

# Insurance and Real Estate Committee

## JOINT FAVORABLE REPORT

**Bill No.:** HB-6621  
AN ACT CONCERNING THE RENEWAL OF SURPLUS LINES INSURANCE  
**Title:** POLICIES.  
**Vote Date:** 3/14/2023  
**Vote Action:** Joint Favorable  
**PH Date:** 2/16/2023  
**File No.:**

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### SPONSORS OF BILL:

The Insurance and Real Estate Committee

### REASONS FOR BILL:

As outlined in OLR Research report 2013-R-0228, "people generally seek insurance from a surplus lines carrier when the risk is unusual and the insurance companies authorized in the state (admitted carriers) are unable or unwilling to cover that risk." Consequently, these policies are not reviewed by the Insurance Department, nor are they protected by the state's guaranty fund. Brokers are required to make a "diligent effort" to find standard market coverage for clients; they can only pursue a surplus lines policy after being denied by three admitted carriers. These declinations are not required if the policy sought is on the state's "Exportable List" (coverage that the Insurance Commissioner deems "generally unavailable" in the admitted market.)

It can take a significant amount of time for a broker to receive the requisite number of declinations- insurance companies will undoubtedly take their time analyzing the client's atypical risk profile. Moreover, the declination requirement applies to brokers seeking a new policy as well as those renewing an existing one. Current policyholders, who have been sufficiently denied in the past, can experience a lapse in coverage if the insurers take too long with their subsequent evaluations. This legislation seeks to expedite the renewal process by exempting existing policies from the declination requirement.

### RESPONSE FROM ADMINISTRATION/AGENCY:

**Connecticut Insurance Department, Legislative Program Manager, Jim Carson:** opposes this bill because it "[weakens] important consumer protections." Written declinations are indispensable proof that a "diligent search has been completed" by the broker. He

believes this mechanism is necessary because of the "inherent risks" and high deductibles of surplus lines policies. He further testified that waiving the declination requirements for renewals will "eliminate the potential for consumers to purchase coverage from an admitted insurer." He noted that expanding the state's Exportable and Whitelist addresses the same issues as this legislation and, likewise, achieves the goal of "[facilitating] a more efficient policy production process."

#### **NATURE AND SOURCES OF SUPPORT:**

**BIG I Connecticut, Director of Government Relations, Scott Hobson**: supports this legislation because it will "streamline the process for obtaining coverage." He notes the "significant time and paperwork burden" caused by the declination process which agents could otherwise use to "focus on what matters most- helping their customers."

**PIACT, Government Affairs Counsel, Clare Irvine**: supports this bill and finds it "would greatly simplify the process of renewing insurance policies in the non-admitted market and adapt to current business practices." She testified that the legislation "[continues] to protect consumers from unnecessarily being sold a surplus-lines policy" and noted the risks inherent to surplus lines market "have greatly declined." She also noted that written declinations have been rendered obsolete by online portals and only complicate "otherwise straightforward" policy renewals.

#### **NATURE AND SOURCES OF OPPOSITION:**

None expressed

**Reported by: Sean Chilson**

**Date: 3/22/2023**