



House of Representatives

General Assembly

File No. 170

February Session, 2002

Substitute House Bill No. 5641

House of Representatives, March 26, 2002

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT ALLOWING SENIOR CITIZENS TO DESIGNATE A THIRD PARTY TO RECEIVE CERTAIN CANCELLATION NOTICES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2002*) (a) Each insurer that
2 issues, renews, amends or endorses an automobile or homeowners
3 insurance policy in this state on or after October 1, 2002, shall include
4 with the policy a conspicuous statement specifying that any individual
5 aged fifty-five or over may designate a third party to receive notice of
6 cancellation or nonrenewal of the policy. The statement shall include a
7 designation form and mailing address the senior citizen may use to
8 designate a third party. Such statement shall be in a form approved by
9 the Insurance Commissioner.

10 (b) No designation form shall be effective unless it contains a
11 written acceptance by the third party designee to receive copies of
12 notices of cancellation or nonrenewal from the insurer on behalf of the
13 senior citizen. The third party designation shall be effective not later

14 than ten business days after the date the insurer receives the
15 designation form and the acceptance of the third party. The third party
16 may terminate the status as a third party designee by providing
17 written notice to both the insurer and the senior citizen insured. The
18 senior citizen may terminate the third party designation by providing
19 written notice to the insurer and the third party designee. The insurer
20 may require the senior citizen and the third party to send the notices to
21 the insurer by certified mail, return receipt requested.

22 (c) The insurer's transmission to the third party designee of a copy
23 of any notice of cancellation or nonrenewal shall be in addition to the
24 transmission of the original document to the senior citizen insured.
25 When a third party is so designated all such notices and copies shall be
26 mailed in an envelope clearly marked on its face with the following:
27 "IMPORTANT INSURANCE POLICY INFORMATION: OPEN
28 IMMEDIATELY". The copy of the notice of cancellation or nonrenewal
29 transmitted to the third party shall be governed by the same law and
30 policy provisions that govern the notice being transmitted to the senior
31 citizen insured. The designation of a third party shall not constitute
32 acceptance of any liability on the part of the third party or insurer for
33 services provided to the senior citizen insured.

34 Sec. 2. Section 38a-343 of the general statutes is repealed and the
35 following is substituted in lieu thereof (*Effective October 1, 2002*):

36 (a) No notice of cancellation of policy to which section 38a-342
37 applies may be effective unless sent, by registered or certified mail or
38 by mail evidenced by a certificate of mailing, or delivered by the
39 insurer to the named insured, and any third party designated pursuant
40 to section 1 of this act, at least forty-five days before the effective date
41 of cancellation, except that (1) where cancellation is for nonpayment of
42 the first premium on a new policy, at least fifteen days' notice of
43 cancellation accompanied by the reason [therefor] for cancellation shall
44 be given, and (2) where cancellation is for nonpayment of any other
45 premium, at least ten days' notice of cancellation accompanied by the
46 reason [therefor] for cancellation shall be given. No notice of

47 cancellation of a policy which has been in effect for less than sixty days
48 may be effective unless mailed or delivered by the insurer to the
49 insured and any third party designee at least forty-five days before the
50 effective date of cancellation, provided [that] (A) at least fifteen days'
51 notice shall be given where cancellation is for nonpayment of the first
52 premium on a new policy, and (B) at least ten days' notice shall be
53 given where cancellation is for nonpayment of any other premium or
54 material misrepresentation. The notice of cancellation shall state or be
55 accompanied by a statement specifying the reason for such
56 cancellation. Any notice of cancellation for nonpayment of the first
57 premium on a new policy may be retroactive to the effective date of
58 such policy, provided at least fifteen days' notice has been given to the
59 insured and any third party designee and payment of such premium
60 has not been received during such notice period.

61 (b) Where a private passenger motor vehicle liability insurance
62 company sends a notice of cancellation under subsection (a) of this
63 section to the named insured of a private passenger motor vehicle
64 liability insurance policy, or a third party designee, such company
65 shall provide with such notice a warning, in a form approved by the
66 Commissioner of Motor Vehicles and the Insurance Commissioner,
67 which informs the named insured that (1) the cancellation will be
68 reported to the Commissioner of Motor Vehicles; (2) the named
69 insured will be receiving one or more mail inquiries from the
70 Commissioner of Motor Vehicles, concerning whether or not required
71 insurance coverage is being maintained, and that the named insured
72 must respond to these inquiries; (3) if the required insurance coverage
73 lapses at any time, the Commissioner of Motor Vehicles will cancel the
74 registration or registrations for the vehicle or vehicles under the policy
75 and the number plates will be subject to confiscation and any person
76 operating any such vehicle will be subject to legal penalties for the
77 operation of an unregistered motor vehicle; (4) the named insured will
78 not be able to obtain a new registration, or any other registration or
79 renewal in [his] the insured's name, except upon (i) payment of the
80 registration and number plate fees, as required by section 14-49, (ii)
81 payment of a restoration fee, as required by section 14-50b₂ and (iii) the

82 posting of a special certificate of financial responsibility for a period of
83 one year; and (5) if the number plates have been confiscated, the
84 payment of an additional confiscation fee of fifty dollars shall be
85 imposed.

86 (c) This section shall not apply to nonrenewal.

87 Sec. 3. Section 38a-344 of the general statutes is repealed and the
88 following is substituted in lieu thereof (*Effective October 1, 2002*):

89 Proof of mailing by certified mail, return receipt requested, notice of
90 cancellation, or of intention not to renew or of reasons for cancellation,
91 to the named insured, and any third party designated pursuant to
92 section 1 of this act, at the address shown in the policy, shall be
93 sufficient proof of notice.

94 Sec. 4. Section 38a-307 of the general statutes is repealed and the
95 following is substituted in lieu thereof (*Effective October 1, 2002*):

96 The standard form of fire insurance policy of the state of
97 Connecticut, with permission to substitute for the word "Company" a
98 more accurate descriptive term of the type of insurer, shall be as
99 follows:

100 [Space for insertion of name of company or companies issuing the
101 policy and other matter permitted to be stated at the head of the
102 policy.]

103 [Space for listing amounts of insurance, rates and premiums for the
104 basic coverages insured under the standard form of policy and for
105 additional coverages or perils insured under endorsements attached.]

T1 In Consideration of the Provisions and Stipulations
T2 Herein or Added Hereto

T3 AND OF DOLLARS PREMIUM

T4 this company, for the term from the day of 20.. at noon,
T5 Standard Time, at

T6
T7

of ... } to the day of 20.. } location of
 property involved

T8
T9

to an amount not exceeding Dollars,
 does insure

106 and legal representatives, to the extent of the actual cash value of the
 107 property at the time of loss, but not exceeding the amount which it
 108 would cost to repair or replace the property with material of like kind
 109 and quality within a reasonable time after such loss, without allowance
 110 for any increased cost of repair or reconstruction by reason of any
 111 ordinance or law regulating construction or repair, and without
 112 compensation for loss resulting from interruption of business or
 113 manufacture, nor in any event for more than the interest of the
 114 insured, against all DIRECT LOSS BY FIRE, LIGHTNING AND BY
 115 REMOVAL FROM PREMISES ENDANGERED BY THE PERILS
 116 INSURED AGAINST IN THIS POLICY, EXCEPT AS HEREINAFTER
 117 PROVIDED, to the property described hereinafter while located or
 118 contained as described in this policy, or pro rata for five days at each
 119 proper place to which any of the property shall necessarily be removed
 120 for preservation from the perils insured against in this policy, but not
 121 elsewhere.

122 Assignment of this policy shall not be valid except with the written
 123 consent of this Company.

124 This policy is made and accepted subject to the foregoing provisions
 125 and stipulations and those hereinafter stated, which are hereby made a
 126 part of this policy, together with such other provisions, stipulations
 127 and agreements as may be added hereto, as provided in this policy.

128 In Witness Whereof, this Company has executed and attested these
 129 presents.

130 (Secretary).

131 ... (President).

132 Concealment, fraud. This entire policy shall be void if, whether
133 before or after a loss, the insured has wilfully concealed or
134 misrepresented any material fact or circumstance concerning this
135 insurance or the subject thereof, or the interest of the insured therein,
136 or in case of any fraud or false swearing by the insured relating
137 thereto.

138 Uninsurable and excepted property. This policy shall not cover
139 accounts, bills, currency, deeds, evidences of debt, money or securities;
140 nor, unless specifically named hereon in writing, bullion or
141 manuscripts.

142 Perils not included. This Company shall not be liable for loss by fire
143 or other perils insured against in this policy caused, directly or
144 indirectly, by: (a) Enemy attack by armed forces, including action
145 taken by military, naval or air forces in resisting an actual or an
146 immediately impending enemy attack; (b) invasion; (c) insurrection;
147 (d) rebellion; (e) revolution; (f) civil war; (g) usurped power; (h) order
148 of any civil authority except acts of destruction at the time of and for
149 the purpose of preventing the spread of fire, provided that such fire
150 did not originate from any of the perils excluded by this policy; (i)
151 neglect of the insured to use all reasonable means to save and preserve
152 the property at and after a loss, or when the property is endangered by
153 fire in neighboring premises; (j) nor shall this Company be liable for
154 loss by theft.

155 Other Insurance. Other insurance may be prohibited or the amount
156 of insurance may be limited by endorsement attached hereto.

157 Conditions suspending or restricting insurance. Unless otherwise
158 provided in writing added hereto this Company shall not be liable for
159 loss occurring (a) while the hazard is increased by any means within
160 the control or knowledge of the insured; or (b) while a described
161 building, whether intended for occupancy by owner or tenant, is
162 vacant or unoccupied beyond a period of sixty consecutive days; or (c)

163 as a result of explosion or riot, unless fire ensue, and in that event for
164 loss by fire only.

165 Other perils or subjects. Any other peril to be insured against or
166 subject of insurance to be covered in this policy shall be by
167 endorsement in writing hereon or added hereto.

168 Added provisions. The extent of the application of insurance under
169 this policy and of the contribution to be made by this Company in case
170 of loss, and any other provision or agreement not inconsistent with the
171 provisions of this policy, may be provided for in writing added hereto,
172 but no provision may be waived except such as by the terms of this
173 policy is subject to change.

174 Waiver provisions. No permission affecting this insurance shall
175 exist, or waiver of any provision be valid, unless granted herein or
176 expressed in writing added hereto. No provision, stipulation or
177 forfeiture shall be held to be waived by any requirement or proceeding
178 on the part of this Company relating to appraisal or to any
179 examination provided for herein.

180 Cancellation of policy. This policy shall be cancelled at any time at
181 the request of the insured, in which case this Company shall, upon
182 demand and surrender of this policy, refund the excess of paid
183 premium above the customary short rates for the expired time. This
184 policy may be cancelled at any time by this Company by giving to the
185 insured and any third party designated pursuant to section 1 of this
186 act, a thirty days' written notice of cancellation accompanied by the
187 reason therefor with or without tender of the excess of paid premium
188 above the pro rata premium for the expired time, which excess, if not
189 tendered, shall be refunded on demand. Notice of cancellation shall
190 state that said excess premium (if not tendered) will be refunded on
191 demand. Where cancellation is for nonpayment of premium at least ten
192 days' written notice of cancellation accompanied by the reason therefor
193 shall be given.

194 Mortgagee interests and obligations. If loss hereunder is made

195 payable, in whole or in part, to a designated mortgagee not named
196 herein as the insured, such interest in this policy may be cancelled by
197 giving to such mortgagee a ten days' written notice of cancellation.

198 If the insured fails to render proof of loss such mortgagee, upon
199 notice, shall render proof of loss in the form herein specified within
200 sixty (60) days thereafter and shall be subject to the provisions hereof
201 relating to appraisal and time of payment and of bringing suit. If this
202 Company shall claim that no liability existed as the mortgagor or
203 owner, it shall, to the extent of payment of loss to the mortgagee, be
204 subrogated to all the mortgagee's rights of recovery, but without
205 impairing mortgagee's right to sue; or it may pay off the mortgage debt
206 and require an assignment thereof and of the mortgage. Other
207 provisions relating to the interests and obligations of such mortgagee
208 may be added hereto by agreement in writing.

209 Pro rata liability. This Company shall not be liable for a greater
210 proportion of any loss than the amount hereby insured shall bear to
211 the whole insurance covering the property against the peril involved,
212 whether collectible or not.

213 Requirements in case loss occurs. The insured shall give immediate
214 written notice to this Company of any loss, protect the property from
215 further damage, forthwith separate the damaged and undamaged
216 personal property, put it in the best possible order, furnish a complete
217 inventory of the destroyed, damaged and undamaged property,
218 showing in detail quantities, costs, actual cash value and amount of
219 loss claims; AND WITHIN SIXTY DAYS AFTER THE LOSS, UNLESS
220 SUCH TIME IS EXTENDED IN WRITING BY THIS COMPANY, THE
221 INSURED SHALL RENDER TO THIS COMPANY A PROOF OF
222 LOSS, signed and sworn to by the insured, stating the knowledge and
223 belief of the insured as to the following: The time and origin of the loss,
224 the interest of the insured and of all others in the property, the actual
225 cash value of each item thereof and the amount of loss thereto, all
226 encumbrances thereon, all other contracts of insurance, whether valid
227 or not, covering any of said property, any changes in the title, use,

228 occupation, location, possession or exposures of said property since
229 the issuing of this policy, by whom and for what purpose any building
230 herein described and the several parts thereof were occupied at the
231 time of loss and whether or not it then stood on leased ground, and
232 shall furnish a copy of all the descriptions and schedules in all policies
233 and, if required, verified plans and specification of any building,
234 fixtures or machinery destroyed or damaged. The insured, as often as
235 may be reasonably required, shall exhibit to any person designated by
236 this Company all that remains of any property herein described, and
237 submit to examinations under oath by any person named by this
238 Company, and subscribe the same; and, as often as may be reasonably
239 required, shall produce for examination all books of account, bills,
240 invoices and other vouchers, or certified copies thereof if originals be
241 lost, at such reasonable time and place as may be designated by this
242 Company or its representative, and shall permit extracts and copies
243 thereof to be made.

244 Appraisal. In case the insured and this Company shall fail to agree
245 as to the actual cash value or the amount of loss, then, on the written
246 demand of either, each shall select a competent and disinterested
247 appraiser and notify the other of the appraiser selected within twenty
248 days of such demand. The appraisers shall first select a competent and
249 disinterested umpire; and failing for fifteen days to agree upon such
250 umpire, then, on request of the insured or this Company, such umpire
251 shall be selected by a judge of a court of record in this state in which
252 the property covered is located. The appraisers shall then appraise the
253 loss, stating separately actual cash value and loss to each item; and,
254 failing to agree, shall submit their differences, only, to the umpire. An
255 award in writing, so itemized, of any two when filed with this
256 Company shall determine the amount of actual cash value and loss.
257 Each appraiser shall be paid by the party selecting him and the
258 expenses of appraisal and umpire shall be paid by the parties equally.

259 Company's options. It shall be optional with this Company to take
260 all, or any part, of the property at the agreed or appraised value, and
261 also to repair, rebuild or replace the property destroyed or damaged

262 with other of like kind and quality within a reasonable time, on giving
263 notice of its intention so to do within thirty days after the receipt of the
264 proof of loss herein required.

265 Abandonment. There can be no abandonment to this Company of
266 any property.

267 When loss payable. The amount of loss for which this Company
268 may be liable shall be payable sixty days after proof of loss, as herein
269 provided, is received by this Company and ascertainment of the loss is
270 made either by agreement between the insured and this Company
271 expressed in writing or by the filing with this Company of an award as
272 herein provided.

273 Suit. No suit or action on this policy for the recovery of any claim
274 shall be sustainable in any court of law or equity unless all the
275 requirements of this policy shall have been complied with, and unless
276 commenced within twelve months next after inception of the loss.

277 Subrogation. This Company may require from the insured an
278 assignment of all right of recovery against any party for loss to the
279 extent that payment therefor is made by this Company.

280 Sec. 5. Subsection (a) of section 38a-323 of the general statutes, as
281 amended by section 9 of public act 01-174, is repealed and the
282 following is substituted in lieu thereof (*Effective October 1, 2002*):

283 (a) On or after October 1, 1986, no insurer shall refuse to renew any
284 policy which is subject to the requirements of sections 38a-663 to 38a-
285 696, inclusive, as amended, unless such insurer or its agent [shall send]
286 sends, by registered or certified mail or by mail evidenced by a
287 certificate of mailing, or [deliver] delivers to the named insured, at the
288 address shown in the policy, at least sixty days' advance notice of its
289 intention not to renew. The notice of intent not to renew shall state or
290 be accompanied by a statement specifying the reason for such
291 nonrenewal. This section shall not apply: (1) In case of nonpayment of
292 premium; or (2) if the insured fails to pay any advance premium

293 required by the insurer for renewal, provided, notwithstanding the
 294 failure of an insurer to comply with this subsection, with respect to
 295 automobile liability insurance policies the policy shall terminate on the
 296 effective date of any other insurance policy with respect to any
 297 automobile designated in both policies. With respect to an automobile
 298 or homeowners policy, each insurer that sends or delivers a notice of
 299 nonrenewal pursuant to this subsection shall use the same method to
 300 send or deliver such notice to any third party designated pursuant to
 301 section 1 of this act.

This act shall take effect as follows:	
Section 1	<i>October 1, 2002</i>
Sec. 2	<i>October 1, 2002</i>
Sec. 3	<i>October 1, 2002</i>
Sec. 4	<i>October 1, 2002</i>
Sec. 5	<i>October 1, 2002</i>

Statement of Legislative Commissioners:

Section 5 was rewritten to clarify that the third-party notice requirement only applies to nonrenewal notices and does not apply to premium billing notices. The change was made for consistency with the remainder of the act.

INS *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill will not result in a fiscal impact to the Department of Insurance. It deals with responsibilities of insurers concerning cancellation notices.

OLR Bill Analysis

sHB 5641

AN ACT ALLOWING SENIOR CITIZENS TO DESIGNATE A THIRD PARTY TO RECEIVE CERTAIN CANCELLATION NOTICES**SUMMARY:**

This bill requires insurers that offer automobile and homeowners insurance to include a conspicuous statement with each policy that informs policyholders age 55 and older that they may designate a third party to receive cancellation or nonrenewal notices. The insurance commissioner must approve the statement. The statement must include a designation form, a mailing address that the policyholder may use to designate a third party, and satisfy other requirements for it to be effective.

The bill adds automobile liability policy third-party designees as recipients of (1) a cancellation notice and (2) the proof of notice required to cancel, nonrenew, or provide reasons for a cancellation. In the standard fire insurance policy form, the bill adds homeowners' insurance policy third-party designees as recipients of the cancellation notice that insurers must send to cancel the policy. When a designation is made, insurers must give the designee notice of cancellation or nonrenewal for the cancellation or nonrenewal to be effective.

The bill requires automobile and homeowners' insurers that send, deliver, mail, or otherwise provide cancellation or nonrenewal notices to an insured to use the same method to send, deliver, mail or provide a copy of the notice to any third-party designee.

EFFECTIVE DATE: October 1, 2002

THIRD-PARTY DESIGNATION

The bill requires the designation form to include a written acceptance by the third-party designee to receive copies of notices of cancellation or nonrenewal on the policyholder's behalf. The designation is effective within 10 days after the date the insurer receives the designation form and the designee's acceptance. Third-party designees may end the designation by providing the insurer and policyholder

with written notice, and policyholders may end the designation by providing the insurer and third-party designee with written notice. The insurer may require termination notices to be sent by certified mail, return receipt requested.

The bill specifies that the insurer’s delivery of any copy of a notice of cancellation or nonrenewal to a third-party designee is in addition to the original notice the insurer must deliver to the policyholder. It requires all original notices and copies to be mailed in an envelope marked on its face with the following:

***“IMPORTANT INSURANCE POLICY INFORMATION:
OPEN IMMEDIATELY”***

The bill specifies that the same law and policy provisions that govern notices to the policyholder must govern copies of third-party designee notices. It also states that designation of a third party does not constitute acceptance of any liability by the third party or insurer for services provided to the policyholder.

NOTICE OF AUTOMOBILE POLICY CANCELLATION

The bill requires insurers to mail or deliver cancellation notices to the third party designee at least 45 days before the cancellation’s effective date. But, when the first premium on a new policy is not paid, the bill requires insurers to mail or deliver the cancellation notice to the third-party designee at least 15 days before the cancellation is effective.

PROOF OF NOTICE

The bill specifies that a cancellation, nonrenewal or reasons for cancellation notice mailed by certified mail, return receipt requested to the insured and any third-party designee at the address shown in the policy is proof of notice.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 17 Nay 0