
OLR Bill Analysis

sHB 5502

AN ACT CONCERNING CHANGES TO THE PROPERTY AND CASUALTY INSURANCE STATUTES.

SUMMARY:

This bill makes unrelated changes to property and casualty insurance laws. Among other things, it:

1. bars insurers from refusing to issue or renew a homeowners' policy solely because the insured failed to install any type of storm shutters on a residential dwelling, rather than just permanent shutters;
2. expands the scope of the law prohibiting insurers from taking certain steps solely because of losses an insured homeowner incurs due to catastrophic events;
3. extends the deadline for filing a suit or action to recover a claim under a standard fire insurance policy from 18 to 24 months after a loss;
4. allows certain insurers to provide flood insurance on a less-than-statewide basis, as selected by the insurer;
5. expands the notice provided on surplus lines insurance policies; and
6. makes any public adjuster employment contract that results from a solicitation made between 8 p.m. and 8 a.m. void ab initio (from the beginning) and thus unenforceable. (The law already prohibits such solicitations.)

EFFECTIVE DATE: October 1, 2014, unless otherwise specified below.

§§ 1 & 2 — HOMEOWNERS' INSURANCE

Storm Shutters

Current law bars insurers from refusing to issue or renew a homeowners' insurance policy solely because the prospective or current insured has failed to install permanent storm shutters on his or her residential dwelling to mitigate the loss from severe storms. The bill expands this prohibition to cases where the prospective or current insured has failed to install any type of storm shutters. It applies to policies delivered, issued, renewed, amended, or endorsed on or after October 1, 2014.

Catastrophic Events

Under current law, an insurer cannot decline to issue or renew a homeowners' policy or cancel one solely because of losses incurred from a catastrophic event that has been declared as such by a nationally catastrophic loss index provider. The bill extends this prohibition to losses incurred during one or more such catastrophic events, such as a series of storms. By law, an insurer is not considered to have violated this provision if coverage is available through an affiliated insurer.

§§ 3 & 8 — FIRE INSURANCE

Deadline for Filing Suits

The bill extends the deadline for filing a suit or action to recover a claim under a standard fire insurance policy from 18 to 24 months after a loss.

Terms and Conditions

Current law requires fire insurance policies and contracts to comply with the requirements for standard fire insurance forms in CGS § 38a-307. Among other things, that law describes the terms and conditions of coverage and how various terms used in the policies and contracts must be defined. The bill specifies that the statute applies to policies and contracts made, issued, or delivered by non-admitted insurers (e.g., surplus lines insurers) as well as admitted insurers. But, it allows a fire insurance policy or contract for a commercial property made,

issued, or delivered by a non-admitted insurer to define the term “depreciation” differently than current law does. This provision applies to policies and contracts issued or renewed on or after July 1, 2014.

EFFECTIVE DATE: July 1, 2014 for the applicability of terms and conditions; October 1, 2014 and applicable to policies issued or renewed on or after that date for the remaining provisions.

§ 5 — FLOOD INSURANCE

The bill allows any insurer licensed to provide homeowners’ or commercial property insurance covering one-to-four unit owner-occupied residential or commercial property to provide flood insurance on a less-than-statewide basis, as selected by the insurers.

EFFECTIVE DATE: Upon passage

§§ 6 & 7 — SURPLUS LINES

Signed Statement Exemption

The bill exempts flood insurance policies, including policies procured under the National Flood Insurance Program, from the requirement that insurers and surplus lines brokers sign a statement that diligent efforts were made to obtain insurance from a licensed insurer.

By law, the insurance commissioner must maintain a list of lines of insurance that he believes are generally unavailable from licensed insurers. Such insurance is provided by surplus lines insurers, whose policies are not reviewed by the Insurance Department.

Under current law, if an insured is not able to obtain the full amount of coverage he or she seeks from a licensed insurer for a line that is not on this list, the insured and the broker must sign statements showing:

1. they were unable to procure, from licensed insurers after diligent effort, the full amount of insurance the insured needed to protect his or her interest from licensed insurers;

2. the amount of insurance procured from unlicensed insurers was only the excess over the amount they were able to procure from licensed insurers; and
3. the type of policy, and if it is for real property, the property's location.

Brokers must file the signed statements electronically with the commissioner four times per year.

Notice

The bill revises the notice statement that must be on the cover of a surplus lines policy. By law, each insurance policy issued by a surplus lines insurer must state the following, in 12-point capital letters, on its cover:

THIS IS A SURPLUS LINES POLICY AND IS NOT PROTECTED BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.

The bill extends the notice to read "or subject to review by the Connecticut Insurance Department. It is important that you read and understand this policy." The new language must also be in 12-point capital letters. Under the bill, the expanded notice requirement applies to policies that are issued or renewed on or after January 1, 2015.

EFFECTIVE DATE: Upon passage for the signed statement exemption; January 1, 2015 for the notice requirement.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 15 Nay 4 (03/18/2014)