



House of Representatives

File No. 568

General Assembly

February Session, 2006

(Reprint of File No. 20)

Substitute House Bill No. 5462
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
April 19, 2006

**AN ACT CONCERNING TRANSFER OF INSURANCE POLICIES TO
AFFILIATE INSURERS.**

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

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 Section 38a-330 of the general statutes is repealed and the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

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

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9 statutes are repealed and the following is substituted in lieu thereof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

11 (a) No insurer shall refuse to renew any policy which is subject to
12 the requirements of sections 38a-663 to 38a-696, inclusive, unless such
13 insurer or its agent sends, by registered or certified mail or by mail

14 evidenced by a certificate of mailing, or delivers to the named insured,
15 at the address shown in the policy, at least sixty days' advance notice
16 of its intention not to renew. The notice of intent not to renew shall
17 state or be accompanied by a statement specifying the reason for such
18 nonrenewal. This section shall not apply: (1) In case of nonpayment of
19 premium; [or] (2) if the insured fails to pay any advance premium
20 required by the insurer for renewal, provided, notwithstanding the
21 failure of an insurer to comply with this subsection, with respect to
22 automobile liability insurance policies the policy shall terminate on the
23 effective date of any other insurance policy with respect to any
24 automobile designated in both policies; or (3) if the policy is
25 transferred from the insurer to an affiliate of such insurer for another
26 policy with no interruption of coverage and contains the same terms,
27 conditions and provisions, including policy limits, as the transferred
28 policy, except that the insurer to which the policy is transferred shall
29 not be prohibited from applying its rates and rating plans at the time
30 of renewal. With respect to an automobile or homeowners policy, each
31 insurer that sends or delivers a notice of nonrenewal pursuant to this
32 subsection shall use the same method to send or deliver such notice to
33 any third party designated pursuant to section 38a-323a.

34 (b) (1) On or before September 30, 1987, a premium billing notice for
35 any policy subject to the requirements of sections 38a-663 to 38a-696,
36 inclusive, except a workers' compensation policy, shall be mailed or
37 delivered to the insured by the insurer or its agent not less than forty-
38 five days in advance of the renewal date or the anniversary date of the
39 policy. On or after October 1, 1987, such notice shall be so mailed or
40 delivered to the insured not less than thirty days in advance of the
41 policy's renewal or anniversary date, except that on or after October 1,
42 1998, such notice shall not be required for a commercial risk policy if
43 the premium for the ensuing policy period is to increase less than ten
44 per cent on an annual basis. The premium billing notice shall be based
45 on the rates and rules applicable to the ensuing policy period and shall
46 include a notice of transfer when the policy has been transferred from
47 an insurer to an affiliate of such insurer pursuant to the provisions of

48 subdivision (3) of subsection (a) of this section. The provisions of this
49 subsection shall apply to any such policy for which the annual
50 premium was less than fifty thousand dollars for the preceding annual
51 policy period.

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

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

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

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

102 (b) No surplus lines insurer shall be deemed to be eligible to write
103 coverage for risks as provided in sections 38a-741 to 38a-744, inclusive,
104 38a-777 and 38a-794, unless such insurer complies with the
105 requirements of subsection (a) of this section.

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

109 (c) This section shall not apply to nonrenewal or if the private
110 passenger motor vehicle liability insurance policy is transferred from
111 an insurer to an affiliate of such insurer for another policy with no
112 interruption of coverage and contains the same terms, conditions and
113 provisions, including policy, except that the insurer to which the

114 policy is transferred shall not be prohibited from applying its rates and
115 rating plans at the time of renewal limits, as the transferred policy.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	38a-330
Sec. 2	<i>October 1, 2006</i>	38a-323(a) and (b)
Sec. 3	<i>October 1, 2006</i>	38a-324
Sec. 4	<i>October 1, 2006</i>	38a-343(c)

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 as amended eliminates the requirement that a property and casualty insurer send a cancellation notice to a policyholder when the insurer transfers the policy to an affiliate insurer for another policy, under certain conditions. The bill as amended has no fiscal impact.

House "A" permits the insurer to which the policy is transferred to apply its rates and rating plans at renewal. This has no fiscal impact.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5462 (as amended by House "A")******AN ACT CONCERNING TRANSFER OF INSURANCE POLICIES TO AFFILIATE INSURERS.*****SUMMARY:**

This bill eliminates the requirement that a property and casualty insurer, including a private passenger motor vehicle insurer, send a cancellation notice to a policyholder when the insurer transfers the policy to an affiliate insurer as long as (1) there is no interruption of coverage and (2) the policy issued by the affiliate contains the same terms, conditions, and provisions, including policy limits, as the transferred policy. The bill allows the affiliate insurer to apply its rates and rating plans when the policy renews. It specifies that the transfer does not require the insurer to cancel the policy.

By law, and unchanged by the bill, a property and casualty insurer must notify policyholders when, at the time of policy renewal, it transfers any policy to an affiliate because of a merger or acquisition. The notice must be sent at least 60 days before the policy transfer effective date.

*House Amendment "A" permits the insurer to which the policy is transferred to apply its rates and rating plans at renewal.

EFFECTIVE DATE: October 1, 2006

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/07/2006)