



General Assembly

February Session, 2006

Raised Bill No. 5462

LCO No. 1746

01746_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

**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 Section 38a-330 of the general statutes is repealed and the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. Subsection (a) of section 38a-323 of the general statutes is
9 repealed and the following is substituted in lieu thereof (*Effective*
10 *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. With respect to an automobile
27 or homeowners policy, each insurer that sends or delivers a notice of
28 nonrenewal pursuant to this subsection shall use the same method to
29 send or deliver such notice to any third party designated pursuant to
30 section 38a-323a.

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 Section 38a-324 of the general statutes is repealed and the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

33 (a) After a policy of commercial risk insurance, other than workers'
34 compensation insurance and automobile insurance issued under a
35 residual market mechanism as described in section 38a-329, has been
36 in effect for more than sixty days, or after the effective date of a
37 renewal policy, no insurer may cancel any policy unless the
38 cancellation is based on the occurrence, after the effective date of the
39 policy or renewal, of one or more of the following conditions: (1)
40 Nonpayment of premium; (2) conviction of a crime arising out of acts
41 increasing the hazard insured against; (3) discovery of fraud or
42 material misrepresentation by the insured in obtaining the policy or in
43 perfecting any claim thereunder; (4) discovery of any wilful or reckless
44 act or omission by the insured increasing the hazard insured against;
45 (5) physical changes in the property which increase the hazard insured
46 against; (6) a determination by the commissioner that continuation of
47 the policy would violate or place the insurer in violation of the law; (7)

48 a material increase in the hazard insured against; or (8) a substantial
49 loss of reinsurance by the insurer affecting this particular line of
50 insurance. If the basis for cancellation is nonpayment of premium, at
51 least ten days' advance notice shall be given and the insured may
52 continue the coverage and avoid the effect of the cancellation by
53 payment in full at any time prior to the effective date of cancellation. If
54 the basis for cancellation is conviction of a crime arising out of acts
55 increasing the hazard insured against, discovery of fraud or material
56 misrepresentation by the insured in obtaining the policy or in
57 perfecting any claim thereunder, discovery of any wilful or reckless act
58 or omission by the insured increasing the hazard insured against or a
59 determination by the commissioner that continuation of the policy
60 would violate or place the insurer in violation of the law, at least ten
61 days' advance notice shall be given. In all other cases, at least sixty
62 days' advance notice shall be given. Notwithstanding the provisions of
63 this section, the advance notice period for cancellation of any
64 professional liability policy, as defined in section 38a-393, shall be at
65 least ninety days. No notice of cancellation shall be required if such
66 policy is transferred from an insurer to an affiliate of such insurer for
67 another policy with no interruption of coverage. No notice of
68 cancellation shall be effective unless it is sent, by registered or certified
69 mail or by mail evidenced by a United States Post Office certificate of
70 mailing, or delivered by the insurer to the named insured by the
71 required date.

72 (b) No surplus lines insurer shall be deemed to be eligible to write
73 coverage for risks as provided in sections 38a-741 to 38a-744, inclusive,
74 38a-777 and 38a-794, unless such insurer complies with the
75 requirements of subsection (a) of this section.

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

79 (c) This section shall not apply to nonrenewal or if the private

80 passenger motor vehicle liability insurance policy is transferred from
81 an insurer to an affiliate of such insurer for another policy with no
82 interruption of coverage.

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)
Sec. 3	<i>October 1, 2006</i>	38a-324
Sec. 4	<i>October 1, 2006</i>	38a-343(c)

Statement of Purpose:

To avoid consumer confusion and to eliminate unnecessary administrative paperwork.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]