Bill as Introduced

SB 201 – AS INTRODUCED

2003 SESSION

03-1170
01/10

SENATE BILL ***201***

AN ACT establishing a committee to study insurance practices relative to homeowner's insurance.

SPONSORS: Sen. Larsen, Dist. 15; Sen. Estabrook, Dist 21; Sen. Below, Dist 5; Sen. Cohen, Dist 24; Sen. Foster, Dist 13; Sen. Roberge, Dist 9; Rep. Francoeur, Rock 85; Rep. DeStefano, Merr 41; Rep. Kathleen Taylor, Straf 70

COMMITTEE: Insurance

ANALYSIS

This bill establishes a committee to study insurance practices relative to homeowner's insurance.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 201 – AS INTRODUCED

03-1170
01/10

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Three

AN ACT establishing a committee to study insurance practices relative to homeowner's insurance.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Committee Established. There is established a committee to study insurance practices relative to homeowner's insurance.

2 Membership and Compensation.

I. The members of the committee shall be as follows:

(a) Three members of the senate, appointed by the president of the senate.

(b) Three members of the house of representatives, appointed by the speaker of the house.

II. Members of the committee shall receive mileage at the legislative rate when attending to the duties of the committee.

3 Duties. The committee shall study insurance practices relative to homeowner's insurance. The committee shall specifically include in its study the practice of canceling or not renewing policies where a claim was made or where multiple small claims were made within a specified time period.

4 Chairperson; Quorum. The members of the study committee shall elect a chairperson from among the members. The first meeting of the committee shall be called by the first-named senate member. The first meeting of the committee shall be held within 45 days of the effective date of this section. Four members of the committee shall constitute a quorum.

5 Report. The committee shall report its findings and any recommendations for proposed legislation to the senate president, the speaker of the house of representatives, the senate clerk, the house clerk, the governor, and the state library on or before November 1, 2003.

6 Effective Date. This act shall take effect upon its passage.

Speakers

SIGN UP SHEET

To Register Opinion If Not Speaking

Bill # SB 201 Date 4-16-03

Committee Commerce

**** Please Print All Information ****

Name	Address	Phone	Representing	(check one) Pro	Con
BOB HASH	125 AIRPORT Rd	4785790	INDEPENDENT AGENTS OF NH	X	

Hearing Minutes

HOUSE COMMITTEE ON COMMERCE

PUBLIC HEARING ON SB 201

BILL TITLE: establishing a committee to study insurance practices relative to homeowner's insurance.

DATE: April 16, 2003

LOB ROOM: 302 **Time Public Hearing Called to Order:** 12:15 pm

Time Adjourned: 12:25 pm

(please circle if present)

Committee Members: Reps. Hunt, L. Fraser, Francoeur, Belanger, Langley, DiFruscia, D. Flanders, Spiess, Holden, Liebl, Quandt, Charles Clark, Brady, Scammans, Stepanek, Reardon, Kathleen Taylor, Meader, DeStefano, Vachon and Kopka.

Bill Sponsors: Sens. Larsen, Estabrook, Below, Cohen, Foster, Roberge and Reps. Francooeur, DeStefano and K. Taylor

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

***Rep. Sheila Francoeur, co-sponsor** – Handed out written testimony from Sen. Sylvia Larsen. Rep. Francoeur feels that there are enough complaints of unreasonable termination to justify a study.

Q: Chairman John Hunt – Do we need a chapter study, or can we just retain the bill and work on a solution?

A: Either way, so long as we take a serious look at the problems.

Roger Sevigny, New Hampshire Insurance Dept. – Supports the bill, suggests that it might be combined with other retained bills dealing with similar issues.

Kipp Cooper, New Hampshire Association of Realtors – Supports the bill. Would like to have study expanded to include CLUE, Comprehensive Loss Underwriting Exchange.

Respectfully Submitted:

Paul D. Spiess, Clerk

Testimony

CONCORD MONITOR Online

PRINT THIS

Insurance's new policy: Use it and lose it

Tuesday, November 12, 2002

By SABRINA JONES and SANDRA FLEISHMAN
The Washington Post

Andy and Robin Schneider had an unhappy surprise last Thanksgiving Day when a pipe burst in their Washington home while Robin was preparing their turkey dinner. But the Schneiders got a worse surprise two months ago: State Farm Insurance, which had paid out $3,643 to repair the water damage to their $650,000 brick Colonial, informed the Schneiders it would not be renewing their homeowners insurance.

The reason: The Thanksgiving debacle was their second damage claim in two years. And in the 25 years they had been State Farm customers, the Schneiders had filed a total of three claims, one for a leak for which they were paid $278.

There was worse to come: When they applied to other insurers, they were turned down repeatedly, with insurers citing their claim history. In the end, they paid $900, the annual premium on a government-mandated "last resort" policy that doesn't include theft or liability insurance.

"When you find yourself in this situation out of the blue, you feel like a pariah," said Robin Schneider, a 49-year-old lawyer and mother of three. "In fact, we didn't do anything wrong. It's very depressing."

As homeowners and state insurance regulators across the country are discovering, property and casualty insurers have declared a whole new ballgame when it comes to whom they will insure and for how much. It's a game in which tapping into the insurance protection they think they've paid for may toss the insured out of the game, and many homeowners are finding out about the new rules the hard way.

Some, like the Schneiders, expecting to routinely sign up for another year of coverage, are being told their policy will not be renewed. Some house hunters who have been covered for years are startled to find themselves turned down for the routine "insurance binder" required to get a mortgage on their new house. Or, perhaps worse, they get the binder but learn just before settlement that the insurer won't continue them. And homeowners who are kept on by their insurance

company are seeing their premiums suddenly spike.

But it's not a game: It's what industry observers are calling the worst insurance environment in decades.

Insurance companies have never been thought of as cuddly, but the recent scramble to dump customers based on their claim history - in particular their history of water-damage claims, for reasons that will become clear - has made them seem tighter-fisted and less lovable than Ebenezer Scrooge himself.

In many cases, insurers are shedding customers wholesale. Farmers Insurance will not renew any policies in Texas, where it has about 700,000 policyholders. State Farm, the country's largest property and casualty insurer, with 20 to 25 percent of the pot, has stopped taking on new customers in 30 states.

Behind the hyperactivity is what insurers are calling a "perfect storm" of events that led the industry to post a $7.9 billion net loss in 2001, its first-ever net loss, according to the Insurance Services Office Inc. and the National Association of Independent Insurers. The industry contends that claims stemming from the events of Sept. 11, 2001, played a role, and so did recent natural disasters and the tumbling stock market, which is where, after all, insurance companies invest premiums and hope to earn money to pay claims.

Although there's some debate about this, the biggest culprit seems to be what has been called the "new asbestos of litigation": mold.

If "mold hysteria," as the Alliance of American Insurers has dubbed it, is triggering insurer hysteria, it's in part because of a Texas jury award of $32.1 million to a family after their house was infested with mold. In California, celebrities Ed McMahon and Erin Brockovich have also been involved in well-reported multimillion-dollar mold claims.

Texas, says the alliance, is where 70 percent of the country's mold claims are being filed. But the claims are growing elsewhere, as is the cost. The American Insurance Association said that one insurer paid a total of six claims on commercial-property mold losses in Maryland from 1993 to 2000. In 2001 alone, the association said, the same insurer paid 57 commercial mold claims. The average cost of the earlier claims was $9,812; the average cost of the 2001 claims was $215,764, it said.

Industry spokesmen say they can't offer much in the way of hard data on mold claims because until recently they have generally been a subset of water claims. But the insurance industry is built on probabilities - and the insurers don't like their odds with mold litigation.

Another group worried about what-if scenarios is real estate agents - for the simple reason that if a buyer is denied insurance, for whatever reason, the bank will deny the mortgage, without which in most cases the agent has lost that sale.

In fact, as of October, the California Association of Realtors' statewide purchase agreement advised prospective buyers to make obtaining homeowners insurance a condition of the sale.

The National Association of Realtors outlined a particularly apocalyptic outcome of the monitoring of past water claims, in a statement last month: It foresees houses whose water-claim histories make them difficult to insure, and even whole neighborhoods lined with "uninsurable and, therefore, un-saleable properties."

Is the mold problem growing, a byproduct of tighter houses and innovative building materials, or perhaps of energetic lawyers? Do mold-induced illnesses have any scientific backing? When it comes to insurance, the answers don't matter: All homeowners now have a "mold problem" in that they are being handled and scrutinized in ways they weren't in the past and being held to very different standards than even a few years ago.

Take the cost of insurance premiums. In the free-flowing 1990s, when insurers' investments were making them fat and happy, the companies had the luxury of setting artificially low rates to attract customers. Once the Wall Street bubble burst - and interest rates fell, to boot - premiums began to rise. Add damage from a couple of hurricanes, a tornado and the Sept. 11 terrorist attacks and a shell-shocked insurance industry suddenly decided their policyholders weren't paying for their keep.

And then there is heightened scrutiny of each house and each homeowner.

Insurance companies are now routinely subjecting homes and customers to extensive background checks, using resources such as a decade-old database called the Comprehensive Loss Underwriting Exchange, or CLUE, which contains information on 90 percent of U.S. insurance claims, such as reports of water leaks and burglaries. That database has made it possible for companies to decide against insuring a particular house based on previous claims, not the homeowners.

The problem is particularly felt by first-time home buyers and people moving to a new home. Even simple calls for information about claims have at times gone into the CLUE database, without residents' knowledge, and have hurt them when they apply for home loans or coverage renewal, said Nick D'Ambrosia, operations director for Coldwell Banker Residential Brokerage in Vienna, Md.

Insurers are also importing data from outside the claims process, such as a homeowner's credit score, to further scrutinize policyholders.

In explaining its use of "certain credit characteristics," State Farm says that independent studies have shown "a strong correlation between credit history and the likelihood of future loss" while acknowledging that the reasons for the correlation "are not entirely clear."

At least 30 state legislatures looked at bills to ban the use of credit scores in

determining homeowners insurance, but only Maryland and Hawaii banned the practice. Some other states allow them if they are not the sole criterion for an insurance decision.

When all else has failed them, homeowners have been turning, in record numbers, to state-regulated insurance pools that provide limited, last-resort coverage.

Some unsuspecting homeowners, such as the Schneiders, say they had no idea they could be penalized for filing claims.

"I feel sucker-punched," said Andy Schneider, 54, a health-care consultant. "If we had been told, 'Don't file two claims within three years,' we wouldn't have. We never saw it coming."

Tuesday, November 12, 2002

Thinking of selling your home?
I can help you get the best price


Find this article at:
http://www.cmonitor.com/stories/crime/2002/insurance%5F1112%5F2002.shtml

Testimony of Senator Sylvia B. Larsen
Senate Bill 201, establishing a committee to study insurance practices relative to homeowners insurance

Good afternoon Mr Chairman and Members of the Commerce Committee

I regret that due to the delay in your committee hearings, I am unable to personally testify in support of SB 201.

I am aware that your committee has reviewed a similar bill (HB 115) which would have increased the state law forbidding insurers from denying renewal to policy holders filing one claim during the policy's term. HB 115 proposed increasing that limit from a single claim to three claims over a term.

Apparently your committee did not look favorably upon HB 115, but as a result of this discussion you undoubtedly are aware of the concern of many New Hampshire homeowners surrounding home insurance.

Right now we seem to have a market for homeowner's insurance that results in a " Use it and Lose It" system.

For the record, I have submitted copies of news articles from different newspapers around the state identifying the plight of New Hampshire's consumers when they find themselves using the homeowner's protection policies they've paid thousands of dollars for over the years.

Like the House sponsors of HB 115, I was beseeched by more than One constituent who found themselves penalized for making small claims within a limited time period against their homeowner's policy.

Senate Bill 201 is the result of such a constituent request. It does not, however, propose a solution to the problem. SB 201 establishes a study committee to study these insurance practices. The duties of such committee are clearly defined to include, " the practice of canceling or not renewing policies where a claim was made or where multiple claims were made within a specified time period.

I urge your committee to recognize the problem that homeowners currently face within New Hampshire when seeking affordable renewals of home insurance. Perhaps a thorough review of this problem will result in a mutually agreeable solution between insurance industry representatives and New Hampshire's consumers.

I urge you to join the Senate in voting SB 201 "ought to pass".

Sunday Mail

Burned out, and now blacklisted

My husband and I recently received a letter from our homeowners' insurance company canceling our policy in 30 days. The reason: Risk does not meet underwriting standards – more than one loss in past year.

I called my agent and found out the company can do that.

We have had our homeowners' insurance with the same company for 23 years. We have never filed a claim until one last year for sewer line and water damages. We also filed a claim due to a fire caused by a roofing contractor putting a rubber roof on our house. We felt the fire was covered by the contractor's insurance and that company would be reimbursing our homeowners' insurance company. We did not realize our insurance would count this fire as us being a "risk."

I called the New Hampshire Insurance Department and found we didn't have a choice. State law allows the company to cancel our insurance and blacklist any homeowner who has more than one claim a year.

This means an increase in premiums of $1,500 or more a year, a deductible which could be $2,500 and being on this blacklist for three years. After three years, we would be reviewed, and they would do a re-determination on our policy. We will show up on their database as a bad risk and might lose a good credit rating after all these years of having excellent credit.

The insurance companies are out to recoup what they paid you, but what about the money everyone has paid in over the years? We didn't cancel when we never submitted a claim. But as soon as we claimed damage, we get not only terminated but also put on a blacklist! Nothing in our policy states that law until you get blacklisted!

Our house fire was devastating, and to find that our insurance company failed us doesn't make you feel trusting. Insurance companies want homeowners to be honest when filing claims, but even when you are, they terminate your policy and blacklist you.

We need our elected officials to support House Bill 115 or any other bill that would protect the consumer. Since it is a requirement to maintain household insurance, we may lose the dream home we have worked so hard for. Don't let it happen to you!

EVELYN CARMEL
Concord

Voting Sheets

HOUSE COMMITTEE ON COMMERCE

EXECUTIVE SESSION on SB 201

BILL TITLE: **establishing a committee to study insurance practices relative to homeowner's insurance.**

DATE: May 13, 2003

LOB ROOM: 302

Amendments:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep.

Seconded by Rep.

Vote: (Please attach record of roll call vote.)

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Francoeur

Seconded by Rep. Fraser

Vote: 13-1 (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: 14-0

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Paul D. Spiess, Clerk

OFFICE OF THE HOUSE CLERK

2003 SESSION

COMMERCE

Bill #: SB-201 **Title:**

PH Date: / / **Exec Session Date:** 5 / 13 / 03

Motion: ~~OTP~~ ITL **Amendment #:**

MEMBER	YEAS	NAYS
Hunt. John B. Chairman		
Fraser. Leo W. V Chairman	✓	
Francoeur. Sheila T	✓	
Belanger. Ronald J		
Langley. Jane S	✓	
DiFruscia. Anthony R	✓	
Flanders. Donald H	✓	
Spiess. Paul D	✓	
Holden. Randolph N	✓	
Liebl. George J	✓	
Quandt. Matthew J	✓	
Clark. Charles L	✓	
Brady. Mark A	✓	
Scamman. Stella		
Stepanek. Stephen B		
Reardon. Tara G		
Taylor. Kathleen N	✓	
Meader. David R	✓	
DeStefano. Stephen T		✓
Vachon. Dennis P		
Kopka. Angeline A		
	12	1

TOTAL VOTE:

Printed: 1/6/2003

Committee Report

COMMITTEE REPORT

COMMITTEE: **Commerce**

BILL NUMBER: **SB 201**

TITLE: establishing a committee to study insurance practices relative to homeowner's insurance.

DATE: May 13, 2003 CONSENT CALENDAR YES ☒ NO ☐

☐ OUGHT TO PASS

☐ OUGHT TO PASS WITH AMENDMENT

☒ INEXPEDIENT TO LEGISLATE

☐ REFER TO COMMITTEE FOR INTERIM STUDY
(Available only in second year of biennium.)

STATEMENT OF INTENT
(Include Committee Vote)

This bill would have established a study committee to examine the practice of canceling or not renewing homeowners' insurance policies when one or more claims have been made. The committee recognizes that this has become a serious problem in New Hampshire, especially in the Seacoast and North Country. However, HB 115, which covers the same subject, has been retained and the committee agreed to a thorough review of the issue using HB 115. Therefore SB 201 is not necessary at this time.

Vote 13-1.

Rep. Sheila T. Francoeur
FOR THE COMMITTEE

Original: House Clerk
cc: Committee Bill file

USE ANOTHER REPORT FOR MINORITY REPORT

CONSENT CALENDAR

Commerce

SB 201, establishing a committee to study insurance practices relative to homeowner's insurance. **INEXPEDIENT TO LEGISLATE**

Rep. Sheila T. Francoeur for Commerce: This bill would have established a study committee to examine the practice of canceling or not renewing homeowners' insurance policies when one or more claims have been made. The committee recognizes that this has become a serious problem in New Hampshire, especially in the Seacoast and North Country. However, HB 115, which covers the same subject, has been retained and the committee agreed to a thorough review of the issue using HB 115. Therefore SB 201 is not necessary at this time **Vote 13-1.**

SB 201- ITL
SHEILA T. FRANCOEUR

This bill would have established a study committee to examine the practice of cancelling or not renewing homeowners' insurance policies when one or more claims have been made. The committee recognizes that this has become a serious problem in New Hampshire, especially in the Seacoast and North Country. However, HB 115, which covers the same subject, has been retained and the committee agreed to a thorough review of the issue using HB 115. Therefore SB 201 is not necessary at this time.

JBH