

**THE INSURANCE FEDERATION OF PENNSYLVANIA, INC.**

**Public Testimony**

**Prepared for**

**The Senate Labor and Industry Committee**

**ON**

**Senate Bill 1001**

**October 6, 2009**

**The Insurance Federation of Pennsylvania, Inc.  
1600 Market Street, Suite 1520  
Philadelphia, PA 19103  
215-665-0500**

GOOD MORNING, AND THANK YOU FOR THE OPPORTUNITY TO BE HERE. I AM SAM MARSHALL, PRESIDENT OF THE INSURANCE FEDERATION OF PENNSYLVANIA. WE ARE A TRADE ASSOCIATION REPRESENTING ALL TYPES OF INSURERS DOING BUSINESS HERE. OUR MEMBERS INCLUDE THE BULK OF THE HOMEOWNER INSURERS IN PENNSYLVANIA.

WE OPPOSE THE BILL CONSISTENT WITH OUR GENERAL SUPPORT FOR THE UCC STANDARDS AND PROCESS, AND FOR ITS SPRINKLER REQUIREMENTS. WHILE WE WELCOME THIS HEARING TO LEARN MORE FROM EXPERTS ON ALL SIDES, WE ARE WARY OF LEGISLATIVE ATTEMPTS TO WEAKEN THE UCC STANDARDS OR REMOVE THEM FROM THE STATE BUILDING CODE. WE HAVEN'T SEEN A COMPELLING NEED TO CREATE AN EXCEPTION IN PENNSYLVANIA TO THE UCC'S SPRINKLER REQUIREMENTS - AND WE SEE SPRINKLERS AS PRODUCING REAL INSURANCE SAVINGS AND ADDED SAFETY.

SPRINKLERS PRODUCE REAL SAVINGS: INSURERS PROVIDE DISCOUNTS OF BETWEEN 5 AND 15% FOR HOMES WITH SPRINKLERS, AND THAT IS BASED ON REAL CLAIMS EXPERIENCE AND ACTUARIAL PROJECTIONS. THAT DISCOUNT WON'T COVER THE COST OF THE SPRINKLERS, BUT IT DOES SHOW THAT SPRINKLERS REDUCE RISK EXPOSURE. AND THAT MEANS A REDUCTION NOT JUST IN POSSIBLE PROPERTY DAMAGES - WHAT HOMEOWNER INSURERS COVER - BUT ALSO IN HUMAN LIVES AND BROADER SOCIAL COSTS.

THAT ALONE MAY NOT JUSTIFY STAYING WITH THE UCC'S SPRINKLER REQUIREMENT, AT LEAST FROM AN INSURANCE PERSPECTIVE. YES, THERE IS A RISK VARIATION - BUT IT IS ONE WE CAN PRICE, AND WE ARE OBVIOUSLY ABLE TO INSURE HOMES WITHOUT SPRINKLERS JUST AS READILY AS WE CAN INSURE THOSE WITH THEM.

BUT AS AN INDUSTRY, WE SUPPORT AFFORDABLE AND PRACTICAL INNOVATIONS THAT REDUCE RISK, AND THAT'S TRUE WHETHER IT IS IN CONSTRUCTION CODES, TRAFFIC LAWS, WORKPLACE SAFETY STANDARDS OR HEALTH CARE PRACTICES. AS THE INDUSTRY RESPONSIBLE FOR ASSESSING RISKS AND PAYING FOR LOSSES, WE ALSO HAVE A RESPONSIBILITY TO BE INVOLVED IN WAYS TO REDUCE RISK AND THE RESULTING LOSSES.

TO THAT END, WE SUPPORT THE UCC STANDARDS AND THE PROCESS IT GOES THROUGH IN ESTABLISHING THEM. IT IS AN OPEN AND INCLUSIVE PROCESS THAT, AS WE UNDERSTAND IT, ALLOWS FOR CONCERNS ON ALL SIDES TO BE CONSIDERED AND BALANCED. THAT DOESN'T MAKE IT THE GOSPEL, AND WE RECOGNIZE THE NEED FOR PENNSYLVANIA TO TAKE ITS OWN LOOK AT NATIONAL REQUIREMENTS TO MAKE SURE THEY MAKE SENSE FOR PENNSYLVANIA - THAT'S CERTAINLY TRUE WITH INSURANCE MODEL LAWS, AND I SUSPECT IT HOLDS FOR CONSTRUCTION CODE STANDARDS, TOO.

BUT WITH THE SPRINKLER REQUIREMENT, WE HAVEN'T HEARD ENOUGH TO JUSTIFY ABANDONING IT - ALTHOUGH MAYBE MORE WILL COME OUT IN THIS HEARING. WE HAVE READ A GREAT DEAL ABOUT THE VALUE OF SPRINKLERS IN PREVENTING RESIDENTIAL FIRES AND THE LOSS OF PROPERTY AND LIVES THAT COMES WITH IT. AND WE'VE READ A GREAT DEAL ABOUT THE RELATIVELY LOW COST OF THIS SAFETY FEATURE, INCLUDING THE POSSIBILITY THAT IT CAN ACTUALLY LOWER THE COST OF HOME CONSTRUCTION THROUGH TRADE-OFFS IN HAVING SPRINKLERS VERSUS SATISFYING OTHER CODE REQUIREMENTS AND ALLOWING MORE UNITS PER AREAS OF LAND.

MUCH OF THAT COMES FROM THE NATIONAL FIRE PREVENTION ASSOCIATION AND THE U.S. FIRE ADMINISTRATION. LOOKING AT THE PANELS LINED UP, THIS INFORMATION WILL PROBABLY BE SHARED WITH YOU BY THOSE WITH MORE EXPERTISE THAN I HAVE. BUT WE ARE HAPPY TO SHARE WITH THE COMMITTEE CONTACT POINTS WITH BOTH ORGANIZATIONS FOR FURTHER QUESTIONING.

THE BILL RAISES, BEYOND THE VALUE OF SPRINKLERS, A BROADER CONCERN WITH ADHERENCE TO UCC REQUIREMENTS AT THE STATE LEVEL. AS WE NOTED AT THE OUTSET, WE ARE GENERALLY SUPPORTIVE OF THE UCC STANDARDS AND PROCESS, BUT WE UNDERSTAND THE COMMONWEALTH SHOULD STILL PLAY A ROLE, AND NOT NECESSARILY ONE OF BLANKET DEFERRAL. WE'RE NOT SURE IF

PROponents OF THIS BILL MADE A SIMILAR PROPOSAL TO THE UCC AND, IF SO, THE INFORMATION THAT WAS DEVELOPED AND DEBATED ON BOTH SIDES AND HOW THE UCC RULED. AGAIN, WE ASSUME THAT WILL BE PART OF OTHERS' TESTIMONY IN THIS HEARING.

WE'RE ALSO NOT SURE ABOUT THE ARGUMENTS PROponents OF THIS BILL MADE TO PENNSYLVANIA'S UCC REVIEW AND ADVISORY COUNCIL ESTABLISHED IN ACT 106 OF 2008, OR OF HOW AND WHY THAT COUNCIL DECIDED THIS ISSUE. BUT IT SEEMS WHAT THIS BILL REALLY DOES IS OVERTURN THE FINDINGS OF THAT COUNCIL, NOT JUST THE FINDINGS OF THE UCC - BECAUSE THE COUNCIL DECIDED EARLIER THIS YEAR TO GO WITH THE UCC SPRINKLER REQUIREMENTS, MEANING THE DEPARTMENT OF LABOR AND INDUSTRY WILL PRESUMABLY PROPOSE A REGULATION DOING SO.

WE THINK THE PENNSYLVANIA COUNCIL - AND THE PROCESS ESTABLISHED UNDER ACT 106, AS WELL AS THE IRRC PROCESS THAT WILL TAKE PLACE IF AND WHEN LABOR AND INDUSTRY PROPOSES REGULATIONS ON THIS - MERIT DEFERENCE HERE. WE RECOGNIZE THE LEGISLATIVE PROCESS HAS THE POWER AND DUTY TO BE THE FINAL ARBITER ON THESE TYPES OF QUESTIONS, BUT WE THINK THE COLLABORATIVE PROCESS ESTABLISHED UNDER ACT 106 IS A BETTER AVENUE, AT LEAST AT THIS STAGE, TO ENSURE THAT THE UCC STANDARDS WORK IN PENNSYLVANIA.

WITH THAT, AND WITH THE HOPE OF GREATER DISCUSSION ON THIS,  
I'LL CLOSE AND WELCOME ANY QUESTIONS.