

Senate, March 23, 1998. The Committee on Insurance and Real Estate reported through SEN. BOZEK, 6th DIST., Chairman of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING TECHNICAL AND MINOR CHANGES TO THE INSURANCE LAWS.

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

1 Section 1. Subdivision (9) of section 38a-1
2 of the general statutes is repealed and the
3 following is substituted in lieu thereof:

4 (9) "Insolvency" or "insolvent" means, for
5 any insurer, that it is unable to pay its
6 obligations when they are due, or when its
7 admitted assets do not exceed its liabilities plus
8 the greater of: (A) [Any capital] CAPITAL and
9 surplus required by law for its organization AND
10 CONTINUED OPERATION; or (B) the total par or
11 stated value of its authorized and issued capital
12 stock. For purposes of this subdivision
13 "liabilities" shall include but not be limited to
14 reserves required by statute or by regulations
15 adopted by the commissioner IN ACCORDANCE WITH THE
16 PROVISIONS OF CHAPTER 54 or specific requirements
17 imposed by the commissioner upon a subject company
18 at the time of admission or subsequent thereto.

19 Sec. 2. Section 38a-19 of the general
20 statutes is repealed and the following is
21 substituted in lieu thereof:

22 (a) Any person or insurer aggrieved by any
23 order or decision of the commissioner made without

24 a hearing may, [within] NOT LATER THAN thirty days
25 after notice of the order to the person or
26 insurer, make written request to the commissioner
27 for a hearing [thereon] ON THE ORDER OR DECISION.
28 The commissioner shall hear such party or parties
29 [within] NOT LATER THAN twenty days after receipt
30 of such request and shall give not less than ten
31 days' written notice of the time and place of the
32 hearing. [Within] NOT LATER THAN fifteen days
33 after such hearing the commissioner shall affirm,
34 reverse or modify his previous [action] ORDER OR
35 DECISION, specifying his reasons therefor. Pending
36 such hearing and decision [thereon] ON SUCH
37 HEARING the commissioner may suspend or postpone
38 the effective date of his previous [action] ORDER
39 OR DECISION.

40 (b) Nothing contained in this section or
41 sections 38a-363 to 38a-388, inclusive, shall
42 require the observance at any hearing of formal
43 rules of pleading or evidence.

44 (c) THE PROVISIONS OF THIS SECTION SHALL NOT
45 APPLY TO AN ORDER OR DECISION OF THE COMMISSIONER
46 MADE PURSUANT TO SECTION 20 OF PUBLIC ACT 97-99,
47 AS AMENDED BY SECTION 60 OF PUBLIC ACT 97-8 OF THE
48 JUNE 18 SPECIAL SESSION.

49 [(c)] (d) Any order or decision of the
50 commissioner shall be subject to appeal therefrom
51 in accordance with the provisions of section
52 4-183.

53 Sec. 3. Subsection (a) of section 38a-25 of
54 the general statutes, as amended by section 17 of
55 public act 97-202, is repealed and the following
56 is substituted in lieu thereof:

57 (a) The Insurance Commissioner is the agent
58 for receipt of service of legal process on the
59 following:

60 (1) Foreign and alien insurance companies
61 authorized to do business in this state in any
62 proceeding arising from or related to any
63 transaction having a connection with this state.

64 (2) Fraternal benefit societies authorized to
65 do business in this state.

66 (3) Insurance-support organizations as
67 defined in section 38a-976, transacting business
68 outside this state which affects a resident of
69 this state.

70 (4) Risk retention groups designating the

71 Insurance Commissioner as agent for receipt of
72 service of process pursuant to section 38a-252.

73 (5) Purchasing groups designating the
74 Insurance Commissioner as agent for receipt of
75 service of process pursuant to section 38a-261.

76 (6) Eligible surplus lines insurers
77 authorized by the commissioner to accept surplus
78 lines insurance.

79 (7) Except as provided by section 38a-273,
80 unauthorized insurers or other persons assisting
81 unauthorized insurers who directly or indirectly
82 do any of the acts of insurance business as set
83 forth in subsection (a) of section 38a-271.

84 (8) The Connecticut Insurance Guaranty
85 Association and the Connecticut Life and Health
86 Insurance Guaranty Association.

87 (9) Insurance companies designating the
88 Insurance Commissioner as agent for receipt of
89 service of process pursuant to subsection (g) of
90 section 38a-85.

91 (10) Nonresident [brokers] INSURANCE
92 PRODUCERS and nonresident surplus lines brokers
93 licensed by the Insurance Commissioner.

94 (11) Viatical settlement providers and
95 viatical settlement brokers licensed by the
96 commissioner.

97 (12) NONRESIDENT REINSURANCE INTERMEDIARIES
98 DESIGNATING THE COMMISSIONER AS AGENT FOR RECEIPT
99 OF SERVICE OF PROCESS PURSUANT TO SECTION
100 38a-760b.

101 (13) WORKERS' COMPENSATION SELF-INSURANCE
102 GROUPS, AS DEFINED IN SECTION 38a-1001.

103 (14) PERSONS ALLEGED TO HAVE VIOLATED ANY
104 PROVISION OF SECTION 38a-130.

105 Sec. 4. Subsection (a) of section 38a-54 of
106 the general statutes is repealed and the following
107 is substituted in lieu thereof:

108 (a) On or after December 31, 1990, each
109 insurance company, health care center or fraternal
110 benefit society doing business in this state shall
111 have an annual audit conducted by an independent
112 certified public accountant and shall annually
113 file an audited financial report with the
114 commissioner on or before the [thirtieth] FIRST
115 day of June for the year ending the [thirty-first
116 day of December next preceding] PRECEDING DECEMBER
117 THIRTY-FIRST.

118 Sec. 5. Subsection (a) of section 38a-271 of
119 the general statutes is repealed and the following
120 is substituted in lieu thereof:

121 (a) Unless otherwise indicated, as used in
122 sections 38a-27, and 38a-271 to 38a-278,
123 inclusive, AS AMENDED, "insurer" includes all
124 corporations, associations, partnerships and
125 individuals engaged as principals in the business
126 of insurance and also includes interinsurance
127 exchanges, [and] mutual benefit societies AND
128 HEALTH CARE CENTERS and "commissioner" means the
129 Insurance Commissioner. Any of the following acts
130 effected in this state by mail or otherwise is
131 defined to be doing an insurance business in this
132 state: (1) The making of or proposing to make, as
133 an insurer, an insurance contract; (2) the making
134 of or proposing to make, as guarantor or surety,
135 any contract of guaranty or suretyship as a
136 vocation and not merely incidental to any other
137 legitimate business or activity of the guarantor
138 or surety; (3) the taking or receiving of any
139 application for insurance; (4) the receiving or
140 collection of any premium, commission, membership
141 fees, assessments, dues or other consideration for
142 any insurance or any part thereof; (5) the
143 issuance or delivery of contracts of insurance to
144 residents of this state or to persons authorized
145 to do business in this state; (6) directly or
146 indirectly acting as an agent for or otherwise
147 representing or aiding on behalf of another any
148 person or insurer in the solicitation,
149 negotiation, procurement or effectuation of
150 insurance or renewals thereof or in the
151 dissemination of information as to coverage or
152 rates, or forwarding of applications, or delivery
153 of policies or contracts, or inspection of risks,
154 a filing of rates or investigation or adjustment
155 of claims or losses or in the transaction of
156 matters subsequent to effectuation of the contract
157 and arising out of it, or in any other manner
158 representing or assisting a person or insurer in
159 the transaction of insurance with respect to
160 subjects of insurance resident, located or to be
161 performed in this state. The provisions of this
162 subdivision shall not operate to prohibit
163 full-time salaried employees of a corporate
164 insured from acting in the capacity of an
165 insurance manager or buyer in placing insurance in

166 behalf of such employer; (7) the doing of or
167 proposing to do any insurance business in
168 substance equivalent to any of the foregoing in a
169 manner designed to evade the provisions of the
170 general statutes relating to insurance; and (8)
171 any other transactions of business in this state
172 by an insurer. The venue of an act committed by
173 mail is at the point where the matter transmitted
174 by mail is delivered and takes effect.

175 INS COMMITTEE VOTE: YEA 16 NAY 0 JF

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

* * * * *

FISCAL IMPACT STATEMENT - BILL NUMBER SB 407

STATE IMPACT None, see explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Insurance

EXPLANATION OF ESTIMATES:

There is no fiscal impact for the Department of Insurance as a result of the passage of this bill.

This bill makes technical changes to the insurance statutes and has no impact on the workload of the department.

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OLR BILL ANALYSIS

SB 407

AN ACT CONCERNING TECHNICAL AND MINOR CHANGES TO THE INSURANCE LAWS

SUMMARY: This bill:

1. adds an insurer's ability to continue operations to the criteria used to determine insolvency;
2. specifies that the notice and hearing procedures used to review an order or decision of the insurance commissioner do not apply to the external appeal procedures used to review a managed care or utilization review

organization's decision not to certify an admission, service, procedure, or extension of a hospital stay;

3. adds to the list of entities for which the commissioner is designated as the agent for service of legal process, nonresidents insurance producers and reinsurance intermediaries, workers' compensation self-insured groups, and people alleged to have violated state law related to the acquisition of a controlling interest in a insurer;
4. requires insurers and HMOs to file their annual audited financial report with the commissioner at least 29 days sooner (on or before June 1 instead of June 30 for the year ending December 31); and
5. adds HMOs to the statutes regulating unauthorized insurers.

The bill also makes several technical changes to the insurance statutes.

EFFECTIVE DATE: October 1, 1998

COMMITTEE ACTION

Insurance and Real Estate

Joint Favorable Report
Yea 16 Nay 0