



Acts Affecting Insurance

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Notice to Readers

This report provides summaries of new laws (Public Acts and Special Acts) significantly affecting insurance enacted during the 2017 regular session. OLR's other Acts Affecting reports, including Acts Affecting Real Estate, are, or will soon be, available on OLR's website:

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Each summary indicates the Public Act (PA) or Special Act (SA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden.

Complete summaries of Public Acts are, or will soon be, available on OLR's website:

<https://www.cga.ct.gov/olr/olrsums.asp>. Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, House Clerk's Office, or General Assembly's website: <http://www.cga.ct.gov>.

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Business of Insurance

Domestic Surplus Lines Insurers

A new law allows the insurance commissioner to designate a domestic insurance company as a “domestic surplus lines insurer” subject to certain conditions. The designation allows the insurer to market surplus lines insurance in Connecticut ([PA 17-125](#), effective July 1, 2017).

Reinsurance Credits

Reinsurance is a transaction between two or more insurance companies to apportion risk so that a large loss does not fall on any one company. A new law expands the circumstances under which a (1) domestic insurer may count reinsurance as a credit or reduction on certain financial statements and (2) stock or mutual insurer may exclude reinsurance in risk exposure calculations ([PA 17-59](#), effective October 1, 2017).

Health Care Centers

A new law allows health care centers (i.e., HMOs) to, among other things, charge coinsurance. Prior law limited HMOs to providing healthcare in accordance with the Health Maintenance Organization Act which, among other things, requires, payments by insureds to be fixed without regard to the frequency, extent, or kind of health service received ([PA 17-198 § 5](#), effective July 1, 2017).

Authorizing Insurers to Divide

A new law allows domestic insurers to “divide” into two or more insurers and allocate assets and obligations among the new companies. The law creates a division process, sets out requirements for dividing insurers, and specifies a division’s effect, including how obligations and interests are allocated. Insurers created through this process are deemed legal successors to the dividing insurer and any assets and obligations are allocated to them as a result of succession and not by direct or indirect transfer ([PA 17-2](#), effective October 1, 2017).

Dormant Captive Insurers

Under a new law, a domiciled captive insurer that has stopped conducting insurance business and has no ongoing liabilities may apply to the insurance commissioner for a certificate of dormancy. Dormant insurers must submit annual reports to the commissioner and maintain unimpaired paid-in capital and surplus of at least \$25,000 ([PA 17-198 § 1](#), effective July 1, 2017).

Captive Capital and Surplus Requirements

Under a new law, the insurance commissioner may allow any type of captive insurer, except a risk retention group, to maintain less than the required unimpaired paid-in capital and surplus, after considering the type, volume, and the nature of insurer's or reinsurer's business. The new law also reduces the amount of unimpaired paid-in capital and surplus a sponsored captive insurer must maintain to obtain a license from \$500,000 to \$225,000 ([PA 17-198 § 2](#), effective July 1, 2017).

Sponsored Captive Cells

A new law establishes additional requirements for maintaining the independence of separate "cells" during the conservation, rehabilitation, or liquidation of a sponsored captive insurance company. A sponsored captive funds its liability to each participant through protected "cells," with each cell's assets independent from those of other cells ([PA 17-198 § 3](#), effective July 1, 2017).

Commutation Reinsurance Agreements

A new law protects transfers under commutations of reinsurance agreements that are approved by the insurance commissioner from being voided during the liquidation of an insurer under supervision. Generally, a court-ordered liquidator may void certain transfers that unfairly benefit some creditors over others. Under the act, commutation reinsurance agreements approved by the commissioner may not be voided. A commutation agreement eliminates all present and future reinsurance obligations between the parties in exchange for current consideration ([PA 17-198 § 7](#), effective July 1, 2017).

Insurers Rehabilitation and Liquidation Act (IRLA)

A new law allows the insurance commissioner to take possession of an insurer in certain situations, including insolvency, pursuant to IRLA, instead of an outdated provision. IRLA generally provides more detailed procedures for when and how the commissioner can supervise, rehabilitate, or liquidate an insurance company ([PA 17-198 §§ 8 & 34](#), effective July 1, 2017).

Transferability of Invest CT Tax Credits

Under a new law, insurers that earn tax credits for investing in an Invest CT fund (i.e., insurance reinvestment funds) may sell or otherwise transfer all or some of these credits to any taxpayer instead of just to their affiliates. Under the new law, the transferee must claim the credits in the transferee's income year in which the credit was bought, assigned, or otherwise transferred ([PA 17-244 §§ 2 & 3](#), effective July 1, 2017).

Health Provider and Carrier Contracts

Contracts between Health Care Providers and Health Carriers

A new law clarifies that (1) a contract between a health care provider and a health carrier cannot prohibit disclosure of billed or allowed amounts, reimbursement rates, or out-of-pocket costs; or any data related to the all-payer claims database and (2) such information may be used to help consumers and institutional purchasers make informed health care choices and price comparisons. Starting October 1, 2017, this law extends the same prohibition to a contract between a health care provider and a health carrier or any agent or vendor the provider retains to provide data or analytical services to evaluate and manage health care services to the health carrier's plan participants.

A contract that violates the new law is void and unenforceable ([PA 17-241 § 3](#), effective October 1, 2017).

Infertility and Step Therapy

Infertility Coverage

Under a new law, more people will be eligible for infertility coverage under certain individual and group health insurance policies. The new law allows people who are not healthy to receive coverage for the medically necessary costs of diagnosing and treating infertility ([PA 17-55](#), effective January 1, 2018).

Step Therapy Prohibited for Metastatic Cancer Drugs

A new law prohibits individual and group health insurance policies from requiring step therapy for cancer drugs prescribed to treat insureds diagnosed with stage IV metastatic cancer and in compliance with approved federal Food and Drug Administration indications. Step therapy is a treatment approach that generally requires patients to try less expensive drugs before higher cost drugs ([PA 17-228](#), effective January 1, 2018).

Insurance and Public Health Task Forces

Public Health Prevention Task Force

A new law establishes an eight-member Public Health Prevention Task Force. Among other things, the task force must examine and make recommendations for improvements to insurance coverage for prescribed preventive measures, including (1) health assessments, treatments, health care

services and (2) any equipment required to administer these preventive measures. The task force must report its findings and recommendations to the Public Health Committee by July 1, 2018 ([SA 17-17](#), effective upon passage).

Insurance Industry Workforce Task Force

The legislature established a task force to study and develop strategies to develop, expand, and improve the state's insurance industry workforce. The task force must report to the Insurance and Real Estate Committee by January 1, 2018 ([SA 17-10](#), effective upon passage).

Miscellaneous

Victim Compensation

The Office of Victim Services (OVS), in determining a crime victim's compensation, must consider the amount a victim receives from other sources, including health insurance. A new law allows OVS to consider all types of insurance except life insurance benefits. The new law simultaneously allows OVS to waive the consideration of health insurance as a collateral source in a domestic violence, sexual assault, or child abuse case in which the victim or the claimant believes that the dissemination of treatment information associated with a health insurance claim would cause undue harm ([PA 17-99 § 25](#), effective October 1, 2017).

Mixed Martial Arts (MMA)

A new law requires MMA promoters to provide liability insurance and death benefits on the same terms as boxing promoters, namely (1) insurance coverage of at least \$20,000 for an injured competitor's medical, dental, surgical, and hospital care and (2) death benefits of at least \$50,000 to the estate of an MMA participant who dies as a result of participating in an MMA match. It eliminates promoters' liability to pay the health care costs for the entire duration of a competitor's MMA injury, illness, disease, or condition ([PA 17-116](#), effective October 1, 2017).

Annual Malpractice Closed Claim Reporting

A new law delays, from March 15 to June 30, the due date of the insurance commissioner's annual medical malpractice closed claims report to the Insurance and Real Estate Committee ([PA 17-198 § 9](#), effective July 1, 2017).

Municipalities

Self-Insured Municipalities' Right to Recover Health Expenses

A new law gives self-insured towns, cities, and boroughs a lien on the part of judgments or settlements obtained by an employee or his or her covered dependent or family member for medical, hospital, and prescription expenses incurred due to a third-party's negligence or recklessness. The lien only applies to certain judgements or settlements and instances when a municipality incurs more than \$15,000 in medical, hospital, and prescription expenses ([PA 17-165](#), effective October 1, 2017).

Personal and Commercial Risk Insurance

Personal Risk Insurance Rate Filings

A new law extends the sunset date for the “flex rating” law for personal risk insurance policies from July 1, 2017, to July 1, 2021. The flex rating law allows property and casualty insurers, until the law sunsets, to file new personal risk insurance rates with the insurance commissioner and begin using them immediately, without prior approval, under certain circumstances ([PA 17-121](#), effective June 30, 2017).

Personal and Commercial Risk Insurance Disclosures

A new law requires insurers renewing a personal or commercial risk insurance policy on terms less favorable than an insured's current policy to send a conditional renewal notice to the insured that clearly identifies any (1) reduced coverage, (2) reduced coverage limits, and (3) increased deductibles ([PA 17-198 § 6](#), effective October 1, 2017).

Prescription Drugs and Pharmacy Services

Limits on Prescription Drug Payments

Starting January 1, 2018, a new law prohibits a health carrier or pharmacy benefits manager from requiring an individual to pay an amount for a covered prescription medication that is more than the lesser of the (1) applicable copayment, (2) allowable claim amount (i.e., the amount the health carrier or pharmacy benefits manager agreed to pay the pharmacy for the prescription), or (3) amount an individual would pay for the drug if he or she paid without using an insurance plan or other source of drug benefits or discounts ([PA 17-241 § 1](#), effective October 1, 2017).

Pharmacy Services Contracts

Starting January 1, 2018, a new law prohibits a pharmacy services contract entered into between a (1) pharmacist or pharmacy and (2) health carrier (e.g., insurer or HMO) or pharmacy benefits manager from prohibiting or penalizing (e.g., increased utilization review, reduced payments, or other financial disincentives) a pharmacist for disclosing certain information (e.g., therapeutic alternatives or less expensive purchasing methods) to an individual purchasing prescription medication. A contract provision that violates the new law is void and unenforceable and any provision rendered as such does not affect remaining provisions. The new law also makes any general business practice that violates its provisions an unfair trade practice under the Connecticut Unfair Trade Practices Act. Additionally, it grants the insurance commissioner authority to enforce the law and audit pharmacy services contracts for compliance ([PA 17-241 § 1](#), effective October 1, 2017).

Provider Directories and Networks

Provider Directories

A new law requires health carriers' provider directories to indicate if health care providers accept new patients on an outpatient basis ([PA 17-154](#), effective January 1, 2018).

Preferred Provider Network (PPN) Solvency and Licensing

A new law increases the financial solvency requirements for PPNs by (1) increasing the minimum net worth that it must maintain from \$250,000 to \$500,000 and (2) requiring that it maintain at least four months, instead of two months, worth of payments to participating providers ([PA 17-198 § 10](#), effective July 1, 2017).

Dental and Vision Carriers

Under a new law, dental and vision carriers must abide by network adequacy requirements that previously applied only to certain health carriers. They must establish and maintain adequate provider networks and provide in-network benefits for an out-of-network service when the network has no participating providers ([PA 17-198 § 31](#), effective upon passage).

Short-Term Care Insurance

Group Short-Term Care Insurance

A new law establishes group short-term care insurance policies and creates filing, disclosure, and other requirements identical to those that currently apply to individual short-term care policies. These policies provide coverage for 300 days or less, on an expense-incurred, indemnity, or prepaid

basis, for necessary care or treatment of an injury, illness, or loss of functional capacity provided by a certified or licensed health care provider in a setting other than an acute care hospital ([PA 17-198 §4](#), effective October 1, 2017).

Overpayment of Public Health and Health and Welfare Fees

A new law requires the insurance commissioner to credit an overpayment of the public health fee and the health and welfare fee towards the respective fee due the next fiscal year if the overpayment on the fee exceeds \$5,000 and the entity (1) notifies the commissioner by June 1 of the overpayment amount and (2) provides sufficient evidence to prove the overpayment. The public health fee is paid by domestic insurers and health care centers and is used to pay for certain Department of Public Health programs, including a needle and syringe exchange program and a breast and cervical cancer detection and treatment program. The health and welfare fee is paid by insurers, health care centers, third-party administrators, and exempt insurers and is used to, among other things, provide vaccines and antibiotics ([PA 17-198 §§ 32 & 33](#), effective upon passage and applicable to fees due on or after February 1, 2017).

Substance Use Disorder

Insurance Coverage for Substance Use Disorder

A new law requires certain individual and group health insurance policies to cover, for insureds or enrollees who have been diagnosed with a substance use disorder, medically necessary (1) medically monitored inpatient detoxification services and (2) medically managed intensive inpatient detoxification services ([PA 17-131 §§ 8 & 9](#), effective January 1, 2018).

Direct Payments for Substance Use Disorder Treatments

A new law requires certain health insurance policies to pay directly eligible out-of-network health care providers directly for the diagnosis or treatment of substance use disorder in Connecticut. It does so by deeming an insured to have assigned his or her reimbursement benefits under a health insurance policy to the provider ([PA 17-157](#), effective January 1, 2018).

Transportation

Auto Insurance Requirements

The legislature increased the minimum amount of auto insurance a person must maintain to receive or retain a driver's license or motor vehicle registration. The new law sets the minimum

insurance requirements at \$25,000 per person and \$50,000 per accident for bodily injury and \$25,000 per accident for property damage, up from \$20,000, \$40,000, and \$10,000, respectively ([PA 17-114](#), effective January 1, 2018).

Transportation Network Companies (TNCs)

The legislature created a new regulatory structure for TNCs (e.g., Uber and Lyft). Regarding insurance, the new law requires that TNC drivers be covered by a primary automobile insurance policy that recognizes them as TNC drivers and establishes insurance coverage requirements that vary according to the different activities performed by TNC drivers (e.g., \$1 million while providing prearranged rides), among other things. It also establishes protections for insurers who provide personal automobile insurance and excludes coverage while a person is acting as a TNC driver ([PA 17-140](#), as amended by [PA 17-203](#), various effective dates).

Insurance Policies for Certain Passenger Transportation Vehicles

A new law (1) prohibits entities from issuing insurance policies or indemnity bonds for motor buses, taxis, livery vehicles, STVs, or service buses that do not meet the law's minimum coverage requirements and (2) allows DMV, when registering these vehicles, to presume that a policy or bond meets those coverage requirements ([PA 17-79, § 1](#), effective October 1, 2017).

Travel Insurance

Travel Insurance

A new law authorizes the insurance commissioner to license individuals or business entities as “limited lines travel insurance producers” to sell travel insurance, which covers certain travel related risks, such as trip cancellation. Travel insurance producers can sell travel insurance through an insurer or designated retailers and compensate travel retailers for offering travel insurance. The new law also establishes requirements for producers that are business entities ([PA 17-187](#), effective October 1, 2017).

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