

Legislative History for Connecticut Act

SB 842	PA 290	1987
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Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate
and House of Representatives Proceedings

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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1987

VOL. 30
PART 22
7860-8268

abs

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House of Representatives

Wednesday, May 20, 1987

CLERK:

House Bill 6679, as amended by House "A":

Total number Voting 128

Necessary for Passage 65

Those voting Yea 128

Those voting Nay 0

Those absent and not Voting 23

SPEAKER STOLBERG:

The bill is passed.

CLERK:

Please turn to page 9, Calendar 770. Substitute
for Senate Bill 842, AN ACT CONCERNING THE CONNECTICUT
INSURANCE GUARANTY ASSOCIATION ACT AND THE CONNECTICUT
LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT.
 (As amended by Senate "A"). Favorable Report of the
 Committee on INSURANCE AND REAL ESTATE.

REP. BIAFORE: (125th)

Mr. Speaker?

SPEAKER STOLBERG:

Representative Biafore.

REP. BIAFORE: (125th)

May I yield to Representative Ireland for one

abs

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moment?

SPEAKER STOLBERG:

Representative Ireland, do you accept the yield?

REP. IRELAND: (111th)

Yes, Mr. Speaker. I ask that I please be excused from the Chamber for a possible conflict of interest?

SPEAKER STOLBERG:

Representative Ireland of the 111th, the Journal will note, is absenting herself from the Chamber, under our rules, because of a potential conflict of interest.

Representative Biafore.

REP. BIAFORE: (125th)

Mr. Speaker, I move for acceptance of the Joint Committee's Favorable Report and passage of the bill in concurrence with the Senate.

SPEAKER STOLBERG:

Representative Biafore.

REP. BIAFORE: (125th)

I move for acceptance of the bill in concurrence with the Senate.

SPEAKER STOLBERG:

Will you remark?

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REP. BIAFORE: (125th)

Yes, Mr. Speaker, the Clerk has Senate Amendment Schedule "A", LCO 7004. May the Clerk please call, and may I summarize?

SPEAKER STOLBERG:

The Clerk has amendment LCO 7004, Senate "A". Will the Clerk please call?

CLERK:

LCO 7004, designated Senate "A", offered by Senator Powers.

SPEAKER STOLBERG:

Is there objection to summarization? Seeing none, Representative Biafore.

REP. BIAFORE: (125th)

This is just to clear, a technical amendment. It clarifies some of the bill, changes some of the lines, deletes some... and is just technical in nature.

SPEAKER STOLBERG:

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

REPRESENTATIVES:

abs

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Aye.

SPEAKER STOLBERG:

All those to the contrary, nay.

REPRESENTATIVES:

Nay.

SPEAKER STOLBERG:

The Chair is in doubt. All those in favor of the amendment, please indicate by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER STOLBERG:

All those to the contrary, nay.

The amendment is adopted, ruled technical.

Will you remark further on the bill?

REP. BIAFORE: (125th)

Yes, Mr. Speaker. The bill itself, what it does... it is to reduce Connecticut's future explosion of claims from non-residents. Currently, if the insurance company is licensed in Connecticut and goes bankrupt, the Connecticut Guaranty Fund may be liable to claims all over the world.

What this will do is just have us liable for

abs

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Connecticut residents. Also, Mr. Speaker, for legislative intent, substitute Senate Bill 842 applies to claims filed with the Connecticut Insurance Guaranty Association after enactment of this bill. And the claims filed before enactment are governed by the present statute.

SPEAKER STOLBERG:

Will you remark further on the bill? Will you remark further? If not, will members please be seated? Staff and guests, to the Well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by roll. Members, to the Chamber, please. The House is voting by roll call. Members, please report to the Chamber.

Have all the members voted? Have all the members voted, and is your vote properly recorded? If all the members have voted, and your vote is properly recorded... the machine will be locked, and the Clerk will take a tally.

Will the Clerk please announce the tally?

abs

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House of Representatives

Wednesday, May 20, 1987

CLERK:

Senate Bill 842, as amended:

Total Number Voting	135
Necessary for Passage	68
Those voting Aye	134
Those voting Nay	1
Those absent and not Voting	16

SPEAKER STOLBERG:

The bill is passed.

CLERK:

Calendar 773, Substitute for House Bill 7298,
 AN ACT CONCERNING THE EXPENDITURE OF FUNDS APPROPRIATED
 TO THE DEPARTMENT OF ENVIRONMENTAL PROTECTION FOR
 VARIOUS ENVIRONMENTAL AND RECREATIONAL STUDIES AND
 IMPROVEMENTS. Favorable Report of the Committee on
 Appropriations.

SPEAKER STOLBERG:

Representative Mazzotta.

REP. MAZZOTTA: (32nd)

Thank you, Mr. Speaker. I move acceptance of
 the Joint Committee's Favorable Report and passage
 of the bill.

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1987

VOL. 30
PART 5
1524-1920

WEDNESDAY
APRIL 29, 1987

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LFU 1558

SENATOR O'LEARY:

Thank you Mr. President. The markings, on page one, under Executive and Legislative Nominations, all items are marked go. On page two, all of the items are marked go. On page three, Calendar 351 is marked go; 268 is passed retained; Calendar 270, Senate Bill 1154 I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SENATOR O'LEARY:

Calendar 288 is marked go. Calendar 291, Senate Bill 265 I move to the Foot of the Calendar.

THE CHAIR:

Without objection, so ordered.

SENATOR O'LEARY:

Page four, Calendar 300, Senate Bill 842 I move to the Foot of the Calendar.

THE CHAIR:

Without objection, so ordered.

SENATOR O'LEARY:

Calendar 301, Senate Bill 1067, I move to the Foot of the Calendar.

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1987

VOL. 30
PART 7
2287-2685

WEDNESDAY
MAY 13, 1987

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LFU

2671

today's Calendar. Calendar 300, Substitute for Senate Bill 842. I move that that be removed from the Consent Calendar.

THE CHAIR:

Without objection so ordered.

SENATOR O'LEARY:

And I would ask that we take it up at this time.

THE CHAIR:

Remove from the Foot. Are you ready to proceed on this item? Clerk please call the item.

THE CLERK:

Calendar 300, page 17, File 446, Substitute for Senate Bill 842, AN ACT CONCERNING THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION ACT AND THE CONNECTICUT LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT, Favorable Report of the Committee on Insurance and Real Estate.

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Mr. President, the Clerk has an Amendment.

THE CHAIR:

Clerk please call the Amendment.

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140 2672
LFU

THE CLERK:

There are no Amendments.

SENATOR POWERS:

I'm sorry. I move acceptance of the Joint Committee's Favorable Report and passage of the Bill.

THE CHAIR:

Mr. Clerk, do you have an Amendment? Clerk has no Amendment.

THE CLERK:

There are no Amendments filed with this Bill.

SENATOR POWERS:

Do you have LCO 7004?

THE CHAIR:

The Senate will stand at ease. Senator O'Leary.

SENATOR O'LEARY:

Thank you Mr. President. Apparently that Amendment has been misplaced and therefore I think we ought to PR the Bill until we can draw up a new one.

THE CHAIR:

The item is PRd. Call the next item.

THE CLERK:

Calendar page 9, Calendar 573, File 662, Substitute for House Bill 7451, AN ACT CONCERNING THE REPORTING OF

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1987

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2686-3073

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LFU

THE CHAIR:

Further remarks? Clerk please make an announcement for an immediate Roll Call.

THE CLERK:

An immediate Roll Call has been ordered in the Senate. Will all Senators please return to the chamber. An immediate Roll Call has been ordered in the Senate. Will all Senators please return to the chamber.

THE CHAIR:

Question before the chamber is a motion to adopt Senate Joint Resolution 71. The machine is open. Please record your vote. Senator Lovegrove. The machine is closed. Clerk please tally the vote.

The result of the vote:

36 YEA

0 NAY

The Resolution is adopted. The Senate will stand at ease. The Senate will come to order. Mr. Clerk have you already--have you called Calendar 300?

THE CLERK:

Recalling Calendar 300, previously taken off the Foot of the Calendar on page 27, File 447, Substitute for Senate Bill 842, AN ACT CONCERNING THE CONNECTICUT

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INSURANCE GUARANTY ASSOCIATION ACT AND THE CONNECTICUT
LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT,
Favorable Report of the Committee on Insurance and Real
Estate.

THE CHAIR:

Senator O'Leary.

SENATOR O'LEARY:

Thank you Mr. President. I think that I had marked
this PR and I would move to change that to a go.

THE CHAIR:

I think you had already done that. Senator Powers.

SENATOR POWERS:

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

THE CHAIR:

Clerk has an Amendment.

THE CLERK:

LCO 7004, designated Senate Amendment, Schedule A,
offered by Senator Powers of the 20th District.

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Mr. President, thank you. I would move adoption of

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LFU

the Amendment and ask to be given permission to summarize.

THE CHAIR:

You may proceed.

SENATOR POWERS:

Thank you Mr. President. The Amendment is pretty straightforward. It defines the term affiliate and the rest of the Amendment is just technical in nature, changing lines around and making some numerical number changes. And I would urge its adoption.

THE CHAIR:

Further remarks on the Amendment? All those in favor of the Amendment signify by saying aye. Opposed? The Amendment's adopted. Further Amendments?

THE CLERK:

No further Amendments.

THE CHAIR:

No further Amendments. We're now on the Bill as amended by Senate A. Senator Powers.

SENATOR POWERS:

Thank you Mr. President. This is a fairly complex Bill and let me just be fairly brief about it. The major problem that's occurring is that a Connecticut licensed company has become insolvent. It's been

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estimated by the Connecticut Insurance Guaranty Fund, the fund that protects consumers if a company becomes insolvent, it's been estimated by the association, originally that the liability would be approximately \$6 million. New estimates have upped that to about \$185 million. The reason for that is that under the law the way it's written now, the other 49 states and the residents in the other 49 states could become eligible for receiving reimbursement under the Connecticut Guaranty Fund.

It is my opinion Mr. President, that this isn't fair. The reason for the Connecticut Guaranty Fund is to protect predominantly Connecticut residents. This is a model Bill that the Department of Insurance put in. It was suggested that we raise it which we did as a Committee and was passed unanimously and I would urge its adoption by members of the Circle. Thank you.

THE CHAIR:

Further remarks on the Bill? Senator Maloney followed by Senator Smith.

SENATOR MALONEY:

Thank you Mr. President. I rose to your call. This is on the Bill? Are these remarks on the Bill?

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THE CHAIR:

Yes.

SENATOR MALONEY:

Thank you Mr. President. Mr. President, I have read the Bill and in reading the Bill and discussing it with people who are also informed on the issue, it's my understanding and I'd like to make the statement for the legislative record, it's my understanding that the Bill applied only to claims filed after passage of the Bill and further, my understanding that any claims presently filed with the Insurance Guaranty Association will be covered by the present statutes and that this Bill will not apply to those claims that are already pending. That's my understanding.

THE CHAIR:

Further remarks? Senator Smith.

SENATOR SMITH:

Thank you Mr. President. If I could, through you to Senator Powers.

THE CHAIR:

You may proceed.

SENATOR SMITH:

Senator, the phenomona that you talk about where

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there's \$185 million plus in claims, can you, at least for our edification, describe what has happened in the industry in the near past that would cause us to have the concerns that we have at this time?

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Through you Mr. President, Senator Smith, if I understand your question correctly, it's my understanding that the problems that have existed is that the original estimate of the \$6 million figure that I stated, was a result of the understanding that it was for Connecticut residents in the state of Connecticut, one state out of fifty.

The problem occurred that under interpretation of the existing law, it became all fifty states and that's why the estimate jumped up as it did, through you Mr. President.

THE CHAIR:

Senator Smith.

SENATOR SMITH:

Thank you Mr. President. If I might, just for a clarification, whose interpretation and under what

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conditions was that interpretation made?

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Through you Mr. President, it was the interpretation of the Department of Insurance of Connecticut, but it's also my understanding through you Mr. President, to Senator Smith, again that this is legislation that was put together by the Insurance Commissioners of America so it appears to be a problem that exists in most of the states if not all of the states.

THE CHAIR:

Senator Smith.

SENATOR SMITH:

Thank you. Then Senator Powers, you would anticipate that other states would follow Connecticut's lead in this regard?

THE CHAIR:

Senator Powers.

SENATOR POWERS:

Through you Mr. President, yes.

SENATOR SMITH:

Thank you sir.

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THE CHAIR:

Further remarks? Clerk please make an announcement for an immediate Roll Call.

THE CLERK:

Immediate Roll Call has been ordered in the Senate. Will all Senators return to the chamber. An immediate Roll Call has been ordered in the Senate. Will all Senators please return to the chamber.

THE CHAIR:

Question before the chamber is a motion to adopt Calendar 300, Substitute for Senate Bill 842, File 446, as amended by Senate A. The machine is open. Please record your vote. Has everyone voted? Senator Morton. Senator Robertson. Has everyone voted? Senator Morton. Thank you. The machine is closed. Clerk please tally the vote.

The result of the vote:

35 YEA

1 NAY

The Bill is adopted. Further business, Mr. Clerk?

THE CLERK:

No further business on the Clerk's desk, Mr. President.

JOINT
STANDING
COMMITTEE
HEARINGS

INSURANCE
AND
REAL ESTATE
PART 2
344-712

1987

COMM. GILLIES: (Continued)
just what we want to say.

The other bill that I think is of great importance to us and the state concerns AN ACT CONCERNING THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION AND THE CONNECTICUT LIFE INSURANCE GUARANTY ASSOCIATION, Senate Bill No. 842.

This bill was requested by the Insurance Department. The Connecticut General Assembly, 1971, passed an act which authorized the formation of the Connecticut Insurance Guaranty Association. This Association provides protection to Connecticut residents when a property-casualty insurer becomes insolvent.

In 1972 a substantial similar act was passed which authorized the formation of the Connecticut Life and Health Insurance Guaranty Association and it provides protection to Connecticut residents and others in the event a Connecticut chartered or a licensed life or health insurer becomes insolvent.

Both the existing Connecticut statutes are substantially similar to model bills drafted by the National Association of Insurance Commissioners and have worked well in Connecticut from 1971 to 1985. Recently The Transit Casualty Company became insolvent and the Department expected the Connecticut Insurance Guaranty Association to be liable for approximately \$6 million in unpaid claims to Connecticut residents. We have been informed by the Connecticut Insurance Guaranty Association that the potential liability for its members for unpaid claims as a result of the Transit insolvency now approaches a total of \$185 million. The existing statute may cause the Connecticut Insurance Guaranty Association to end up paying claims to residents located in the other 49 states.

The changes proposed in Section 1 through 5 of Raised Committee Bill 842, regarding the property-casualty association, will accomplish the following:

1. Cover claims of only claimants who are residents of this state.
2. Exclude claims of an insured who is an "affiliate"

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COMM. GILLIES: (Continued)
of the insolvent insurer.

3. Set up a fourth account for assessment purposes. Currently there are three accounts: Workers' Compensation claims, which by the way, are limited to Connecticut, Automobile and all others. When an insurer becomes insolvent, the remaining licensed property-casualty insurers are assessed a sum necessary to pay the unpaid claims and the assessment is based upon the three major categories and the percentage that each insurer has of the market in Connecticut. The new fourth account authorizes a Farmers and Homeowners Account so that insurers writing in these lines will not be assessed for the unpaid losses arising out of the insolvency of an insurer who wrote primarily liability insurance.
4. It permits recovery by the association of any claims paid on behalf of an insured whose net worth exceeds \$50 million.

Section 6 of Raised Committee Bill 842 affects the Connecticut Life & Health Insurance Guaranty Association. Currently, the statute provides protection to Connecticut residents if either a Connecticut chartered life or health insurer becomes insolvent or if a licensed non-resident life or health insurer becomes insolvent and the state of incorporation of the insolvent insurer does not have a similar guaranty association. Our Connecticut Life & Health Insurance Guaranty Association also provides protection to residents of other states if a Connecticut chartered insurer becomes insolvent and does business in those other states that do not have a similar association. The proposed change will provide that the Connecticut Association will provide coverage only to Connecticut residents.

If these changes are enacted, Connecticut will provide protection to Connecticut residents who are claimants of an insolvent insurer and other states will provide, or should provide, protection to their residents who are claimants. I should point out that the National Association of Insurance Commissioners has approved language changes for its model life and health guaranty

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COMM. GILLIES: (Continued)

fund law to accomplish what we are proposing to do here in Connecticut.

Our proposed changes in the Connecticut property-casualty insurance guaranty law will make it completely clear that we will not assess our citizens to pay claims in other states. The recent Baldwin-United insolvency clearly demonstrated the inability of one state of domicile, Indiana, to meet the financial losses incurred in the 49 other states. That problem was exacerbated just a bit because Arkansas, the other state of domicile, didn't have a guaranty association at all. As you know, property-casualty insurers are permitted to increase their premium rates in Connecticut to cover any assessments made in Connecticut. Life and health insurers are permitted to offset 50% of their assessments against the premium tax they pay to the State of Connecticut.

The proposed amendments are needed and will provide protection to Connecticut claimants and will eliminate our people being assessed increased insurance premiums to pay claims in the 49 states adjoining us. Connecticut simply does not have the capacity or desire to assess its 3 million citizens to pay the claims of the nation's 220 million citizens or those of another country such as India. I request passage of this bill. I have proposed some amendments which are substantively technical, not substantive in nature and I believe those have already been distributed to the clerk so you will have them.

SEN. POWERS: Thank you. If you could get us that testimony, too, in addition to the technical amendments, we'd appreciate it.

COMM. GILLIES: Yes, and I have some other, just some general articles and things I have copies of.

SEN. POWERS: There is one question. Rep. Woodcock

REP. WOODCOCK: What would a hearing be like, Commissioner, without a question and answer session?

COMM. GILLIES: It would be no fun at all.

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REP. WOODCOCK: Commissioner, I'm in another meeting and, therefore, I'm coming in and out of the hearing today, but I'd like to have your comments on House Bill 5622, AN ACT CONCERNING THE PARTS USED TO REPAIR DAMAGED VEHICLES.

COMM. GILLIES: I think it's a good bill and it ought to pass.

REP. WOODCOCK: Thank you, Sir.

SEN. POWERS: Thank you, Commissioner. Kathy Toohey for Sen. Przybysz.

MS. KATHY TOOHEY: I'm here to testify on Bills 502 and 559. The Senator regrets that he couldn't be here because of a scheduling conflict. "I submitted these bills because I feel very strongly that this is an area where the mentally ill deserve to be heard. The people affected by these bills cannot be here today in large numbers either because they are currently ill or because having been mentally ill once, they fear that disclosing that fact would mean more difficulties living in a society that is prejudiced against them or perhaps mental illness hasn't touched them yet.

There is a stigma about mental illness. It extends even to the insurance fields where myths and misconceptions are rampant. Despite what you may have heard, mental illness can be diagnosed, treated, and many times cured. Mental illness is real and it is painful. The personal and social costs of psychiatric disorder are similar to cardiovascular disease and cancer. Depression affects 9.4 million people, as many as 2 out of 10 Americans. Suicide is the 10th leading cause of death in America and it's the 3rd leading cause of death among those aged 15 to 24. Schizophrenia affects 1.5 million Americans. Anxiety disorders afflict more than 13.1 million. 12 million children suffer from autism, depression and other diseases. 13 million Americans suffer from alcohol abuse and another 12.5 million drug abuse. About 25% of the elderly who are written off as senile actually suffer from mental illness. We can no longer ignore these facts. These illness can be treated successfully, especially

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MR. FABER: (Continued)

Peter Faber and I'm President of Litchfield Mutual Fire Insurance Company. So you understand why I'm here in support of Bill 842, I think it's important that you know what has happened, what is happening and the impact that the Guaranty Association is having upon small insurance companies that are doing business in the State of Connecticut.

I'm asking that you support and pass Bill 842 as presented by the Insurance Department without amendments as may be offered later on in testimony. Litchfield Mutual was incorporated in 1833. We've been doing business continuously in Connecticut for 154 years and independently in Connecticut for 154 years. We are currently writing direct written premium approximately \$1.64 million. Our net premium is approximately \$650,000 and our surplus is approximately \$450,000. The current assessment, proposed assessment, under the Guaranty Association for Litchfield Mutual, if it does through at the \$185 million, is \$306,000 to Litchfield Mutual. \$306,000 is approximately 48% of my net premiums. This is approximately 85% of my surplus. Granted, it will be assessed in pieces over a period of years. Effectively, for the next 10 or 12 years, if indeed the assessments go through at the level that they are forecasting, I will be starting January 1 at a loss ratio of 5% before I see my first claim on the year.

So you understand what the impact this can have on a company the size of Litchfield Mutual that does business only in Connecticut. It has the real possibility of putting us out of business. If you think that another Transit, if you think that another Ideal or another Geico cannot happen, you're kidding yourself. The major carriers have continuously shown their inability to handle their own affairs. They have written lines that have put them in jeopardy and at the way the current Guaranty fund is set up, the companies like Litchfield Mutual who write homeowners, farmowners, small street front business and some dwelling fire insurance are going to be paying the freight for writing error and omission, products liability, asbestosis and everything else, lines that we never intended to write and don't ever

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MR. FABER: (Continued)

wish to write. I may sound like I'm preaching, but I'm here because I'm vitally concerned that companies like Litchfield Mutual will find themselves unable to compete. When I have an assessment, even if it's parcelled out over 10 or 12 years from the Guaranty Association, it comes from one place only and that's my earnings and my surplus. Without my surplus, I become insolvent. Without my earnings, I can't grow. I can't write insurance. I can't continue to provide a service in Connecticut that quite honestly only four other carriers are providing, five other carriers, that's farmowners insurance for Connecticut farmers.

I have no intention of sitting by and watching Litchfield Mutual, after 154 years, go down the tubes because of Transit Casualty. The bill, as it is amended, establishing a fourth fund as proposed, establishing a fourth fund to incorporate the premiums of homeowners and farmowners, will more equitably distribute the cost for the Guaranty Fund based upon what your actual premiums are and where they write. The same arguments that can be applied to the Workmens' Compensation Fund and to the auto fund can be applied to the homeowners and to the farmowners fund. I have no objection to paying my fair share as my risk of writing business in this state is, but I violently object to Litchfield Mutual looking at an assessment of this magnitude for lines of insurance that we really have not business writing. The Guaranty Fund was originally established to protect the consumer against companies like Litchfield Mutual that were small and had a great deal of problem surviving.

I can assure you I have already made arrangements that if Litchfield Mutual even approaches insolvency, it will be merged with other carriers. As cornball as it may sound, coming from an insurance company, we honestly are concerned about our insureds. We care about what happens to them and I have no intention as long as I'm running the company of seeing our insureds have to go through a Guaranty Fund to collect claims that are legitimately owed to them.

I ask you to look at this bill, 842, as it's been presented by the Insurance Department and I support their

MR. FABER: (Continued)
amendments entirely. It is important that you understand that the companies like Litchfield Mutual want to survive in Connecticut. They want to become a viable part of the industry in Connecticut and this is one way to help us remain viable and participate. I became aware of this only yesterday, so I did not have a chance to have my comments prepared. They will be done tomorrow and I will see that they get mailed to everybody on the Committee.

SEN. POWERS: Thank you very much. Questions? Craig Leroy.

MR. CRAIG LEROY: Chairman Powers, Members of the Committee, thank you very much. My name is Craig Leroy. I'm with the Insurance Association of Connecticut. I have a number of bills which I'd like to comment on and will try to do briefly and to the point.

Committee Bill 74, it will require all Medicare supplemental policies that would remove the requirement that all Medicare supplemental policies to include coverage for home health aide services. We oppose the initial mandating of the home health aide coverage. However, the enactment of this bill would not really address the concerns of increased cost of such policies and let me explain for a minute why. Mandating that coverage must be offered to be provided for individual policies is not really an option. You have the fact of a large anti-selection problem where that only the individuals who need the coverage are going to end up purchasing that offer of coverage and not doing what is supposed to be done by insurance, spreading the risk and spreading the cost.

While as my membership does not write a great deal of Medicare supplemental policy, we just wanted to point out the fact that the premise behind mandating the offer of coverage for an individual policy is somewhat flawed.

Committee Bill 502, this bill would prohibit benefit provisions specifically to deal with the coverage of mental illnesses. This would, enactment of this legislation would have a devastating cost impact on

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- REP. PRAGUE: So if people opt for that coverage, it's very expensive.
- MR. LEROY: That's for the \$400. When you move to \$1,000 and the \$1,500, obviously premium costs drop, but you have significant out-of-pocket costs before you --.
- REP. PRAGUE: So people pay significant out-of-pocket costs for the benefits that you offer.
- MR. LEROY: Certainly.
- REP. PRAGUE: Thank you.
- SEN. POWERS: Thank you. Terry Twigg.
- MS. TERRY TWIGG: Thank you, Senator Powers. Almost as a preliminary, I would just like to very briefly address Senate Bill 842, specifically Section 2 which would separate assessments for homeowners and farmowners, multiple peril lines from the all other account. If Connecticut adopts this approach, and then its followed in other states, it could have substantial adverse effects for those of our members who are writing business in other states. We would ask for the opportunity to continue working with the Department to try to find a better solution to the flaws of the present system. Any questions on that one? I didn't think so.
- SEN. POWERS: Oh, I thought that was -- that's not the end of your testimony.
- MS. TWIGG: No.
- SEN. POWERS: Please continue.
- MS. TWIGG: Senate Bill 345 which would prohibit deductibles for defense costs in cases in which the defendant prevails. The IAC opposes this bill. An insured purchases errors and omissions coverage for two purposes: to protect himself against the financial impact of a judgment and to protect himself against the expense of defending a lawsuit. Defense costs are just as much a part of a claims expense as a judgment or a settlement. So they must be included in