

# Crumbling Foundation Insurer's End Date Needs Attention in 2020

by Shawn R. Beals | Jan 8, 2020 5:00am



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## |A crumbling foundation

HARTFORD, CT – The Healthy Homes Fund, the program collecting an insurance surcharge to pay for crumbling foundation repairs in Northeastern Connecticut, is due to make its first collection in April.

Officials expect the program to generate about \$8.5 million toward foundation claims, but the actual amount collected will not be known until insurance companies provide the collected fees to the state Insurance Department.

Healthy Homes will provide a cash infusion to the captive insurer, Connecticut Foundations Solutions Indemnity Company (CFSIC), every year for 10 years. But legislative attention is needed in the 2020 session to keep the insurer operational to receive payments past 2022.

Rep. Jeff Currey, D-East Hartford, said the legislature's Crumbling Foundations caucus is meeting in the coming weeks to set its 2020 session priorities.

Among the items it will consider bringing to the General Assembly is extending the CFSIC's "sunset" date to 2030 so it will be able to continue paying for foundation repairs.

“In just a short time we have seen tremendous success, so there is a level of confidence both with the legislature and the homeowners that this was the appropriate direction to go in,” Currey said.

Insurance companies are required to collect a \$12 fee for qualifying home insurance policies, providing an annual source of funding for the costly task of replacing concrete foundations that contain pyrrhotite.

The naturally occurring mineral causes foundations to crack and fail over time. Replacing the foundations requires a contractor to lift a home off its old foundation in order to pour a new one, often at a cost of more than \$200,000.

The number of homes with failing foundations could be as many as 35,000, according to estimates. The problematic concrete came from a now-closed quarry in Stafford. Currey said other legislative priorities this year could include action on recent studies on preventing concrete issues in the future.

The 2018 bill that created the Connecticut Foundations Solutions Indemnity Company tied the end date to the last of five scheduled installments of \$20 million from the state Bond Commission in 2022, seven fiscal years before the last Healthy Homes payment is due in 2030.

“It’s the one guaranteed, sustainable pot of money we have over that 10-year period,” Currey said. “There’s no guarantee there’s going to be additional bonding available after those \$20 million installments.”

The CFSIC has now provided funding to get 89 homes repaired, and expects to reach 100 within weeks. The Bond Commission has provided \$60 million in funding so far.

“We’ve got to keep the pipeline going, otherwise we can’t extend any hope to the people who need our help,” CFSIC Superintendent Michael Maglaras said.

The state Insurance Department will collect the \$12 surcharges from insurers April 30 of each year, and then release the funding to the CFSIC 30 days later. Maglaras said there isn’t a good way to predict whether the \$8.5 million estimate will be correct.

“How do we know it’s not \$3.9 million? How do we know it’s not \$13.2 million? We’re all going to find out at the same time [in April],” Maglaras said. “The question is always going to be the predictability of the receipt of funding.”

The CFSIC has operated by reviewing and approving applications for foundation repair funding that can be immediately funded once the money is in hand. With the expected April receipt of more than \$8 million from the surcharge, the insurer is temporarily re-opening its application process Jan. 13.

The insurer reviews applications ahead of its cash infusions and is able to pay claims as soon as it receives funding.