



# House of Representatives

General Assembly

**File No. 327**

January Session, 2023

Substitute House Bill No. 6621

*House of Representatives, March 30, 2023*

The Committee on Insurance and Real Estate reported through REP. WOOD of the 29th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING THE RENEWAL OF SURPLUS LINES INSURANCE POLICIES.**

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

1 Section 1. Subsection (b) of section 38a-741 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective October*  
3 *1, 2023*):

4 (b) (1) When any policy of insurance is procured [or renewed] under  
5 the authority of such license providing a line of insurance or its  
6 component that does not, on the effective date of coverage, appear on  
7 the current published list, both the licensee and the insured shall write  
8 signed statements setting forth facts showing that such licensee and  
9 such insured were unable after diligent effort to procure, from any  
10 authorized insurer or insurers, the full amount of insurance required to  
11 protect the interest of such insured, and further showing (A) that the  
12 amount of insurance procured from an unauthorized insurer or insurers  
13 is only the excess over the amount so procurable from authorized  
14 insurers, (B) the type of policy, and (C) if such policy is for real property,

15 the location of such property. Such licensee shall file such signed  
16 statements in electronic format with the commissioner on February  
17 fifteenth, May fifteenth, August fifteenth and November fifteenth of  
18 each year.

19 (2) When any policy of insurance is renewed, the licensee shall not be  
20 required to write and file the signed statement set forth in subdivision  
21 (1) of this subsection if the policy is renewed with an unauthorized  
22 insurer.

23 [(2)] (3) The provisions of subdivision (1) of this subsection shall not  
24 apply to (A) any such policy providing or including flood insurance,  
25 including flood insurance procured from the National Flood Insurance  
26 Program, or (B) any policy of insurance procured under the authority of  
27 such license for an insured that is an exempt commercial purchaser, as  
28 defined in Section 527 of the Dodd-Frank Wall Street Reform and  
29 Consumer Protection Act, P.L. 111-203, as amended from time to time,  
30 provided (i) the surplus lines broker has disclosed to such exempt  
31 commercial purchaser that such insurance may or may not be available  
32 from an authorized insurer, that may provide greater protection with  
33 more regulatory oversight, and (ii) such exempt commercial purchaser  
34 has subsequently requested such broker, in writing, to procure such  
35 policy from an unauthorized insurer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2023	38a-741(b)

**Statement of Legislative Commissioners:**

In Subsec. (b)(2), "subsection (b) of this section" was changed to "this subsection" for accuracy.

**INS**      *Joint Favorable Subst. -LCO*

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*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

### **Explanation**

The bill, which reduces the instances under which certain insurance brokers and insureds must sign and submit documentation to the Insurance Department, has no fiscal impact to the state or municipalities.

While the bill results in less documentation being submitted to the Insurance Department, no reduction in staffing is anticipated as a result.

### **The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****HB 6621*****AN ACT CONCERNING THE RENEWAL OF SURPLUS LINES INSURANCE POLICIES.*****SUMMARY**

This bill exempts policy renewals from the requirement that surplus lines brokers and insureds sign a statement that diligent efforts were made to obtain insurance from a licensed insurer. It retains current law's requirement that brokers and insureds do this when first procuring this insurance.

By law, the insurance commissioner must maintain, publish, and make available to surplus lines brokers a list of insurance lines that are generally unavailable from licensed insurers (see BACKGROUND).

The bill exempts licensed surplus lines brokers and insureds that renew insurance that is not on the commissioner's list from the requirement that they sign statements showing:

1. they are unable to procure, from licensed insurers after diligent effort, the full amount of insurance the insured needed to protect his or her interest (under current practice, the insured must receive three declinations from licensed insurers to show coverage is unavailable);
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.

The bill expressly provides that the exemption also applies to renewals with unauthorized insurers (i.e., unlicensed insurers).

By law, brokers must electronically file these statements with the commissioner quarterly.

EFFECTIVE DATE: October 1, 2023

**BACKGROUND**

***Surplus Insurance Lines***

In practice, surplus insurance is provided by surplus lines brokers (i.e., “nonauthorized insurers”) who cover high risk needs that are unavailable in the traditional, licensed (i.e., authorized) market. This includes insurance that is too risky or rare to be generally available, such as insuring an amusement park. Generally, surplus lines insurance is not protected by state insurance guarantee funds or subject to review by the Connecticut Insurance Department.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 11    Nay 1    (03/14/2023)