



House of Representatives

General Assembly

File No. 349

January Session, 2019

Substitute House Bill No. 7179

House of Representatives, April 3, 2019

The Committee on Insurance and Real Estate reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2019*) (a) For the purposes of this
2 section:

3 (1) "Applicant" means a person that files an application with the
4 commissioner pursuant to subdivision (1) of subsection (c) of this
5 section;

6 (2) "Captive insurance company" means the captive insurance
7 company established pursuant to section 38a-91vv of the general
8 statutes, as amended by this act;

9 (3) "Commissioner" means the Commissioner of Housing; and

10 (4) "Person" means an individual, corporation, partnership, limited
11 liability company, association, joint stock company, business trust,
12 unincorporated organization or other legal entity.

13 (b) The commissioner shall establish, within available
14 appropriations, a grant program to support the development of
15 methods and technologies that reduce, by an amount that is not less
16 than one hundred thirty-five thousand dollars, the average cost of
17 repairing or replacing concrete foundations in this state that have
18 deteriorated due to the presence of pyrrhotite. For the purposes of this
19 section, the General Assembly finds and declares that the average cost
20 of repairing or replacing such a foundation is one hundred seventy-
21 five thousand dollars.

22 (c) (1) Each person that develops a method or technology described
23 in subsection (b) of this section and wishes to receive a grant under this
24 section shall file an application with the commissioner that includes:

25 (A) Such person's name and address;

26 (B) A description of such method or technology;

27 (C) Information sufficient to demonstrate, to the satisfaction of the
28 captive insurance company, (i) that such method or technology will
29 reduce the average cost of repairing or replacing concrete foundations
30 in this state that have deteriorated due to the presence of pyrrhotite,
31 and (ii) the amount of such reduction; and

32 (D) Such additional information that the commissioner, in the
33 commissioner's discretion and in consultation with the captive
34 insurance company, may prescribe.

35 (2) Not later than thirty days after a person files an application with
36 the commissioner pursuant to subdivision (1) of this subsection, the
37 commissioner shall file the application with the captive insurance
38 company.

39 (d) If the captive insurance company notifies the commissioner,
40 pursuant to subparagraph (A) of subdivision (13) of subsection (b) of
41 section 38a-91vv of the general statutes, as amended by this act, that an
42 applicant is eligible to receive a grant pursuant to subsection (b) of this
43 section, the commissioner shall, not later than thirty days after

44 receiving such notice, award a grant to such applicant in one of the
45 following amounts:

46 (1) One million dollars, if the captive insurance company
47 determines that the method or technology described in the applicant's
48 application will reduce the average cost of repairing or replacing
49 concrete foundations in this state that have deteriorated due to the
50 presence of pyrrhotite by an amount that is not less than one hundred
51 thirty-five thousand dollars;

52 (2) Two million dollars, if the captive insurance company
53 determines that the method or technology described in the applicant's
54 application will reduce the average cost of repairing or replacing
55 concrete foundations in this state that have deteriorated due to the
56 presence of pyrrhotite by an amount that is greater than one hundred
57 thirty-five thousand dollars but less than one hundred sixty-five
58 thousand dollars; or

59 (3) Five million dollars, if the captive insurance company
60 determines that the method or technology described in the applicant's
61 application will reduce the average cost of repairing or replacing
62 concrete foundations in this state that have deteriorated due to the
63 presence of pyrrhotite by an amount that is not less than one hundred
64 sixty-five thousand dollars.

65 (e) The commissioner may adopt regulations, in accordance with
66 chapter 54 of the general statutes, to carry out the provisions of this
67 section.

68 Sec. 2. Subsections (b) to (h), inclusive, of section 38a-91vv of the
69 general statutes are repealed and the following is substituted in lieu
70 thereof (*Effective July 1, 2019*):

71 (b) In addition to any other requirements imposed by law applicable
72 to captive insurance companies, the captive insurance company
73 established pursuant to this section shall:

74 (1) Upon request of the joint standing committees of the General

75 Assembly having cognizance of matters relating to planning and
76 development, public safety and housing, or the Governor, make
77 recommendations regarding the expansion of eligibility for financial
78 assistance pursuant to this section and modifications to improve the
79 efficiency and operation of the captive insurance company in order to
80 serve its public purpose;

81 (2) Establish a board of directors who shall serve in a volunteer
82 capacity. The membership of the board of directors shall include, but
83 need not be limited to, a real estate agent or broker, two owners of
84 residential buildings who have concrete foundations that have
85 deteriorated due to the presence of pyrrhotite, a chief executive or such
86 chief executive's designee of a municipality in which residential
87 buildings with concrete foundations that have deteriorated due to the
88 presence of pyrrhotite are located, an individual with professional
89 investment experience and currently registered as an investment
90 adviser pursuant to title 36b, the executive directors of the Capitol
91 Region Council of Governments and the Eastern Region Council of
92 Governments or such executive directors' designees and
93 representatives from the insurance and banking industries, who shall
94 not have professional relationships with any bank or insurance
95 company that has a financial interest in residential buildings subject to
96 the provisions of this section and sections 7-374b, 8-441, 8-442, 8-443, 8-
97 444, subparagraph (B) of subdivision (20) of subsection (a) of section
98 12-701 and section 29-265f. The speaker, the minority leader of the
99 House of Representatives, the president pro tempore of the Senate and
100 the Senate Republican president pro tempore shall each appoint a
101 member of the General Assembly as a nonvoting, ex-officio member of
102 the board of directors. It shall not constitute a conflict of interest for a
103 member of the board of directors, who is the owner of a residential
104 building which has a concrete foundation that has deteriorated due to
105 the presence of pyrrhotite, or the spouse or dependent child of such
106 member, to apply for or receive assistance from the captive insurance
107 company established under this section, to repair or replace such
108 concrete foundation, provided such member shall abstain from
109 deliberation, action or vote by the board of directors in specific respect

110 to such member's application or the application of such spouse or
111 dependent child;

112 (3) Develop eligibility requirements and underwriting guidelines for
113 financial assistance for repair or replacement of concrete foundations.
114 Such requirements and guidelines shall, not later than thirty days prior
115 to their adoption, amendment or modification, be published on a
116 public Internet web site maintained by the captive insurance company;

117 (4) Develop in coordination with the Department of Housing,
118 Connecticut Housing Finance Authority and participating lenders in
119 the Collapsing Foundations Credit Enhancements Program,
120 established pursuant to section 8-442, a single, unified application for
121 owners of residential buildings to apply for all financial assistance
122 available pursuant to this section and sections 8-442 and 8-443;

123 (5) Provide financial assistance to such owners of residential
124 buildings for the repair or replacement of concrete foundations that
125 have deteriorated due to the presence of pyrrhotite, including, but not
126 limited to, financial reimbursement to [homeowners] owners who
127 have had such repair or replacement performed prior to October 31,
128 2017;

129 (6) Assist such owners of residential buildings to obtain additional
130 financing necessary to fully fund the repair or replacement of concrete
131 foundations that have deteriorated due to the presence of pyrrhotite;

132 (7) Approve contractors or other vendors for eligibility to perform
133 foundation repairs or replacements on behalf of claimants;

134 (8) Disburse such financial assistance to approved contractors or
135 other vendors on behalf of claimants;

136 (9) Ensure that the financial assistance is used solely for costs of
137 repairing and replacing concrete foundations that have deteriorated
138 due to the presence of pyrrhotite;

139 (10) Require the disclosure of the amount of all financial

140 compensation received by an owner of such a residential building, if
141 any, arising out of a claim for coverage under the property coverage
142 provisions of the personal risk insurance policy, including, but not
143 limited to, a homeowners policy, for foundation deterioration due to
144 the presence of pyrrhotite and ensure that such amount is considered
145 when determining the amount of financial assistance offered to such
146 owner;

147 (11) When appropriate, apply for, qualify for and receive any
148 federal funds made available under any federal act, for assistance to
149 owners of residential buildings [and residential condominium units]
150 having concrete foundations that have deteriorated due to the presence
151 of pyrrhotite. To the extent permissible under federal law, all such
152 federal funds shall be deposited into the Crumbling Foundations
153 Assistance Fund established pursuant to section 8-441; [and]

154 (12) Enter into agreements, as necessary, with the Connecticut
155 Housing Finance Authority and any participating lender, as defined in
156 section 8-442, to develop and implement additional loan programs or
157 financial products to assist such owners to repair or replace concrete
158 foundations that have deteriorated due to the presence of pyrrhotite,
159 while employing terms and conditions that are preferable to the open
160 market; [.] and

161 (13) (A) Establish an innovation board within the captive insurance
162 company that consists of volunteer members. The membership of the
163 innovation board shall include, but need not be limited to, an attorney
164 who is a member of the bar of this state with experience in intellectual
165 property law, a chemist, an individual with experience in the
166 construction industry, a licensed professional engineer who is a
167 structural engineer, a materials scientist, an individual with experience
168 in the technology industry and a venture capitalist. The board of
169 directors of the captive insurance company shall appoint the members
170 of the innovation board and each member of the innovation board
171 shall have one vote on such innovation board. The innovation board
172 shall, on behalf of the captive insurance company, (i) review each

173 application filed by the Commissioner of Housing with the captive
174 insurance company pursuant to subdivision (2) of subsection (c) of
175 section 1 of this act, (ii) determine, by a majority of the members of
176 such board voting, (I) whether the person who filed such application is
177 eligible for a grant pursuant to said section, and (II) if the method or
178 technology described in such application will reduce the average cost
179 of repairing or replacing concrete foundations in this state that have
180 deteriorated due to the presence of pyrrhotite by an amount that is not
181 less than one hundred thirty-five thousand dollars, greater than one
182 hundred thirty-five thousand dollars but less than one hundred sixty-
183 five thousand dollars or not less than one hundred sixty-five thousand
184 dollars, and (iii) notify the commissioner, not later than thirty days
185 after the innovation board received such application, of such
186 determination.

187 (B) No member of the innovation board established pursuant to
188 subparagraph (A) of this subdivision shall participate in any
189 deliberations concerning, vote on or otherwise take any action with
190 respect to an application filed with the innovation board pursuant to
191 subdivision (2) of subsection (c) of section 1 of this act if such member,
192 or a spouse or dependent child of such member, has a pecuniary
193 interest in the person who filed such application.

194 (c) Except as provided in subsection (d) of this section, such captive
195 insurance company shall not be considered a state agency for purposes
196 of any provision of the general statutes, and shall not be considered to
197 perform a governmental function for purposes of chapter 14. Such
198 captive insurance company may, subject to the provisions of this
199 section, do all things necessary and desirable in its discretion to
200 accomplish its purposes, including hiring employees and contracting
201 for administrative or operational services, and entering into
202 agreements with the Connecticut Housing Finance Authority created
203 pursuant to section 8-244 and any participating lender, as defined in
204 section 8-442, to develop and implement additional loan programs or
205 financial products that will assist owners of residential buildings to
206 repair or replace concrete foundations that have deteriorated due to

207 the presence of pyrrhotite on terms and conditions that are preferable
208 to the open market. Not more than ten per cent of all moneys allocated
209 or made available to the captive insurance company in any calendar
210 year shall be used for administrative or operational costs.

211 (d) Employees and agents of the captive insurance company shall
212 not be deemed state employees, except that employees and directors
213 shall be subject to the provisions of sections 1-84, 1-84a, 1-84b, 1-85 and
214 1-86. Any agent, consultant or contractor of the captive insurance
215 company shall be subject to the provisions of sections 1-86e and 1-
216 101nn. The Office of State Ethics shall have the authority to enforce the
217 provisions of this subsection.

218 (e) Notwithstanding sections 38a-11 and 38a-91bb, the captive
219 insurance company shall not be required to pay a license fee for the
220 first year of licensure or a renewal fee for any year thereafter, as set
221 forth in said sections.

222 (f) In addition to any report required to be filed by not-for-profit
223 entities generally under regulations of the Internal Revenue Service,
224 the captive insurance company shall submit quarterly reports to the
225 joint standing committees of the General Assembly having cognizance
226 of matters relating to insurance, finance, planning and development,
227 housing and public safety on its operation and financial condition.
228 Such quarterly reports shall include, but need not be limited to,
229 information concerning: (1) Moneys allocated or made available to it
230 pursuant to this section, (2) total financial assistance and financial
231 assistance, by town, provided to owners of such residential buildings
232 pursuant to this section, (3) administrative and operational
233 expenditures, (4) the total number and number, by town, of
234 applications for assistance received during the quarter and to date, (5)
235 the total number and number, by town, of applications for assistance
236 granted during the quarter and to date, (6) the average time to process
237 applications, and (7) the total number and number, by town, of
238 applications pending and amount of such claims.

239 (g) The joint standing committees of the General Assembly having

240 cognizance of matters relating to insurance, finance, planning and
241 development, housing and public safety shall, not less than annually,
242 hold a joint public hearing on the operation and financial condition of
243 the captive insurance company.

244 (h) [A] Except for an application filed with the innovation board
245 established pursuant to subdivision (13) of subsection (b) of this
246 section, a decision on an application for assistance pursuant to this
247 section shall be made in writing and provided to the [homeowner]
248 owner and shall include the information relied upon and the basis for
249 such decision, including the relevant eligibility and underwriting
250 criteria. An owner of such a residential building may request a review
251 of any decision by the captive insurance company relating to such
252 [homeowner] owner not later than thirty days after the decision. A
253 final determination on such a request for review shall be made in
254 writing and provided to the [homeowner] owner not later than thirty
255 days after receipt of the [homeowner's] owner's request, unless an
256 extension is agreed to by the [homeowner] owner. The final
257 determination shall be subject to approval by the board of directors.
258 There shall be no right to appeal such final determination.

259 Sec. 3. Section 8-440 of the general statutes is repealed and the
260 following is substituted in lieu thereof (*Effective July 1, 2019*):

261 For purposes of sections 7-374b, sections 8-441 to 8-444, inclusive,
262 and sections 12-701, 29-265f and 38a-91vv, as amended by this act,
263 "residential building" means [a one-family, two-family, three-family or
264 four-family dwelling including, but not limited to, a condominium
265 unit or dwelling in a planned unit development] (1) a single-family or
266 multifamily residential dwelling, including, but not limited to, (A) a
267 residential unit in a condominium, as such terms are defined or used
268 in section 47-68a, and (B) a unit that is used for residential purposes
269 and located in a common interest community, as such terms are
270 defined in section 47-202, and (2) a building containing one or more of
271 the residential dwellings described in subdivision (1) of this section.

272 Sec. 4. Section 38a-331 of the general statutes is repealed and the

273 following is substituted in lieu thereof (*Effective from passage*):

274 (a) (1) [Beginning on January 1, 2019, until December 31, 2029, there
275 shall be imposed a surcharge at the rate of twelve dollars on the named
276 insured under each policy of homeowners insurance delivered, issued
277 for delivery, renewed, amended or endorsed on or after January 1,
278 2019, for a personal risk insurance policy on owned dwellings with
279 four or fewer units or on condominiums.] There is imposed a twelve-
280 dollar surcharge on the issuance or renewal of each insurance policy
281 providing:

282 (A) Personal risk insurance coverage for an owned dwelling in this
283 state with four or fewer units, except for a mobile home;

284 (B) Coverage for an individual unit in this state that is part of a
285 condominium, as such terms are defined in section 47-68a; or

286 (C) Coverage for an individual unit in this state that is part of a
287 common interest community and exclusively used for residential
288 purposes, as such terms are defined in section 47-202.

289 (2) The surcharge imposed under this subsection shall be assessed
290 on insurance policies issued or renewed during the period beginning
291 on January 1, 2019, and ending on December 31, 2029. Such surcharge
292 is not premium and shall not be considered premium for any purpose.

293 (b) Payment of the surcharge imposed under subsection (a) of this
294 section shall be the obligation of the person that is first listed as an
295 insured under the policy, provided collection and remittance of such
296 surcharge may be effected in such manner as the insurer, insured and
297 any mortgagee may reasonably determine. Such surcharge is payable
298 in full upon commencement or renewal of coverage, and no portion of
299 such surcharge shall be reimbursed, whether on policy cancellation or
300 otherwise.

301 [(b)] (c) (1) Acting on behalf of, and as a collection agent of the
302 Healthy Homes Fund established pursuant to section 8-446, as
303 amended by this act, each admitted and nonadmitted insurer, or one

304 or more surplus lines brokers licensed pursuant to section 38a-794
305 procuring from a nonadmitted insurer an insurance policy providing
306 coverage of a type described in subdivision (1) of subsection (a) of this
307 section, shall remit to the Insurance Commissioner, not later than the
308 thirtieth day of April annually, all surcharges imposed under
309 subsection (a) of this section on the named insured that were collected
310 during the calendar year next preceding. [for each such policy
311 delivered, issued or renewed before January first of the then current
312 calendar year.] Each such remittance shall include documentation, in
313 the form and manner prescribed by the commissioner, to substantiate
314 the total surcharge amount being remitted by such [insurer or licensee]
315 admitted or nonadmitted insurer or surplus lines broker.

316 (2) All such remittances under subdivision (1) of this subsection,
317 except for the amount of remittances equal to the cost of funding an
318 administrative officer position at the Insurance Department to facilitate
319 the surcharge collection, shall be deposited in the Healthy Homes
320 Fund established in section 8-446, as amended by this act. Not later
321 than thirty days after such deposit in the Healthy Homes Fund, eighty-
322 five per cent of such deposits shall be transferred to the Crumbling
323 Foundations Assistance Fund established in section 8-441.

324 (3) The surcharge imposed [pursuant to] under subsection (a) of this
325 section shall constitute a special purpose assessment for the purposes
326 of section 12-211.

327 [(c)] (d) The commissioner may adopt regulations, in accordance
328 with chapter 54, to implement the provisions of this section.

329 Sec. 5. Subsection (b) of section 8-446 of the general statutes is
330 repealed and the following is substituted in lieu thereof (*Effective from*
331 *passage*):

332 (b) The Department of Housing shall notify the Department of
333 Public Health not later than thirty days after the deposit of remittances
334 in the Healthy Homes Fund pursuant to subdivision (2) of subsection
335 [(b)] (c) of section 38a-331, as amended by this act. Not later than thirty

336 days after the deposit of remittances pursuant to subdivision (2) of
 337 subsection [(b)] (c) of section 38a-331, as amended by this act, the
 338 Department of Public Health shall notify each municipal health
 339 department in the state annually regarding funds available pursuant to
 340 the Healthy Homes Fund established pursuant to subsection (a) of this
 341 section.

342 Sec. 6. (*Effective July 1, 2019*) The sum of eight million dollars is
 343 appropriated to the Department of Housing, from the General Fund,
 344 for the fiscal year ending June 30, 2020, to fund grants awarded by the
 345 Commissioner of Housing as part of the grant program established
 346 pursuant to section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019</i>	New section
Sec. 2	<i>July 1, 2019</i>	38a-91vv(b) to (h)
Sec. 3	<i>July 1, 2019</i>	8-440
Sec. 4	<i>from passage</i>	38a-331
Sec. 5	<i>from passage</i>	8-446(b)
Sec. 6	<i>July 1, 2019</i>	New section

Statement of Legislative Commissioners:

In Section 5(b), "(b)" was bracketed and "(c)" was inserted after the closing bracket to conform with the changes being made in Section 4.

INS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 20 \$	FY 21 \$
Department of Housing	GF - Cost	Up to 8 million	None

Note: GF=General Fund

Municipal Impact: See below

Explanation

The bill results in the section-specific impacts described below.

Sections 1, 2, and 5 result in a General Fund cost of up to \$8 million in FY 20 to fund a grant program to incentivize the development of cost-reducing innovations for fixing crumbling foundations.¹ The program requires a volunteer board, established by the bill, at the Connecticut Foundations Solutions Indemnity Company (CFSIC)² to assess applications and then direct the Department of Housing to make grants to eligible applicants. Since the bill provides appropriations for the program only in FY 20, any unspent funds will lapse on June 30, 2020.

Section 3 expands the definition of “residential building” for several statutes related to crumbling foundations, with no expected

¹ “Crumbling foundations” is used herein to refer to concrete foundations that have deteriorated due to the presence of pyrrhotite.

² Established pursuant to PA 17-2, CFSIC is the captive insurance company that distributes state funds from the Crumbling Foundations Assistance Fund. The state funds include G.O. bonds and a share of the revenue from the Healthy Homes surcharge.

fiscal impact to the state. The change increases the number of property owners eligible for financial assistance from CFSIC but not the total amount of funds. To the extent that the expanded eligibility accelerates the rate of bond expenditures, debt service repayment will be similarly accelerated; however, current eligibility for the program is already projected to exceed available funds, so a noticeable acceleration of debt service is unlikely. There is no fiscal impact from extending the income tax deduction for financial assistance received from CFSIC to include the buildings made eligible for such assistance under the bill.

Section 3, also, by expanding the definition of “residential building” 1) allows municipalities to use their own bond funding to finance the rehabilitation of a greater number of buildings with crumbling foundations and 2) allows more property owners with crumbling foundations access to various sources of financing for building rehabilitation.³ A municipality that chooses to authorize additional bond funding as a result of the bill will experience an increase in annual debt service costs. To the extent that the bill results in more property owners repairing or replacing crumbling foundations, the bill precludes a grand list reduction that may otherwise result as these homes lose value.

Section 4 makes modifications to the Healthy Homes surcharge⁴ that are not anticipated to materially alter the amount of revenue collected each year by the Insurance Department to be deposited into the Healthy Homes Fund.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to municipal bonding activity and the number of newly eligible property owners that access assistance.

³ Sources include the finite amount of CFSIC funds, bond-financed assistance from a municipality, and loans from the Collapsing Foundations Credit Enhancement Program when it becomes operational

⁴ Originally established by PA 18-160

Sources: Connecticut Insurance Department

OLR Bill Analysis**sHB 7179*****AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.*****SUMMARY**

This bill changes the definition of “residential building” to include, among other things, buildings containing more than four condominium units. This change makes more buildings and building owners eligible for several assistance programs to support repairing or replacing concrete foundations that are crumbling due to the presence of pyrrhotite (i.e., crumbling foundations). It correspondingly expands a concrete seller disclosure requirement and certain municipal bonding authorities, and makes conforming changes to income tax and other statutes.

The bill also establishes, within available appropriations, a concrete foundation replacement technology grant program to support ways to reduce the cost of repairing or replacing crumbling concrete foundations. The bill (1) appropriates \$8 million from the General Fund in FY 20 for these grants and (2) requires the Connecticut Foundations Solutions Indemnity Company (CFSIC) to assess and approve grant applications.

The bill makes changes to the \$12 Healthy Homes Fund insurance surcharge, including by (1) changing when and on whom the surcharge is assessed and (2) requiring surplus lines brokers to collect and remit the surcharge on applicable policies.

The bill also makes minor and conforming changes.

EFFECTIVE DATE: July 1, 2019, except for the Healthy Homes Fund surcharge and conforming provisions that are effective upon

passage.

§ 1, 2 & 5 — CONCRETE FOUNDATION REPLACEMENT TECHNOLOGY GRANT PROGRAM

Grant Program

The bill requires the housing commissioner to establish a grant program that supports the development of methods and technologies to reduce the average cost of repairing or replacing pyrrhotite damaged foundations in Connecticut by at least \$135,000. The bill specifies that the current average foundation repair or replacement cost is \$175,000 (i.e., the grant program supports ways to reduce the average cost to \$40,000).

The bill authorizes the housing commissioner to adopt implementing regulations.

Application Process

Under the bill, any person that develops a method or technology to reduce the repair or replacement costs described above may apply to the Department of Housing on an application that includes:

1. the applicant's name and address;
2. a description of the method or technology, including information sufficient to demonstrate to CFSIC that it will reduce the average repair and replacement cost and by how much; and
3. any additional information that the commissioner, at his discretion and in consultation with CFSIC, requires.

Within 30 days of receiving an application, the commissioner must file it with CFSIC.

Application Assessment

The bill requires CFSIC to establish a volunteer innovation board to review and approve grant applications. The board members must include (1) an attorney admitted in Connecticut with intellectual property law experience, (2) a chemist, (3) an individual with

construction industry experience, (4) a licensed professional structural engineer, (5) a materials scientist, (6) an individual with experience in the technology industry, and (7) a venture capitalist. Under the bill, CFSIC's board of directors appoint the innovation board members. Each innovation board member has one vote.

The board must, on CFSIC's behalf, review each grant application filed by the commissioner and determine by a majority vote:

1. whether the applicant is eligible for a grant; and
2. if the applicant's method or technology will reduce the average repair or replacement cost of crumbling concrete foundations by at least \$135,000, between \$135,000 and up to \$165,000, or by more than \$165,000.

The board must notify the commissioner of its decision within 30 days of receiving the application.

The bill prohibits a board member from participating in a vote if the member, or his or her spouse or dependent, has a financial interest in the applicant.

Approval Process and Award Amounts

If CFSIC notifies the commissioner that an applicant is eligible to receive a grant, she must award a grant within 30 days of:

1. \$1 million, if CFSIC determines the applicant's method or technology will reduce the average repair and replacement cost by at least \$135,000; and
2. \$2 million if CFSIC determines it can reduce costs by \$135,000 to up to \$165,000; and
3. \$5 million if CFSIC determines it can reduce costs by at least \$165,000.

§ 3 — RESIDENTIAL BUILDING DEFINITION

This bill broadens the definition of “residential building” to mean a:

1. single- or multi-family residential units, including a condominium unit or unit in a common interest community; or
2. building containing one or more of the units described above.

Under current law, a residential building is a one- to four-family home, including a condominium or planned unit development. The changes also apply to:

1. the CFSIC’s eligibility statutes, thus making more homeowners eligible for CFSIC grants;
2. the Crumbling Foundations Assistance Fund statutes, which make more homeowners eligible for Collapsing Foundations Credit Enhancement Program loans and help from the special homeowner advocate;
3. disclosure requirements for sellers of concrete;
4. certain municipal bonding statutes, including those related to abating deleterious conditions on property suffering from pyrrhotite damage; and
5. certain income tax provisions related to crumbling concrete assistance.

§ 4 — \$12 HEALTHY HOMES SURCHARGE

The Healthy Homes surcharge is a \$12 surcharge imposed on certain homeowners insurance policies. By law, 85% of the amount collected is deposited into the Crumbling Foundations Assistance Fund, which CFSIC uses to assist homeowners with crumbling foundations. The bill changes (1) on whom the surcharge is imposed, (2) when it is imposed, and (3) the types of policies that are subject to the surcharge.

Under current law, the surcharge is imposed on the policy’s named insured (which in practice can be more than one individual). Under the

bill, it is instead assessed on, and is the obligation of, the first insured listed in the policy to the extent that the insurer, insured, and any mortgagee can reasonably determine.

Under current law, the surcharge is imposed each time a policy is delivered, issued, renewed, amended, or endorsed. Under the bill, the surcharge is imposed and must be paid in full when an insurance policy commences or renews.

Finally, current law imposes the surcharge on personal risk policies covering residential dwellings with four or fewer units and on condominiums. The bill instead imposes it on all policies covering owned homes with four or fewer units, excluding mobile homes; individual condominium units; and individual units in common interest communities.

As under existing law, the surcharge applies on policies through December 31, 2029. The bill prohibits any portion of the surcharge from being reimbursed, regardless of any policy cancellation.

Finally, the bill also specifically requires surplus lines brokers procuring from nonadmitted insurers to collect and remit the surcharge on applicable policies.

BACKGROUND

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/19/2019)