OLR Bill Analysis
SB 841

AN ACT CONCERNING THE INSURANCE DEPARTMENT’S RECOMMENDED CHANGES TO THE INSURANCE STATUTES.

SUMMARY

This bill makes a number of unrelated changes to the insurance statutes concerning (1) insurers’ use of genetic testing results, (2) the cancellation of homeowners insurance policies, (3) loss ratio requirements for credit insurance policies, and (4) insurance producer prelicensure education requirements.

The bill prohibits certain insurance entities from requesting, requiring, purchasing, or using direct-to-consumer genetic testing results without the tested individual’s written consent. It also prohibits the entities from conditioning rates, coverage, or other insurance terms on (1) an individual undergoing genetic testing or (2) the genetic testing results of the individual’s family members unless the results are in his or her medical records. The bill makes a violation of these provisions a Connecticut Unfair Insurance Practices Act (CUIPA) violation (see BACKGROUND) (§§ 1-3).

The bill codifies existing Insurance Department administrative policy for homeowners insurance policy cancellations. It requires insurers to notify consumers of a cancellation, establishes the cancellation process and timeframes, and specifies permissible cancellation reasons (§ 4).

The bill establishes a loss ratio requirement for credit life and credit accident and health insurance policies of at least 50% (§§ 5 & 6). Under the bill, “loss ratio” means annual incurred claims divided by earned premiums.

Lastly, the bill reduces the number of hours of course study an insurance producer license applicant must complete before sitting for a
license examination from 40 hours to 20 hours (§ 7). This conforms with the National Association of Insurance Commissioners’ uniform licensing standards.

EFFECTIVE DATE: October 1, 2021, except the provisions on the cancellation of homeowners insurance policies are effective July 1, 2021.

§§ 1-3 – GENETIC TESTING RESULTS

The bill prohibits insurers, health care centers (i.e., HMOs), and fraternal benefit societies from requesting, requiring, purchasing, or using direct-to-consumer genetic testing results without the tested individual’s written consent. This applies with respect to the issuance, withholding, extension, or renewal of annuities and life, credit life or accident, disability, long-term care, accidental injury, specified disease, and hospital indemnity insurance policies.

The bill also prohibits insurers, HMOs, and fraternal benefit societies from conditioning rates, the issuance or renewal of coverage or benefits, or other insurance terms on (1) a requirement or agreement that an individual undergo genetic testing or (2) the genetic testing results of the individual’s family members unless the results are in his or her medical records.

The bill makes a violation of the above a CUIPA violation (see BACKGROUND).

CUIPA already prohibits insurers, HMOs, and fraternal benefit societies that issue health insurance policies from refusing to insure, limiting coverage, or charging a different rate based on genetic information (CGS § 38a-816(19)).

§ 4 – HOMEOWNERS INSURANCE CANCELLATION

The bill codifies existing Insurance Department administrative policy for homeowners insurance policy cancellations. It outlines the process and timeframes for insurers to notify consumers of a cancellation and specifies the permissible cancellation reasons.
Cancellation Process, Timeframes, and Reasons

Under the bill, if the insurer wants to cancel a policy for premium nonpayment, the insurer must send a written cancellation notice to the named insured at least 10 days before the cancellation effective date. The notice must disclose that the insured can avoid cancellation by paying the premium before the cancellation effective date and that any excess premium will be refunded to the insured upon request.

If a policy is not a renewal policy and has been in effect for fewer than 60 days, and the insurer wants to cancel it for a reason other than premium nonpayment, the insurer must send a written cancellation notice to the named insured at least 30 days before the cancellation effective date. The notice must disclose the cancellation reason, the cancellation effective date, and that any excess premium will be refunded to the insured upon request.

If a policy is not a renewal policy and has been in effect for at least 60 days or is a renewal policy, and the insurer wants to cancel it for either (1) fraud or misrepresentation of a material fact by the insured in obtaining the insurance that would have caused the insurer to not issue or renew the policy or (2) any physical change in the covered property that materially increases a hazard insured against, then the insurer must send a written cancellation notice to the named insured at least 30 days before the cancellation effective date. The notice must include the cancellation effective date and that any excess premium will be refunded to the insured upon request. (Under the bill, an insurer may only cancel such a policy for these specified reasons or premium nonpayment.)

Cancellation Method

Under the bill, a homeowners insurance policy cancellation notice is effective only if the insurer sends it to the named insured by registered or certified mail or mail evidenced by a certificate of mailing. But if the insured agrees, the insurer may send a cancellation notice electronically and evidenced by a delivery receipt.

Policy Transfer to Affiliate
Under the bill, an insurer does not have to issue a cancellation notice if it transfers a policy to an affiliate with no interruption of coverage and no changes in coverage terms. However, the new insurer may apply its rates and rating plans at renewal.

**Insured May Cancel Anytime in Writing**

The bill specifies that a named insured under a homeowners insurance policy may cancel the policy anytime by sending the insurer a written notice with the cancellation effective date.

**§§ 5 & 6 – LOSS RATIO REQUIREMENT FOR CREDIT INSURANCE**

The bill establishes a loss ratio requirement for credit life and credit accident and health insurance policies of at least 50%.

Under current law, the insurance commissioner must disapprove a credit insurance policy form (e.g., policy, certificate, application, rider) if the rates charged, by reasonable assumptions, are excessive in relation to the benefits provided. The bill instead requires him to disapprove a policy form if the rates charged, by reasonable assumptions and as determined according to benchmark loss ratio calculations, are excessive in relation to the benefits provided.

The bill also requires the commissioner to disapprove a policy form that does not comply with the loss ratio requirement. However, he may approve a premium rate deviation for a policy, presumably resulting in a lower loss ratio.

The bill requires the commissioner to adopt regulations that reflect the above requirements.

**BACKGROUND**

**Connecticut Unfair Insurance Practices Act**

The law prohibits engaging in unfair or deceptive acts or practices in the business of insurance. It authorizes the insurance commissioner to conduct investigations and hearings, issue cease and desist orders, impose fines, revoke or suspend licenses, and order restitution for per se violations (i.e., violations specifically listed in statute). The law also
allows the commissioner to ask the attorney general to seek injunctive relief in Superior Court if he believes someone is engaging in other unfair or deceptive acts not specifically defined in statute.

Fines may be up to (1) $5,000 per violation to a $50,000 maximum or (2) $25,000 per violation to a $250,000 maximum in any six-month period if the violation was knowingly committed. The law also imposes a fine of up to $50,000, in addition to or in lieu of a license suspension or revocation, for violating a cease and desist order.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 18  Nay 0  (03/22/2021)