



General Assembly

**Substitute Bill No. 5576**

February Session, 2008

\*           HB05576AGE INS030408           \*

**AN ACT CONCERNING THE RIGHT OF RECOVERY BY THE  
CONNECTICUT INSURANCE GUARANTY ASSOCIATION.**

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

1       Section 1. Section 38a-844 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3       (1) Any person recovering any moneys under sections 38a-836 to  
4 38a-853, inclusive, shall be deemed to have assigned his rights under  
5 the policy to said association to the extent of his recovery from said  
6 association. Every insured or claimant seeking the protection of said  
7 sections shall cooperate with said association to the same extent as  
8 such person would have been required to cooperate with the insolvent  
9 insurer. Said association shall have no cause of action against any  
10 insured of the insolvent insurer for any sums it has paid out to such  
11 insured except such causes of action as the insolvent insurer would  
12 have had if such sums had been paid by the insolvent insurer. In the  
13 case of an insolvent insurer operating on a plan with assessment  
14 liability, payments of claims of said association shall not operate to  
15 reduce the liability of insureds to the receiver, liquidator, or statutory  
16 successor for unpaid assessments.

17       (2) The receiver, liquidator, or statutory successor of an insolvent  
18 insurer shall be bound by determinations of covered claim eligibility  
19 under sections 38a-836 to 38a-853, inclusive, and by settlements of

20 claims made by said association or any similar organization having a  
21 like function to that of said association in another state. The court  
22 having jurisdiction shall grant such claims priority equal to that to  
23 which the claimant would have been entitled in the absence of said  
24 sections 38a-836 to 38a-853, inclusive, against the assets of the  
25 insolvent insurer. The expenses of said association or any similar  
26 organization having a like function to that of said association in  
27 handling claims shall be accorded the same priority as the receiver's or  
28 liquidator's expenses.

29 (3) Said association shall periodically file with the receiver or  
30 liquidator of the insolvent insurer statements of the covered claims  
31 paid by said association, the expenses paid for the processing of  
32 covered claims paid or contested and estimates of anticipated claims  
33 on said association, and expenses of processing such claims which  
34 shall preserve the rights of said association against the assets of the  
35 insolvent insurer.

36 (4) [The] (A) Except as provided in subparagraph (B) of this  
37 subdivision, the association shall have the right to recover from the  
38 following persons the amount of any covered claim paid on behalf of  
39 such person pursuant to sections 38a-836 to 38a-853, inclusive: [(A)] (i)  
40 Any person who is an affiliate of the insolvent insurer and whose  
41 liability obligations to other persons are satisfied in whole or in part by  
42 payments made under this chapter; and [(B)] (ii) any insured whose  
43 net worth on December thirty-first of the year next preceding the date  
44 the insurer becomes an insolvent insurer exceeds fifty million dollars  
45 and whose liability obligations to other persons are satisfied in whole  
46 or in part by payments made under said sections. For purposes of this  
47 subdivision, "insured" does not include a municipality, as defined in  
48 section 7-148 of the 2008 supplement to the general statutes, or the  
49 Second Injury Fund, established in section 31-354.

50 (B) The association shall have no right to recover pursuant to  
51 subparagraph (A) of this subdivision from any nonprofit corporation  
52 organized to deliver health or social services to meet the needs of the

53 elderly, incorporated in this state and qualified as a tax-exempt  
54 organization under Section 501(c)(3) of the Internal Revenue Code of  
55 1986, or any subsequent corresponding internal revenue code of the  
56 United States, as amended from time to time, or such corporation's  
57 affiliates, for any amount of covered claims paid on behalf of such  
58 corporation on and after January 1, 1999.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	38a-844

**AGE**

*Joint Favorable Subst. C/R*

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