

Legislative History for Connecticut Act

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HB 6908 RA-239 1993

Sen: 3738, 3825-3826 (3)

House 2638, 7751-7754, 7825-7833 (14)

Public Health 1926-1927, 1974-1979, 2018 (9)

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CONNECTICUT  
GEN. ASSEMBLY  
SENATE

PROCEEDINGS  
1993

VOL. 36  
PART 11  
3737-4088

THURSDAY  
June 3, 1993

003738

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pas

All right.

SENATOR DIBELLA:

On Page 9, Calendar Item 524 is a P-T. The bill is awaiting amendments. It will be heard this evening.

On Page 11, Calendar Item No. 550 is a Go.  
Calendar Item No. 551 is a Go.

On Page 13, Calendar Item No. 566, Substitute for House Bill No. 6908, I would move to the Consent Calendar.

THE CHAIR:

Is there any objection to moving Senate Calendar 566, Substitute for House Bill 6908, to the Consent Calendar? Is there any objection? No objection? Any objection? Hearing none, so ordered.

SENATOR DIBELLA:

On Page 16, Calendar Item No. 587 is marked Go.

On Page 24, Calendar Item No. 481 is marked Go.

On Page 31 -- I'm sorry. On Page 31, Calendar Item No. 234, Substitute for Senate Bill No. 1007, Madam President, I'd move this from the Foot of the Calendar to a status of Passed -- to Go. I guess the amendment is out.

THE CHAIR:

Is there any objection to moving Senate Calendar No. 234, Substitute for Senate Bill 1007, from the Foot

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Thank you very much. Mr. Clerk, before we call the 6th Go List, would you like to make an announcement to do the Consent Calendar.

THE CLERK:

An immediate roll call has been ordered in the Senate on the third Consent Calendar. Will all Senators please return to the Chamber. An immediate roll call has been requested on the third Consent Calendar. Will all Senators please return to the Chamber.

THE CHAIR:

The issue before the Chamber is Consent Calendar No. 3 for today, Thursday, June 3, 1993. Mr. Clerk, could you please read the items that are on the Consent Calendar.

THE CLERK:

Calendar Page 5, Calendar No. 456, House Bill No. 6357.

Calendar Page 6, Calendar No. 467, Substitute for House Bill 7183.

Calendar Page 8, Calendar No. 492, Substitute for House Bill 7153.

Calendar Page 13, Calendar No. 566, Substitute for House Bill 6908.

Calendar Page 16, Calendar No. 587, Substitute for

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House Bill 7192.

Calendar Page 23, Calendar No. 312, Substitute for  
Senate Bill 861.

Madam President, that completes the third Consent  
Calendar.

THE CHAIR:

Thank you very much. You've heard the items. The  
Clerk has read to you the items that have been placed  
on Consent Calendar No. 3 for today, June 3, 1993. The  
machine is on. You may record your vote.

Senator Colapietro. Have all Senators voted and  
have your votes been properly recorded? Have all  
Senators voted and have your votes been properly  
recorded? The machine is closed.

The result of the vote:

36     Yea  
0       Nay  
0       Absent

The Consent Calendar is adopted.

Senator DiBella, do you want to suspend the rules  
to move those items to the House?

SENATOR DIBELLA:

Thank you, Madam President. I'd move suspension of  
the rules to transmit directly to the House.

THE CHAIR:

H-656

CONNECTICUT  
GEN. ASSEMBLY  
HOUSE

PROCEEDINGS  
1993

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2285-2670

002638

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House of Representatives

Tuesday, April 20, 1993

Transportation. Is there objection? Seeing none, the item is referred to the Committee on Transportation.

CLERK:

Calendar 284, Substitute for House Bill 6908, AN ACT CONCERNING REVISIONS AND TECHNICAL CHANGES TO THE INSURANCE STATUTES. Favorable Report of the Committee on Insurance.

DEPUTY SPEAKER COLEMAN:

Representative Luby.

REP. LUBY: (82nd)

Mr. Speaker.

DEPUTY SPEAKER COLEMAN:

Representative Luby.

REP. LUBY: (82nd)

I move that that item be referred to the Committee on Human Services.

DEPUTY SPEAKER COLEMAN:

Motion is for referral to the Committee on Human Services. Is there objection? Is there objection? Seeing none, the item is so referred.

CLERK:

Calendar 132, Substitute for House Bill 5275, AN ACT PROHIBITING SMOKING IN PUBLIC BUILDINGS. Favorable Report of the Committee on Education.

DEPUTY SPEAKER COLEMAN:

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CONNECTICUT  
GEN. ASSEMBLY  
HOUSE

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House of Representatives

Wednesday, May 26, 1993

Will you remark further? Will you remark further on the bill as amended? If not, staff and guests to the well of the House. Members please be seated. The machine will be opened.

CLERK:

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

DEPUTY SPEAKER PUDLIN:

Have all the members have voted, and if your votes are properly recorded, the machine will be locked. The Clerk will take the tally. The Clerk will announce the tally.

CLERK:

House Bill 7249 as amended by House "A".

Total number voting 147

Necessary for passage 74

Those voting yea 146

Those voting nay 1

Those absent and not voting 4

DEPUTY SPEAKER PUDLIN:

The bill as amended passes. The Clerk return to the Call of the Calendar.

CLERK:

On Page 18, Calendar 284, Substitute for House Bill

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House of Representatives

Wednesday, May 26, 1993

Number 6908, AN ACT CONCERNING REVISIONS AND TECHNICAL  
CHANGES TO THE INSURANCE STATUTES. Favorable Report of  
the Committee on Finance, Revenue and Bonding.

DEPUTY SPEAKER COLEMAN:

Representative Gilligan.

REP. GILLIGAN: (28th)

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

DEPUTY SPEAKER COLEMAN:

The question is acceptance and passage. Will you  
remark further?

REP. GILLIGAN: (28th)

Thank you, Mr. Speaker. Ladies and gentlemen, this  
is a very lengthy measure and I'll do my best to take  
the Body through it. It's been in files for a number  
of weeks, but essentially it's a series of technical  
corrections and tends to make consistent the statutes  
as they affect the insurance statutes in the State of  
Connecticut.

Some of you know, over the past five or six years,  
a great deal of progress has been made in rewriting and  
consolidating the insurance statutes in the State of  
Connecticut. This is probably one of the last major  
pieces in that recodification process.

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House of Representatives

Wednesday, May 26, 1993

At this time, Mr. Speaker, I would ask that the Clerk please call LCO6530 and request permission to summarize the amendment.

DEPUTY SPEAKER COLEMAN:

Would the Clerk please call LCO6530 designated House "A".

CLERK:

LCO Number 6530 designated House "A" offered by Representative Gilligan.

DEPUTY SPEAKER COLEMAN:

The gentleman has requested leave to summarize. Is there objection? Is there objection? One moment, Representative Gilligan. Will the Chamber please stand at ease.

REP. GILLIGAN: (28th)

Mr. Speaker.

DEPUTY SPEAKER COLEMAN:

Representative Gilligan.

REP. GILLIGAN: (28th)

Yes, Mr. Speaker, I'd like to at this time withdraw the call of LCO6530 temporarily, ask leave of the Chamber.

DEPUTY SPEAKER COLEMAN:

Representative Gilligan has requested leave to withdraw the amendment. Is there objection? Is there

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House of Representatives

Wednesday, May 26, 1993

objection? Seeing none, LCO6530 is withdrawn.

Representative Luby.

REP. LUBY: (82nd)

Thank you, Mr. Speaker. I move that this matter be passed temporarily to allow us to await for the arrival of the amendment copies. Thank you.

DEPUTY SPEAKER COLEMAN:

Motion is to pass temporarily. Is there objection? Is there objection? Seeing none, this item is passed temporarily.

Would the Clerk please continue with the Call of the Calendar.

CLERK:

On Page 2, Calendar 302, Substitute for House Bill Number 6895, AN ACT CONCERNING THE PAYMENT OF INTEREST ON MORTGAGE ESCROW ACCOUNTS. Favorable Report of the Committee on Judiciary.

REP. MCCAVANAGH: (12th)

Mr. Speaker.

DEPUTY SPEAKER COLEMAN:

Representative McCavanagh.

REP. MCCAVANAGH: (12th)

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

DEPUTY SPEAKER COLEMAN:

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House of Representatives

Wednesday, May 26, 1993

Mr. Speaker, at this time, I'd like to ask those two ladies to rise and everyone to offer them a warm welcome. (Applause)

DEPUTY SPEAKER PUDLIN:

Other points or announcements? If not, the Clerk will return to the Call of the Calendar. Calendar Number 284.

CLERK:

Calendar Number 284, Substitute for House Bill 6908, AN ACT CONCERNING REVISIONS AND TECHNICAL CHANGES TO THE INSURANCE STATUTES. Favorable Report of the Committee on Finance. Earlier today, House "A", LCO6530 was withdrawn.

DEPUTY SPEAKER PUDLIN:

Representative Gilligan.

REP. GILLIGAN: (28th)

Thank you, Mr. Speaker. As indicated, and I don't want to correct the Clerk, I don't think the amendment was withdrawn. It was not in the possession of the Clerk. I'd like at this time to call LCO6530 and ask for permission, for leave to summarize.

DEPUTY SPEAKER PUDLIN:

The Clerk please call LCO6530, House Schedule "A".

CLERK:

LCO6530, previously designated today, House "A"

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Wednesday, May 26, 1993

offered by Representative Gilligan.

DEPUTY SPEAKER PUDLIN:

What's your pleasure, Sir?

REP. GILLIGAN: (28th)

I requested permission to summarize.

DEPUTY SPEAKER PUDLIN:

Hearing no objection, proceed, Sir.

REP. GILLIGAN: (28th)

Thank you, Mr. Speaker. Ladies and gentlemen, since the amendment is lengthy, some 22 pages and since it had a little trouble on the printing press, I'd like to spend a few minutes running through it section by section and of course I'd be glad to answer any questions.

The first part of the amendment would amend section 12 of the bill to eliminate a provision in the bill itself which would allow the commissioner to exempt certain changes, proposed changes of control of the domestic insurer from filing certain documents and that will be deleted.

By the way, Mr. Speaker, I would like to point out that these, all these amendment sections are the recommendation of the National Association of Insurance Commissioners that reviewed our State statutes to see that they were sufficient to allow national

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accreditation. So these are all the recommendations of that study group that will allow for the desired accreditation of our State's insurance department.

The section 16 as amended to specifically require that the examiners use officially approved handbooks in their examination process.

Section 17 eliminates the authority of the commissioner to reduce minimum capital surplus requirements, so these are all in the nature of tightening the control.

Section 18 amends Section 38a-73 of the general statutes to apply the risk limitations to all risks rather than just a limited number of risks.

Section 19 is to conform the definition of managing general agent with the national model act.

Section 20 would amend the statutes to prohibit a managing general agent from permitting a subproducer or a subagent to serve on their board of directors.

Section 21, the current law allows for an insurer to invest up to 50% of its assets in non-insurance affiliates. This would limit those investments to the lesser of 10% of their assets or 50% of their surplus.

Section 22 makes a technical amendment that's necessary by the adoption of Section 12.

Section 23 would exempt foreign or alien insurers

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from filing holding company registration statements if they're subject to similar disclosures in their state of domicile.

Section 24 incorporates the NAIC Model Act concerning voting securities and sequestration of voting securities.

Section 25 amends the definition of plan of operation.

Section 26 amends 38a-260 to require risk purchasing groups to disclose to each group member that insured risks are not protected by the Connecticut Insurance Guarantee Association.

Section 27 amends 38a-261 to include additional information which would in the form of a notice to a purchasing group when it intends to do business in the State of Connecticut.

That completes the amendment, except, I'm sorry, the effective date is changed from 10/1/93 to December, to 10/1/93 rather than December of 1993 and section 1 of the bill is effective on passage.

I move adoption of the amendment, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

The question is on adoption of "A". Will you remark? On the adoption of "A". Will you remark? If not, let me try your minds. All those in favor signify

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by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER PUDLIN:

Those opposed, nay. The ayes have it, the amendment is adopted and ruled technical. Will you remark further on the bill as amended? Representative Gilligan.

REP. GILLIGAN: (28th)

Yes, thank you, Mr. Speaker. I think what we have before us, ladies and gentlemen, although it's lengthy and I know, granted it's technical and probably very few of you have had an opportunity to wade through it, but it's a very important step toward achieving accreditation of our State Insurance Department and they're all in the nature of tightening the control over the industry and strengthening the financial and insuring the financial solvency of the industry.

I urge passage of the bill. Thank you for your patience.

DEPUTY SPEAKER PUDLIN:

Thank you. The question is on passage of the bill as amended. Will you remark? Will you remark? Representative Metsopoulos, proceed, Sir.

REP. METSOPOULOS: (132nd)

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House of Representatives

Wednesday, May 26, 1993

Thank you, Mr. Speaker. The Clerk has LCO Number 8149. Will the Clerk please call and may I be permitted to summarize.

DEPUTY SPEAKER PUDLIN:

Will the Clerk please call 8149, House Schedule "B". Your patience, Representative Metsopoulos, we're looking for it.

REP. METSOPOULOS: (132nd)

Always patient, Mr. Speaker. Mr. Speaker, how about we try another number?

DEPUTY SPEAKER PUDLIN:

Boy, that would be great.

REP. METSOPOULOS: (132nd)

The Clerk has in his possession, I hope, LCO Number 7112. Would the Clerk please call and I be permitted to summarize. Okay, here we go.

CLERK:

This one we have.

DEPUTY SPEAKER PUDLIN:

Will the Clerk please call, then, in their possession, 7112. House "B".

CLERK:

.LCO7112, House "B" offered by Representative Metsopoulos.

DEPUTY SPEAKER PUDLIN:

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House of Representatives

Wednesday, May 26, 1993

The Representative has asked leave to summarize.  
Hearing no objection, proceed, Sir.

REP. METSOPOULOS: (132nd)

Mr. Speaker, this amendment simply strikes out the word automobile and general liability and inserts in its place commercial insurance for lost, claim information on policy for commercial insurance. I move adoption.

DEPUTY SPEAKER PUDLIN:

The question is on adoption. Will you remark?

REP. METSOPOULOS: (132nd)

I believe it's a friendly amendment that has support on both sides of the aisle, and I urge the Chamber to adopt it. Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

The question is on adoption of House "B".  
Representative Gilligan.

REP. GILLIGAN: (28th)

Mr. Speaker, I have no problem with the amendment whatsoever. I agree that it should be adopted. Thank you.

DEPUTY SPEAKER PUDLIN:

Thank you, Sir. The question is on adoption of "B". Will you remark? If not, let me try your minds. All those in favor of House "B" signify by saying aye.

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REPRESENTATIVES:

Aye.

DEPUTY SPEAKER PUDLIN:

Those opposed, nay. The ayes have it. The amendment is adopted and ruled technical. Will you remark further on the bill as amended? Will you remark further on the bill as amended?

If not, staff and guests to the well of the House. Members please be seated. The machine will be opened.

CLERK:

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

DEPUTY SPEAKER PUDLIN:

If all the members have voted, if your vote is properly record, the machine will be locked. The machine will be locked. The Clerk will take the tally. The Clerk will announce that tally.

CLERK:

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007833

House of Representatives

Wednesday, May 26, 1993

House Bill 6908 as amended by House "A" and  
"B".

Total number voting	146
Necessary for passage	74
Those voting yea	146
Those voting nay	0
Those absent and not voting	5

DEPUTY SPEAKER PUDLIN:

The bill as amended passes. The Clerk return to  
the Call of the Calendar, Calendar 471.

CLERK:

Calendar 471 on Page 24, Substitute for House Bill  
6934, AN ACT CONCERNING PAROLE. Favorable Report of  
the Committee on Appropriations. House Amendment "A"  
was designated but not adopted on May 24.

DEPUTY SPEAKER PUDLIN:

Representative Lawlor of the 99th.

REP. LAWLOR: (99th)

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

DEPUTY SPEAKER PUDLIN:

The question is on acceptance and passage. Will  
you remark?

REP. LAWLOR: (99th)

JOINT-  
STANDING  
COMMITTEE  
HEARINGS

PUBLIC HEALTH  
PART 6  
1853-2242

1993

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PUBLIC HEALTH

March 25, 1993

two-tiered system in the state, that would create a system where at best, poor people have very, very basic, simple health care benefits.

And only people who economically can afford supplemental coverage would be able to have adequate coverage. I don't believe that in the United States a two-tiered medical system is something that we should be satisfied with.

REP. DONOVAN: Thank you.

REP. COURTNEY: Any other questions from committee members? Thank you Mr. Pollins. Peggy Shorey, followed by Carrie Mukaida, and Jerry Brown.

PEGGY SHOREY: Good evening, my name is Peggy Shorey. I am here representing the Connecticut Citizen Action Group and the Health Care For All Coalition. A coalition of sixty-one organizations from across the state representing hundreds of thousands of Connecticut citizens.

I'd like to take some time this evening to address several proposed health care reforms. Adjusted community rating versus pure community rating, deregulation of hospital rates and the concept of basic benefits.

I'm aware that members of the committee are grappling with the issue of how to deal with reforms that will help increase access to, and to affordability of care of Connecticut's residents. As you know by now, many of us advocate HB6460, as a means of guaranteeing access to quality, affordable health care for all Connecticut residents.

However, short of passage HB6460, we urge this committee not to adopt short-term incremental reforms that do not truly guarantee access to health care, but rather protect the vested interests of the insurers.

As you know, the IAC, and CBIA are supporting small group reforms. CCAG supports the reform that provides for portability of benefits in that it protects against the imposition of preexisting

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PUBLIC HEALTH

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conditions for individuals transferring from Medicaid or other insurance policy, provided that the lapse in coverage is no more than 30 days. HB 6908

It also extends a 90-day permissible lapse to individuals who lose coverage due to involuntary loss of jobs. Ideally, CCAG thinks preexisting conditions should not be a barrier to health care coverage, which is an issue that's addressed in comprehensive reform only.

But at least this change promotes an increased protection for the many people who do have preexisting conditions. CCAG also supports reforms that institute the use of one standard underwriting form for insurers. It's long overdue, as well as a step of our vision for comprehensive reform. SB 65  
SB 132

However, CCAG does oppose the concept of adjusted community rating. We believe that the concept, as proposed, is flawed public policy. We also believe that adjusted community rating will not make an appreciable difference in access to coverage. HB 7085

Let me outline some of our concerns. First, the major change in the proposed adjusted community rating, and current law, seem to be that health status is not a factor in setting the original rate. While on the surface this sounds like a good idea, in practice it shifts the dynamics of discrimination in employment away from health status, and towards gender and age.

Our analysis of the proposed adjusted community rating shows that health status does get factored into the rate, at a rate of 15% per year after the first year. This proposed adjusted community rating, therefore, does not truly eliminate health status or claims experience.

In fact, we are concerned that some legislators are not aware of this "slipping in" of health status into the rating criteria. An analysis of the proposal, which was done by Families USA, a non-profit foundation involved in health policy, shows the following breakdown in rate variation under the IAC, CBIA supported proposal.

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PUBLIC HEALTH

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REP. COURTNEY: Could you begin to summarize?

JENNIFER ZUCARELLI: Sure. Basically the insurance company then decided to cancel coverage of the nursing services and formula. Other services would continue, but then they went to a review committee, and took other action, and after that the insurance company decided to cancel them, all of his services, and so now the family is seeking the assistance of the Newington Children's Hospital Family Center, and then to summarize. Proper medical care is as essential to life as the air we breathe. Adequate medical insurance is just as essential to the perpetuation of quality care and the financial well being of us all.

Insurance that is only good so long as you do not require it is useless and cannot even be described as insuring anything. Too many of us are under the false impression that we are covered for any and all medical risk. The truth is that unless your medical amalogy can be cured or repaired quickly and inexpensively, you are at significant medical and financial risk of losing it all or depleting your resources by trying to fight back.

Basically, the medical insurance system is no system at all right now. It is simply everyone for themselves and it has to be changed.

REP. COURTNEY: Thank you. You can leave of that with the Clerk. Are there any questions from Committee members? Thanks for coming. Our next speaker is Patti Shea and she's followed by Bill Curry, John Quinn and Tammy MacFadyen.

PATRICIA SHEA: Good evening, Representative Courtney, and members of the Committee. For the record, my name is Patricia Shea. I'm counsel to the Insurance Association of Connecticut. I didn't have prepared remarks and I'm not quite sure where I should start tonight. You've heard many sad unfortunate horror stories, and I would like to say that the insurance industry has been and it continues to try to address those problems that do exist in the system.

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PUBLIC HEALTH

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In 1990, the Legislature passed several small group reforms to try to address the fact that people couldn't get insurance, and now we guarantee issue to small groups, and that's why the pool was created so that the industry would spread the risk of those individuals who would not otherwise be covered. Now we're seeking some changes to that pool. It's true as you heard that too much existing business receded to the pool. A bill came out of the Insurance Committee today which we supported that will not allow existing businesses to be seeded to the pool, except in very small groups and that is one and two employees, so we're working on this as we go along.

In 1990, we supported and it was passed that there would be portability when you go from group to group. There are still holes in that law. Right now if you have individual coverage and you go to a group, you're not covered. If you come off Medicaid, and want to go into a group situation, you're not covered for pre-existing conditions, so we're trying to fill those holes, and hopefully those bills that we support this year will pass.

SB 861

HB 7079

HB 7085

HB 6908

But we're trying to accomplish, we're trying to make the market work better for people. We're not the industry is not bad because they use pre-existing conditions. There's a reason for those limitations. We want to make sure that people have coverage, that they don't wait until they get sick to have coverage. Otherwise, we'd just have a big group of very sick people. That's why they exist, but we are willing that once a person is in the system, they shouldn't job locked, they shouldn't feel tied to their insurance.

Once they're in the system, we want them to continue to having coverage. We also feel that modified community rating will help eliminate some of the problems that you've heard where people end up having children who get very sick. What is an employer to do if his insurance premium goes up because of that child? Or what's an employer to do when someone comes to be employed who has a health condition or a child who's sick? If we go to modified community rating, the health status or the experience of the group won't be considered, and we hope that passes.

HB 7085

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PUBLIC HEALTH

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We support change to the system. We want to make the marketplace work better. My time is up. I guess I'll just stop and answer any questions you might have.

REP. COURTNEY: Representative DiMeo.

REP. DIMEO: Thank you, Mr. Chairman. What suggestion do you have, or does your agency have for the some 200,000 people that are underinsured and not insured?

PATRICIA SHEA: Money is the question. We would like to say that the policies can be affordable to all people, but with the costs of health care that's really not the case, so we have supported in the past and continue to support programs, pilot programs where the state can help people buy insurance. Expansion of Medicaid hasn't really done it, but we're willing to look at solutions. I mean, we've worked with health care access commission now for a couple of years to try to come up with pilot programs like covering pregnant women, covering children. There is not easy fix, I'm afraid.

SB1

SB 609

HB 6647

REP. DIMEO: Had your group looked at the issue of controlling health care costs and what methods would you use? The escalation, we're escalating at least 13% a year.

PATRICIA SHEA: Unfortunately, some of the stories that you heard involve utilization review and managed care, and that is what we are trying to do to help control costs. Estimates about fraud in the system, over-utilization and defensive medicine. Those are real. What the percentage is is unclear. Some say a quarter of our health care bill goes to such things.

When we're doing managed care, we're doing utilization review, making sure that treatment is appropriate in order to control those costs. I'm sure there is more we can do, but that's it. I think that's the step we're taking.

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PUBLIC HEALTH

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REP. DIMEO: Do you have any suggestions and positions on malpractice? Which causes us to have defensive medicine being practiced, unnecessary tests, excessive numbers of tests.

PATRICIA SHEA: Malpractice premiums in Connecticut are not, they don't exceed any national average, okay. I think the problem is more about over-utilization and over-testing, and that number is hard to get a hold of because it's not, it's in part of the utilization, and utilization is clearly increasing and it's adding to the cost of health care, and that's again, we're trying to get at that for managed care. Providers may have some other solutions on how to deal with.

REP. DIMEO: It is then your position that we can go along as we are with just modifications.

PATRICIA SHEA: Managed care, I mean you could certainly look at the court system. We in the United States have more litigation than any other country, and that certainly does add to the cost of insurance.

REP. DIMEO: Thank you.

REP. COURTNEY: Thank you, Representative DiMeo.  
Representative Concannon.

REP. CONCANNON: Thank you. There was just something that I picked up on when you were speaking and that was about pre-existing conditions, and the position that you take and that you want to encourage people to be insured and not to wait until they're sick. There are at present quite a number of circumstances where that isn't working, and for example, people who are on COBRA who are covered, either they're let go, or they're going through a divorce, have 18 months of coverage, and then they have to get their own insurance, and if they have a pre-existing condition, they are being turned down, and yet they've been insured up to that point, so there's no allowance being taken, so there isn't consistency is that particular argument that you presented.

HB6908

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PUBLIC HEALTH

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PATRICIA SHEA: Well, our proposal would allow you to extend COBRA, so if you are on COBRA for 18 months and then you got insurance within 90 days, say you were laid off, within 90 days, then you would be covered for a pre-existing condition. There has to be at least a time frame in which you have to get coverage.

REP. CONCANNON: 90 days from the end of COBRA?

PATRICIA SHEA: Right.

REP. CONCANNON: Or 90 days from when you get laid off?

PATRICIA SHEA: End of COBRA.

REP. CONCANNON: End of COBRA. And that is a modification that's been introduced now?

PATRICIA SHEA: We're seeking I think currently it's 30 days allowable lapse time with 60 days if it's involuntary loss of employment, and the bill before the Insurance Committee would extend that to 90 days. It would be 30-90.

REP. CONCANNON: Why do you say the loss of employment, the 60-90 for involuntary loss of employment? I don't understand.

PATRICIA SHEA: When people change jobs voluntarily, they've got to enroll right away in order to have that pre-existing condition limitation waived, but it would give us, we think there's special circumstances when you lose your job involuntarily that you should get a longer period of time in which to procure insurance and find a job.

REP. CONCANNON: I think COBRA is 18 months under those circumstances, so what I'm trying to get an understanding from you whether it's 60 or 90 after the end of COBRA.

PATRICIA SHEA: It is.

REP. CONCANNON: Or the point of time you lose your job?

PATRICIA SHEA: COBRA is considered insurance.

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REP. CONCANNON: Right.

PATRICIA SHEA: So that would be not be preclude you.

REP. CONCANNON: Okay. I hope that works.

PATRICIA SHEA: Thank you.

REP. COURTNEY: Representative Winkler.

REP. WINKLER: Yes, thank you. Patti, in listening to some of the testimony that I've heard, a real concern I have is that people that pay into their insurance in good faith on a regular basis and then are hit with a catastrophic illness, how does the insurance company justify or cancel these people at will? How is that allowed? What can you say about that and how often does that kind of thing happen?

PATRICIA SHEA: I don't know. I mean, I hear it when I come to the public hearings like this, but we see the problem mostly in the small group market because larger groups are primarily self insured, okay? If they're not, then insurer can spread the risk and he doesn't realize that cost as much, but it has been a problem in a small group market and in 1990 we said there's guaranteed issue and we can't drop anybody. Once they are insured, we cannot drop them since 1990.

Now there may be instances where you're not talking about the small group market where you have problems that exist. I would acknowledge that the law does not cover that.

REP. COURTNEY: It covers it up to 25 employees.

PATRICIA SHEA: 25.

REP. COURTNEY: That's the cut off. Representative Winkler still has the floor.

REP. WINKLER: So if we were to take advantage of that modified community rating system which would cover the small employers, are you saying that this sort of thing would not happen?

HB 7085


**CCAG** *Health Care For All Coalition*

Testimony of Peggy Shorey  
 CCAG Health Care Organizer  
 March 25, 1993

Good evening. My name is Peggy Shorey. I am here representing the CT Citizen Action Group and the Health Care For All Coalition, a coalition of 61 organizations from across the state representing hundreds of thousands of Connecticut citizens.

I'd like to take some time this evening to address several proposed health care reforms: adjusted community rating vs. pure community rating, deregulation of hospital rates and the concept of "basic benefits". I'm aware that members of the committee are grappling with the issue of how to deal with reforms that will help increase access to and affordability of care for Connecticut's residents. As you know by now, many of us advocate House Bill 6460 as a means of guaranteeing access to quality affordable health care for all Connecticut residents. However, short of passage of HB 6460, we urge this committee not to adopt short term incremental reforms that do not truly guarantee increased access to health care, but rather protect the vested interests of the insurers.

As you know, the IAC and CBIA are supporting House small group reforms. CCAG supports the reform that provides for portability of benefits in that it protects against the imposition of pre-existing conditions for individuals transferring from Medicaid or other insurance policy, provided the lapse in coverage is no more than 30 days. It also extends a 90 day permissible lapse to individuals who lose coverage due to involuntary loss of jobs. Ideally, CCAG thinks pre-existing conditions should not be a barrier to health care coverage, which is an issue addressed in comprehensive reform only, but at least this change promotes increased protection for the many people who have pre-existing conditions. CCAG also supports reforms that institute the use of one standard underwriting form for insurers. It's long overdue, as well as a step toward our vision of comprehensive reform.

However, CCAG does oppose the concept of adjusted community rating. We believe HB 7085 the concept, as proposed, is flawed public policy. We also believe that adjusted community rating will not make an appreciable difference in access to coverage. Let me outline some of our concerns:

- (1) The major change in the proposed adjusted community rating and current law seems to be that health status is not a factor in setting the original rate. While on the surface this sounds like a good idea, in practice it shifts the dynamic of discrimination in employment away from the health status and toward gender and age. Our analysis of the proposed adjusted community rating shows that health status does get factored into the rate at a rate of

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REP. FEDELE: One last question. You said there are 25,000 active realtors right now and theoretically if you had a \$500,000 cap then in a two year period you would get to your \$500,000 level. If you were to just add this additional fee onto new realtors - what is the growth level in the new realtors each year and how long would it take you to get there if you just use that population to reach your \$500,000 cap?

TRUDI BIRD: I think three years ago we had - In 1988, there were 39,000 licensees in this agency and in 1992 it was 25,000 or so. I don't think at this point, we can contemplate growth from new licensees and of those number changes, I don't know how many are absolutely new sign on new licensees and how many are renewals of new licenses.

REP. FEDELE: Thank you.

REP. GILLIAN: Any further questions? I would like to call Commissioner Googins.

COMMISSIONER GOOGINS: Good morning, Mr. Chairman, members of the committee. It is indeed a pleasure to return to these hallowed halls and appear before you although, I must say, I have learned to wait until the end of the session before I realized the full magnificence of that pleasure. I am somewhat concerned that I don't see in the audience here, the reptile that was passing out in the corridors outside. It was a gentleman in a large green suit and I am assured, confused as to the real purpose of the bill, he was intended to be here to comment on SB488, having to do with the elimination of long tails. We will wait to see if he arrives.

I am here to comment on what might be called the four department bills today. Joining me is John Arensault, the department's general counsel in the event that some technical questions can best be addressed by him. For those of you who are new on the committee, the rest realize that the Insurance Department is up against a peer accreditation review that require by January 1 of next year, that we come into compliance with the minimum standards for the regulation of solvency of the insurance industry.

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The department has been extremely hard at work for the last two years to come up to meet those minimum standards and indeed, in many measures, exceed them. I must say that the General Assembly and this committee have been most helpful in the past to help us to get into a position that we can beat the accreditation standard.

The very first bill that I am going to comment on is HB6874 is the last of the bills that we believe to be necessary this session to meet the accreditation's standard on July 1, 1994. Of course, the accreditation's process is an ongoing one so as things develop over the years, accreditation issues will reappear.

The accreditation team, incidentally is scheduled for a one week visit to the Insurance Department. A team of 5 actuaries, auditors and specialists that will conduct an indepth review following a preliminary two day visit in April of this year. The accreditation bill has to do with the financial insurance regulation standards. This proposal gives us the tools to deal with solvency concerns, the primary function of the insurance department.

This bill relates to changes in the Insurance Holding Company Act, how you read insurance is utilized by insurers, dealing with managing general agents and intermediaries, risk based capital, extraordinary dividend limitations, application of the Guaranty Fund and update certain other model laws we already have to comport with the most recent forms of those laws, as adopted by the NEIC.

The centerpiece of 6874 has to do with the risk based capital concept which is being initiated in this proposal and is going to be part of the accreditation standard. In essence, the risk based capital provisions, say for the first time, that we are going to look at what degree of capital is necessary for any company that is consistent with the function of that company, its assets, how it invests those assets and its market share - not some standard minimum capital and surplus that is going to apply to everybody irrespective of how they conduct themselves.

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So in essence, the risk based capital says you are going to have to a minimum capital that is going to be a function of how you conduct yourselves. If you want to extend the outside of the envelope and invest in a greater degree of less than higher grade bonds, subject to certain limitations, you are going to have to have more capital.

If you are going to deal in a market place that you are not selling plain vanilla reasonably low risk and ascertainable risk policies and you are going to get into a volatile market, you are going to have more capital. So that is the centerpiece of risk based capital.

The second bill, 6908 has to do with technical changes. This deals with a number of areas some of which to have the statutes comport to what might be considered regulations that conflict with them although they have already been adopted through Regulation Review. It does such things as setting forth a license fee. In the last legislative session, we established reinsurance intermediaries and a license requirement, but no where was the license fee specified.

We are setting that two year fee at a same level as surplus lines fee is \$500.00. It clarifies that the premium tax is still due from the insured in circumstances where the insured permissibly deals in a very limited set of circumstances with unauthorized insurers in Connecticut.

It clarifies the fact that the statutory expense limitation factors for Medicare insurance are to be used for the new forms of policy that just went into effect last summer. In fact, during the last rating session, we did take those expense factors into consideration, but this makes absolutely sure that those previously established expense limitation are applicable to the new Medicare standard policies at well.

In the codification of one of the prior acts, the initial bill was a solitary bill, but when it got into the laws, it was divided up into individual groups and one part of the sentence was dropped with the respect to the group aspect of it. So, we are having a technical change to make sure that

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that single bill, that was intended to deal with each, as it was codified, does in fact, deal with each. So that is the nature of the technical type changes that are included in HB6908.

The next bill has to do with financial guarantee insurance. Most of you understand that SB 822 historically, Connecticut has, what I might call, skeletal insurance laws. Our code was this big and other states' codes were that big. In of itself, it has no qualitative or qualitative implications of how regulation is conducted and past regulations in Connecticut stood the test of time. But time has changed and there are many more complex areas that we are dealing with and over the last several years, there have been a number of task forces that have developed laws, that over the sessions of 1991, 1992 and now this year, we have come forward with things to bring up and modernize the insurance code.

This is the last major piece dealing with the financial guarantee insurance. I was originally a chair of a task force before I was appointed Insurance Commissioner, and never realizing I was doing this work for myself in part, and subsequently, Bob Titas, who is a professor of law at Western New England which deals with financial institutions and is an expert in this area, subsequently chaired this task force which consisted of members of the industry and all interested groups.

This sets new capital standards for financial guarantee insurance which is a very particular form of insurance which heretofore has been lumped into miscellaneous lines and assurity insurance and it spells out specific requirements for companies operating in this very, very narrow market. A major thing that it does is change the capital requirements to phased in to 75 million dollars because this involves a lot of capital. Whereas, our average minimum capital requirements, heretofore, for other types of carriers, average probably 4 million dollars. So this is a major increase.

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CMRS. GOOGINS: Well, I would know 120 before the first consumer's effective non-renewal would take place. The consumer would know 60 days.

REP. METSOPOULOS: Yes, okay. Thank you.

REP. GILLIGAN: Representative Chase.

REP. CHASE: Thank you, Mr. Chairman. Good morning, Commissioner. On the same bill, I am just curious HB 6875 as to why we are making this so complicated. Why not just support the requirement that if the company decides not to write a particular line in this state, that before they take action, you be notified? Instead of everyone trying figure out thirty days, or sixty days of one hundred twenty days. Why not just support that kind of policy change?

CMRS. GOOGINS: Well, that is exactly what we are doing. We are telling them that they have to notify us 60 days in advance of their first act upon their decision. I don't want to get the notification the same day they start sending out their first notice to policy holders. I want to know 60 days in advance of their sending out their first notice.

So, in essence, that is exactly what we are doing except we are saying we want the notice sixty days first. Because maybe, we will deal with the company and get them to drop their whole plan or get them to modify their plan or make sure there are other alternative markets that can take this business. So essence, that is exactly what we are doing.

REP. CHASE: Okay. One last question. To HB6908 the revisions-technical changes. I regret that I have not read this thoroughly, but referencing Lines 697 - 706, this relates to the premium tax which will be paid to the state at 50%. Such sums are required by refunds from the association. Do you have an idea of how much money we would be collecting? And where would that money go?

CMRS. GOOGINS: Which lines are these again, Sir?

REP. CHASE: The very last section of the bill. Section H. Starting at line 697.

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Patti Shea of the IAC.

PATTI SHEA: Good morning Senator Williams, Chairman of the Committee.

I guess I'm the last speaker and it's still morning so you're setting a pretty good standard for the rest of the session.

I want to testify this morning. The first bill is SB132; you've heard from several other speakers. This is the standard health insurance claim form and we wholeheartedly support this effort.

This HIG thought that healthcare financing administration form and the UB82 form for hospitals are forms that we can deal with. We will be able to adapt our system to use those forms and we think this will resolve some of the administrative burden currently placed on providers and patients alike in having to fill out many forms.

The other bills I want to testify on are SB486 and SB488. These deal with the professional liability insurances.

We oppose these bills because they would in fact completely alter the professional liability coverage which currently exists in Connecticut and in most probability would make coverage unavailable.

What we are talking about here is really insurance for errors and admissions, architects, engineerings, doctors and lawyers.

The system that we currently have, that a claims made, means that coverage is determined at the time the claim is made rather than, and regardless of when the occurrence took place which resulted in the claim.

In occurrence policy, if that's what we went to which this bill requires, my members say that rates would more than double for businesses. The reasons for that are a couple - An insurer could really never close its books, if you will. The liability

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would never cease but would continue on for years; even if the professional or the business moved on and purchased its insurance from another carrier.

This really makes it difficult, if not impossible, to adequately quantify the potential liability and properly set aside reserves to pay those liabilities.

Also, under ... in a current system, which was found before when insurers tried to do this in certain circumstances, reinsurance is really unavailable. So, what you would have in effect is an inavailability problem for Connecticut businesses.

With regard to SB486, this too would increase the cost of Errors and Omissions policies. It would disallow any deductible when the insured defendant in a law suit was found not at fault.

First deductibles are used as a way to control costs; the higher the deductible the lower the policy. If you eliminate the deductibles, which this bill wants to do, you are going to increase the costs.

Secondly, there would be a disincentive to settle cases. These types of cases are ... the greatest payouts are usually defense costs. And, if you want to say that the defendant doesn't have to pay defense costs out of his pocket - that the insurance is going to cover that, this bill would actually force cases to trial in order to exonerate the defendant and this would significantly increase the cost of defending ...

We believe that these bills would place Connecticut businesses at risk because of the higher cost and put them at a competitive disadvantage to competitors in other states and we urge you to reject them.

Lastly, I just want to voice our support for the Commissioner's bills SB6874, SB6908 and SB6875. I want to make one technical suggestion to SB6875. This is the one of notice of discontinuance.