



General Assembly

Substitute Bill No. 1212

January Session, 2007

* SB01212INS 031507 *

**AN ACT CONCERNING COVERAGE BY THE CONNECTICUT
INSURANCE GUARANTY ASSOCIATION.**

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

1 Section 1. Subdivision (1) of section 38a-841 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2007*):

4 (1) Said association shall: (a) Be obligated to the extent of the
5 covered claims existing prior to the determination of insolvency and
6 arising within thirty days after the determination of insolvency, or
7 before the policy expiration date if less than thirty days after the
8 determination, or before the insured replaces the policy or causes its
9 cancellation, if he does so within thirty days of such determination,
10 provided such obligation shall be limited as follows: (i) With respect to
11 covered claims for unearned premiums, to one-half of the unearned
12 premium on any policy, subject to a maximum of two thousand dollars
13 per policy; (ii) with respect to covered claims other than for unearned
14 premiums, such obligation shall include only that amount of each such
15 claim which is in excess of one hundred dollars and is less than [three]
16 four hundred thousand dollars, except that said association shall pay
17 the full amount of any such claim arising out of a workers'
18 compensation policy, provided in no event shall (A) said association be
19 obligated to any claimant in an amount in excess of the obligation of

20 the insolvent insurer under the policy form or coverage from which
21 the claim arises, or (B) said association be obligated for any claim filed
22 with the association after the expiration of two years from the date of
23 the declaration of insolvency unless such claim arose out of a workers'
24 compensation policy and was timely filed in accordance with section
25 31-294c; (b) be deemed the insurer to the extent of its obligations on the
26 covered claims and to such extent shall have all rights, duties, and
27 obligations of the insolvent insurer as if the insurer had not become
28 insolvent; (c) allocate claims paid and expenses incurred among the
29 three accounts, created by section 38a-839, separately, and assess
30 member insurers separately (i) in respect of each such account for such
31 amounts as shall be necessary to pay the obligations of said association
32 under subdivision (a) of subsection (1) of this section subsequent to an
33 insolvency; (ii) the expenses of handling covered claims subsequent to
34 an insolvency; (iii) the cost of examinations under section 38a-846; and
35 (iv) such other expenses as are authorized by sections 38a-836 to 38a-
36 853, inclusive. The assessments of each member insurer shall be in the
37 proportion that the net direct written premiums of such member
38 insurer for the calendar year preceding the assessment on the kinds of
39 insurance in such account bears to the net direct written premiums of
40 all member insurers for the calendar year preceding the assessment on
41 the kinds of insurance in such account. Each member insurer shall be
42 notified of its assessment not later than thirty days before it is due. No
43 member insurer may be assessed in any year on any account an
44 amount greater than two per cent of that member insurer's net direct
45 written premiums for the calendar year preceding the assessment on
46 the kinds of insurance in said account, provided if, at the time an
47 assessment is levied on the "all other insurance" account, as defined in
48 subdivision (c) of section 38a-839, the board of directors finds that at
49 least fifty per cent of the total net direct written premiums of a member
50 insurer and all its affiliates, for the year on which such assessment is
51 based, were from policies issued or delivered in Connecticut, on risks
52 located in this state, such member insurer shall be assessed only on
53 such member insurer's net direct written premium that is attributable
54 to the kind of insurance that gives rise to each covered claim. If the

55 maximum assessment, together with the other assets of said
56 association in any account, does not provide in any one year in any
57 account an amount sufficient to make all necessary payments from that
58 account, the funds available may be prorated and the unpaid portion
59 shall be paid as soon thereafter as funds become available. Said
60 association may defer, in whole or in part, the assessment of any
61 member insurer, if the assessment would cause the member insurer's
62 financial statement to reflect amounts of capital or surplus less than the
63 minimum amounts required for a certificate of authority by any
64 jurisdiction in which the member insurer is authorized to transact
65 insurance provided that during the period of deferment, no dividends
66 shall be paid to shareholders or policyholders. Deferred assessments
67 shall be paid when such payment will not reduce capital or surplus
68 below the minimum amounts required for a certificate of authority.
69 Such payments shall be refunded to those insurers receiving greater
70 assessments because of such deferment or, at the election of the
71 insurer, be credited against future assessments. Each member insurer
72 serving as a servicing facility may set off against any assessment,
73 authorized payments made on covered claims and expenses incurred
74 in the payment of such claims by such member insurer if they are
75 chargeable to the account in respect of which the assessment is made;
76 (d) investigate claims brought against said association and adjust,
77 compromise, settle, and pay covered claims to the extent of said
78 association's obligations, and deny all other claims. The association
79 shall pay claims in any order it deems reasonable, including but not
80 limited to, payment in the order of receipt or by classification. It may
81 review settlements, releases and judgments to which the insolvent
82 insurer or its insureds were parties to determine the extent to which
83 such settlements, releases and judgments may be properly contested;
84 (e) notify such persons as the commissioner may direct under
85 subdivision (a) of subsection (2) of section 38a-843; (f) handle claims
86 through its employees or through one or more insurers or other
87 persons designated by said association as servicing facilities, provided
88 such designation of a servicing facility shall be subject to the approval
89 of the commissioner, and may be declined by a member insurer; (g)

90 reimburse each such servicing facility for obligations of said
91 association paid by such facility and for expenses incurred by such
92 facility while handling claims on behalf of said association and shall
93 pay such other expenses of said association as are authorized by
94 sections 38a-836 to 38a-853, inclusive.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>October 1, 2007</i>	38a-841(1)
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INS *Joint Favorable Subst.*