



PA 18-158—sHB 5206

Insurance and Real Estate Committee

AN ACT CONCERNING INSURANCE ISSUES

SUMMARY: This act makes numerous unrelated changes in the insurance statutes. Specifically, it:

1. allows the insurance commissioner to require persons to file or submit documents electronically, unless granted an exception (§ 1);
2. requires a non-domestic insurer to obtain the commissioner’s approval to change its domicile to Connecticut (§ 2);
3. requires fraternal benefit societies to comply with the National Association of Insurance Commissioners’ (NAIC) valuation manual, which sets solvency standards (§ 3);
4. exempts contingent deferred annuities from the law’s nonforfeiture requirements and authorizes the commissioner to adopt regulations to prescribe nonforfeiture benefits for such annuities (§§ 4 & 5);
5. specifies that the filing fee for a fraternal benefit society’s annual statement is \$20 (§§ 6-8);
6. expressly requires an insurer’s “present or former” officers, managers, directors, trustees, owners, employees, or agents to cooperate with the commissioner during a receivership proceeding (§ 9);
7. removes obsolete provisions from the receivership statutes (§§ 10 & 19);
8. adds the University of Connecticut president, or her designee, to the insurance industry workforce taskforce (§ 11), and
9. allows certain insurance notices, with the insured’s consent, to be sent electronically (§§ 12-17).

The act also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2018, except the sections on electronic filings and the insurance industry task force are effective upon passage; the section on insurers’ domiciliary state is effective July 1, 2018; and the sections on electronic notification are effective October 1, 2019.

§ 1 — ELECTRONIC FILINGS

The act authorizes the insurance commissioner to require any person who must file or submit documents to her to do so electronically. A person may request an exception, which the commissioner must grant if she determines that good cause exists or filing electronically is impractical or would cause undue hardship for the person.

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§ 2 — INSURER DOMICILIARY STATE

Under the act, a non-domestic insurer (i.e., one organized under the laws of another state) that is admitted to do business in Connecticut may become a domestic insurer only with the insurance commissioner's approval.

Under prior law, an insurer re-domesticated by complying with applicable Connecticut laws and designating a principal place of business in the state. The act instead requires an insurer who, with the commissioner's approval, changes its domiciliary state to Connecticut to (1) comply with all applicable Connecticut laws, (2) designate a principal place of business in the state, and (3) provide the commissioner with any documents or information she may reasonably require.

If the commissioner is satisfied that the insurer will be in compliance with state laws and its business is consistent with prospective insureds' and the public's interests, she may issue a new license to the insurer to reflect its domicile change. At that point, as under existing law, the insurer will be subject to the state's authority and jurisdiction and may amend its articles of incorporation accordingly.

§ 3 — NAIC VALUATION MANUAL

The act requires fraternal benefit societies to comply with the NAIC valuation manual. Under prior law, a fraternal benefit society was exempt from the requirement, unless it chose otherwise.

By law, accident and health and life insurers and those that write or have authority to write deposit-type contracts must use the NAIC valuation manual for determining the value of their reserves.

§§ 4 & 5 — CONTINGENT DEFERRED ANNUITIES

Consistent with the NAIC's *Standard Nonforfeiture Law for Individual and Deferred Annuities*, the act exempts contingent deferred annuities (CDAs) from the current nonforfeiture requirements. It also authorizes the commissioner to prescribe nonforfeiture requirements for CDAs by regulation that, in her opinion, are equitable to the annuity holders; appropriate given the risks insured; and, to the extent possible, consistent with the general intent of the standard nonforfeiture law.

A CDA is a new annuity product designed to offer longevity risk protection, for which the policyholder, instead of the insurer, chooses the underlying investment vehicle.

A nonforfeiture benefit is generally the benefit that accrues to an insured or annuity contract holder when a policy or annuity lapses from nonpayment of premium or other consideration.

§§ 6-8 — FRATERNAL BENEFIT SOCIETY ANNUAL STATEMENT FILING FEE

The act removes an inconsistency in prior law that established the filing fee a

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fraternal benefit society must pay when filing its annual statement with the insurance commissioner. Under the act, the fee is \$20. (Prior law required conflicting \$20 and \$10 fees; in practice, the department collects a \$20 fee.)

§ 9 — COOPERATION OF OFFICERS DURING RECEIVERSHIP

By law, officers, managers, directors, trustees, owners, employees, or agents of an insurer and other people with authority over the insurer's affairs must cooperate with the commissioner during a receivership proceeding or related preliminary proceeding. The act expressly provides that people who presently or formerly held such positions must cooperate.

The law defines cooperation as replying promptly in writing to the commissioner's inquiry and making available any books, accounts, documents, or other information or records pertaining to the insurer that are in the person's possession.

By law, anyone who does not cooperate as required may be fined up to \$10,000, imprisoned up to one year, or both. Also, after a hearing, a person who does not cooperate may be subject to a civil penalty of up to \$25,000 and the revocation or suspension of any insurance licenses issued by the commissioner.

§§ 12 – 17 — ELECTRONIC NOTIFICATIONS

The act allows the following insurance documentation to be sent electronically, if the insured consents:

1. property and casualty insurers' nonrenewal, third party designation, or cancellation notices;
2. professional liability insurers' rate increase request notices to physicians, surgeons, hospitals, advanced practice registered nurses, or physician assistants; and
3. an insured's contract cancellation with a public adjuster.

§ 18 — DENTAL INSURANCE CONTRACTS

The act makes changes in sSB 207 (2018), which relates to dental insurance contract reimbursements and virtual credit cards but did not pass. As a result, this section has no legal effect.