

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 19-125—sSB 906

Insurance and Real Estate Committee

**AN ACT CONCERNING THE INSURANCE DEPARTMENT'S
RECOMMENDED CHANGES TO THE INSURANCE STATUTES,
INSURANCE PLANS PROCURED BY THE COMPTROLLER AND
RETIREMENT PLANS**

SUMMARY: This act makes various changes to the insurance statutes, as described in the section-by-section analysis below. Among other things, it (1) allows the insurance commissioner to engage the services of insurance professionals to review certain form and rate filings, (2) opts Connecticut into the Interstate Insurance Product Regulation Compact for disability income products, and (3) allows certain insurance documents to be sent electronically with an insured's consent.

The act also changes the date dependent coverage terminates under benefit plans procured by the comptroller for the benefit of surviving spouses and dependent children of certain first responders who die in the line of duty. Under the act, a dependent child's coverage under such a plan terminates the earlier of the end of the calendar year, rather than the end of the policy year, in which the child turns age 26 or obtains insurance through his or her own employment.

Additionally, the act (1) amends the information that companies administering certain 403(b) retirement plans for political subdivisions of the state must disclose to plan participants and (2) requires the companies to provide the same information to the state comptroller, who must annually post the disclosures online.

The act also makes minor, technical, and conforming changes.

EFFECTIVE DATE: Various, as shown below.

§ 1 — HIRING CONSULTANTS TO REVIEW RATE AND FORM FILINGS

The act authorizes the insurance commissioner to engage the services of consultants (i.e., third-party actuaries, professionals, and specialists) he deems necessary to review rate, form, or similar filings submitted to the Insurance Department pursuant to state law. It requires the entity submitting the filing (e.g., insurer or HMO) to pay for the consultant's services.

By law, the commissioner has authority to hire consultants to review insurer license applications and other transactions as necessary and perform examinations and financial analyses of insurers (CGS §§ 38a-8(d), 38a-14(c), & 38a-14a(b)).

EFFECTIVE DATE: July 1, 2019

§ 2 — INTERSTATE INSURANCE PRODUCT REGULATION COMPACT

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The act opts Connecticut into the Interstate Insurance Product Regulation Compact for disability income insurance products. Connecticut is already a member of the compact for life insurance and annuity products (CGS § 38a-37).

Under the compact, member states develop national product standards and establish a centralized filing process for insurers offering the products. The Interstate Insurance Product Regulation Commission, which the compact created, collects filing fees from insurers and remits to the member states their portion of the fees. Additionally, a member state retains its authority to perform market conduct examinations of insurers and respond to consumer complaints, including those relating to commission-approved products.

EFFECTIVE DATE: Upon passage

§ 3 — MUTUAL INSURER REORGANIZATION VOTE

The act requires a domestic mutual insurer that wishes to reorganize as a domestic stock insurer owned, directly or indirectly, by a mutual holding company to have an affirmative vote on the reorganization plan by two-thirds of its voting members, instead of two-thirds of all members, as under prior law.

EFFECTIVE DATE: Upon passage

§§ 4-6, 14 & 16 — ELECTRONIC NOTIFICATIONS FOR CERTAIN INSURANCE PRODUCTS

Under PA 18-158, certain insurance notices may be sent electronically, with the insured's consent, effective October 1, 2019. This act instead allows such electronic notices effective July 1, 2019.

Thus, beginning July 1, 2019, this 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.

This act also allows an insurer to send commercial risk insurance cancellation notices electronically, evidenced by a delivery receipt, if the named insured consents.

EFFECTIVE DATE: July 1, 2019, and upon passage for the changes to PA 18-158.

§ 7 — UPDATES TO LICENSEE INFORMATION

By law, certain licensees must notify the insurance commissioner in writing within 30 days after certain business information changes (e.g., address, name, or employer) from what was shown in their license application. The act adds to the information that licensees must update to include a change in (1) email address and (2) the licensed insurance producer responsible for ensuring compliance with

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state laws and regulations. It also removes a requirement that the licensee notify the commissioner of any changes to a corporation's officers or the members of a firm, partnership, or association.

The act applies to the following types of licensees: insurance producers, public adjusters, casualty claim adjusters, motor vehicle physical damage appraisers, surplus lines brokers, and certified insurance consultants.

EFFECTIVE DATE: October 1, 2019

§§ 8 & 15 — HMO INSOLVENCY DEPOSIT REQUIREMENTS REPEALED

The act repeals requirements that an HMO (1) have a plan for handling insolvency, (2) deposit \$500,000 with the commissioner or other trustee for the benefit of enrollees when the HMO is in receivership, and (3) deposit 120% of its outstanding liability for uncovered expenditures for enrollees in an account separate from all others.

Under PA 18-13, the Connecticut Life and Health Insurance Guaranty Association Act provides coverage in the event of an HMO's insolvency.

EFFECTIVE DATE: Upon passage

§ 9 — COVERAGE OF DEPENDENT CHILDREN UNDER PLAN PROCURED BY THE COMPTROLLER

The act changes the date dependent coverage terminates under certain benefit plans procured by the comptroller.

By law, the comptroller must arrange and procure one or more group hospitalization, medical, and surgical plans for the surviving spouses and dependent children of state or local police officers, full-time paid municipal firefighters, or constables who performed criminal law enforcement duties and died from injuries incurred in the course of their employment. The surviving spouse and children are not eligible if they are eligible for another group health insurance plan.

Under the act, a dependent child's coverage under such a plan terminates the earlier of the end of the calendar year, rather than the end of the policy year, in which the child turns age 26 or obtains insurance through his or her own employment.

EFFECTIVE DATE: Upon passage

§§ 10-12 — EXEMPTING ACCIDENT-ONLY INSURANCE POLICIES FROM CERTAIN HEALTH INSURANCE REQUIREMENTS

The act exempts accident-only insurance policies from the requirement to provide the following health insurance benefits:

1. direct access to in-network obstetrician-gynecologists by female enrollees,
2. coverage for preventive pediatric care at specified age intervals, and
3. coverage for blood lead screening and risk assessments.

Accident-only policies are not major medical policies. Rather, they cover

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expenses related to an accidental injury.
EFFECTIVE DATE: January 1, 2020

§ 13 — RETIREMENT PLANS OFFERED BY POLITICAL SUBDIVISIONS OF THE STATE

Beginning January 1, 2021, the act (1) amends the information that companies administering certain 403(b) retirement plans for political subdivisions of the state must disclose to plan participants and (2) requires the companies to provide the same information to the state comptroller electronically and in a manner he prescribes. The disclosure requirements apply to retirement plans created under Section 403(b) of the Internal Revenue Code that are not made available through the comptroller under state law (see BACKGROUND).

Starting by March 1, 2022, the act requires the comptroller to annually post online each disclosure he received by the previous January 1 for the prior calendar year.

Retirement Plan Disclosures

By law, companies administering these retirement plans must provide to each plan participant the (1) fee ratio and return, after subtracting fees, for each plan investment and (2) fees paid to anyone who, for compensation, provides investment advice to participants. The act also requires companies to provide any other information required by the federal Employee Retirement Income Security Act's (ERISA) retirement plan disclosure requirements for participant-directed individual account plans. This includes, among other things, information about participant rights and responsibilities, fees and expenses, and designated investment alternatives (29 C.F.R. § 2550.404a-5).

Existing law deems a company compliant with the state disclosure requirements if the company adheres to disclosure requirements under ERISA.

Under the act, as under existing law, the companies must provide all required disclosures to plan participants upon initial enrollment and then at least annually.
EFFECTIVE DATE: January 1, 2021

BACKGROUND

403(b) Deferred Compensation Plans

Section 403(b) of the Internal Revenue Code allows certain public school employees and employees of certain other tax-exempt organizations to elect to defer a portion of their current earnings and invest those earnings tax-free until withdrawn, which is usually at retirement. The 403(b) plans are similar to plans the code authorizes for private-sector employees (401(k) plans) and non-educational public employees (457 plans).