



House of Representatives

File No. 778

General Assembly

January Session, 2023

(Reprint of File No. 327)

Substitute House Bill No. 6621
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 12, 2023

**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2 repealed and the following is substituted in lieu thereof (*Effective October*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] first make a diligent effort, as defined
10 by the commissioner, to procure, from any authorized insurer or
11 insurers, the full amount of insurance required to protect the interest of
12 such insured, and further showing (A) that the amount of insurance
13 procured from an unauthorized insurer or insurers is only the excess

14 over the amount so procurable from authorized insurers, (B) the type of
 15 policy, and (C) if such policy is for real property, the location of such
 16 property. Such licensee shall [file such signed statements in electronic
 17 format with the commissioner on February fifteenth, May fifteenth,
 18 August fifteenth and November fifteenth of each year] keep, in a form
 19 approved by the commissioner, and make available for examination by
 20 the commissioner upon request, all (i) documentation concerning such
 21 licensee's and insured's diligent effort to procure, from any authorized
 22 insurer or insurers, the full amount of insurance required to protect the
 23 interest of such insured, and (ii) information concerning each policy
 24 placed in the surplus lines market.

25 (2) The provisions of subdivision (1) of this subsection shall not apply
 26 to (A) any such policy providing or including flood insurance, including
 27 flood insurance procured from the National Flood Insurance Program,
 28 or (B) any policy of insurance procured under the authority of such
 29 license for an insured that is an exempt commercial purchaser, as
 30 defined in Section 527 of the Dodd-Frank Wall Street Reform and
 31 Consumer Protection Act, P.L. 111-203, as amended from time to time,
 32 provided (i) the surplus lines broker has disclosed to such exempt
 33 commercial purchaser that such insurance may or may not be available
 34 from an authorized insurer, that may provide greater protection with
 35 more regulatory oversight, and (ii) such exempt commercial purchaser
 36 has subsequently requested such broker, in writing, to procure such
 37 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)

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.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill, which eliminates the requirement for insurance brokers and insureds in the surplus lines insurance market to quarterly file signed statements with the Insurance Department, is not anticipated to have a fiscal impact on the state or municipalities.

While the bill results in less documentation being electronically submitted to the Insurance Department, no reduction in staffing is anticipated as a result. The bill allows the Insurance Department to examine documentation upon request.

House "A" strikes the underlying bill and its associated fiscal impact, resulting in the fiscal impact above.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 6621 (as amended by House "A")******AN ACT CONCERNING THE RENEWAL OF SURPLUS LINES INSURANCE POLICIES.*****SUMMARY**

This bill changes how surplus lines brokers and insureds must document surplus lines insurance policies. In practice, surplus insurance is procured through surplus lines brokers and covers high risk needs that are unavailable in the traditional, licensed (i.e., authorized) market.

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. Under current law, whenever an insured procures or renews an insurance line that does not appear on this list, both the insured and the broker must sign a statement (1) indicating that they made diligent efforts to obtain insurance from a licensed insurer and (2) showing specified information about the insurance policy. The bill eliminates this signed statement requirement but maintains the requirements that the insured and the broker first make a diligent effort to obtain the insurance from a licensed insurer and document the specified information.

*House Amendment "A" replaces the underlying bill, which generally exempted brokers and insureds renewing surplus lines policies from the diligent effort requirements in current law.

EFFECTIVE DATE: October 1, 2023

REQUIRED DOCUMENTATION

Under current law, the signed statements must show:

1. that the insured and broker 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 continues to require brokers and insureds to show this information, presumably, in their documentation.

Current law requires brokers to electronically file these statements with the insurance commissioner quarterly. The bill instead requires brokers to keep (1) all documentation on the broker’s and insured’s diligent efforts to procure the full amount of insurance from an authorized insurer, and (2) information on each policy placed in the surplus lines market. The documentation and information must be kept as the commissioner prescribes and be made available for his examination upon request.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable
Yea 11 Nay 1 (03/14/2023)