt and at times send two or three complaint notices into an insurance company which copies to the Commissioner as far as getting return premiums back.

We have to spend a great deal of time watching the companies and I know they're honest to make sure that they send us our commissions. And there are times when we have to hound them for our commissions as well. The insurance companies do tend to make errors, we try to make sure that clients get a proper bill, proper premium and to be honest with you, there's many errors it seems of undercharging as there are of overcharging. In many cases, they just don't seem to know what they're doing. At the time of an accident when our clients need help the most, that seems to be where these assigned risk companies just disappear on us. So believe me, I think one of the greatest things that could happen to the insurance industry at the present time is to get us into a joint underwriting association.

REP. VANCE: Are there any questions? Thank you very much.

MR. KRANZ: Thank you.

REP. VANCE: Mr. Jerry Gretcher. I am butchering these names. You'll have to forgive me. Greger. John Norris. Carol Hughes. Going once, going twice.

CARROLL HUGHES: Thank you very much, Representative Vance, Representatives Chase, Thorp and Chairman Anastasia. I'd like to speak in regard to Senate Bill 53. This piece of legislation and I'm really at a loss to explain why it's really here because it's been my understanding

MR. BLAIR: (continued)
to give to the committee and work to refine and explain
it to you.

REP. ANASTASIA: Any questions? Michael Minotti.

MR. MICHAEL MEOTTI: Thank you Mr. Chairman and members of the
committee. My name is Michael Meotti and I represent the
Insurance Association of Connecticut and I'd like to speak
about 2 bills tonight.

First, Senate Bill 52, which would amend the statute which
currently authorizes the Insurance Commissioner to establish
an assigned risk plan for auto insurance would broaden that
statute by giving the commissioner authority to create
residual market mechanisms which could include a joint under-
writing association or JUA as it's commonly referred to. Both
an assigned risk plan and a JUA are methods of providing
insurance to people who can't obtain insurance in the regular
voluntary market.

The difference, I just want to speak a minute about the dif-
ference between an assigned risk plan and a JUA. In the
current assigned risk plan, each auto insurer doing business
in Connecticut has to take a proportional share of applicants
for coverage. Each person then is assigned to a company using
a random list. Once the policy is written, the insured deals
with that company for purposes of paying premiums and handling
claims through the agent which wrote the policy. The company
then handles that applicant and bears all the risks for any
losses suffered in the policy that's assigned. In a JUA,
the applicants are signed to a limited number of servicing
carriers, maybe 4 or 5 or 6 in a state like Connecticut. The
assigned servicing carrier, then deals with the insured for
premium collection and claims. However, the servicing carrier
does not bear the burden of all the risk involved in these
claims within the JUA.

On a regular basis, the servicing carrier totals its results
on the business and then shares that result with all the other
companies doing business in the state on a proportional basis.
That's where the market share comes in as the splitting of the
loss. Since residual markets are usually in a loss situation,
that means the company doing 5% of the business in Connecticut
would pay the servicing carrier 5% of the loss of the business.

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MR. MEOTTI: (continued)

The servicing carrier would be left with only a percentage of the loss equal to its market share. We feel that there are 2 disadvantages to a JUA. First, the JUA results in increased administrative costs. In addition to apportioning losses, the servicing carries charge the general service fee to the other insurance companies in the state that are not taking part as a servicing carrier. And that's based on a certain percentage of written premiums. The percentage varies but in some states, it's been 3% or 1% of the total written premiums within the residual market.

Second, the JUA apportions the lost cause by claims and there can be a weakening of the economic incentive to vigorously investigate potential fraud claims. During the past 2 years, I sat on the state's auto theft task force and we heard from representatives from the state of Massachusetts where they have a different kind of facility, but it basically deals, apportions losses somewhat similar to the way JUA would and we were strongly recommended by the people from the governor's office in Massachusetts not to go to a bottom line sharing type of a mechanism which is what a JUA is like, but instead to stick with an assigned risk plan, because there's greater incentive to police claims and do loss control.

Right now the insurance department is nearing completion of a study of Connecticut's assigned risk plan and it's quality of services. We have been meeting with the agents' groups to discuss their problems with the functioning of the current plan. We would like to work with both the department and the agents to consider revisions to the plan which would resolve any actual problems.

The current bill before the committee, Senate Bill 52, does not require the establishment of JUA in place of the assigned risk plan. Rather, it would leave the, give it some discretion of the commissioner to determine what form of residual market mechanism would be appropriate. If the committee does to forward in this area, we believe that the bill as drafted would provide the commissioner with the flexibility to address the issue as he deems necessary.

We oppose any mandate of a particular type of a market, residual market mechanism and we wouldn't want to see a legislative intent build up behind a discretionary bill that would

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MR. MEOTTI: (continued)

make it seem as if the legislature wanted to specify what type of market mechanism.

The second bill I'd like to testify on is House Bill 5097 which is An Act Concerning Employers Who Fail to Furnish Notice of Health Insurance Cancellation. Rather than my written testimony's been submitted to the committee, but I just want to review basically that and outline it for interests of time and focus and what I think are the key issues.

I think it's important to note at the start, that based on conversations and a considerable discussion that we had yesterday morning with members of the insurance department, that right now the industry and the insurance department are much close to endorsing HB 5097 with some minor revisions than might appear from earlier testimony today. The initial consideration in addressing this problem is, I think we have to get some idea of the scope of the problem. It attempts to address the person who is left holding medical bills incurred in the belief that there was group coverage there for them when they incurred the medical bills, but their employer had permitted the group coverage to lapse without giving notice to the employee.

We recognize that it exists. We know of 2 specific instances that have been brought to the committee's attention by members of the General Assembly from within their own district, but in addressing it, trying to find a solution for that genuine problem, we have to consider the costs of the solution that would solve the problem.

We have heard in prior meetings with the committee, discussions of maybe, you know this is a very large scale problem. We heard people, and I think from the department there's been press coverage on this talk about situations at Bristol Brass, at the Hartford Hellions, the indoor soccer team, Enterprise Sports Radio. At the time that those 3 businesses were either, 2 of them have gone out of business, 1 is in Bristol Brass is currently continuing under Chapter 13 Bankruptcy Management, there would be a lot of concern on the part of employees and people involved that there might be problems. They're losing, some people have lost back wages, they're losing jobs, there's a fear of what might happen in terms of pending claims, future claims, claims that occur

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MR. BARTER: (continued)

And we encourage you to think a little bit more before changing this sytem that's working so well. If you want, I'll answer any questions on that before I speak briefly to the next piece of legislation.

The garage closes at 8 so I'll have to speak quicker.

While I'm on the subject of a system that's working well, I'm a little bit, I must say I'm confused by the proposal to create a joint underwriting association for automobile insurance. I've just completed working on an 8 year project to create one of these in New Jersey, and it resulted in a 40 page piece of legislation that passed 1 house. The Alliance supports the current system of equal distribution of risks. Insurors divide the market and each share the burden of subsidy. In the proposed bill, every individual, as in the proposed bill or whatever the commissioner would determine, each individual in the state is guaranteed coverage.

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How does the proposal that we're talking about really help the consumer, or give that consumer anything that he doesn't have right now. We don't see where it does. We have, if the JUA is going to be considered, we think there may be some serious legislative questions that should be responded to before we just go to a different kind of system that is working well in the state.

Now there is some discussion that the proposal is being put into place to allow the commissioner authority to adopt a commercial automobile insurance procedure. This, for those who haven't followed the deregulation of trucking is needed to deal with the problem of mandated huge limit policies. Two \$5 million policies. They're going to have to be carried by trucking fleets. Many insurors don't have the ability to deal with servicing those type of large risks and so the industry working with the automobile insurance plain service offices APSOS, has come up with a program to deal with this problem. If the commissioner doesn't feel he has the authority to deal with that procedure is the way the law is written right now, we'll be glad to submit language which would deal specifically with that procedure, but we don't see why we need to, well as we used to say (inaudible), and we think the system is working we don't see any reason to change it.

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MR. BARTER: (continued)

If there are any additional questions that the committee or commissioner may have, we'll be glad to work with you in that area. Any questions? Yes.

REP. VANCE: My questions would be as we listen to the testimony of those who are supportive of this bill, the problem they seem to express in getting the service necessary for a client when the insurer was out of state and as one was pointed out, one was practically on the west coast, there was a time gap, so even were they able to get quick communication, the other office didn't open until a later time. I had communication to indicate that this has been a problem in some of the companies that are serviced and housed outside of Connecticut. I think that would seem to be their main source of argument, that by utilizing this bill, we have the companies here and we have the service here, and we would not be putting the insured to any difficult situation in terms of communication, in terms of claim settlement, in terms of appraisals, or anything like that.

MR. BARTER: Several companies have tried to speak to that problem. I think I might have been listening very, very carefully because one of our companies is headquartered in Seattle and with that --

REP. VANCE: You can call them now.

MR. BARTER: -- if that same person was leaving a night on a trip, they probably still could have reached that company because it would still be open, so on the other end of the schedule, it works both ways. But seriously, several companies have worked to try to deal with the problem of servicing the assigned risk and recognizing that it is a common problem in many states have established people who are just dealing with assigned risk problems in all the states in the country and understand that these are policies that have to be treated in a fairly special manner because of the problems of agents who they don't usually work with. So rather than asking the agent to just deal with its regular system, which their agents might be very familiar with, they've set up departments just for assigned risk business. Many of them have established 800 numbers so that you could access these departments for less cost than it cost you to call across town because there's no charge on the 800 number.

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MR. BARTER: (continued)

Especially the large wife companies who have just gotten into this business and really understand that they have to provide that little extra service. Both of those companies are members of the Alliance. They were referring to the Metropolitan and the Prudential who have active property and casualty operations and so we're working to do that.

Another approach which is a little more radical approach than just making your department more efficient is what's being used in Rhode Island right now, which is the Rhode Island Service Center. This is a center in Rhode Island which is being used to just service assigned risk policies. It's being operated in coordination with the domestic companies and the assigned risk offices. What I'm saying is, there are other solutions that can speak to specifics, to service problems or to other perceived or real problems and we'll be glad to work with the department. We've got depopulation proposals that we will support if the commissioner feels that they're necessary to depopulate the auto insurance plan and to, so there are such as the use of credits, such as the use of limited assignment distribution where only certain carriers service the policies. Now all the carriers.

There are a lot of different proposals which don't really create such a radical change as creating an underwriting association which speak to the specific problems as they are expressed and we would be glad to work with the commissioner and support many of these proposals.

REP. VANCE: I hope the last question. If you were here when the commissioner testified, he indicated he didn't want to see this bill mandate to require this complying with the language we see here, but he would not object if we gave him permission. Would you object if the bill were phrased that the commissioner may establish rather than shall?

MR. BARTER: Well, I guess, again our concern, is that we think there are several legislative questions that probably should be addressed. We feel less fewer problems with that type of an approach than with a mandated approach, but if the legislature wants to look into the possibility of it, then why not do what was done this morning with another proposal, which was a fairly complicated proposal on notification to department of motor vehicles and look into the feasibility of this type of

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MR. BARTER: (continued)

approach. Do a feasibility study and then you might in that study find out that there are some surface problems which can be addressed by changes in the way the auto insurance plan is administered, rather than a major upheaval in the, what we consider a major upheaval in the market place.

REP. VANCE: You have to realize that a legislative feasibility study is quite different from an industry feasibility study where you can say we want it, we want it quickly, and we want it complete. We get into a feasibility study, we can be sitting around here for 2 years waiting for the necessary information to be put together. Sometimes that's a way of getting rid of something.

MR. BARTER: Well, another, if I may, another approach might be to ask the commissioner to report back within a year as to the suggestions to improving the auto insurance plan. We're not trying to avoid the problems that some people perceive that they face in the way the auto insurance plan works. We're trying to face them head on and we do support programs that speak to it, that have been tried in other parts of the country and have been proven effective.

REP. VANCE: Would you make available to us some of the information that you're speaking of now regarding better systems in other states.

MR. BARTER: Definitely.

REP. VANCE: Since that's already been done, it's foolish to reinvent the wheel. Perhaps we can plagiarize it instead.

MR. BARTER: I'll be glad to.

REP. VANCE: Thank you.

REP. TORPEY: I'm just sort of curious. My general impression is nobody really wanted this business, and now we're hearing testimony (inaudible). I guess your clients like it.

MR. BARTER: Well, we like the system of distribution of risks. We're, nobody ever, Connecticut, I think was probably one of the first states to establish the fact that if you mandate liability insurance in the state, then you must

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MR. BARTER: (continued)

provide some way for people to get it. If they can't get it through what they have as normal channels so they establish, I think Connecticut may have been the first assigned risk plan in the country. Of course, our one observation that we've made is on different legislation, I don't believe it's before the committee, but we're questioning now the whole requirement for mandating automobile liability insurance.

I don't care if the person that hits me has liability insurance, because I have uninsured motorist coverage, so I'm protected whether that person has insurance or not, but I'm paying more for my automobile liability insurance because that person has to buy it. Now, because that person is a worse risk, has to buy the insurance, and so his statistics, or her statistics are going to be thrown into a big pool and it's going to cost me more for my coverage. I'd just as soon take the change that that doesn't happen and if it ever did happen, that I was in an accident with an uninsured driver, I'm covered under my own policy, so. Many states are looking into it right now. I believe Rep. Vance mentioned that the Florida system where they did go to a JUA. They also eliminated mandatory liability insurance except for the personal injury protection coverages.

They also went to a verbal threshold on no fault problem when they did that. There were a major overhaul in the system which was pointed out after a long study of what the problems were.

REP. VANCE: Sen. Knous is also far ahead of his time and he has put in a bill to have us look to our current automobile insurance. You mentioned that you got your uninsured motorist and most people who are knowledgeable about auto insurance are aware that they can protect themselves this way, but unfortunately, the average consumer really isn't aware that he can protect himself more fully by just increasing this figure and what we've tried to do is encourage the independent agents and the salesmen who are out there to make this more visible and perhaps we can help solve some of the problems that we're trying to solve with mandatory insurance.

SEN. KNOUS: Are there any other questions? We thank you for your testimony. Are there any other individuals who wish to testify at this public hearing? Seeing no one and hearing no one, we will close the public hearing. Thank you.



INDEPENDENT INSURANCE AGENTS OF CONNECTICUT, INC.



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JAMES R. MATHEWS, Executive Vice President

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RAISED COMMITTEE BILL NO. 52

My name is Gerald Greger and I am an insurance agent in Bristol and I'm here representing the Independent Insurance Agents of Connecticut, of which I am President. We represent over 1200 property and casualty insurance agents and over 4,000 agents and employees.

We speak in support of this measure which would permit the Insurance Commissioner to set up a new plan to replace the Assigned Risk Plan (Connecticut Automobile Insurance Plan) if, in the opinion of the Insurance Department, such a new plan would be necessary, especially in the area of commercial risks.