

Office of Legislative Research
Connecticut General Assembly



INSURANCE



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TO THE READER

This report provides highlights of new laws (Public Acts) affecting insurance enacted during the 2012 regular legislative session and the June 12 Special Session. At the end of each summary we indicate the Public Act (PA) number and the date the legislation takes effect.

Not all provisions of the acts are included here. Complete summaries of all 2012 Public Acts will be available on OLR's webpage:

www.cga.ct.gov/olr/OLRPASums.asp.

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, the House Clerk's Office, or the General Assembly's website (www.cga.ct.gov/).

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HEALTH INSURANCE

Adverse Determination Reviews

A new law expands the information health insurers must provide to covered persons or their authorized representatives, upon request, when they make an adverse determination (e.g., deny coverage), both in the initial determination and reviews of this determination. It requires carriers to provide copies of the information within one calendar or five business days of the request, depending on the circumstances of the case.

([PA 12-102](#), effective October 1, 2012)

All-Payer Claims Database Program

A new law creates an all-payer claims database program for receiving and storing data relating to medical and dental insurance claims, pharmacy claims, and other insurance claims information from enrollment and eligibility files. Creation of the database is subject to the Office of Health Reform and Innovation's ability to secure federal funding and funds from private sources. The act requires insurers and various

other "reporting entities" to provide information for inclusion in the database.

([PA 12-166](#), effective upon passage)

Birth-to-Three Program

A new law changes the requirements for individual and group health insurance policies that provide coverage for medically necessary early intervention (birth-to-three) services as part of an individualized family service plan. By law, insurers' payments for birth-to-three services cannot apply against any maximum lifetime or annual limit in the policy. The act also prohibits payments from causing (1) a loss of benefits due to a policy limit, (2) an insured child or family member to be denied health insurance coverage, and (3) a policy rescission or cancellation. It specifies that payments for birth-to-three services must be treated the same as other claim experience for premium rating purposes.

([PA 12-44](#), effective July 1, 2012)

Breast Cancer Screening

A new law removes a requirement that health insurance policies cover breast magnetic resonance imaging (MRI) under the same circumstances as breast ultrasound screening. It also removes a requirement that the

policies cover MRIs in all circumstances according to guidelines established by the American College of Radiology. It instead specifies that the policies must cover breast MRI in accordance with American Cancer Society guidelines.

([PA 12-150](#), effective upon passage)

Childhood Immunization Insurance Assessment

By law, DPH operates a state childhood immunization program, under which, and within available appropriations, the department must provide vaccines at no cost to participating health care providers. The program is funded by a “health and welfare” assessment on certain insurers. A new law applies the assessment only to those domestic health insurance companies and HMOs that cover (1) basic hospital expenses; (2) basic medical-surgical expenses; (3) major medical expenses; and (4) hospital or medical services. It also excludes life insurers from the assessment and extends the assessment to (1) licensed third-party administrators (TPA) that provide administrative services for self-insured health benefit plans and (2) domestic insurers exempt from TPA licensure who administer self-insured health benefit plans.

([PA 12-1, June 12 Sp. Sess., §§ 213 & 214](#), effective July 1, 2012)

Colorectal Cancer Screening

By law, health insurance policies must cover colorectal cancer screening, including colonoscopies, sigmoidoscopies, and radiological imaging. A new law changes the entity whose recommendation health insurers must follow in determining the level of coverage for the screening. It requires them to cover the tests in accordance with the American Cancer Society's recommendations.

([PA 12-61](#), effective January 1, 2013)

A new law bars insurers from charging a deductible for procedures a physician initially undertakes as a colorectal cancer screening colonoscopy or sigmoidoscopy.

([PA 12-190](#), effective January 1, 2013)

Health Insurance Exchange

A new law makes the Healthcare Advocate a voting member of the Connecticut Health Insurance Exchange board. It also: (1) increases, from six to seven, the number of board members that constitutes a quorum; (2) expands outside employment and affiliations restrictions applicable to exchange board members and staff; (3) lengthens the term of the House majority leader's health care economist board appointee from one year to two years; and (4) allows exchange employees to enroll in the state employee health plan if the

exchange pays the enrollment costs.

[\(PA 12-1, June 12 Sp. Sess., §§ 217-219](#), effective upon passage)

Health Insurance Mandates

A new law expands the circumstances under which certain health insurance mandates apply (e.g., food products for the treatment of inherited metabolic diseases, specialized formulas, and ambulance services). It also makes technical changes to the insurance laws.

[\(PA 12-145](#), effective upon passage for technical changes and January 1, 2013 for mandate changes)

Medicaid Participants with Other Insurance

A new law adds to the information health insurance-related entities must provide the Department of Social Services to assist the department in locating people enrolled in Medicaid who also have other insurance.

[\(PA 12-119, § 4](#), effective upon passage)

Pain Management Specialists

By law, health insurance policies must provide access to a pain management specialist and coverage for pain management treatment ordered by such specialist. A new law adds board-certified physiatrists with additional training in pain management to the list of pain management specialists.

(Physiatrists are physicians who specialize in physical medicine and rehabilitation.) Existing law defines a “pain management specialist” as a physician credentialed by the American Academy of Pain Management or a board-certified anesthesiologist, neurologist, oncologist, or radiation oncologist with additional training in pain management.

[\(PA 12-197, §§ 20-21](#), effective upon passage)

LIFE INSURANCE

Funeral Service Contracts

A new law allows people to pay for funeral service contracts by assigning the death benefit under a life insurance policy. It exempts contracts that are funded in this way from the general requirement that funeral homes deposit into escrow the money or securities they receive under funeral service contracts.

[\(PA 12-36](#), effective upon passage)

PROPERTY AND CASUALTY

(P&C) INSURANCE

Hurricane Deductibles and Various P&C Statutes

A new law specifies when insurers may impose a hurricane deductible in the policy instead of an overall policy deductible under homeowners and certain other policies.

It broadens the applicability of standard fire insurance policy provisions regarding the (1)

period when a loss is payable after proof of loss, (2) period when a suit or action for the recovery of a claim must be commenced, and (3) definitions of actual cash value and depreciation.

The act requires people who mitigate losses incurred on or after July 1, 2012 that are covered by a personal risk insurance or commercial risk policy to give the insured, before any work begins, written notice of the work to be completed and the estimated total price.

By law, insurance adjusters may not charge or collect a fee if, within 30 days of a loss to a structure covered by a fire insurance policy, the insurer offers in writing to pay the full policy limits. The act requires that any fee the adjuster charges the insured to be (1) based only on the amount of the insurance settlement proceeds actually received by the insured and (2) collected by the adjuster after the insured has received the proceeds from the insurer.

([PA 12-162](#), effective July 1, 2012, except the hurricane deductible provision is effective October 1, 2012)

Perishable Food Donations

A new law requires insurers that sell commercial risk insurance policies or riders that cover food spoilage to cover to the same extent donations of perishable food to temporary emergency shelters, under certain circumstances and

subject to several limitations. The requirement applies to a policy or rider delivered, issued, renewed, amended, or continued in this state for a class III or class IV food establishment under the public health code (e.g., grocery stores and restaurants).

([PA 12-123](#), effective October 1, 2012)

REINSURANCE

Credit for Reinsurance

A new law modifies and expands the options under which a U.S. ceding insurer is allowed to take credit for reinsurance on its financial statements. For example, it allows credit to be taken when the reinsurance is ceded to a reinsurer that (1) is certified or accredited by the insurance commissioner and (2) secures its reinsurance obligations in accordance with the act and regulations to be adopted by the insurance commissioner. The act allows the commissioner to suspend or revoke a reinsurer's certification or accreditation, after notice and hearing, if he determines the reinsurer no longer meets the applicable requirements.

Under the act, the commissioner evaluates a reinsurer that applies for certification and assigns a rating based on the evaluation. The commissioner's assigned rating determines the amount of collateral the certified reinsurer must maintain to secure obligations it assumes from U.S.

ceding insurers. If a certified reinsurer secures its obligations at a level consistent with its rating, the ceding insurer will qualify for full financial credit for the reinsurance.

([PA 12-139](#), effective October 1, 2012)

WORKERS' COMPENSATION COVERAGE

Second Injury Fund

A new law allows the Second Injury Fund to request, and a workers' compensation commissioner to issue, a writ of attachment against an employer when (1) a person has filed a workers' compensation claim, (2) the employer has not satisfied the requirements to carry insurance or demonstrate other means of paying workers' compensation claims, and (3) it appears the claim may require payment from the Second Injury Fund. The fund provides workers' compensation insurance coverage to workers whose employers failed to provide it.

([PA 12-77](#), effective October 1, 2012)

Workers' Compensation for Firefighters

A new law extends workers' compensation coverage for mental or emotional impairment to a volunteer or paid uniformed municipal firefighter diagnosed with post-traumatic stress disorder (PTSD) that originates from the firefighter witnessing the death of another firefighter

while engaged in the line of duty. To be eligible, the firefighter (1) must be diagnosed by a licensed and board certified mental health professional who determines the PTSD stems from witnessing the death of another firefighter and (2) is not subject to any other exclusion under workers' compensation law.

([PA 12-126](#), effective upon passage)

MISCELLANEOUS

Captive Insurers

A new law eliminates the captive insurance regulatory and supervision account and redirects the related revenue to the Insurance Fund. It also limits the statutory limits on captives' risks to risk retention groups, a type of captive insurer formed under the federal Products Liability Risk Retention Act, instead of all captives.

([PA 12-1, June 12, Sp. Sess., §§ 215 & 216](#), effective July 1, 2012)

Certain Associations Exempt from Most Insurance Laws

A new law exempts Internal Revenue Code § 501(c)(23) tax-exempt organizations (those that primarily provide insurance to veterans and their dependents) from most Connecticut insurance laws.

([PA 12-2, June 12 Sp. Sess., §§ 134-137](#), effective July 1, 2012)

Insurance Escrow Accounts

Prior law required the interest rate on tax and insurance escrow accounts to be at least the average savings deposit interest rate paid by insured commercial banks published in the Federal Reserve Board Bulletin in November of the previous year (i.e., deposit index) but not less than 1.5%. This bill retains the deposit index method for calculating the interest rate but eliminates the minimum 1.5% interest rate. (The 2012 deposit index is 0.16%.)

([PA 12-106](#), effective October 1, 2012)

Insurance Holding Companies

A new law expanded the scope of the Insurance Department's review when a Connecticut insurer is the subject of a proposed merger or other change of control. The act requires, in most cases, a party seeking to acquire the insurer to file a notification with the commissioner and establishes a waiting period after the acquiring party files this notification. It requires the commissioner to evaluate whether the proposed acquisition will (1) substantially reduce competition in any insurance line in the state or (2) tend to create a monopoly in the state.

The act expands filing requirements for insurance companies that are part of holding company systems by requiring, in certain cases, the person who ultimately controls

an insurance company to file an annual enterprise risk report with the commissioner. It subjects certain transactions between insurers and their holding company systems to department review and approval. The act allows the commissioner to examine an insurance company or its affiliates to determine the company's financial condition, including its enterprise risk.

([PA 12-103](#), as amended by [PA 12-2, June 12 Special Session, §§ 126, 127, and 173](#), most provisions effective October 1, 2012)

Motor Vehicle Repairer and Dealer Fees

By law, licensed motor vehicle repairers, new and used motor vehicle dealers, and motor vehicle rental companies, and applicants for such licenses, must furnish cash or surety bonds. Repairers and used and new motor vehicle dealers must also furnish proof of financial responsibility (e.g., insurance). A new law requires the motor vehicle commissioner to impose a \$50 fee on licensees who fail to continuously meet these bond and financial responsibility requirements. The fee is in addition to license suspension or revocation penalties and civil penalties of up to \$1,000 per violation.

([PA 12-81, §§ 7-8](#), effective October 1, 2012)

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