



Substitute House Bill No. 5462

Public Act No. 06-109

AN ACT CONCERNING TRANSFER OF INSURANCE POLICIES TO AFFILIATE INSURERS.

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

Section 1. Section 38a-330 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

Each property and casualty insurer which at the time of policy renewal, transfers any policy to an affiliate as a result of a merger or acquisition of control, shall provide notice to policyholders at least sixty days prior to the effective date of transfer. Such transfer shall not require a nonrenewal or cancellation of the policy.

Sec. 2. Subsections (a) and (b) of section 38a-323 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(a) No insurer shall refuse to renew any policy which is subject to the requirements of sections 38a-663 to 38a-696, inclusive, unless such insurer or its agent sends, by registered or certified mail or by mail evidenced by a certificate of mailing, or delivers to the named insured, at the address shown in the policy, at least sixty days' advance notice of its intention not to renew. The notice of intent not to renew shall state or be accompanied by a statement specifying the reason for such

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nonrenewal. This section shall not apply: (1) In case of nonpayment of premium; [or] (2) if the insured fails to pay any advance premium required by the insurer for renewal, provided, notwithstanding the failure of an insurer to comply with this subsection, with respect to automobile liability insurance policies the policy shall terminate on the effective date of any other insurance policy with respect to any automobile designated in both policies; or (3) if the policy is transferred from the insurer to an affiliate of such insurer for another policy with no interruption of coverage and contains the same terms, conditions and provisions, including policy limits, as the transferred policy, except that the insurer to which the policy is transferred shall not be prohibited from applying its rates and rating plans at the time of renewal. With respect to an automobile or homeowners policy, each insurer that sends or delivers a notice of nonrenewal pursuant to this subsection shall use the same method to send or deliver such notice to any third party designated pursuant to section 38a-323a.

(b) (1) On or before September 30, 1987, a premium billing notice for any policy subject to the requirements of sections 38a-663 to 38a-696, inclusive, except a workers' compensation policy, shall be mailed or delivered to the insured by the insurer or its agent not less than forty-five days in advance of the renewal date or the anniversary date of the policy. On or after October 1, 1987, such notice shall be so mailed or delivered to the insured not less than thirty days in advance of the policy's renewal or anniversary date, except that on or after October 1, 1998, such notice shall not be required for a commercial risk policy if the premium for the ensuing policy period is to increase less than ten per cent on an annual basis. The premium billing notice shall be based on the rates and rules applicable to the ensuing policy period and shall include a notice of transfer when the policy has been transferred from an insurer to an affiliate of such insurer pursuant to the provisions of subdivision (3) of subsection (a) of this section. The provisions of this subsection shall apply to any such policy for which the annual

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premium was less than fifty thousand dollars for the preceding annual policy period.

(2) For purposes of any commercial risk policy subject to the requirements of sections 38a-663 to 38a-696, inclusive, except a workers' compensation policy, the mailing or delivery of a premium billing notice by an insurer's managing general agent, in accordance with the provisions of subdivision (1) of this subsection, shall constitute compliance by such insurer with said subdivision.

Sec. 3. Section 38a-324 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(a) After a policy of commercial risk insurance, other than workers' compensation insurance and automobile insurance issued under a residual market mechanism as described in section 38a-329, has been in effect for more than sixty days, or after the effective date of a renewal policy, no insurer may cancel any policy unless the cancellation is based on the occurrence, after the effective date of the policy or renewal, of one or more of the following conditions: (1) Nonpayment of premium; (2) conviction of a crime arising out of acts increasing the hazard insured against; (3) discovery of fraud or material misrepresentation by the insured in obtaining the policy or in perfecting any claim thereunder; (4) discovery of any wilful or reckless act or omission by the insured increasing the hazard insured against; (5) physical changes in the property which increase the hazard insured against; (6) a determination by the commissioner that continuation of the policy would violate or place the insurer in violation of the law; (7) a material increase in the hazard insured against; or (8) a substantial loss of reinsurance by the insurer affecting this particular line of insurance. If the basis for cancellation is nonpayment of premium, at least ten days' advance notice shall be given and the insured may continue the coverage and avoid the effect of the cancellation by payment in full at any time prior to the effective date of cancellation. If

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the basis for cancellation is conviction of a crime arising out of acts increasing the hazard insured against, discovery of fraud or material misrepresentation by the insured in obtaining the policy or in perfecting any claim thereunder, discovery of any wilful or reckless act or omission by the insured increasing the hazard insured against or a determination by the commissioner that continuation of the policy would violate or place the insurer in violation of the law, at least ten days' advance notice shall be given. In all other cases, at least sixty days' advance notice shall be given. Notwithstanding the provisions of this section, the advance notice period for cancellation of any professional liability policy, as defined in section 38a-393, shall be at least ninety days. No notice of cancellation shall be required if such policy is transferred from an insurer to an affiliate of such insurer for another policy with no interruption of coverage and contains the same terms, conditions and provisions, including policy limits, as the transferred policy, except that the insurer to which the policy is transferred shall not be prohibited from applying its rates and rating plans at the time of renewal. No notice of cancellation shall be effective unless it is sent, by registered or certified mail or by mail evidenced by a United States Post Office certificate of mailing, or delivered by the insurer to the named insured by the required date.

(b) No surplus lines insurer shall be deemed to be eligible to write coverage for risks as provided in sections 38a-741 to 38a-744, inclusive, 38a-777 and 38a-794, unless such insurer complies with the requirements of subsection (a) of this section.

Sec. 4. Subsection (c) of section 38a-343 of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(c) This section shall not apply to nonrenewal or if the private passenger motor vehicle liability insurance policy is transferred from an insurer to an affiliate of such insurer for another policy with no

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interruption of coverage and contains the same terms, conditions and provisions, including policy limits, as the transferred policy, except that the insurer to which the policy is transferred shall not be prohibited from applying its rates and rating plans at the time of renewal.

Approved June 2, 2006