



General Assembly

**Substitute Bill No. 1031**

January Session, 2013



**AN ACT CONCERNING THE INSURANCE DEPARTMENT'S  
AUTHORITY TO PROTECT CONSUMERS.**

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

1 Section 1. Section 38a-436 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective January 1, 2014*):

3 (a) Every individual life insurance policy delivered or issued for  
4 delivery to any person in this state shall have printed thereon or  
5 attached thereto a notice stating, in substance, that the policy may be  
6 returned by the applicant for cancellation by delivering or mailing the  
7 policy to the insurer or to the insurance agent through whom it was  
8 effected, at any time within ten days after receipt of the policy by the  
9 applicant, and that upon the delivery or mailing the policy shall be  
10 void ab initio.

11 (b) The insurer shall maintain proof of the date and manner of its  
12 delivery or mailing of the policy and notice for a period of seven years  
13 after such delivery or mailing. The insurer may maintain such proof in  
14 paper, photographic, mechanical, magnetic or electronic media or in  
15 any other form or media or by any other process that accurately  
16 demonstrates the date of such delivery or mailing, and shall make such  
17 proof available to the commissioner upon request.

18 Sec. 2. Section 38a-702k of the general statutes is repealed and the

19 following is substituted in lieu thereof (*Effective January 1, 2014*):

20 (a) The commissioner may place on probation, suspend, revoke or  
21 refuse to issue or renew an insurance producer's license or may levy a  
22 civil penalty in accordance with the provisions of this title, or may take  
23 any combination of such actions, for any one or more of the following  
24 causes: (1) Providing incorrect, misleading, incomplete or materially  
25 untrue information in the license application; (2) violating any  
26 insurance laws, or violating any regulation, subpoena or order of the  
27 commissioner or of another state's commissioner; (3) obtaining or  
28 attempting to obtain a license through misrepresentation or fraud; (4)  
29 improperly withholding, misappropriating or converting any moneys  
30 or properties received in the course of doing an insurance business; (5)  
31 intentionally misrepresenting the terms of an actual or proposed  
32 insurance contract or application for insurance; (6) having been  
33 convicted of a felony; (7) having admitted or been found to have  
34 committed any insurance unfair trade practice or fraud; (8) using  
35 fraudulent, coercive or dishonest practices, or demonstrating  
36 incompetence, untrustworthiness or financial irresponsibility in the  
37 conduct of business in this state or elsewhere; (9) having an insurance  
38 producer license, or its equivalent, denied, suspended or revoked in  
39 any other state, province, district or territory; (10) forging another's  
40 name to an application for insurance or to any document related to an  
41 insurance transaction; (11) improperly using notes or any other  
42 reference material to complete an examination for an insurance license;  
43 (12) knowingly accepting insurance business from an individual who  
44 is not licensed; (13) failing to comply with an administrative or court  
45 order imposing a child support obligation; or (14) failing to pay state  
46 income tax or comply with any administrative or court order directing  
47 payment of state income tax.

48 (b) If the action by the commissioner is to nonrenew a license or to  
49 deny an application for a license, the commissioner shall notify the  
50 applicant or licensee and advise, in writing, the applicant or licensee of  
51 the reason for the denial or nonrenewal of the applicant's or licensee's

52 license. The applicant or licensee may make written demand upon the  
53 commissioner, not later than thirty days after the notice, for a hearing  
54 before the commissioner to determine the reasonableness of the  
55 commissioner's action. The hearing shall be held not later than twenty  
56 days after receipt of such request and shall be held pursuant to section  
57 38a-19.

58 (c) The license of a business entity may be suspended, revoked or  
59 refused if the commissioner finds, after hearing, that an individual  
60 licensee's violation was known or should have been known by one or  
61 more of the partners, officers or managers acting on behalf of the  
62 partnership or corporation and the violation was neither reported to  
63 the commissioner nor corrective action taken.

64 (d) In addition to or in lieu of any applicable denial, suspension or  
65 revocation of a license, a person may, after hearing, be subject to a civil  
66 fine pursuant to section 38a-774.

67 (e) In addition to any other penalty imposed on a licensee under this  
68 section, the commissioner may order such licensee to pay restitution or  
69 the amount of any uninsured claim or loss if the commissioner finds,  
70 after hearing, that such licensee has committed a violation described in  
71 subdivision (4), (7) or (8) of subsection (a) of this section.

72 [(e)] (f) The commissioner shall retain the authority to enforce the  
73 provisions of, and impose any penalty or remedy authorized by, this  
74 title against any person who is under investigation for or charged with  
75 a violation of this title even if the person's license or registration has  
76 been surrendered or has lapsed by operation of law.

77 Sec. 3. Subdivision (15) of section 38a-816 of the general statutes is  
78 repealed and the following is substituted in lieu thereof (*Effective*  
79 *January 1, 2014*):

80 (15) (A) Failure by an insurer, or any other entity responsible for  
81 providing payment to a claimant or health care provider pursuant to  
82 an insurance policy, to pay accident and health claims, including, but

83 not limited to, claims for payment or reimbursement to claimants or  
84 health care providers, within the time periods set forth in  
85 subparagraph (B) of this subdivision, unless the Insurance  
86 Commissioner determines that a legitimate dispute exists as to  
87 coverage, liability or damages or that the claimant has fraudulently  
88 caused or contributed to the loss. Any insurer, or any other entity  
89 responsible for providing payment to a claimant or health care  
90 provider pursuant to an insurance policy, [who] that fails to pay such a  
91 claim or request within the time periods set forth in subparagraph (B)  
92 of this subdivision shall pay the claimant or health care provider the  
93 amount of such claim plus interest at the rate of fifteen per cent per  
94 annum, in addition to any other penalties [which] that may be  
95 imposed pursuant to sections 38a-11, 38a-25, 38a-41 to 38a-53,  
96 inclusive, 38a-57 to 38a-60, inclusive, 38a-62 to 38a-64, inclusive, 38a-  
97 76, 38a-83, 38a-84, 38a-117 to 38a-124, inclusive, 38a-129 to 38a-140,  
98 inclusive, 38a-146 to 38a-155, inclusive, 38a-283, 38a-288 to 38a-290,  
99 inclusive, 38a-319, 38a-320, 38a-459, 38a-464, 38a-815 to 38a-819,  
100 inclusive, 38a-824 to 38a-826, inclusive, and 38a-828 to 38a-830,  
101 inclusive. Whenever the interest due a claimant or health care provider  
102 pursuant to this section is less than one dollar, the insurer shall deposit  
103 such amount in a separate interest-bearing account in which all such  
104 amounts shall be deposited. At the end of each calendar year each such  
105 insurer shall donate such amount to The University of Connecticut  
106 Health Center.

107 (B) Each insurer or other entity responsible for providing payment  
108 to a claimant or health care provider pursuant to an insurance policy  
109 subject to this section, shall pay claims not later than:

110 (i) For claims filed in paper format, sixty days after receipt by the  
111 insurer of the claimant's proof of loss form or the health care provider's  
112 request for payment filed in accordance with the insurer's practices or  
113 procedures, except that when there is a deficiency in the information  
114 needed for processing a claim submitted by a health care provider, as  
115 determined in accordance with section 38a-477, or a deficiency in the

116 information submitted by a claimant in accordance with the insurer's  
117 practices and procedures as reasonably applied to the claimant, the  
118 insurer shall (I) send written notice to the claimant or health care  
119 provider, as the case may be, of all alleged deficiencies in information  
120 needed for processing a claim not later than thirty days after the  
121 insurer receives a claim for payment or reimbursement under the  
122 contract, and (II) pay claims for payment or reimbursement under the  
123 contract not later than thirty days after the insurer receives the  
124 information requested; and

125 (ii) For claims filed in electronic format, twenty days after receipt by  
126 the insurer of the claimant's proof of loss form or the health care  
127 provider's request for payment filed in accordance with the insurer's  
128 practices or procedures, except that when there is a deficiency in the  
129 information needed for processing a claim submitted by a health care  
130 provider, as determined in accordance with section 38a-477, or a  
131 deficiency in the information submitted by a claimant in accordance  
132 with the insurer's practices and procedures as reasonably applied to  
133 the claimant, the insurer shall (I) notify the claimant or health care  
134 provider, as the case may be, of all alleged deficiencies in information  
135 needed for processing a claim not later than ten days after the insurer  
136 receives a claim for payment or reimbursement under the contract, and  
137 (II) pay claims for payment or reimbursement under the contract not  
138 later than ten days after the insurer receives the information requested.

139 (C) As used in this subdivision, "health care provider" means a  
140 person licensed to provide health care services under chapter 368d,  
141 chapter 368v, chapters 370 to 373, inclusive, 375 to 383c, inclusive, 384a  
142 to 384c, inclusive, or chapter 400j.

143 Sec. 4. (NEW) (*Effective January 1, 2014*) No insurer, health care  
144 center, fraternal benefit society, hospital service corporation, medical  
145 service corporation or other entity delivering, issuing for delivery,  
146 renewing, amending or continuing any individual or group health  
147 insurance policy or health care plan in this state shall offer, deliver or  
148 issue for delivery any such policy or plan that (1) includes any

149 provision that reserves discretion to such insurer, health care center,  
150 fraternal benefit society, hospital service corporation, medical service  
151 corporation or other entity to interpret the terms of such policy or plan,  
152 or (2) provides standards of interpretation or review that are  
153 inconsistent with the laws of this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2014</i>	38a-436
Sec. 2	<i>January 1, 2014</i>	38a-702k
Sec. 3	<i>January 1, 2014</i>	38a-816(15)
Sec. 4	<i>January 1, 2014</i>	New section

**INS**      *Joint Favorable Subst.*