



2006 Connecticut legislative wrap-up

Resource kit 06006

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The 2006 regular legislative session of the Connecticut General Assembly came to a close in early May. Now that most of the work for this year is done, the following is an update on the status of bills of interest to PIACT members as of June 2006.

Flex-rating. S.B. 410, enacted as Public Act 06-104, permits insurers to file and use new rates for personal lines without the Connecticut Insurance Department's prior approval, with certain restrictions. Insurers will be able to increase or decrease overall statewide rates by no more than a statewide average of 6 percent. An insurer may make multiple flex-rate filings in any 12-month period. However, the net result of all such filings in the aggregate cannot exceed an overall statewide increase or decrease of 6 percent. The 6 percent limit does not apply on an individual insured basis.

An earlier version of the bill provided for a flex-band of 12 percent, which the Insurance Department opposed. According to the department, personal auto insurance already is highly competitive, as shown by a 3.5 percent average rate decrease over the past year. Opinions are mixed as to whether the law will result in further decreases.

The department may review rates taken under flex-rating to determine whether they are inadequate or unfairly discriminatory, but may not determine the rates to be excessive.

Additional provisions added to the bill affect accidents occurring on or after Oct. 1, 2006. They require a claimant for uninsured or underinsured motorist benefits to make reasonable efforts to determine what liability coverage exists for the owner and operator of the alleged uninsured or underinsured vehicle. However, insurers will be prohibited from requiring a claimant, in order to be eligible for benefit payments, to provide affidavits or written statements from the owner or operator regarding the existence or amount of liability coverage applicable at the time of the accident. *Signed by Gov. Rell June 2, 2006, with the flex-rating provisions taking effect July 1, 2006, and sunseting, or expiring, July 1, 2009, if not renewed by the Legislature. The provisions relating to uninsured/underinsured motorist claims do not contain a sunset.*

Extended reporting period coverage. H.B. 5371, enacted as Public Act 06-108, which concerns extended reporting period coverage under medical malpractice insurance policies, requires professional liability policies issued on a claims-made basis to provide extended reporting period coverage at no additional charge if, while an insured is covered under the policy: 1) the insurer stops offering policies in Connecticut because of a voluntary withdrawal from the state; and 2) the insured is over the age of 60 or has been insured by the insurer for the five consecutive years immediately preceding the discontinuance.

Under current law, the coverage must be provided when the insurer stops offering such policies in Connecticut for any reason and the insured is over the age of 55 and has been insured by the insurer for the seven consecutive years immediately preceding the discontinuance, or the insured dies, becomes permanently disabled and unable to carry out his or her practice, or retires from practice. *Signed by Gov. Rell June 2, 2006, effective Oct. 1, 2006.*

Policy transfer within an insurer group. H.B. 5462, enacted as Public Act 06-109, eliminates the requirement that a property/casualty insurer, including a private passenger motor vehicle insurer, send a cancellation notice to a policyholder when the insurer transfers the policy to an affiliate insurer as long as 1) there is no interruption of coverage; and 2) the policy issued by the affiliate contains the same terms, conditions and provisions, including policy limits, as the transferred policy. The affiliate insurer will be permitted to apply its rates and rating plans when the policy renews, and cancellation of the policy is not required. *Signed by Gov. Rell June 2, 2006, effective Oct. 1, 2006.*

Social Security offsets. After doggedly pursuing this legislation for years, this bill's proponents finally enjoyed success in 2006. S.B. 25, enacted as Public Act 06-84, which will be effective from passage, eliminates the requirement that workers' compensation wage replacement benefits be reduced by an amount equal to any Social Security retirement benefits, to which the injured worker is entitled.

PIACT has traditionally opposed measures such as this because they allow unemployed individuals to collect full benefits while still receiving their Social Security benefits, thereby resulting in increased costs associated with the system as a whole.

Current law provides that a person receiving Social Security retirement benefits who is eligible for workers' compensation total disability payments receives workers' compensation only if the compensation payment exceeds his Social Security benefit. The worker only receives the amount of workers' compensation in excess of his Social Security benefit. *Signed by Gov. Rell May 30, 2006, and effective upon signature.*

Life insurance. S.B. 259, enacted as Public Act 06-5, states that no life insurance company doing business in Connecticut may deny or refuse to accept an application for life insurance, refuse to renew, cancel, restrict or otherwise terminate a policy, or make any distinction or discrimination between persons as to the premiums or rates charged for policies, on the basis of any past or future lawful travel destination of the applicant or insured.

A company can deny such an application or charge a different premium or rate for coverage under a policy based on a specific lawful travel destination where the denial or rate differential is based on sound actuarial principles or is related to actual or reasonably anticipated experience. *Signed by Gov. Rell April 21, 2006, and effective upon signature.*

Dram Shop actions. S.B. 550, enacted as Public Act 06-69, increases the amount of time an injured party has to notify a seller of alcohol of an incident and his intention to sue for damages from 60 to 120 days under the Dram Shop Act. The bill also eliminates a provision that allows up to 120 days between the person's death or incapacity and the appointment of an executor, administrator, conservator or guardian to be excluded from the 60-day deadline. *Signed by Gov. Rell May 19, 2006, effective Oct. 1, 2006.*

Surety. S.B. 493, enacted as Public Act 06-78, revises a subcontractor's or supplier's deadlines for filing payment claims against a general contractor's surety company under certain public works contracts and for suing a surety company to compel payment. *Signed by Gov. Rell on May 8, 2006, effective upon signature.*

Snowmobiles, ATVs. S.B. 599, enacted as Public Act 06-147, applies the same penalties to persons who operate snowmobiles or all-terrain vehicles under the influence of drugs or alcohol as those that apply to the operation of other motor vehicles. *Signed by Gov. Rell on June 6, 2006, effective Oct. 1, 2006.*

Insurance Department medley. S.B. 554, enacted as Public Act 06-54, makes a number of revisions to the insurance statutes, including 1) increasing the time the insurance commissioner has to hear and decide contested cases related to denied licenses, rates or forms; 2) allowing an insurer to invest in its affiliates, under the same terms as its subsidiaries; and 3) setting requirements relating to appeals involving a self-insured governmental health plan. *Signed by Gov. Rell on May 8, 2006, effective Oct. 1, 2006, except the self-insured governmental health plan provisions, which took effect immediately.*

Failed to pass

As the following list indicates, several high profile bills failed to garner enough support to be passed this year. These include proposals concerning captive insurers, the Interstate Insurance Compact, workers' compensation reforms and the creation of a combined department of banking and insurance.

- **H.B. 5028**—An Act adopting the National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact.
- **H.B. 5278/S.B.591**—An Act concerning workers' compensation for injured off-duty police officers, firefighters and emergency services personnel.
- **H.B. 5280**—An Act concerning penalties for concealing information related to workers' compensation insurance and self-insurance.
- **H.B. 5594**—An Act concerning workers' compensation coverage for sole proprietors.
- **H.B. 5730**—An Act concerning the presumption of uninsured or underinsured motorist status of a tortfeasor after reasonable search by the insured.
- **H.B. 5817**—An Act concerning misrepresentations made by employers with respect to unemployment compensation and workers' compensation.
- **S.B. 31**—An Act concerning captive insurance companies.
- **S.B. 217**—An Act concerning discretionary benefits under the Workers' Compensation Act.
- **S.B. 301**—An Act reducing the insurance premium tax.
- **S.B. 427**—An Act concerning homeowners insurance rating practices based on claims and claim inquiries.
- **S.B. 461**—An Act concerning notice of the availability of workers' compensation to an injured employee.
- **S.B. 492**—An Act establishing the department of insurance and banking.
- **S.B. 504**—An Act requiring residential heating oil sellers to maintain insurance coverage.
- **S.B. 548**—An Act concerning the award of workers' compensation for scarring and disfigurement.
- **S.B. 553**—An Act establishing a state compensation insurance fund. 6/06

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