



House of Representatives

General Assembly

File No. 196

February Session, 2008

Substitute House Bill No. 5159

House of Representatives, March 26, 2008

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT MODERNIZING INSURANCE DEPARTMENT FINES AND MAKING MINOR TECHNICAL REVISIONS TO THE INSURANCE STATUTES.

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

1 Section 1. Section 38a-2 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2008*):

3 Any person or corporation violating any provision of this title for
4 the violation of which no other penalty is provided shall be fined not
5 more than [seven thousand five hundred] fifteen thousand dollars.

6 Sec. 2. Subsection (c) of section 38a-41 of the general statutes is
7 repealed and the following is substituted in lieu thereof (*Effective*
8 *October 1, 2008*):

9 (c) The commissioner may, at any time, for cause, suspend, revoke
10 or refuse to renew any such license or in lieu of or in addition to
11 suspension or revocation of such license the commissioner, after

12 reasonable notice to and hearing of any holder of such license, may
13 impose a fine not to exceed [ten] fifty thousand dollars. Such hearings
14 may be held by the commissioner or any person designated by the
15 commissioner. Whenever a person other than the commissioner acts as
16 the hearing officer, the person shall submit to the commissioner a
17 memorandum of the person's findings and recommendations upon
18 which the commissioner may base a decision. The commissioner may,
19 if the commissioner deems it in the interest of the public, publish in
20 one or more newspapers of the state a statement that, under the
21 provisions of this section, the commissioner has suspended or revoked
22 the license of any insurance company or health care center to do
23 business in this state.

24 Sec. 3. Subsection (h) of section 38a-48 of the general statutes is
25 repealed and the following is substituted in lieu thereof (*Effective*
26 *October 1, 2008*):

27 (h) If any assessment is not paid when due, a penalty of [ten]
28 twenty-five dollars shall be added thereto, and interest at the rate of six
29 per cent per annum shall be paid thereafter on such assessment and
30 penalty.

31 Sec. 4. Subsection (e) of section 38a-53 of the 2008 supplement to the
32 general statutes is repealed and the following is substituted in lieu
33 thereof (*Effective October 1, 2008*):

34 (e) Any insurance company or health care center doing business in
35 this state which fails to file any report or statement required under this
36 section shall pay a late filing fee of one hundred seventy-five dollars
37 per day for each day from the due date of such report or statement to
38 the date of filing.

39 Sec. 5. Subsection (a) of section 38a-90f of the general statutes is
40 repealed and the following is substituted in lieu thereof (*Effective*
41 *October 1, 2008*):

42 (a) If the commissioner finds after reasonable notice and hearing

43 that the managing general agent or any other person has not materially
44 complied with any provision of sections 38a-90 to 38a-90h, inclusive, or
45 any regulation or order [~~promulgated~~] adopted thereunder, the
46 commissioner may order: (1) For each separate violation, a penalty in
47 an amount of [~~ten~~] fifteen thousand dollars, and (2) revocation or
48 suspension of the person's insurance license.

49 Sec. 6. Subsections (c) to (f), inclusive, of 38a-140 of the general
50 statutes are repealed and the following is substituted in lieu thereof
51 (*Effective October 1, 2008*):

52 (c) (1) Whenever it appears to the commissioner that any insurance
53 company or any director, officer, employee or agent thereof has
54 committed a wilful violation of sections 38a-129 to 38a-140, inclusive,
55 as amended by this act, the commissioner may cause criminal
56 proceedings to be instituted by the state's attorney for the judicial
57 district in which the principal office of the insurance company is
58 located or, if such insurance company has no such office in the state,
59 by the state's attorney for the judicial district of Hartford against such
60 insurance company or the responsible director, officer, employee or
61 agent thereof. Any insurance company [~~which~~] that wilfully violates
62 said sections shall be fined not more than [~~ten~~] fifty thousand dollars.
63 Any individual who wilfully violates said sections shall be fined not
64 more than [~~three~~] fifteen thousand dollars or, if such wilful violation
65 involves the deliberate perpetration of a fraud upon the commissioner,
66 shall be imprisoned not more than two years or so fined or both.

67 (2) Any officer, director or employee of an insurance holding
68 company system who wilfully and knowingly subscribes to or makes
69 or causes to be made any false [~~statements~~] statement or false [~~reports~~]
70 report or false [~~filings~~] filing with the intent to deceive the
71 commissioner in the performance of his or her duties under sections
72 38a-129 to 38a-140, inclusive, as amended by this act, upon conviction
73 thereof, shall be imprisoned not more than five years or fined not more
74 than [~~twenty-five~~] fifty thousand dollars or both. Any fines imposed
75 shall be paid by the officer, director or employee in his or her

76 individual capacity.

77 (d) Whenever it appears to the commissioner that any person has
78 committed a violation of sections 38a-129 to 38a-140, inclusive, [which]
79 as amended by this act, that makes the continued operation of an
80 insurance company contrary to the interests of its policyholders or the
81 public, the commissioner may, after giving notice and an opportunity
82 to be heard, suspend, revoke or refuse to renew such insurance
83 company's license or authority to do business in this state for such
84 period as he finds is required for the protection of its policyholders or
85 the public.

86 (e) Any insurance company failing, without just cause, to file any
87 registration statement as required in section 38a-135 shall be required,
88 after notice and hearing, to pay a penalty of one hundred fifty dollars
89 for each day's delay, to be recovered by the commissioner, and the
90 penalty so recovered shall be paid into the Insurance Fund established
91 under section 38a-52a. The maximum penalty under this section [is
92 ten] shall be fifteen thousand dollars. The commissioner may reduce
93 the penalty if the insurance company demonstrates to the
94 commissioner that the imposition of the penalty would constitute a
95 hardship to the insurance company.

96 (f) [Every] Each director or officer of any insurance holding
97 company system who wilfully and knowingly violates, participates in,
98 or assents to, or who wilfully and knowingly [shall permit] permits
99 any of the officers or agents of the insurance company to engage in
100 transactions or make investments [which] that have not been properly
101 reported or submitted pursuant to section 38a-135 or 38a-136, or
102 [which] that violate sections 38a-129 to 38a-140, inclusive, as amended
103 by this act, shall pay, in their individual capacity, a civil forfeiture of
104 not more than [five thousand] seven thousand five hundred dollars
105 per violation, after notice and hearing before the commissioner. Any
106 civil forfeiture so recovered shall be paid into the Insurance Fund as
107 established under section 38a-52a. In determining the amount of the
108 civil forfeiture, the commissioner shall take into account the

109 appropriateness of the forfeiture with respect to the gravity of the
110 violation, the history of previous violations, and such other matters as
111 [he] the commissioner deems necessary.

112 Sec. 7. Subsection (b) of section 38a-164 of the general statutes is
113 repealed and the following is substituted in lieu thereof (*Effective*
114 *October 1, 2008*):

115 (b) Before the commissioner may revoke, suspend, or refuse to
116 renew the license of any insurance premium finance company for
117 cause shown, [he] the commissioner shall give to such company an
118 opportunity to be fully heard and to introduce evidence [in] on its
119 behalf. In addition to or in lieu of such suspension or revocation of any
120 license the commissioner may impose a fine not to exceed [one] five
121 thousand dollars [in respect of] for each violation of any of the
122 provisions of subsection (a) of this section, and if [in his judgment he]
123 the commissioner finds that the public interest would not be
124 substantially harmed by the continued operation of such company,
125 [he] the commissioner shall not be [obliged] required to suspend,
126 revoke or refuse to renew any such license. The amount of any such
127 fine shall be paid to the commissioner for deposit in the General Fund.
128 In any hearing held under the provisions of sections 38a-160 to 38a-
129 170, inclusive, the commissioner, or any hearing officer duly appointed
130 by the commissioner, may administer oaths to witnesses and any
131 person testifying falsely, after being administered such oath, shall be
132 guilty of perjury.

133 Sec. 8. Section 38a-226b of the general statutes is repealed and the
134 following is substituted in lieu thereof (*Effective October 1, 2008*):

135 (1) Whenever the commissioner has reason to believe that a
136 utilization review company subject to sections 38a-226 to 38a-226d,
137 inclusive, has been or is engaging in conduct in violation of said
138 sections, and that a proceeding by [him in respect thereto] the
139 commissioner would be in the interest of the public, the commissioner
140 shall issue and serve upon such company a statement of the charges in
141 that respect and a notice of a hearing to be held at a time and place

142 fixed in the notice, which shall not be less than thirty days after the
143 date of service. At the time and place fixed for such hearing, such
144 company shall have an opportunity to be heard and to show cause
145 why an order should not be made by the commissioner requiring such
146 company to cease and desist from the alleged conduct complained of.

147 (2) If, after such hearing, the commissioner determines that the
148 utilization review company charged has engaged in a violation of
149 sections 38a-226 to 38a-226d, inclusive, [he] the commissioner shall
150 reduce [his] the findings to writing and shall issue and cause to be
151 served upon the utilization review company a copy of such findings
152 and an order requiring such company to cease and desist from
153 engaging in such violation. The commissioner may [, at his discretion,]
154 order any [one or more] of the following:

155 (A) Payment of a civil penalty of not more than one thousand five
156 hundred dollars for each [and every] act or violation, provided such
157 penalty shall not exceed an aggregate penalty of [ten] fifteen thousand
158 dollars unless the company knew or reasonably should have known it
159 was in violation of sections 38a-226 to 38a-226d, inclusive, in which
160 case the penalty shall be not more than [five thousand] seven thousand
161 five hundred dollars for each [and every] act or violation not to exceed
162 an aggregate penalty of [fifty] seventy-five thousand dollars in any six-
163 month period;

164 (B) Suspension or revocation of the utilization review company's
165 license to do business in this state if it knew or reasonably should have
166 known that it was in violation of sections 38a-226 to 38a-226d,
167 inclusive; [and] or

168 (C) Payment of such reasonable expenses as may be necessary to
169 compensate the commissioner in connection with the proceedings
170 under this subdivision, which shall be dedicated exclusively to the
171 regulation of utilization review.

172 (3) Any company aggrieved by any such order of the commissioner
173 may appeal therefrom in accordance with the provisions of section 4-

174 183, except venue for such appeal shall be in the judicial district of
175 New Britain.

176 (4) Any person who violates a cease and desist order of the
177 commissioner made pursuant to this section and while such order is in
178 effect shall, after notice and hearing and upon order of the
179 commissioner, be subject to the following: (A) A civil penalty of not
180 more than [fifty] seventy-five thousand dollars; or (B) suspension or
181 revocation of such person's license.

182 Sec. 9. Subsection (d) of section 38a-226c of the general statutes is
183 repealed and the following is substituted in lieu thereof (*Effective*
184 *October 1, 2008*):

185 (d) No provider, enrollee or agent thereof may provide to any
186 utilization review company information which is fraudulent or
187 misleading. If fraudulent or misleading statements have occurred, the
188 commissioner shall provide notice of the alleged violation and
189 opportunity to request a hearing in accordance with chapter 54 to said
190 provider, enrollee or agent thereof. If a hearing is not requested or if
191 after a hearing the commissioner finds that a violation has in fact
192 occurred, the commissioner may impose a civil penalty (1) of not more
193 than [five thousand] seven thousand five hundred dollars, or (2)
194 commensurate with the value of services provided which were
195 certified as a result of said fraudulent or misleading information. In
196 addition, any allegation or denial made without reasonable cause and
197 found untrue shall subject the party pleading the same to the payment
198 of such reasonable expenses as may be necessary to compensate the
199 department for expenses incurred due to such untrue pleading. All
200 such payments to the department shall be dedicated exclusively to the
201 regulation of utilization review.

202 Sec. 10. Subsection (e) of section 38a-277 of the general statutes is
203 repealed and the following is substituted in lieu thereof (*Effective*
204 *October 1, 2008*):

205 (e) If the insured fails to withhold from the premium the amount of

206 tax herein levied, the insured shall be liable for the amount thereof and
207 shall pay the same to the Commissioner of Revenue Services within
208 the time stated in subsection (c) of this section. Any person who fails to
209 pay the tax within the time stated in subsection (c) of this section shall
210 pay a penalty of ten per cent thereof or [fifty] seventy-five dollars,
211 whichever is greater, which penalty shall be paid at the time of paying
212 such tax. Interest shall be added to the tax at the rate of one per cent
213 per month or fraction thereof from the date such payment was due to
214 the date paid. Subject to the provisions of section 12-3a, the
215 [commissioner] Commissioner of Revenue Services may waive all or
216 part of the penalties provided under this section when it is proven to
217 [his] said commissioner's satisfaction that the failure to pay any tax
218 was due to reasonable cause and was not intentional or due to neglect.

219 Sec. 11. Section 38a-278 of the general statutes is repealed and the
220 following is substituted in lieu thereof (*Effective October 1, 2008*):

221 (a) Any unauthorized insurer who does any act of an insurance
222 business as set forth in section 38a-271 shall be fined not more than
223 [ten] fifty thousand dollars.

224 (b) In addition to the penalty provided in subsection (a) of this
225 section or otherwise provided by law, any person or insurer violating
226 section 38a-27 or 38a-271 to 38a-278, inclusive, as amended by this act,
227 shall be fined two thousand five hundred dollars for the first offense
228 and an additional two thousand five hundred dollars for each month
229 during which any such person or insurer continues such violation.

230 Sec. 12. Section 38a-287 of the general statutes is repealed and the
231 following is substituted in lieu thereof (*Effective October 1, 2008*):

232 Any person who obtains or attempts to obtain, from any life or
233 accident insurance company of this state, any money on any policy of
234 insurance issued by it, by falsely or fraudulently representing the
235 insured person as dead or the person insured against accident as
236 injured, or fraudulently obtains or attempts to obtain any money from
237 such company upon a policy of insurance issued in the name of a

238 fictitious person, shall, (1) if the sum so obtained or attempted to be
239 obtained is [one hundred] two thousand dollars or more, be
240 imprisoned not more than ten years, [;] and [,] (2) if such sum is less
241 than [one hundred] two thousand dollars, [he shall] be fined not more
242 than [five hundred] ten thousand dollars or imprisoned not more than
243 one year, or both.

244 Sec. 13. Section 38a-306 of the general statutes is repealed and the
245 following is substituted in lieu thereof (*Effective October 1, 2008*):

246 The form of policy of fire insurance set forth in section 38a-307 shall
247 be known and designated as "The Standard Fire Insurance Policy of
248 the State of Connecticut". The standard form of policy shall be plainly
249 printed, and no portion thereof shall be in type smaller than the type
250 used in printing such form on file in the office of the commissioner.
251 The provisions of this section shall not limit insurance companies to
252 the use of any particular size of paper or manner of folding the paper
253 upon which their policies may be issued, and each agent who makes,
254 issues or delivers a policy of fire insurance other than the standard
255 form of fire insurance policy shall forfeit for each offense not more
256 than [two hundred] one thousand dollars, [;] but such policy shall be
257 binding upon the issuing company [issuing the same] to the same
258 extent and on the same conditions as if it had been in the standard
259 form.

260 Sec. 14. Subsection (a) of section 38a-456 of the general statutes is
261 repealed and the following is substituted in lieu thereof (*Effective*
262 *October 1, 2008*):

263 (a) Any individual, partnership, corporation or unincorporated
264 association providing group life insurance coverage for its employees
265 shall furnish each insured employee, upon cancellation or
266 discontinuation of such life insurance, notice of the cancellation or
267 discontinuation of such insurance. The notice shall be mailed or
268 delivered to the insured employee not less than fifteen days next
269 preceding the effective date of cancellation or discontinuation. Any
270 individual or any such entity [which] that fails to provide timely notice

271 shall be fined not more than [one] two thousand dollars for each
272 violation. The Labor Commissioner shall have the authority to assess
273 all such fines. This section shall apply to any such individual,
274 partnership, corporation or unincorporated association [which] that
275 substitutes one policy providing such group life insurance coverage for
276 another such policy with no interruption in coverage.

277 Sec. 15. Section 38a-464 of the general statutes is repealed and the
278 following is substituted in lieu thereof (*Effective October 1, 2008*):

279 A "burial contract" or "burial certificate", within the meaning of this
280 section, is any instrument in writing whereby any person, firm,
281 corporation or association, in consideration of the payment of a
282 specified sum of money or for any other valuable consideration,
283 promises or agrees to embalm or inter or otherwise dispose of, or to
284 procure the embalmment or interment or other disposal of, the
285 remains of any person who is living at the time of the execution of
286 such instrument. No person, firm, corporation or association shall
287 transact the business of issuing burial contracts or burial certificates
288 until such person, firm, corporation or association has procured from
289 the commissioner a license to conduct such business under such
290 regulations as the commissioner [prescribes] may prescribe in
291 accordance with chapter 54. All the applicable provisions of the
292 general statutes which pertain to and govern the issuance of policies of
293 life insurance are made applicable to and shall govern the issuance of
294 burial contracts or burial certificates. Any person who violates any
295 provision of this section shall be fined not more than [five hundred] six
296 thousand dollars or imprisoned not more than one year, or both.

297 Sec. 16. Section 38a-506 of the general statutes is repealed and the
298 following is substituted in lieu thereof (*Effective October 1, 2008*):

299 Any insurer, hospital or medical service corporation, health care
300 center or fraternal benefit society, or any officer or agent thereof,
301 delivering or issuing for delivery to any person in this state any policy
302 in violation of any of the provisions of sections 38a-481 to 38a-488,
303 inclusive, shall be fined not more than [five hundred] ten thousand

304 dollars for each offense, and the commissioner may revoke the license
305 of any foreign or alien insurer, or any agent thereof, violating any of
306 said provisions.

307 Sec. 17. Subsection (a) of section 38a-537 of the general statutes is
308 repealed and the following is substituted in lieu thereof (*Effective*
309 *October 1, 2008*):

310 (a) Any individual, partnership, corporation, or unincorporated
311 association providing group health insurance coverage for its
312 employees shall furnish each insured employee, upon cancellation or
313 discontinuation of such health insurance, notice of the cancellation or
314 discontinuation of such insurance. The notice shall be mailed or
315 delivered to the insured employee not less than fifteen days next
316 preceding the effective date of cancellation or discontinuation. Any
317 individual or any such entity [which] that fails to provide timely notice
318 shall be fined not more than [one] two thousand dollars for each
319 violation. The Labor Commissioner shall have the authority to assess
320 all such fines. This section shall apply to any such individual,
321 partnership, corporation or unincorporated association [which] that
322 substitutes one policy providing [such] group health insurance
323 coverage for another such policy with no interruption in coverage.

324 Sec. 18. Section 38a-548 of the general statutes is repealed and the
325 following is substituted in lieu thereof (*Effective October 1, 2008*):

326 Any insurer, hospital or medical service corporation, health care
327 center or fraternal benefit society, or any officer or agent thereof,
328 delivering or issuing for delivery to any person in this state any policy
329 in violation of any of the provisions of sections 38a-512 to 38a-533,
330 inclusive, 38a-537 to 38a-542, inclusive, as amended by this act, and
331 38a-545, shall be fined not more than [five hundred] one thousand
332 dollars for each offense, and the commissioner may revoke the license
333 of any foreign or alien insurer, or any agent thereof, violating any of
334 those provisions.

335 Sec. 19. Section 38a-588 of the general statutes is repealed and the

336 following is substituted in lieu thereof (*Effective October 1, 2008*):

337 Any dental plan organization [which] that violates any provision of
338 sections 38a-577 to 38a-590, inclusive, or neglects, fails or refuses to
339 comply with any of the requirements of said sections, except the failure
340 to file an annual report and the failure to reply in writing to inquiries
341 of the commissioner, shall be liable for a civil penalty of not more than
342 one thousand five hundred dollars for each violation. The
343 commissioner may bring a civil action to recover the amount of a civil
344 penalty.

345 Sec. 20. Section 38a-622 of the general statutes is repealed and the
346 following is substituted in lieu thereof (*Effective October 1, 2008*):

347 No person shall cause or permit to be made, issued or circulated in
348 any form: (a) Any misrepresentation or false or misleading statement
349 concerning the terms, benefits or advantages of any fraternal insurance
350 contract issued or to be issued in this state, or the financial condition of
351 any society; (b) any false or misleading estimate or statement
352 concerning the dividends or shares of surplus paid or to be paid by
353 any society on any insurance contract; or (c) any incomplete
354 comparison of an insurance contract of one society with an insurance
355 contract of another society or insurer for the purpose of inducing the
356 lapse, forfeiture or surrender of any insurance contract. A comparison
357 of insurance contracts is incomplete if it does not compare in detail: (1)
358 The gross rates, and the gross rates less any dividend or other
359 reduction allowed at the date of the comparison; (2) any increase in
360 cash values, and all the benefits provided by each contract for the
361 possible duration thereof as determined by the life expectancy of the
362 insured; or if it omits from consideration; (3) any benefit or value
363 provided in the contract; (4) any differences as to amount or period of
364 rates; or (5) any differences in limitations or conditions or provisions
365 which directly or indirectly affect the benefits. In any determination of
366 the incompleteness or misleading character of any comparison or
367 statement, it shall be presumed that the insured had no knowledge of
368 any of the contents of the contract involved. Any person who violates

369 any provision of this section, or knowingly receives any compensation
370 or commission by or in consequence of such violation, shall be fined
371 not less than [one hundred] two thousand dollars [nor] or more than
372 [five hundred] ten thousand dollars or be imprisoned not less than
373 thirty days [nor] or more than one year, or be both fined and
374 imprisoned, and shall, in addition, be liable for civil penalty in the
375 amount of three times the sum received by such violator as
376 compensation or commission, which penalty may be sued for and
377 recovered by any person or society aggrieved for his or its own use
378 and benefit in accordance with the provisions of civil practice.

379 Sec. 21. Section 38a-626 of the general statutes is repealed and the
380 following is substituted in lieu thereof (*Effective October 1, 2008*):

381 Any person who wilfully makes a false or fraudulent statement in
382 or relating to an application for membership or for the purpose of
383 obtaining money from or a benefit in any society shall be fined not less
384 than [one hundred] two thousand dollars [nor] or more than [five
385 hundred] ten thousand dollars or imprisoned not less than thirty days
386 [nor] or more than one year or both. Any person who wilfully makes a
387 false or fraudulent statement in any verified report or declaration
388 under oath required or authorized by sections 38a-595 to 38a-626,
389 inclusive, as amended by this act, 38a-631 to 38a-640, inclusive, and
390 38a-800, or of any material fact or thing contained in a sworn statement
391 concerning the death or disability of a member for the purpose of
392 procuring payment of a benefit named in the certificate, shall be guilty
393 of false statement and shall be subject to the penalties therefor. Any
394 person who solicits membership for, or in any manner assists in
395 procuring membership in, any society not licensed to do business in
396 this state shall be fined not less than [fifty] one thousand dollars [nor]
397 or more than [two hundred] four thousand dollars. Any person guilty
398 of a wilful violation of, or neglect or refusal to comply with, the
399 provisions of said sections for which a penalty is not otherwise
400 prescribed shall be fined not more than [two hundred] four thousand
401 dollars.

402 Sec. 22. Section 38a-658 of the general statutes is repealed and the
403 following is substituted in lieu thereof (*Effective October 1, 2008*):

404 Any person, firm or corporation violating any provision of sections
405 38a-645 to 38a-658, inclusive, as amended by this act, shall be fined not
406 more than [two hundred and fifty] one thousand five hundred dollars
407 or imprisoned not more than two years, or both. The commissioner
408 may revoke or suspend the license or certificate of authority of the
409 person guilty of such violation. Such order for suspension or
410 revocation shall be after notice and hearing, and shall be subject to
411 judicial review as provided in section 38a-657.

412 Sec. 23. Section 38a-680 of the general statutes is repealed and the
413 following is substituted in lieu thereof (*Effective October 1, 2008*):

414 Any person, insurer, organization, group or association that fails to
415 comply with the final order of the Insurance Commissioner pursuant
416 to sections 38a-663 to 38a-696, inclusive, shall be fined not more than
417 [one] two thousand dollars, but if such failure be wilful, not more than
418 [ten] twenty thousand dollars, or imprisoned not more than one year
419 or both. The commissioner shall collect the amount so payable and
420 such penalties may be in addition to any other penalties provided by
421 law.

422 Sec. 24. Section 38a-703 of the general statutes is repealed and the
423 following is substituted in lieu thereof (*Effective October 1, 2008*):

424 No person shall, within this state, solicit or procure insurance,
425 except with regard to his own property or person, with or by any
426 insurance company [which] that does not hold a certificate then in
427 force from the commissioner authorizing such insurance company to
428 do such insurance business in this state, or deliver policies or collect
429 premiums of or for any such company; nor shall any person aid in any
430 way in the transaction in this state of any insurance business with or
431 by any insurance company not thus authorized, except to obtain
432 insurance upon his own property or person. Any person who aids any
433 corporation, association or person not authorized to do insurance

434 business in this state in soliciting such business from residents of this
435 state, by means of any advertisement published in this state or by any
436 other means, shall be fined not more than [one hundred] two thousand
437 dollars or imprisoned not more than six months, or both.

438 Sec. 25. Section 38a-704 of the general statutes is repealed and the
439 following is substituted in lieu thereof (*Effective October 1, 2008*):

440 Any person, partnership, association, limited liability company or
441 corporation, or any person, partnership, association, limited liability
442 company or corporation acting under a trade name, [who] that acts
443 within this state, either on the person's own behalf or as a
444 representative or agent of any other person or partnership, association,
445 limited liability company or corporation or any other person,
446 partnership, association, limited liability company or corporation
447 acting under a trade name, as an insurance producer, as defined in
448 section 38a-702a, unless such person holds an insurance producer
449 license then in force from the commissioner authorizing the person so
450 to act, shall be fined not more than [five hundred] ten thousand dollars
451 or imprisoned not more than three months, or both.

452 Sec. 26. Section 38a-713 of the general statutes is repealed and the
453 following is substituted in lieu thereof (*Effective October 1, 2008*):

454 Any insurance producer who signs or countersigns any policy of
455 insurance or countersigns any endorsement thereon in blank shall be
456 fined not more than one [hundred] thousand dollars, and the
457 commissioner shall revoke the producer's license.

458 Sec. 27. Section 38a-725 of the general statutes is repealed and the
459 following is substituted in lieu thereof (*Effective October 1, 2008*):

460 Any person who acts within this state, either [in his] on the person's
461 own behalf or as representative or agent of any other person or any
462 partnership, association or corporation as a public adjuster, unless
463 such person holds a license then in force from the commissioner
464 authorizing [him] the person so to act, shall be fined not more than

465 [five hundred] ten thousand dollars or imprisoned not more than three
466 months, or both.

467 Sec. 28. Section 38a-733 of the general statutes is repealed and the
468 following is substituted in lieu thereof (*Effective October 1, 2008*):

469 A certified insurance consultant who furnishes any advice or
470 counsel as such consultant, makes any recommendation or gives any
471 information except under the terms of a previously executed written
472 contract conforming to section 38a-732 and in full force and effect shall
473 thereupon, in every case, give to the recipient thereof a statement in
474 writing, signed by [him] the consultant, in a form currently approved
475 by the commissioner, specifying the advice, counsel, recommendation
476 or information given, and a receipt, in a form currently approved by
477 the commissioner, for the fee paid to [him] the consultant or a
478 statement, in a form currently approved by the commissioner, of the
479 fee to be received by [him] the consultant therefor. Any person who
480 violates any provision of this section shall be fined not less than two
481 hundred fifty [nor] or more than two thousand five hundred dollars.

482 Sec. 29. Section 38a-734 of the general statutes is repealed and the
483 following is substituted in lieu thereof (*Effective October 1, 2008*):

484 No person, acting in the capacity of a certified insurance consultant
485 and as such serving any person, firm, association, organization or
486 corporation, not engaged in the insurance business, for compensation
487 paid or to be paid by the person served, shall directly or indirectly
488 receive any part of any commission or compensation paid by any
489 insurer or producer in connection with the sale or writing of any
490 insurance which is within the subject matter of any such service. The
491 provisions of this section shall not apply to an insurance producer who
492 is an advisory representative of a registered investment adviser
493 registered pursuant to the Investment Advisers Act of 1940, 15 USC
494 80b-1, et seq., provided the insurance producer makes full disclosure
495 in a written memorandum, signed by the party to be charged, which
496 specifies the amount of such fee or compensation for services
497 performed pursuant to the Investment Advisers Act of 1940 and which

498 also discloses that a commission may be paid to the insurance
499 producer from the sale of any insurance. Any person violating the
500 provisions of this section shall be fined not less than two hundred fifty
501 [nor] or more than two thousand five hundred dollars or be
502 imprisoned not less than thirty [nor] or more than ninety days, or both.

503 Sec. 30. Section 38a-735 of the general statutes is repealed and the
504 following is substituted in lieu thereof (*Effective October 1, 2008*):

505 Any person who acts as a certified insurance consultant without
506 such license or during a suspension of [his] the person's license shall be
507 fined not less than two hundred fifty [nor] or more than two thousand
508 five hundred dollars or be imprisoned not more than six months, or
509 both.

510 Sec. 31. Subsection (b) of section 38a-764 of the general statutes is
511 repealed and the following is substituted in lieu thereof (*Effective*
512 *October 1, 2008*):

513 (b) [Any] Except as provided in subsection (a) of this section, any
514 person who in this state acts as fraternal agent for a society without
515 having authority so to do by virtue of a license issued and in force
516 pursuant to the provisions of this section [, except as provided in
517 subsection (a) of this section,] shall be fined not more than [one
518 hundred] ten thousand dollars.

519 Sec. 32. Section 38a-772 of the general statutes is repealed and the
520 following is substituted in lieu thereof (*Effective October 1, 2008*):

521 Any person wilfully misrepresenting any fact required to be
522 disclosed in any application or in any other form, paper or document
523 required to be filed with the commissioner in connection with an
524 application for any license issued by the commissioner pursuant to
525 sections 38a-702j, 38a-703 to 38a-718, inclusive, as amended by this act,
526 38a-731 to 38a-735, inclusive, as amended by this act, 38a-741 to 38a-
527 745, inclusive, 38a-769 to 38a-777, inclusive, as amended by this act,
528 38a-786, as amended by this act, 38a-790, as amended by this act, 38a-

529 792, as amended by this act, and 38a-794 shall be fined not more than
530 [five hundred] four thousand dollars or imprisoned not more than six
531 months, or both.

532 Sec. 33. Section 38a-773 of the general statutes is repealed and the
533 following is substituted in lieu thereof (*Effective October 1, 2008*):

534 Any person impersonating or attempting or offering to impersonate
535 another person in taking or attempting or offering to take any
536 examination held in accordance with the regulations of the Insurance
537 Department, or procuring any other person falsely to take or attempt
538 or offer to take any such examination for an applicant for a license,
539 shall be fined not more than [five hundred] four thousand dollars or
540 imprisoned not more than six months, or both.

541 Sec. 34. Subsection (a) of section 38a-774 of the general statutes is
542 repealed and the following is substituted in lieu thereof (*Effective*
543 *October 1, 2008*):

544 (a) The commissioner, after reasonable notice to and hearing of any
545 [holder of a license issued by the commissioner] licensee, may suspend
546 or revoke the licensee's license for cause shown. In addition to or in
547 lieu of suspension or revocation, the commissioner may impose a fine
548 not to exceed [one] five thousand dollars. Hearings may be held by the
549 commissioner or by any person designated by the commissioner.
550 Whenever a person other than the commissioner acts as the hearing
551 officer, [he] such person shall submit to the commissioner a
552 memorandum of [his] the findings and recommendations upon which
553 the commissioner may base [his] a decision.

554 Sec. 35. Section 38a-777 of the general statutes is repealed and the
555 following is substituted in lieu thereof (*Effective October 1, 2008*):

556 Any licensee under sections 38a-741 to 38a-744, inclusive, [38a-777
557 and] or section 38a-794 who negotiates, continues or renews any
558 contract for insurance in any unauthorized company, and who
559 neglects to make and file the affidavit and statements required by said

560 sections, or who wilfully makes a false affidavit or statement, or who
561 negotiates, continues or renews any such contract of insurance after
562 the revocation or during the suspension of the licensee's license, shall
563 forfeit the license if not previously revoked and shall be fined not more
564 than [five hundred] four thousand dollars or imprisoned not more
565 than six months, or both.

566 Sec. 36. Subsection (c) of section 38a-786 of the general statutes is
567 repealed and the following is substituted in lieu thereof (*Effective*
568 *October 1, 2008*):

569 (c) The commissioner may at any time require such information as
570 [he] the commissioner deems necessary [in] with respect to the
571 business methods, policies and transactions of a licensee under this
572 section. Any person who fails or refuses to furnish the commissioner,
573 in such form as [he] the commissioner may require, any such
574 information within ten days after receiving a written request therefor
575 shall be fined not less than two hundred fifty [nor] or more than two
576 thousand five hundred dollars.

577 Sec. 37. Subsection (b) of section 38a-790 of the general statutes is
578 repealed and the following is substituted in lieu thereof (*Effective*
579 *October 1, 2008*):

580 (b) Any person who violates any provision of this section shall be
581 fined not more than two thousand five hundred dollars or imprisoned
582 not more than one year, or both.

583 Sec. 38. Subsection (c) of section 38a-792 of the general statutes is
584 repealed and the following is substituted in lieu thereof (*Effective*
585 *October 1, 2008*):

586 (c) Any person who violates any provision of this section shall be
587 fined not more than two [hundred] thousand dollars or imprisoned
588 not more than one year or both.

589 Sec. 39. Section 38a-817 of the general statutes is repealed and the
590 following is substituted in lieu thereof (*Effective October 1, 2008*):

591 (a) Whenever the commissioner has reason to believe that any such
592 person has been engaged or is engaging in violation of sections 38a-815
593 to 38a-819, inclusive, in any unfair method of competition or any
594 unfair or deceptive act or practice defined in section 38a-816, and that a
595 proceeding by [him] the commissioner in respect thereto would be [to]
596 in the interest of the public, [he] the commissioner shall issue and
597 serve upon such person a statement of the charges in that respect and a
598 notice of a hearing thereon to be held at a time and place fixed in the
599 notice, which shall not be less than thirty days after the date of the
600 service thereof. At the time and place fixed for such hearing, such
601 person shall have an opportunity to be heard and to show cause why
602 an order should not be made by the commissioner requiring such
603 person to cease and desist from the acts, methods or practices so
604 complained of. Upon good cause shown, the commissioner shall
605 permit any person to intervene, appear and be heard at such hearing
606 by counsel or in person. The commissioner, upon such hearing, may
607 administer oaths, examine and cross-examine witnesses and receive
608 oral and documentary evidence, and shall have the power to subpoena
609 witnesses, compel their attendance and require the production of
610 books, papers, records, correspondence or other documents [which he]
611 that the commissioner deems relevant to the inquiry. [In case of a
612 refusal of] If any person refuses to comply with any subpoena issued
613 hereunder or to testify with respect to any matter concerning which
614 [he] the person may be lawfully interrogated, the superior court for the
615 judicial district of New Britain or the superior court for the judicial
616 district where such person resides [, on application of the
617 commissioner,] may, on application of the commissioner, issue an
618 order requiring such person to comply with such subpoena and to
619 testify. [; and any] Any failure to obey any such order of the court may
620 be punished by the court as a contempt thereof. Statements of charges,
621 notices, orders and other processes of the commissioner under sections
622 38a-815 to 38a-819, inclusive, may be served in the manner provided
623 by law for service of process in civil actions.

624 (b) If, after such hearing, the commissioner determines that the
625 person charged has engaged in an unfair method of competition or an

626 unfair or deceptive act or practice, the commissioner shall reduce the
627 [commissioner's] findings to writing and shall issue and cause to be
628 served upon the person charged with the violation a copy of such
629 findings and an order requiring such person to cease and desist from
630 engaging in such method of competition, act or practice and if the act
631 or practice is a violation of section 38a-816, the commissioner may [, at
632 the commissioner's discretion] order any [one or more] of the
633 following: (1) Payment of a monetary penalty of not more than [one]
634 five thousand dollars for each [and every] act or violation but not to
635 exceed an aggregate penalty of [ten] fifty thousand dollars unless the
636 person knew or reasonably should have known that the person was in
637 violation of [section] sections 38a-815 [,] and 38a-816, this subsection
638 and subsection (e) of this section, in which case the penalty shall be not
639 more than [five] twenty-five thousand dollars for each [and every] act
640 or violation but not to exceed an aggregate penalty of two hundred
641 fifty thousand dollars in any six-month period; (2) suspension or
642 revocation of the person's license if the person knew or reasonably
643 should have known the person was in violation of said sections and
644 subsections; or (3) restitution of any sums shown to have been
645 obtained in violation of any of the provisions of said sections or any
646 regulation implementing the provisions of said sections.

647 (c) Any person aggrieved by any such order of the commissioner
648 may appeal therefrom in accordance with the provisions of section 4-
649 183, except venue for such appeal shall be in the judicial district of
650 New Britain.

651 (d) No order of the commissioner under sections 38a-815 to 38a-819,
652 inclusive, shall relieve or absolve any person affected by such order
653 from any liability under any other laws of this state.

654 (e) Any person who violates a cease and desist order of the
655 commissioner made pursuant to this section and while such order is in
656 effect shall, after notice and hearing and upon order of the
657 commissioner, be subject to any [one or more] of the following: (1) A
658 monetary penalty of not more than [ten] fifty thousand dollars for each

659 [and every] act or violation; or (2) suspension or revocation of such
660 person's license.

661 Sec. 40. Section 38a-826 of the general statutes is repealed and the
662 following is substituted in lieu thereof (*Effective October 1, 2008*):

663 No insurance company, producer or any other person,
664 copartnership or corporation shall make or issue, or cause to be made
665 or issued, any written or oral statements, misrepresenting or making
666 incomplete comparisons regarding the terms or conditions or benefits
667 contained in any policy or contract of insurance, legally issued by any
668 insurance company licensed to transact business in this state, for the
669 purpose of inducing or attempting to induce the owner of such policy
670 or contract of insurance to forfeit or surrender such policy or contract
671 of insurance or allow it to lapse for the purpose of replacing such
672 policy or contract of insurance with another. Any person who violates
673 any provision of this section shall be fined not more than five
674 [hundred] thousand dollars or imprisoned not more than thirty days,
675 or both.

676 Sec. 41. Section 38a-830 of the general statutes is repealed and the
677 following is substituted in lieu thereof (*Effective October 1, 2008*):

678 Any person or corporation which violates any provision of section
679 38a-828 or 38a-829 shall, for the first offense, forfeit to the state [five
680 hundred] ten thousand dollars and, for each subsequent offense, [one]
681 twenty thousand dollars.

682 Sec. 42. Subdivision (2) of section 38a-843 of the general statutes is
683 repealed and the following is substituted in lieu thereof (*Effective*
684 *October 1, 2008*):

685 (2) The commissioner may: (a) Require that said association notify
686 those persons insured by the insolvent insurer, and any other
687 interested parties, of the determination of insolvency and of their
688 rights under sections 38a-836 to 38a-853, inclusive. Such notification
689 shall be by mail sent to their last known address, where available,

690 provided if sufficient information for such notification by mail is not
691 available, notice by publication in a newspaper of general circulation
692 shall be sufficient to satisfy the requirements of this subsection; (b)
693 suspend or revoke, after notice and hearing, the certificate of authority
694 to transact insurance in this state of any member insurer [which] that
695 fails to pay an assessment when due or which fails to comply with said
696 plan of operation. In lieu of [any] such suspension or revocation, the
697 commissioner may levy a fine on any member insurer which fails to
698 pay an assessment when due, provided no such fine shall exceed five
699 per cent of the unpaid assessment per month, and provided no fine
700 shall be less than [one] five hundred dollars per month; (c) revoke the
701 designation of any servicing facility if he finds claims are being
702 handled unsatisfactorily.

703 Sec. 43. Subsection (b) of section 38a-868 of the general statutes is
704 repealed and the following is substituted in lieu thereof (*Effective*
705 *October 1, 2008*):

706 (b) The commissioner may suspend or revoke, after notice and
707 hearing, the certificate of authority issued by this state to any member
708 insurer [which] that fails to pay an assessment when due or fails to
709 comply with the plan of operation. As an alternative the commissioner
710 may levy a forfeiture on any member insurer [which] that fails to pay
711 an assessment when due. Such forfeiture shall not exceed five per cent
712 of the unpaid assessment per month, but no forfeiture shall be less
713 than [one] five hundred dollars per month.

714 Sec. 44. Section 38a-885 of the general statutes is repealed and the
715 following is substituted in lieu thereof (*Effective October 1, 2008*):

716 Any person filing with the department any notice, statement or
717 other document required under the provisions of section 38a-884 [,
718 which] that is false or untrue or contains any material misstatement of
719 fact shall be fined not less than [two] three hundred dollars.

720 Sec. 45. Section 38a-886 of the general statutes is repealed and the
721 following is substituted in lieu thereof (*Effective October 1, 2008*):

722 When the department receives an application, as provided in
723 section 38a-884, the Attorney General, at the request of the
724 commissioner, may apply in the name of the state of Connecticut to the
725 Superior Court for an order temporarily or permanently restraining
726 and enjoining the continuance of such act or acts, for an order directing
727 restitution to any aggrieved person, payment to the guaranty fund for
728 any payments the fund made to aggrieved persons, attorney's fees,
729 costs, a civil penalty of not more than one thousand five hundred
730 dollars per violation and such other relief as may be granted in equity.

731 Sec. 46. Section 38a-908 of the general statutes is repealed and the
732 following is substituted in lieu thereof (*Effective October 1, 2008*):

733 (a) Any officer, manager, director, trustee, owner, employee or
734 agent of any insurer, or any other persons with authority over or in
735 charge of any segment of the insurer's affairs, shall cooperate with the
736 commissioner in any proceeding under this chapter or any
737 investigation preliminary to the proceeding. The term "person" as used
738 in this section shall include any person who exercises control directly
739 or indirectly over activities of the insurer through any holding
740 company or other affiliate of the insurer. "To cooperate" shall include,
741 but shall not be limited to, the following: (1) To reply promptly in
742 writing to any inquiry from the commissioner requesting such a reply;
743 and (2) to make available to the commissioner any books, accounts,
744 documents, or other records or information or property of or
745 pertaining to the insurer and in his possession, custody or control.

746 (b) No person shall obstruct or interfere with the commissioner in
747 the conduct of any delinquency proceeding or any investigation
748 preliminary or incidental thereto.

749 (c) This section shall not be construed to abridge otherwise existing
750 legal rights, including the right to resist a petition for liquidation or
751 other delinquency proceedings, or other orders.

752 (d) Any person included within subsection (a) of this section who
753 fails to cooperate with the commissioner, or any person who obstructs

754 or interferes with the commissioner in the conduct of any delinquency
755 proceeding or any investigation preliminary or incidental thereto, or
756 who violates any order the commissioner issued validly under sections
757 38a-903 to 38a-961, inclusive, may: (1) Be sentenced to pay a fine not
758 exceeding ten thousand dollars or [to undergo imprisonment for a
759 term of] imprisoned not more than one year, or both; [,] or (2) after a
760 hearing, be subject to [the imposition by the commissioner, of] a civil
761 penalty not to exceed [ten] twenty-five thousand dollars and [shall be
762 subject further to] the revocation or suspension of any insurance
763 licenses issued by the commissioner.

764 Sec. 47. Subsection (b) of section 38a-925 of the general statutes is
765 repealed and the following is substituted in lieu thereof (*Effective*
766 *October 1, 2008*):

767 (b) Any agent failing to give notice or file a report of compliance as
768 required in subsection (a) of this section may be subject to [payment of]
769 a penalty of not more than [one thousand] two thousand five hundred
770 dollars and may have his license suspended, said penalty to be
771 imposed after a hearing held by the commissioner.

772 Sec. 48. Subsection (b) of section 38a-935 of the general statutes is
773 repealed and the following is substituted in lieu thereof (*Effective*
774 *October 1, 2008*):

775 (b) Upon satisfactory evidence of a violation of this section [,] by a
776 person other than an insured, the commissioner may [pursue either
777 one or both] require any of the following: [courses of action:] (1)
778 Suspend or revoke or refuse to renew the licenses of such offending
779 party or parties; or (2) impose a penalty of not more than [one
780 thousand] two thousand five hundred dollars for each [and every] act
781 in violation of this section by said party or parties.

782 Sec. 49. Section 38a-997 of the general statutes is repealed and the
783 following is substituted in lieu thereof (*Effective October 1, 2008*):

784 Any person who knowingly and wilfully obtains information

785 concerning an individual from an insurance institution, agent or
 786 insurance-support organization under false pretenses shall be fined not
 787 more than [ten] twenty thousand dollars.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2008</i>	38a-2
Sec. 2	<i>October 1, 2008</i>	38a-41(c)
Sec. 3	<i>October 1, 2008</i>	38a-48(h)
Sec. 4	<i>October 1, 2008</i>	38a-53(e)
Sec. 5	<i>October 1, 2008</i>	38a-90f(a)
Sec. 6	<i>October 1, 2008</i>	38a-140(c) to (f)
Sec. 7	<i>October 1, 2008</i>	38a-164(b)
Sec. 8	<i>October 1, 2008</i>	38a-226b
Sec. 9	<i>October 1, 2008</i>	38a-226c(d)
Sec. 10	<i>October 1, 2008</i>	38a-277(e)
Sec. 11	<i>October 1, 2008</i>	38a-278
Sec. 12	<i>October 1, 2008</i>	38a-287
Sec. 13	<i>October 1, 2008</i>	38a-306
Sec. 14	<i>October 1, 2008</i>	38a-456(a)
Sec. 15	<i>October 1, 2008</i>	38a-464
Sec. 16	<i>October 1, 2008</i>	38a-506
Sec. 17	<i>October 1, 2008</i>	38a-537(a)
Sec. 18	<i>October 1, 2008</i>	38a-548
Sec. 19	<i>October 1, 2008</i>	38a-588
Sec. 20	<i>October 1, 2008</i>	38a-622
Sec. 21	<i>October 1, 2008</i>	38a-626
Sec. 22	<i>October 1, 2008</i>	38a-658
Sec. 23	<i>October 1, 2008</i>	38a-680
Sec. 24	<i>October 1, 2008</i>	38a-703
Sec. 25	<i>October 1, 2008</i>	38a-704
Sec. 26	<i>October 1, 2008</i>	38a-713
Sec. 27	<i>October 1, 2008</i>	38a-725
Sec. 28	<i>October 1, 2008</i>	38a-733
Sec. 29	<i>October 1, 2008</i>	38a-734
Sec. 30	<i>October 1, 2008</i>	38a-735
Sec. 31	<i>October 1, 2008</i>	38a-764(b)
Sec. 32	<i>October 1, 2008</i>	38a-772
Sec. 33	<i>October 1, 2008</i>	38a-773
Sec. 34	<i>October 1, 2008</i>	38a-774(a)

Sec. 35	<i>October 1, 2008</i>	38a-777
Sec. 36	<i>October 1, 2008</i>	38a-786(c)
Sec. 37	<i>October 1, 2008</i>	38a-790(b)
Sec. 38	<i>October 1, 2008</i>	38a-792(c)
Sec. 39	<i>October 1, 2008</i>	38a-817
Sec. 40	<i>October 1, 2008</i>	38a-826
Sec. 41	<i>October 1, 2008</i>	38a-830
Sec. 42	<i>October 1, 2008</i>	38a-843(2)
Sec. 43	<i>October 1, 2008</i>	38a-868(b)
Sec. 44	<i>October 1, 2008</i>	38a-885
Sec. 45	<i>October 1, 2008</i>	38a-886
Sec. 46	<i>October 1, 2008</i>	38a-908
Sec. 47	<i>October 1, 2008</i>	38a-925(b)
Sec. 48	<i>October 1, 2008</i>	38a-935(b)
Sec. 49	<i>October 1, 2008</i>	38a-997

Statement of Legislative Commissioners:

In section 32, the reference to the 2008 supplement to the general statutes following the string citation was deleted for clarity.

INS *Joint Favorable Subst.-LCO*

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Insurance Dept.	GF - Revenue Gain	Potential Indeterminate	Potential Indeterminate

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill could result in an indeterminate potential revenue gain for the General Fund as it increases the maximum fine for multiple insurance violations. The revenue associated with these fines is uncertain as fines are assessed based upon statutory violations, the amount of which are unpredictable from year to year. The Department of Insurance deposited \$1.1 million in revenue from fines and penalties in the General Fund in FY 07.

The Out Years

The annualized ongoing fiscal impact would continue into the future subject to the number of violations made in the out years, triggering the ordering and collecting of the related fines.

OLR Bill Analysis**sHB 5159****AN ACT MODERNIZING INSURANCE DEPARTMENT FINES AND MAKING MINOR TECHNICAL REVISIONS TO THE INSURANCE STATUTES.****SUMMARY:**

This bill increases fines the insurance commissioner may assess against insurance companies, related companies, and people for violating Connecticut's insurance laws, including those related to utilization review, unauthorized insurers, producer and company licensing, unfair and prohibited practices, and fraud.

It leaves unchanged fines enacted since 1996, including those related to privacy, preferred provider networks, and self-insured workers' compensation laws. It also makes technical changes.

EFFECTIVE DATE: October 1, 2008

INSURANCE FINES INCREASED

<i>Bill Section</i>	<i>Description</i>	<i>Current Fine</i>	<i>sHB 5159 Fine</i>
1	General penalty - Violation of any Title 38a provision when no other penalty is provided	Up to \$7,500	Up to \$15,000
2	Company license suspension, revocation, or non-renewal for cause (Fine is in addition to or in lieu of license action.)	Up to \$10,000	Up to \$50,000
3	Assessments on domestic	\$10 plus 6%	\$25 plus 6%

	insurers - Not paying assessment when due	per annum interest	per annum interest
4	Annual and quarterly financial reports of insurers and HMOs - Filing late	\$100 per day for each day overdue	\$175 per day for each day overdue
5	Managing General Agents Act - Violating the act (Fine is in addition to license revocation or suspension.)	\$10,000 for each violation	\$15,000 for each violation
6	Insurance Holding Company Act - An individual's willful violation of the act	Up to \$3,000 If intentional fraud: fine, up to two years in prison, or both	Up to \$15,000 If intentional fraud: fine, up to two years in prison, or both
6	Insurance Holding Company Act - An insurance company's willful violation of the act	Up to \$10,000	Up to \$50,000
6	Insurance Holding Company Act - Willfully and knowingly making a false statement or report to deceive the commissioner	Up to \$25,000, up to five years in prison, or both	Up to \$50,000, up to five years in prison, or both
6	Insurance Holding Company Act - An insurance company, without just cause, does not file a required registration statement	\$100 each day, up to \$10,000 maximum	\$150 each day, up to \$15,000 maximum
6	Insurance Holding Company Act - A director or officer willfully violates	Up to \$5,000 for each violation	Up to \$7,500 for each violation

	the act or agrees to engage in transactions or investments not properly reported or permitted		
7	Insurance Premium Finance Companies - Violating act (Fine is in addition to, or in lieu of, license suspension or revocation.)	Up to \$1,000 for each violation	Up to \$5,000 for each violation
8	Utilization Review - Violating the UR law (Fine is in addition to license suspension or revocation.) Fine increases if company knew or should have known of violation.	Up to \$1,000 for each violation and \$10,000 maximum Up to \$5,000 for each violation and \$50,000 maximum in any six-month period	Up to \$1,500 for each violation and \$15,000 maximum Up to \$7,500 for each violation and \$75,000 maximum in any six-month period
8	Utilization Review - Violating commissioner's cease and desist order (Fine is in lieu of license suspension or revocation.)	Up to \$50,000	Up to \$75,000
9	Utilization Review - Providing fraudulent or misleading information to a UR company	Up to \$5,000 or equal to the value of services provided due to the fraud	Up to \$7,500 or equal to the value of services provided due to the fraud
10	Unauthorized Insurers Act- Not paying premium tax on time	The greater of 10% of the tax or \$50, plus	The greater of 10% of the tax or \$75, plus

		1% interest per month	1% interest per month
11	Unauthorized Insurers Act – Any unauthorized insurer doing insurance business	Up to \$10,000	Up to \$50,000
11	Unauthorized Insurers Act – Violating the specific provisions of the act	\$500 for first offense and \$500 for each month it continues	\$2,500 for first offense and \$2,500 for each month it continues
12	Defrauding a life or accident insurance company	If obtained less than \$100 due to fraud: up to \$500, up to one year in prison, or both (If more: up to 10 years in prison)	If obtained less than \$2,000 due to fraud: up to \$10,000, up to one year in prison, or both (If more: up to 10 years in prison)
13	Standard Form of Fire Insurance Policy – Making, issuing, or delivering a fire insurance policy that is not the statutorily required standard policy	Up to \$200 for each offense	Up to \$1,000 for each offense
14	Group Life Insurance – Failure to give an insured a notice of insurance cancellation or discontinuance	Up to \$1,000 for each violation	Up to \$2,000 for each violation
15	Burial Contracts – Issuing burial contracts without a license or without the	Up to \$500, up to one year in prison, or both	Up to \$6,000, up to one year in prison, or

	required provisions		both
16	Individual Health Insurance - Delivering an individual policy that does not meet statutory requirements	Up to \$500 for each offense	Up to \$10,000 for each offense
17	Group Health Insurance - Failure to give an insured a notice of insurance cancellation or discontinuance	Up to \$1,000 for each violation	Up to \$2,000 for each violation
18	Group Health Insurance - Delivering a group policy that does not meet statutory requirements	Up to \$500 for each offense	Up to \$1,000 for each offense
19	Consumer Dental Plans - Not complying with statutory requirements	Up to \$1,000 for each violation	Up to \$1,500 for each violation
20	Fraternal Benefit Societies- Making false or misleading statements regarding the insurance contract or knowingly receiving compensation because of such violation	\$100 to \$500 fine, 30 days to one year in prison, or both	\$2,000 to \$10,000 fine, 30 days to one year in prison, or both
21	Fraternal Benefit Societies- Making a false or fraudulent statement on a membership application	\$100 to \$500 fine, 30 days to one year in prison, or both	\$2,000 to \$10,000 fine, 30 days to one year in prison, or both
21	Fraternal Benefit Societies- Soliciting membership for unlicensed fraternal benefit society	\$50 to \$200	\$1,000 to \$4,000

21	Fraternal Benefit Societies- A willful violation, neglect, or refusal to comply with fraternal benefit society statutes when no other penalty exists	Up to \$200	Up to \$4,000
22	Credit Life, Accident and Health Insurance - Violating statutory requirements	Up to \$250, two years in prison, or both	Up to \$1,500, two years in prison, or both
23	Personal and Commercial Risk Insurance Rating Practices - Not complying with the commissioner's final order	Up to \$1,000, but if willful, up to \$10,000, up to one year in prison, or both	Up to \$2,000, but if willful, up to \$20,000, up to one year in prison, or both
24	Insurance Producers - Soliciting business for unlicensed insurance company	Up to \$100, up to six months in prison, or both	Up to \$2,000, up to six months in prison, or both
25	Insurance Producers - Acting without a license	Up to \$500, up to three months in prison, or both	Up to \$10,000, up to three months in prison, or both
26	Insurance Producers - Signing or countersigning insurance policies in blank by an insurance producer (Fine is in addition to license revocation.)	Up to \$100	Up to \$1,000
27	Public Adjusters - Acting as a public adjuster without a license	Up to \$500, up to three months in prison, or both	Up to \$10,000, up to three months in prison, or both

28	Certified Insurance Consultants – Not acknowledging or giving receipt for services	\$50 to \$500	\$250 to \$2,500
29	Certified Insurance Consultants – Receiving compensation in violation of law	\$50 to \$500 fine, 30 to 90 days in prison, or both	\$250 to \$2,500 fine, 30 to 90 days in prison, or both
30	Certified Insurance Consultants – Acting as certified insurance consultant without a license	\$50 to \$500 fine, up to six months in prison, or both	\$250 to \$2,500 fine, up to six months in prison, or both
31	Fraternal Agents – Acting as fraternal agent without a license	Up to \$100	Up to \$10,000
32	Licensing in General – Willful misrepresentation on a license application	Up to \$500, up to six months in prison, or both	Up to \$4,000, up to six months in prison, or both
33	Licensing in General – Impersonating another person when taking an insurance license examination	Up to \$500, up to six months in prison, or both	Up to \$4,000, up to six months in prison, or both
34	Licensing in General – For cause (Fine is in addition to or in lieu of license suspension or revocation.)	Up to \$1,000	Up to \$5,000
35	Surplus Lines Broker – Not making and filing an affidavit or willfully making a false affidavit	Up to \$500, up to six months in prison, or both	Up to \$4,000, up to six months in prison, or both

36	Certified Insurance Consultants - Not giving commissioner information within 10 days	\$50 to \$500	\$250 to \$2,500
37	Motor Vehicle Physical Damage Appraisers - Acting without a license	Up to \$500, up to one year in prison, or both	Up to \$2,500, up to one year in prison, or both
38	Casualty Claim Adjusters- Acting without a license	Up to \$200, up to one year in prison, or both	Up to \$2,000, up to one year in prison, or both
39	Unfair and Prohibited Practices - Committing an unfair or prohibited practice (Fine is in addition to or in lieu of license suspension or revocation and restitution.)	Up to \$1,000 for each violation, but up to \$10,000 maximum	Up to \$5,000 for each violation, but up to \$50,000 maximum
39	Unfair and Prohibited Practices - Knowingly committing an unfair or prohibited practice (Fine is in addition to or in lieu of license suspension, license revocation, and restitution.)	Up to \$5,000 for each violation, but up to \$50,000 maximum in any six-month period	Up to \$25,000 for each violation, but up to \$250,000 maximum in any six-month period
39	Unfair and Prohibited Practices - Violating a cease and desist order (Fine is in addition to or in lieu of license suspension or revocation.)	Up to \$10,000 for each violation	Up to \$50,000 for each violation
40	Unfair and Prohibited Practices - Any misrepresentation to	Up to \$500, up to 30 days in prison, or both	Up to \$5,000, up to 30 days in prison, or

	convince an insured to surrender a policy and replace it with another		both
41	Unfair and Prohibited Practices - Publishing a false statement of assets or one that does not meet statutory requirements	\$500 for first offense, \$1,000 for each subsequent offense	\$10,000 for first offense, \$20,000 for each subsequent offense
42	Connecticut Insurance Guaranty Association - Not paying assessment when due (Fine is in lieu of license suspension or revocation.)	Up to 5% of the unpaid amount per month, but at least \$100 a month	Up to 5% of the unpaid amount per month, but at least \$500 a month,
43	Connecticut Life & Health Insurance Guaranty Association - Not paying assessment (Fine is in lieu of license suspension or revocation.)	Up to 5% of the unpaid amount per month, but at least \$100 a month	Up to 5% of the unpaid amount per month, but at least \$500 a month,
44	Brokered Transactions Guaranty Fund - Penalty for filing a document that is false or untrue or has a material misrepresentation	At least \$200	At least \$300
45	Brokered Transactions Guaranty Fund - Penalty for having embezzled (Penalty is in addition to restitution, attorney costs and fees, and other relief the court may order)	Up to \$1,000	Up to \$1,500
46	Rehabilitation and Liquidation Act - Failure to cooperate with the	Up to \$10,000, up to one year in prison, or	Up to \$10,000, up to one year in prison, or

	commissioner	both; or up to \$10,000 and suspended or revoked license	both; or up to \$25,000 and suspended or revoked license
47	Rehabilitation and Liquidation Act - Any agent not giving required notice of policies written for an insurer subject to liquidation or not filing a compliance report (Fine is in addition to or in lieu of license suspension or revocation.)	Up to \$1,000	Up to \$2,500
48	Rehabilitation and Liquidation Act - Not paying collected premiums and unearned commissions to the liquidator (Fine is in addition to or in lieu of license suspension, revocation, or non-renewal.)	Up to \$1,000 for each violation	Up to \$2,500 for each violation
49	Connecticut Insurance Information and Privacy Protection Act - Obtaining information from an insurance institution under false pretenses	Up to \$10,000	Up to \$20,000

BACKGROUND

Related Bill

The Transportation Committee reported out SB 288, which, among other things, makes it an unfair or deceptive insurance practice for an auto insurer to not pay (1) the usual and customary labor rate for

insured motor vehicle repairs or (2) claimants by check, electronic transfer, or other means that gives immediate access to the money.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 18 Nay 0 (03/06/2008)