General Assembly **Substitute Bill No. 6981**

January Session, 2025

HB06981INS 031125

AN ACT CONCERNING ELECTRONIC POSTING OF CERTAIN DOCUMENTS BY INSURERS, NONRENEWAL OR CANCELLATION OF PROPERTY AND CASUALTY INSURANCE POLICIES, FEDERAL HOME LOAN BANKS AND THE INSURERS REHABILITATION AND LIQUIDATION ACT, HYPOTHECATION OF ASSETS AND SURPLUS LINES INSURANCE.

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

Section 1. (NEW) (*Effective October 1, 2025*) (a) Notwithstanding any provision of title 38a of the general statutes, except as provided in subsection (c) of this section and section 38a-477d of the general statutes, as amended by this act, an insurer may post on such insurer's Internet web site any policy, as defined in section 38a-296 of the general statutes, and any endorsement thereto in lieu of mailing or delivering such policy or endorsement to an insured, provided such policy or endorsement does not contain any personally identifiable information.

(b) If such insurer elects to post such policy or endorsement on such insurer's Internet web site in lieu of mailing or delivering such policy or endorsement to an insured pursuant to subsection (a) of this section, such insurer shall:

(1) Post and have accessible on such insurer's Internet web site such policy and any endorsement for as long as such policy is in force and in such manner that enables the insured to save and print such policy and

any endorsement using programs or applications that are readily available on the Internet and for which there is not a fee;

(2) Retain, upon the expiration of a policy, records of such expired policy and any endorsement thereto for a period of five years after the date of such expiration and make such records available upon request;

(3) Provide to the insured in, or simultaneous with, each declarations page provided to the insured at the time of issuance of the initial policy and any renewals of such policy (A) a description of the specific policy and any endorsement thereto purchased by the insured, (B) a method by which the insured may obtain, free of charge upon request, a paper copy of the policy and any endorsement thereto, and (C) the Internet web site address where such insured's policy and any endorsement are posted;

(4) Provide notice to the insured, at the time of any changes to the policy or endorsement, of a method by which the insured may obtain, free of charge upon request, a paper copy of the policy and any endorsement thereto and any changes to such policy or endorsement; and

(5) Provide notice to the insured that such insured may, at any time, submit a request to the insurer to opt out of electronic delivery of such insured's policy and any endorsement thereto.

(c) If an insured submits a request to the insurer to opt out of electronic delivery of such insured's policy and any endorsement thereto, such insurer shall mail or deliver a paper copy of such policy and any endorsement and any changes to such policy or endorsement to such insured in lieu of posting on such insurer's Internet web site any such policy or endorsement as set forth in subsections (a) and (b) of this section.

Sec. 2. Section 38a-477d of the general statutes is amended by adding subsection (k) as follows (*Effective October 1, 2025*):

(NEW) (k) Notwithstanding the provisions with respect to explanation of benefits set forth in subsections (d) to (h), inclusive, of this section, each insurer, health care center, hospital service corporation, medical service corporation, fraternal benefit society or other entity that delivers, issues for delivery, renews, amends or continues a health insurance policy providing coverage may allow a plan sponsor of a health insurance policy, on behalf of consumers who are covered individuals under such policy, to consent to the transmission of all communications pertaining to such policy by electronic means, provided a covered individual may, at any time, opt out of the electronic transmission of communications pertaining to such policy.

Sec. 3. Section 38a-344 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

Proof of mailing by certified mail, return receipt requested, mail using the United States Postal Service intelligent mail barcode tracking method, as provided in Chapter 204 of the Domestic Mail Manual or any subsequent corresponding document of the United States Postal Service, or any similar tracking method developed by the United States Postal Service, or, if agreed between an insurer and a named insured, delivery by electronic means with proof of a delivery receipt, notice of cancellation, an intention not to renew or of reasons for cancellation, to the named insured and any third party designated pursuant to section 38a-323a, as amended by this act, at the address shown in the policy, or by electronic means if agreed between an insurer and a named insured, shall be sufficient proof of notice.

Sec. 4. Section 38a-316g of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) (1) Except as provided in subsection (b) of this section, no insurer that delivers, issues for delivery, renews, amends or endorses a homeowners insurance policy in this state on or after July 1, **[**2021**]** 2025, that is subject to the requirements of sections 38a-663 to 38a-696,

inclusive, shall cancel such policy unless:

(A) If such policy is not a renewal policy and has been in effect for fewer than sixty days, such insurer sends a written cancellation notice to the named insured:

(i) At least ten days before the effective date of such cancellation for nonpayment of premium disclosing:

(I) Such cancellation;

(II) That the named insured may avoid such cancellation and continue coverage under such policy by paying, before the effective date of such cancellation, such unpaid premium; and

(III) That any excess premium, if not tendered by the insurer, shall be refunded to the named insured upon demand by the named insured; or

(ii) At least thirty days before the effective date of such cancellation for any reason other than nonpayment of premium disclosing:

(I) Such cancellation;

(II) The reason for such cancellation;

(III) The effective date of such cancellation; and

(IV) That any excess premium, if not tendered by the insurer, shall be refunded to the named insured upon demand by the named insured; or

(B) If such policy is not a renewal policy and has been in effect for at least sixty days, or if such policy is an effective renewal policy, such insurer sends a written cancellation notice to the named insured:

(i) At least ten days before the effective date of such cancellation for nonpayment of premium disclosing:

(I) Such cancellation;

(II) That the named insured may avoid such cancellation and

continue coverage under such policy by paying, before the effective date of such cancellation, such unpaid premium; and

(III) That any excess premium, if not tendered by the insurer, shall be refunded to the named insured upon demand by the named insured; or

(ii) At least thirty days before the effective date of such cancellation for fraud or misrepresentation of any material fact made by the named insured in obtaining coverage under such policy that, if discovered by such insurer, would have caused such insurer not to issue or renew such policy, as applicable, or any physical change in the covered property that materially increases a hazard insured against under such policy disclosing:

(I) The effective date of such cancellation; and

(II) That any excess premium, if not tendered by the insurer, shall be refunded to the named insured upon demand by the named insured.

(2) No insurer may cancel a homeowners insurance policy described in subparagraph (B) of subdivision (1) of this subsection for any reason other than:

(A) Nonpayment of premium;

(B) Fraud or misrepresentation of any material fact made by the named insured in obtaining coverage under such policy that, if discovered by the insurer, would have caused the insurer not to issue or renew such policy, as applicable; or

(C) Any physical change in the covered property that materially increases a hazard insured against under such policy.

(3) No notice of cancellation required under subdivision (1) of this subsection shall be effective unless such notice is sent to the named insured by registered mail, certified mail or mail evidenced by a certificate of mailing, mail using the United States Postal Service intelligent mail barcode tracking method, as provided in Chapter 204 of

the Domestic Mail Manual or any subsequent corresponding document of the United States Postal Service, or any similar tracking method developed by the United States Postal Service, or, if agreed by the insurer and the named insured, by electronic means evidenced by a delivery receipt.

(b) No notice of cancellation is required under subsection (a) of this section if the homeowners insurance policy is transferred from the insurer to an affiliate of such insurer for another policy with no interruption of coverage and the same terms, conditions and provisions, including policy limits, as the transferred policy, except that the insurer to which the policy is transferred shall not be prohibited from applying such insurer's rates and rating plans at the time of renewal.

(c) The named insured under a homeowners insurance policy described in subsection (a) of this section may cancel such policy at any time by sending to the insurer that delivered, issued for delivery, renewed, amended or endorsed such policy a written notice disclosing the effective date of such cancellation.

Sec. 5. Subsection (a) of section 38a-323 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) (1) No insurer shall refuse to renew any policy that is subject to the requirements of sections 38a-663 to 38a-696, inclusive, unless such insurer or its agent sends, by registered or certified mail or by mail evidenced by a certificate of mailing, or delivers to the named insured, at the address shown in the policy, mail using the United States Postal Service intelligent mail barcode tracking method, as provided in Chapter 204 of the Domestic Mail Manual or any subsequent corresponding document of the United States Postal Service, or any similar tracking method developed by the United States Postal Service, or, if agreed between the insurer and the named insured, by electronic means, at least sixty days' advance notice of its intention not to renew. The notice of intent not to renew shall state or be accompanied by a

statement specifying the reason for such nonrenewal. This section shall not apply: (A) In case of nonpayment of premium; (B) if the insured fails to pay any advance premium required by the insurer for renewal, provided, notwithstanding the failure of an insurer to comply with this subsection, with respect to automobile liability insurance policies the policy shall terminate on the effective date of any other insurance policy with respect to any automobile designated in both policies; or (C) if the policy is transferred from the insurer to an affiliate of such insurer for another policy with no interruption of coverage and contains the same terms, conditions and provisions, including policy limits, as the transferred policy, except that the insurer to which the policy is transferred shall not be prohibited from applying its rates and rating plans at the time of renewal. With respect to an automobile or homeowners policy, each insurer that sends or delivers a notice of nonrenewal pursuant to this subsection shall use the same method to send or deliver such notice to any third party designated pursuant to section 38a-323a, as amended by this act.

(2) If an insurer intends to renew any policy that is subject to the requirements of sections 38a-663 to 38a-696, inclusive, under terms or conditions less favorable to the insured than provided under the existing policy, the insurer shall send a conditional renewal notice in the manner required for a notice of nonrenewal under subdivision (1) of this subsection. The conditional renewal notice shall clearly state or be accompanied by a statement clearly identifying any reduction in coverage limits, coverage provisions added or revised that reduce coverage or increases in deductibles, under the renewal policy.

Sec. 6. Section 38a-323a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) Each insurer that issues, renews, amends or endorses an automobile or homeowners insurance policy in this state on or after July 1, **[**2019**]** 2025, shall include with the policy a conspicuous statement specifying that any individual may designate a third party to receive notice of cancellation or nonrenewal of the policy. The statement shall

include a designation form, a mailing address and an electronic mail address the individual may use to designate a third party. Such statement shall be in a form approved by the Insurance Commissioner.

(b) No designation form shall be effective unless it contains a written acceptance by the third party designee to receive copies of notices of cancellation or nonrenewal from the insurer on behalf of the individual. The third party designation shall be effective not later than ten business days after the date the insurer receives the designation form and the acceptance of the third party. The third party may terminate the status as a third party designee by providing written notice to both the insurer and the insured individual. The individual may terminate the third party designation by providing written notice to the insurer and the third party designee. The insurer may require the individual and the third party to send the notices to the insurer by certified mail, return receipt requested, mail using the United States Postal Service intelligent mail barcode tracking method, as provided in Chapter 204 of the Domestic Mail Manual or any subsequent corresponding document of the United States Postal Service, or any similar tracking method developed by the United States Postal Service, or, if agreed between the insurer and the individual or the insurer and the third party, by electronic means.

(c) The insurer's transmission to the third party designee of a copy of any notice of cancellation or nonrenewal shall be in addition to the transmission of the original document to the insured individual. When a third party is so designated, all such notices and copies shall be mailed in an envelope clearly marked on its face with, or, if agreed between the insurer and the third party, delivered by electronic means stating, the following: "IMPORTANT INSURANCE POLICY INFORMATION: OPEN IMMEDIATELY". The copy of the notice of cancellation or nonrenewal transmitted to the third party shall be governed by the same law and policy provisions that govern the notice being transmitted to the insured individual. The designation of a third party shall not constitute acceptance of any liability on the part of the third party or insurer for services provided to the insured individual.

Sec. 7. Subsection (a) of section 38a-324 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) After a policy of commercial risk insurance, other than workers' compensation insurance and automobile insurance issued under a residual market mechanism as described in section 38a-329, has been in effect for more than sixty days, or after the effective date of a renewal policy, no insurer may cancel any policy unless the cancellation is based on the occurrence, after the effective date of the policy or renewal, of one or more of the following conditions: (1) Nonpayment of premium; (2) conviction of a crime arising out of acts increasing the hazard insured against; (3) discovery of fraud or material misrepresentation by the insured in obtaining the policy or in perfecting any claim thereunder; (4) discovery of any wilful or reckless act or omission by the insured increasing the hazard insured against; (5) physical changes in the property which increase the hazard insured against; (6) a determination by the commissioner that continuation of the policy would violate or place the insurer in violation of the law; (7) a material increase in the hazard insured against; or (8) a substantial loss of reinsurance by the insurer affecting this particular line of insurance. If the basis for cancellation is nonpayment of premium, at least ten days' advance notice shall be given and the insured may continue the coverage and avoid the effect of the cancellation by payment in full at any time prior to the effective date of cancellation. If the basis for cancellation is conviction of a crime arising out of acts increasing the hazard insured against, discovery of fraud or material misrepresentation by the insured in obtaining the policy or in perfecting any claim thereunder, discovery of any wilful or reckless act or omission by the insured increasing the hazard insured against or a determination by the commissioner that continuation of the policy would violate or place the insurer in violation of the law, at least ten days' advance notice shall be given. In all other cases, at least sixty days' advance notice shall be given. Notwithstanding the provisions of this section, the advance notice period for cancellation of any professional liability policy, as defined in section 38a-393, shall

be at least ninety days. No notice of cancellation shall be required if such policy is transferred from an insurer to an affiliate of such insurer for another policy with no interruption of coverage and contains the same terms, conditions and provisions, including policy limits, as the transferred policy, except that the insurer to which the policy is transferred shall not be prohibited from applying its rates and rating plans at the time of renewal. No notice of cancellation shall be effective unless it is sent, by registered or certified mail, mail evidenced by a United States Post Office certificate of mailing, mail using the United States Postal Service intelligent mail barcode tracking method, as provided in Chapter 204 of the Domestic Mail Manual or any subsequent corresponding document of the United States Postal Service, or any similar tracking method developed by the United States Postal Service, or, if agreed between the insurer and the named insured, by electronic means evidenced by a delivery receipt, or delivered by the insurer to the named insured by the required date.

Sec. 8. Subsection (a) of section 38a-343 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) No notice of cancellation of a policy to which section 38a-342 applies shall be effective unless the notice is delivered or sent by the insurer to the named insured, and any third party designated pursuant to section 38a-323a, as amended by this act, by registered mail, certified mail, mail evidenced by a certificate of mailing, mail using the United States Postal Service intelligent mail barcode tracking method, as provided in chapter 204 of the Domestic Mail Manual or any subsequent corresponding document of the United States Postal Service, or any similar tracking method developed by the United States Postal Service, or, if agreed between the insurer and the named insured, by electronic means, at least forty-five days before the effective date of cancellation, except that (1) where cancellation is for nonpayment of the first premium on a new policy, at least fifteen days' notice of cancellation accompanied by the reason for cancellation shall be given, and (2) where cancellation is for nonpayment of any other premium, at least ten days'

notice of cancellation accompanied by the reason for cancellation shall be given. No notice of cancellation of a policy that has been in effect for less than sixty days shall be effective unless mailed or delivered by the insurer to the insured and any third party designee at least forty-five days before the effective date of cancellation, except that (A) at least fifteen days' notice shall be given where cancellation is for nonpayment of the first premium on a new policy, and (B) at least ten days' notice shall be given where cancellation is for nonpayment of any other premium or material misrepresentation. The notice of cancellation shall state or be accompanied by a statement specifying the reason for such cancellation. Any notice of cancellation for nonpayment of the first premium on a new policy may be retroactive to the effective date of such policy, provided at least fifteen days' notice has been given to the insured and any third party designee and payment of such premium has not been received during such notice period.

Sec. 9. Section 38a-905 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

For the purposes of sections 38a-903 to 38a-961, inclusive, and section 13 of this act:

(1) "Alien insurer domiciled in this state" means a United States branch.

(2) "Ancillary state" means any state other than a domiciliary state.

(3) "Commissioner" means the Insurance Commissioner.

(4) "Commodity contract" means: (A) A contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a board of trade designated as a contract market by the Commodity Futures Trading Commission under the Commodity Exchange Act (7 USC 1 et seq.) or board of trade outside the United States; (B) an agreement that is subject to regulation under Section 19 of the Commodity Exchange Act (7 USC 1, et seq.) and that is commonly known to the commodities trade as a margin account, margin contract,

leverage account or leverage contract; or (C) an agreement or transaction that is subject to regulation under section 4c(b) of the Commodity Exchange Act (7 USC 1 et seq.) and that is commonly known to the commodities trade as a commodity option.

(5) "Creditor" means a person having any claim, whether matured or unmatured, liquidated or unliquidated, secured or unsecured, absolute, fixed or contingent.

(6) "Delinquency proceeding" means any proceeding instituted against an insurer for the purpose of liquidating, rehabilitating, reorganizing or conserving such insurer, and any summary proceeding under section 38a-912. "Formal delinquency proceeding" means any liquidation or rehabilitation proceeding.

(7) "Doing business", "doing insurance business" and the "business of insurance", includes any of the following acts, whether effected by mail or otherwise: (A) The issuance or delivery of contracts of insurance, either to persons resident in or covering a risk located in this state; (B) the solicitation of applications for such contracts or other negotiations preliminary to the execution of such contracts; (C) the collection of premiums, membership fees, assessments or other consideration for such contracts; (D) the transaction of matters subsequent to execution of such contracts and arising out of them; or (E) operating under a license or certificate of authority, as an insurer, issued by the Insurance Department.

(8) "Domiciliary state" means the state in which an insurer is incorporated or organized, or, in the case of an alien insurer, its state of entry.

(9) "Fair consideration" is given for property or obligation: (A) When in exchange for such property or obligation, as a fair equivalent therefor, and in good faith, property is conveyed or services are rendered or an obligation is incurred or an antecedent debt is satisfied; or (B) when such property or obligation is received in good faith to secure a present advance or antecedent debt in an amount not disproportionately small

as compared to the value of the property or obligation obtained.

(10) "Foreign country" has the same meaning as provided in section 38a-1.

(11) "Forward contract" means a contract, other than a commodity contract, for the purchase, sale or transfer of a commodity, as defined in Section 1 of the Commodity Exchange Act (7 USC 1 et seq.), or any similar good, article, service, right or interest that is presently or in the future becomes the subject of dealing in the forward contract trade, or product or by-product thereof, with a maturity date more than two days after the date the contract is entered into, including, but not limited to, a repurchase transaction, reverse repurchase transaction, unallocated hedge transaction, deposit, loan, option, allocated transaction or a combination of these or option on any of them.

(12) "General assets" includes all property, real, personal or otherwise, not specifically mortgaged, pledged, deposited or otherwise encumbered for the security or benefit of specified persons or classes of persons. As to specifically encumbered property, "general assets" includes all such property or its proceeds in excess of the amount necessary to discharge the sum or sums secured thereby. Assets held in trust and on deposit for the security or benefit of all policyholders or all policyholders and creditors, in more than a single state, shall be treated as general assets.

(13) "Guaranty association" means the Connecticut Insurance Guaranty Association established pursuant to sections 38a-836 to 38a-853, inclusive, the Connecticut Life and Health Insurance Guaranty Association established pursuant to sections 38a-858 to 38a-875, inclusive, and any other similar entity created by the General Assembly for the payment of claims of insolvent insurers. "Foreign guaranty association" means any similar entities created by the legislature of any other state.

(14) "Insolvency" and "insolvent" have the same meanings as provided in section 38a-1.

(15) "Insurer" means any person who has done, purports to do, is doing or is licensed to do an insurance business, and is or has been subject to the authority of, or to liquidation, rehabilitation, reorganization, supervision or conservation by, any insurance commissioner. For purposes of sections 38a-903 to 38a-961, inclusive, any other persons included under section 38a-904 shall be deemed to be insurers.

(16) "Netting agreement" means a contract or agreement, including terms and conditions incorporated by reference therein, including a master agreement, which master agreement, together with all schedules, confirmations, definitions and addenda thereto and transactions under any thereof, shall be treated as one netting agreement, that (A) documents one or more transactions between the parties to the agreement for or involving one or more qualified financial contracts and (B) provides for the netting or liquidation of qualified financial contracts or present or future payment obligations or payment entitlements thereunder, including liquidation or closeout values relating to such obligations or entitlements, among the parties to the netting agreement.

(17) "Preferred claim" means any claim with respect to which the terms of sections 38a-903 to 38a-961, inclusive, accord priority of payment from the general assets of the insurer.

(18) "Qualified financial contract" means a commodity contract, forward contract, repurchase agreement, securities contract, swap agreement and any similar agreement that the commissioner determines to be a qualified financial contract for the purposes of this chapter.

(19) "Receiver" means receiver, liquidator, rehabilitator or conservator, as the context requires.

(20) "Reciprocal state" means any state other than this state in which in substance and effect sections 38a-920, 38a-954, 38a-955 and 38a-957 to 38a-959, inclusive, are in force and in which provisions are in force, requiring that the commissioner or equivalent official be the receiver of

a delinquent insurer and in which some provision exists for the avoidance of fraudulent conveyances and preferential transfers.

(21) "Repurchase agreement" and "reverse repurchase agreement" mean an agreement, including related terms, that provides for the transfer of certificates of deposit, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or an agency of the United States against the transfer of funds by the transferee of the certificates of deposit, eligible bankers' acceptances or securities with a simultaneous agreement by the transferee to transfer to the transferor certificates of deposit, eligible bankers' acceptances or securities as described in this subdivision, at a date certain not later than one year after the transfers or on demand, against the transfer of funds. For the purposes of this subdivision, the items that may be subject to an agreement include mortgage-related securities, a mortgage loan, and an interest in a mortgage loan, and shall not include any participation in a commercial mortgage loan, unless the commissioner determines to include the participation within the meaning of the term.

(22) "Secured claim" means any claim secured by an asset that is not a general asset. "Secured claim" also includes claims which have become liens upon specific assets by reason of judicial process prior to four months before the commencement of delinquency proceedings. "Secured claim" does not include a special deposit claim or a claim arising from a constructive or resulting trust.

(23) "Securities contract" means a contract for the purchase, sale or loan of a security, including an option for the repurchase or sale of a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof, or an option entered into on a national securities exchange relating to foreign currencies, or the guarantee of a settlement of cash or securities by or to a securities clearing agency. For the purposes of this subdivision, "security" includes a mortgage loan, mortgage-related securities, and an interest in any mortgage loan or mortgage-related security.

(24) "Special deposit claim" means any claim secured by a deposit made pursuant to a state statute for the security or benefit of a limited class or classes of persons, but does not include any claim secured by general assets.

(25) "State" has the same meaning as provided in section 38a-1.

(26) "Swap agreement" means an agreement, including the terms and conditions incorporated by reference in an agreement, that is a rate swap agreement, basis swap, commodity swap, forward rate agreement, interest rate future, interest rate option, forward foreign exchange agreement, spot foreign exchange agreement, rate cap agreement, rate floor agreement, rate collar agreement, currency swap agreement, cross-currency rate swap agreement, currency future, or currency option or any other similar agreement, and includes any combination of agreements and an option to enter into an agreement.

(27) "Transfer" includes the sale and every other and different mode, direct or indirect, of disposing of or of parting with property or with an interest therein, or with the possession thereof or of fixing a lien upon property or upon an interest therein, absolutely or conditionally, voluntarily, by or without judicial proceedings. The retention of a security title to property delivered to a debtor shall be deemed a transfer suffered by the debtor.

(28) "United States branch" has the same meaning as provided in section 38a-58b.

Sec. 10. Section 38a-907 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) The conservation, rehabilitation and liquidation of insurance companies and other persons subject to the provisions of sections 38a-903 to 38a-961, inclusive, are a matter of vital public interest and affect the relationships between insureds and their insurers.

(1) **[**An**]** Except as provided in subsection (c) of this section, an

application or petition under sections 38a-912, 38a-914, 38a-915, 38a-918, 38a-919 and 38a-920, shall operate as an automatic stay applicable to all persons, other than the receiver, which shall be permanent and survive the entry of an order of conservation, rehabilitation or liquidation, and which shall prohibit: (A) The transaction of further business; (B) the transfer of property; (C) interference with the receiver or with a proceeding under said sections; (D) waste of the insurer's assets; (E) dissipation and transfer of bank accounts; (F) the institution or further prosecution of any actions or proceedings in which the insurer is a party; (G) the obtaining of preferences, judgments, attachments, garnishments, or liens against the insurer, its assets or its policyholders; (H) the levying of execution against the insurer, its assets, or its policyholders; (I) the making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets of the insurer; (J) the withholding from the receiver of books, accounts, documents, or other records relating to the business of the insurer; or (K) any other threatened or contemplated action that might lessen the value of the insurer's assets or prejudice the rights of policyholders, creditors, or shareholders, or the administration of any proceeding under said sections.

(2) Notwithstanding any other provision of law, no bond shall be required of the commissioner as a prerequisite for the issuance of any injunction or restraining order pursuant to this section.

(3) Upon motion of a person subject to the stay, the court, after notice to the receiver and a hearing, may modify or grant relief from the stay, provided said person shall have the burden of proof and shall establish by clear and convincing evidence that such relief should be granted.

(4) All matters that may be stayed, enjoined or barred under this section and all matters involving its interpretation or operation shall remain within the exclusive jurisdiction of the domiciliary receivership court.

(b) The receiver may apply to any court outside of the state for the relief described in subsection (a) of this section.

(c) Notwithstanding the provisions of subsections (a) and (b) of this section or any other provision of this chapter, no person, for a period of not more than ten business days from the date of an order instituting a delinquency proceeding, whether formal, informal, administrative or judicial, shall be stayed, enjoined or barred from exercising or enforcing any right or cause of action under any pledge, security, credit, collateral, loan, advance, reimbursement or guarantee agreement or arrangement or any similar agreement or arrangement or other credit enhancement to which a Federal Home Loan Bank, as defined in 12 USC 1422, as amended from time to time, is a party.

Sec. 11. Section 38a-928 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Every transfer made or suffered and every obligation incurred by an insurer within one year prior to the filing of a successful petition for rehabilitation or liquidation under sections 38a-903 to 38a-961, inclusive, is fraudulent as to then existing and future creditors if made or incurred without fair consideration, or with actual intent to hinder, delay, or defraud either existing or future creditors. A transfer made or an obligation incurred by an insurer ordered to be rehabilitated or liquidated under said sections, which is fraudulent under this section, may be avoided by the receiver, except as to a person who in good faith is a purchaser, lienor, or obligee for a present fair equivalent value, and except that any purchaser, lienor, or obligee, who in good faith has given a consideration less than fair for such transfer, lien, or obligation, may retain the property, lien or obligation as security for repayment. The court may, on due notice, order any such transfer or obligation to be preserved for the benefit of the estate, and in that event, the receiver shall succeed to and may enforce the rights of the purchaser, lienor, or obligee.

(b) (1) A transfer of property other than real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent lien obtainable by legal or equitable proceedings on a simple contract could become superior to the rights of the transferee under

subsection (c) of section 38a-930.

(2) A transfer of real property shall be deemed to be made or suffered when it becomes so far perfected that no subsequent bona fide purchaser from the insurer could obtain rights superior to the rights of the transferee.

(3) A transfer which creates an equitable lien shall not be deemed to be perfected if there are available means by which a legal lien could be created.

(4) Any transfer not perfected prior to the filing of a petition for liquidation shall be deemed to be made immediately before the filing of the successful petition.

(5) The provisions of this subsection apply whether or not there are or were creditors who might have obtained any liens or persons who might have become bona fide purchasers.

(c) Any transaction of the insurer with a reinsurer shall be deemed fraudulent and may be avoided by the receiver under subsection (a) of this section if: (1) The transaction consists of the termination, adjustment, or settlement of a reinsurance contract in which the reinsurer is released from any part of its duty to pay the originally specified share of losses that had occurred prior to the time of the transaction, unless the reinsurer gives a present fair equivalent value for the release; and (2) any part of the transaction took place within one year prior to the date of filing of the petition through which the receivership was commenced.

(d) Any person receiving property from the insurer or any benefit thereof which is a fraudulent transfer under subsection (a) of this section shall be personally liable therefor and shall be bound to account to the liquidator.

(e) Notwithstanding the provisions of subsections (a) to (d), inclusive, of this section or any other provision of this chapter, no receiver or any

other person shall avoid any transfer or obligation that arises under or in connection with any pledge, security, credit, collateral, loan, advance, reimbursement or guarantee agreement or arrangement or any similar agreement or arrangement or other credit enhancement to which a Federal Home Loan Bank, as defined in 12 USC 1422, as amended from time to time, is a party, that is made, suffered or incurred prior to or after the filing of a successful petition for rehabilitation or liquidation under sections 38a-903 to 38a-961, inclusive. Such transfer or obligation may be avoided by the receiver or other person if such transfer or obligation was made, suffered or incurred with actual intent to hinder, delay or defraud the insurer, the receiver or existing or future creditors.

Sec. 12. Subsection (a) of section 38a-930 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) (1) A preference is a transfer of any of the property of an insurer to or for the benefit of a creditor, for or on account of an antecedent debt, made or suffered by the insurer within one year before the filing of a successful petition for liquidation under sections 38a-903 to 38a-961, inclusive, the effect of which transfer may be to enable the creditor to obtain a greater percentage of this debt than another creditor of the same class would receive. If a liquidation order is entered while the insurer is already subject to a rehabilitation order, then such transfers shall be deemed preferences if made or suffered within one year before the filing of the successful petition for rehabilitation, or within two years before the filing of the successful petition for liquidation, whichever time is shorter.

(2) **[**Any**]** Except as provided in subdivision (5) of this subsection, any preference may be avoided by the liquidator if: (A) The insurer was insolvent at the time of the transfer; (B) the transfer was made within four months before the filing of the petition; (C) the creditor receiving it or to be benefited thereby or such creditor's agent acting with reference thereto had, at the time when the transfer was made, reasonable cause to believe that the insurer was insolvent or was about to become

insolvent; or (D) the creditor receiving it was an officer, or any employee or attorney or other person who was in fact in a position of comparable influence in the insurer to an officer whether or not such employee, attorney or other person held such position, or any shareholder holding directly or indirectly more than five per cent of any class of any equity security issued by the insurer, or any other person, firm, corporation, association, or aggregation of persons with whom the insurer did not deal at arm's length.

(3) Where the preference is voidable, the liquidator may recover the property, or if it has been converted, its value from any person who has received or converted the property, except where a bona fide purchaser or lienor has given less than fair equivalent value, such purchaser or lienor shall have a lien upon the property to the extent of the consideration actually given by such purchaser or lienor. Where a preference by way of lien or security title is voidable, the court may on due notice order the lien or title to be preserved for the benefit of the estate, in which event the lien or title shall pass to the liquidator.

(4) Notwithstanding subdivisions (1) to (3), inclusive, of this subsection, a transfer pursuant to a commutation of a reinsurance agreement that is approved by the commissioner or the commissioner's designated appointee under section 38a-962d shall not be voidable as a preference. For the purposes of this subdivision, a commutation of a reinsurance agreement is the elimination of all present and future obligations between the parties, arising from the reinsurance agreement, in exchange for a current consideration.

(5) Notwithstanding the provisions of subdivision (2) of this subsection or any other provision of this chapter, no preference that arises under or in connection with any pledge, security, credit, collateral, loan, advance, reimbursement or guarantee agreement or arrangement or any similar agreement or arrangement or other credit enhancement to which a Federal Home Loan Bank, as defined in 12 USC 1422, as amended from time to time, is a party shall be avoided by the liquidator or any other person.

Sec. 13. (NEW) (*Effective October 1, 2025*) With respect to an insurer that is subject to any delinquency proceedings, whether formal, informal, administrative or judicial, and is a member of a Federal Home Loan Bank, as defined in 12 USC 1422, as amended from time to time:

(1) If such bank exercises such bank's rights regarding collateral pledged by such insurer, such bank shall repurchase, not later than seven business days after such delinquency proceeding, and to the extent such bank determines in good faith that such repurchase is permissible under applicable laws and regulations and such bank's capital plan and is consistent with such bank's current capital stock practices applicable to such bank's entire membership, any outstanding capital stock that is in excess of the amount of stock of such bank that such insurer is required to hold as a minimum investment.

(2) After the appointment of a receiver for such insurer, such bank shall provide to such receiver, not later than ten business days after a request from such receiver, a process and establish a timeline for all of the following:

(A) The release of such insurer's collateral that exceeds the amount required to support remaining secured obligations of such insurer after any repayment of loans as determined in accordance with applicable agreements between such bank and such insurer;

(B) The release of such insurer's collateral that remains after repayment in full of all outstanding secured obligations of such insurer;

(C) The payment of any fees owed by such insurer and the operation, maintenance, closure or disposition of deposits and other accounts such insurer may have with such bank; and

(D) The possible redemption or repurchase of the stock of such bank or excess stock of any class that such insurer is required to hold as a member of such bank.

(3) Upon request from a receiver of such insurer, such bank shall

provide to such receiver any available options for such insurer to renew or restructure a loan. Any such options shall be subject to market conditions, the terms of such insurer's outstanding loans, the applicable policies of such bank and such bank's compliance with federal laws and regulations.

Sec. 14. Subsection (b) of section 38a-55 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(b) (1) No domestic insurer, domestic health care center or domestic fraternal benefit society may, without the prior written consent of the Insurance Commissioner, pledge, hypothecate or otherwise encumber its assets to secure its own debt, guaranty or obligations if the amount of the assets pledged, hypothecated or otherwise encumbered, when the pledge, hypothecation or encumbrance is made, together with the aggregate amount of assets pledged, hypothecated or encumbered to secure all such debts, guarantees and obligations, exceeds the lesser of five per cent of admitted assets or twenty-five per cent of surplus as regards policyholders as reported in its last financial statement filed with the commissioner pursuant to section 38a-53 or 38a-614.

(2) Nothing in this subsection shall be construed as prohibiting a domestic insurer, domestic health care center or domestic fraternal benefit society from pledging, hypothecating or encumbering any assets in connection with: (A) Transactions in the ordinary course of business, including, but not limited to: (i) Complying with any statutory requirement, (ii) reinsurance transactions otherwise in compliance with applicable statutory requirements, (iii) participation in the Federal Home Loan Bank System, as defined in 12 USC 1422, as amended from time to time, including, but not limited to, funding transactions thereunder, or **[**(iii)**]** (iv) investments or investment practices otherwise in compliance with applicable statutory requirements, including, but not limited to, securities lending, repurchase transactions, reverse repurchase transactions, swap, futures and options transactions, and any other transactions which are not prohibited by the investment law

and regulations of this state; (B) transactions subject to the provisions of sections 38a-129 to 38a-140, inclusive; or (C) any other transaction deemed excluded by the Insurance Commissioner. Assets pledged, hypothecated or encumbered pursuant to subparagraph (A), (B) or (C) of this subdivision shall not be charged against the limits set forth in subdivision (1) of this subsection.

(3) In the case of a domestic life insurance company, the provisions of this subsection shall apply to a separate account only to the extent that reserves for guarantees with respect to (A) benefits guaranteed as to dollar amount and duration or (B) funds guaranteed as to principal amount or stated rate of interest are held in a separate account in accordance with subdivision (3) of subsection (a) of section 38a-433.

Sec. 15. Subsection (b) of section 38a-741 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(b) (1) When any policy of insurance is procured or renewed under the authority of such license providing a line of insurance or its component that does not, on the effective date of coverage, appear on the current published list, both the licensee and the insured shall first make a diligent effort, as defined by the commissioner, to procure, from any authorized insurer or insurers, the full amount of insurance required to protect the interest of such insured, and further showing (A) that the amount of insurance procured from an unauthorized insurer or insurers is only the excess over the amount so procurable from authorized insurers, (B) the type of policy, and (C) if such policy is for real property, the location of such property. Such licensee shall keep, in a form approved by the commissioner, and make available for examination by the commissioner upon request, all (i) documentation concerning such licensee's and insured's diligent effort to procure, from any authorized insurer or insurers, the full amount of insurance required to protect the interest of such insured, and (ii) information concerning each policy placed in the surplus lines market.

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

Sec. 16. (*Effective from passage*) The Insurance Commissioner shall conduct a study of digital insurance payment processing systems, including, but not limited to, an analysis of any innovations in such systems that may improve consumer experience, reduce costs, enhance transaction security and expedite claim resolutions for consumers and health insurance companies in this state. Not later than February 1, 2026, the Insurance Commissioner shall report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to insurance on the findings of such study and provide legislative recommendations to improve the use of digital insurance payment processing systems in the insurance industry in this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2025*	New section
Sec. 2	*October 1, 2025*	38a-477d(k)
Sec. 3	*July 1, 2025*	38a-344
Sec. 4	*July 1, 2025*	38a-316g
Sec. 5	*July 1, 2025*	38a-323(a)

Sec. 6	*July 1, 2025*	38a-323a
Sec. 7	*July 1, 2025*	38a-324(a)
Sec. 8	*July 1, 2025*	38a-343(a)
Sec. 9	*October 1, 2025*	38a-905
Sec. 10	*October 1, 2025*	38a-907
Sec. 11	*October 1, 2025*	38a-928
Sec. 12	*October 1, 2025*	38a-930(a)
Sec. 13	*October 1, 2025*	New section
Sec. 14	*October 1, 2025*	38a-55(b)
Sec. 15	*October 1, 2025*	38a-741(b)
Sec. 16	*from passage*	New section

INS *Joint Favorable Subst.*