



# House of Representatives

General Assembly

**File No. 314**

January Session, 2025

Substitute House Bill No. 6981

*House of Representatives, March 27, 2025*

The Committee on Insurance and Real Estate reported through REP. WOOD of the 29th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***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:

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

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

12 such insurer shall:

13 (1) Post and have accessible on such insurer's Internet web site such  
14 policy and any endorsement for as long as such policy is in force and in  
15 such manner that enables the insured to save and print such policy and  
16 any endorsement using programs or applications that are readily  
17 available on the Internet and for which there is not a fee;

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

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

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

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

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

43 section.

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

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

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

60 Proof of mailing by certified mail, return receipt requested, mail  
61 using the United States Postal Service intelligent mail barcode tracking  
62 method, as provided in Chapter 204 of the Domestic Mail Manual or any  
63 subsequent corresponding document of the United States Postal Service,  
64 or any similar tracking method developed by the United States Postal  
65 Service, or, if agreed between an insurer and a named insured, delivery  
66 by electronic means with proof of a delivery receipt, notice of  
67 cancellation, an intention not to renew or of reasons for cancellation, to  
68 the named insured and any third party designated pursuant to section  
69 38a-323a, as amended by this act, at the address shown in the policy, or  
70 by electronic means if agreed between an insurer and a named insured,  
71 shall be sufficient proof of notice.

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

74 (a) (1) Except as provided in subsection (b) of this section, no insurer  
75 that delivers, issues for delivery, renews, amends or endorses a  
76 homeowners insurance policy in this state on or after July 1, [2021] 2025,  
77 that is subject to the requirements of sections 38a-663 to 38a-696,  
78 inclusive, shall cancel such policy unless:

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

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

84 (I) Such cancellation;

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

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

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

92 (I) Such cancellation;

93 (II) The reason for such cancellation;

94 (III) The effective date of such cancellation; and

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

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

100 (i) At least ten days before the effective date of such cancellation for

101 nonpayment of premium disclosing:

102 (I) Such cancellation;

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

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

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

115 (I) The effective date of such cancellation; and

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

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

121 (A) Nonpayment of premium;

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

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

128 (3) No notice of cancellation required under subdivision (1) of this

129 subsection shall be effective unless such notice is sent to the named  
130 insured by registered mail, certified mail or mail evidenced by a  
131 certificate of mailing, mail using the United States Postal Service  
132 intelligent mail barcode tracking method, as provided in Chapter 204 of  
133 the Domestic Mail Manual or any subsequent corresponding document  
134 of the United States Postal Service, or any similar tracking method  
135 developed by the United States Postal Service, or, if agreed by the  
136 insurer and the named insured, by electronic means evidenced by a  
137 delivery receipt.

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

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

150 Sec. 5. Subsection (a) of section 38a-323 of the general statutes is  
151 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
152 *2025*):

153 (a) (1) No insurer shall refuse to renew any policy that is subject to  
154 the requirements of sections 38a-663 to 38a-696, inclusive, unless such  
155 insurer or its agent sends, by registered or certified mail or by mail  
156 evidenced by a certificate of mailing, or delivers to the named insured,  
157 at the address shown in the policy, mail using the United States Postal  
158 Service intelligent mail barcode tracking method, as provided in  
159 Chapter 204 of the Domestic Mail Manual or any subsequent  
160 corresponding document of the United States Postal Service, or any  
161 similar tracking method developed by the United States Postal Service,

162 or, if agreed between the insurer and the named insured, by electronic  
163 means, at least sixty days' advance notice of its intention not to renew.  
164 The notice of intent not to renew shall state or be accompanied by a  
165 statement specifying the reason for such nonrenewal. This section shall  
166 not apply: (A) In case of nonpayment of premium; (B) if the insured fails  
167 to pay any advance premium required by the insurer for renewal,  
168 provided, notwithstanding the failure of an insurer to comply with this  
169 subsection, with respect to automobile liability insurance policies the  
170 policy shall terminate on the effective date of any other insurance policy  
171 with respect to any automobile designated in both policies; or (C) if the  
172 policy is transferred from the insurer to an affiliate of such insurer for  
173 another policy with no interruption of coverage and contains the same  
174 terms, conditions and provisions, including policy limits, as the  
175 transferred policy, except that the insurer to which the policy is  
176 transferred shall not be prohibited from applying its rates and rating  
177 plans at the time of renewal. With respect to an automobile or  
178 homeowners policy, each insurer that sends or delivers a notice of  
179 nonrenewal pursuant to this subsection shall use the same method to  
180 send or deliver such notice to any third party designated pursuant to  
181 section 38a-323a, as amended by this act.

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

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

193 (a) Each insurer that issues, renews, amends or endorses an  
194 automobile or homeowners insurance policy in this state on or after July

195 1, [2019] 2025, shall include with the policy a conspicuous statement  
196 specifying that any individual may designate a third party to receive  
197 notice of cancellation or nonrenewal of the policy. The statement shall  
198 include a designation form, a mailing address and an electronic mail  
199 address the individual may use to designate a third party. Such  
200 statement shall be in a form approved by the Insurance Commissioner.

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

219 (c) The insurer's transmission to the third party designee of a copy of  
220 any notice of cancellation or nonrenewal shall be in addition to the  
221 transmission of the original document to the insured individual. When  
222 a third party is so designated, all such notices and copies shall be mailed  
223 in an envelope clearly marked on its face with, or, if agreed between the  
224 insurer and the third party, delivered by electronic means stating, the  
225 following: "IMPORTANT INSURANCE POLICY INFORMATION:  
226 OPEN IMMEDIATELY". The copy of the notice of cancellation or  
227 nonrenewal transmitted to the third party shall be governed by the same  
228 law and policy provisions that govern the notice being transmitted to



229 the insured individual. The designation of a third party shall not  
230 constitute acceptance of any liability on the part of the third party or  
231 insurer for services provided to the insured individual.

232 Sec. 7. Subsection (a) of section 38a-324 of the general statutes is  
233 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
234 *2025*):

235 (a) After a policy of commercial risk insurance, other than workers'  
236 compensation insurance and automobile insurance issued under a  
237 residual market mechanism as described in section 38a-329, has been in  
238 effect for more than sixty days, or after the effective date of a renewal  
239 policy, no insurer may cancel any policy unless the cancellation is based  
240 on the occurrence, after the effective date of the policy or renewal, of one  
241 or more of the following conditions: (1) Nonpayment of premium; (2)  
242 conviction of a crime arising out of acts increasing the hazard insured  
243 against; (3) discovery of fraud or material misrepresentation by the  
244 insured in obtaining the policy or in perfecting any claim thereunder;  
245 (4) discovery of any wilful or reckless act or omission by the insured  
246 increasing the hazard insured against; (5) physical changes in the  
247 property which increase the hazard insured against; (6) a determination  
248 by the commissioner that continuation of the policy would violate or  
249 place the insurer in violation of the law; (7) a material increase in the  
250 hazard insured against; or (8) a substantial loss of reinsurance by the  
251 insurer affecting this particular line of insurance. If the basis for  
252 cancellation is nonpayment of premium, at least ten days' advance  
253 notice shall be given and the insured may continue the coverage and  
254 avoid the effect of the cancellation by payment in full at any time prior  
255 to the effective date of cancellation. If the basis for cancellation is  
256 conviction of a crime arising out of acts increasing the hazard insured  
257 against, discovery of fraud or material misrepresentation by the insured  
258 in obtaining the policy or in perfecting any claim thereunder, discovery  
259 of any wilful or reckless act or omission by the insured increasing the  
260 hazard insured against or a determination by the commissioner that  
261 continuation of the policy would violate or place the insurer in violation  
262 of the law, at least ten days' advance notice shall be given. In all other

263 cases, at least sixty days' advance notice shall be given. Notwithstanding  
264 the provisions of this section, the advance notice period for cancellation  
265 of any professional liability policy, as defined in section 38a-393, shall  
266 be at least ninety days. No notice of cancellation shall be required if such  
267 policy is transferred from an insurer to an affiliate of such insurer for  
268 another policy with no interruption of coverage and contains the same  
269 terms, conditions and provisions, including policy limits, as the  
270 transferred policy, except that the insurer to which the policy is  
271 transferred shall not be prohibited from applying its rates and rating  
272 plans at the time of renewal. No notice of cancellation shall be effective  
273 unless it is sent, by registered or certified mail, mail evidenced by a  
274 United States Post Office certificate of mailing, mail using the United  
275 States Postal Service intelligent mail barcode tracking method, as  
276 provided in Chapter 204 of the Domestic Mail Manual or any  
277 subsequent corresponding document of the United States Postal Service,  
278 or any similar tracking method developed by the United States Postal  
279 Service, or, if agreed between the insurer and the named insured, by  
280 electronic means evidenced by a delivery receipt, or delivered by the  
281 insurer to the named insured by the required date.

282 Sec. 8. Subsection (a) of section 38a-343 of the general statutes is  
283 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
284 *2025*):

285 (a) No notice of cancellation of a policy to which section 38a-342  
286 applies shall be effective unless the notice is delivered or sent by the  
287 insurer to the named insured, and any third party designated pursuant  
288 to section 38a-323a, as amended by this act, by registered mail, certified  
289 mail, mail evidenced by a certificate of mailing, mail using the United  
290 States Postal Service intelligent mail barcode tracking method, as  
291 provided in chapter 204 of the Domestic Mail Manual or any subsequent  
292 corresponding document of the United States Postal Service, or any  
293 similar tracking method developed by the United States Postal Service,  
294 or, if agreed between the insurer and the named insured, by electronic  
295 means, at least forty-five days before the effective date of cancellation,  
296 except that (1) where cancellation is for nonpayment of the first

297 premium on a new policy, at least fifteen days' notice of cancellation  
298 accompanied by the reason for cancellation shall be given, and (2) where  
299 cancellation is for nonpayment of any other premium, at least ten days'  
300 notice of cancellation accompanied by the reason for cancellation shall  
301 be given. No notice of cancellation of a policy that has been in effect for  
302 less than sixty days shall be effective unless mailed or delivered by the  
303 insurer to the insured and any third party designee at least forty-five  
304 days before the effective date of cancellation, except that (A) at least  
305 fifteen days' notice shall be given where cancellation is for nonpayment  
306 of the first premium on a new policy, and (B) at least ten days' notice  
307 shall be given where cancellation is for nonpayment of any other  
308 premium or material misrepresentation. The notice of cancellation shall  
309 state or be accompanied by a statement specifying the reason for such  
310 cancellation. Any notice of cancellation for nonpayment of the first  
311 premium on a new policy may be retroactive to the effective date of such  
312 policy, provided at least fifteen days' notice has been given to the  
313 insured and any third party designee and payment of such premium  
314 has not been received during such notice period.

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

317 For the purposes of sections 38a-903 to 38a-961, inclusive, and section  
318 13 of this act:

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

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

322 (3) "Commissioner" means the Insurance Commissioner.

323 (4) "Commodity contract" means: (A) A contract for the purchase or  
324 sale of a commodity for future delivery on, or subject to the rules of, a  
325 board of trade designated as a contract market by the Commodity  
326 Futures Trading Commission under the Commodity Exchange Act (7  
327 USC 1 et seq.) or board of trade outside the United States; (B) an

328 agreement that is subject to regulation under Section 19 of the  
329 Commodity Exchange Act (7 USC 1, et seq.) and that is commonly  
330 known to the commodities trade as a margin account, margin contract,  
331 leverage account or leverage contract; or (C) an agreement or transaction  
332 that is subject to regulation under section 4c(b) of the Commodity  
333 Exchange Act (7 USC 1 et seq.) and that is commonly known to the  
334 commodities trade as a commodity option.

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

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

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

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

357 (9) "Fair consideration" is given for property or obligation: (A) When  
358 in exchange for such property or obligation, as a fair equivalent therefor,  
359 and in good faith, property is conveyed or services are rendered or an

360 obligation is incurred or an antecedent debt is satisfied; or (B) when such  
361 property or obligation is received in good faith to secure a present  
362 advance or antecedent debt in an amount not disproportionately small  
363 as compared to the value of the property or obligation obtained.

364 (10) "Foreign country" has the same meaning as provided in section  
365 38a-1.

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

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

385 (13) "Guaranty association" means the Connecticut Insurance  
386 Guaranty Association established pursuant to sections 38a-836 to 38a-  
387 853, inclusive, the Connecticut Life and Health Insurance Guaranty  
388 Association established pursuant to sections 38a-858 to 38a-875,  
389 inclusive, and any other similar entity created by the General Assembly  
390 for the payment of claims of insolvent insurers. "Foreign guaranty  
391 association" means any similar entities created by the legislature of any  
392 other state.

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

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

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

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

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

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

423 (20) "Reciprocal state" means any state other than this state in which

424 in substance and effect sections 38a-920, 38a-954, 38a-955 and 38a-957 to  
425 38a-959, inclusive, are in force and in which provisions are in force,  
426 requiring that the commissioner or equivalent official be the receiver of  
427 a delinquent insurer and in which some provision exists for the  
428 avoidance of fraudulent conveyances and preferential transfers.

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

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

451 (23) "Securities contract" means a contract for the purchase, sale or  
452 loan of a security, including an option for the repurchase or sale of a  
453 security, certificate of deposit, or group or index of securities, including  
454 an interest therein or based on the value thereof, or an option entered  
455 into on a national securities exchange relating to foreign currencies, or  
456 the guarantee of a settlement of cash or securities by or to a securities

457 clearing agency. For the purposes of this subdivision, "security" includes  
458 a mortgage loan, mortgage-related securities, and an interest in any  
459 mortgage loan or mortgage-related security.

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

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

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

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

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

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

485 (a) The conservation, rehabilitation and liquidation of insurance  
486 companies and other persons subject to the provisions of sections 38a-  
487 903 to 38a-961, inclusive, are a matter of vital public interest and affect



488 the relationships between insureds and their insurers.

489 (1) [An] Except as provided in subsection (c) of this section, an  
490 application or petition under sections 38a-912, 38a-914, 38a-915, 38a-918,  
491 38a-919 and 38a-920, shall operate as an automatic stay applicable to all  
492 persons, other than the receiver, which shall be permanent and survive  
493 the entry of an order of conservation, rehabilitation or liquidation, and  
494 which shall prohibit: (A) The transaction of further business; (B) the  
495 transfer of property; (C) interference with the receiver or with a  
496 proceeding under said sections; (D) waste of the insurer's assets; (E)  
497 dissipation and transfer of bank accounts; (F) the institution or further  
498 prosecution of any actions or proceedings in which the insurer is a party;  
499 (G) the obtaining of preferences, judgments, attachments, garnishments,  
500 or liens against the insurer, its assets or its policyholders; (H) the levying  
501 of execution against the insurer, its assets, or its policyholders; (I) the  
502 making of any sale or deed for nonpayment of taxes or assessments that  
503 would lessen the value of the assets of the insurer; (J) the withholding  
504 from the receiver of books, accounts, documents, or other records  
505 relating to the business of the insurer; or (K) any other threatened or  
506 contemplated action that might lessen the value of the insurer's assets  
507 or prejudice the rights of policyholders, creditors, or shareholders, or  
508 the administration of any proceeding under said sections.

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

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

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

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

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

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

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

551 (b) (1) A transfer of property other than real property shall be deemed  
552 to be made or suffered when it becomes so far perfected that no

553 subsequent lien obtainable by legal or equitable proceedings on a simple  
554 contract could become superior to the rights of the transferee under  
555 subsection (c) of section 38a-930.

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

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

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

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

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

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

583 (e) Notwithstanding the provisions of subsections (a) to (d), inclusive,

584 of this section or any other provision of this chapter, no receiver or any  
585 other person shall avoid any transfer or obligation that arises under or  
586 in connection with any pledge, security, credit, collateral, loan, advance,  
587 reimbursement or guarantee agreement or arrangement or any similar  
588 agreement or arrangement or other credit enhancement to which a  
589 Federal Home Loan Bank, as defined in 12 USC 1422, as amended from  
590 time to time, is a party, that is made, suffered or incurred prior to or  
591 after the filing of a successful petition for rehabilitation or liquidation  
592 under sections 38a-903 to 38a-961, inclusive. Such transfer or obligation  
593 may be avoided by the receiver or other person if such transfer or  
594 obligation was made, suffered or incurred with actual intent to hinder,  
595 delay or defraud the insurer, the receiver or existing or future creditors.

596       Sec. 12. Subsection (a) of section 38a-930 of the general statutes is  
597 repealed and the following is substituted in lieu thereof (*Effective October*  
598 *1, 2025*):

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

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

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

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

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

643 (5) Notwithstanding the provisions of subdivision (2) of this  
644 subsection or any other provision of this chapter, no preference that  
645 arises under or in connection with any pledge, security, credit,  
646 collateral, loan, advance, reimbursement or guarantee agreement or  
647 arrangement or any similar agreement or arrangement or other credit  
648 enhancement to which a Federal Home Loan Bank, as defined in 12 USC  
649 1422, as amended from time to time, is a party shall be avoided by the

650 liquidator or any other person.

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

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

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

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

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

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

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

680 (3) Upon request from a receiver of such insurer, such bank shall  
681 provide to such receiver any available options for such insurer to renew  
682 or restructure a loan. Any such options shall be subject to market  
683 conditions, the terms of such insurer's outstanding loans, the applicable  
684 policies of such bank and such bank's compliance with federal laws and  
685 regulations.

686 Sec. 14. Subsection (b) of section 38a-55 of the general statutes is  
687 repealed and the following is substituted in lieu thereof (*Effective October*  
688 *1, 2025*):

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

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

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

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

726 Sec. 15. Subsection (b) of section 38a-741 of the general statutes is  
727 repealed and the following is substituted in lieu thereof (*Effective October*  
728 *1, 2025*):

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



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

761 Sec. 16. (*Effective from passage*) The Insurance Commissioner shall  
 762 conduct a study of digital insurance payment processing systems,  
 763 including, but not limited to, an analysis of any innovations in such  
 764 systems that may improve consumer experience, reduce costs, enhance  
 765 transaction security and expedite claim resolutions for consumers and  
 766 health insurance companies in this state. Not later than February 1, 2026,  
 767 the Insurance Commissioner shall report, in accordance with the  
 768 provisions of section 11-4a of the general statutes, to the joint standing  
 769 committee of the General Assembly having cognizance of matters  
 770 relating to insurance on the findings of such study and provide  
 771 legislative recommendations to improve the use of digital insurance  
 772 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	<i>October 1, 2025</i>	New section
Sec. 2	<i>October 1, 2025</i>	38a-477d(k)
Sec. 3	<i>July 1, 2025</i>	38a-344
Sec. 4	<i>July 1, 2025</i>	38a-316g
Sec. 5	<i>July 1, 2025</i>	38a-323(a)

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

**INS**      *Joint Favorable Subst.*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the 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 chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Insurance Dept.	IF - Cost	30,000 - 50,000	None

Note: IF=Insurance Fund

### **Municipal Impact:** None

### **Explanation**

The bill requires the Insurance Department to conduct a study of digital insurance payment processing systems by February 1, 2026.<sup>1</sup> This results in a one-time cost of \$30,000 to \$50,000 to the Insurance Fund in FY 26 associated with hiring a contractor to complete the study.

Other sections of the bill modify: (1) insurer requirements regarding certain communications with insureds; and (2) requirements of Federal Home Loan Banks and Surplus Lines Insurance. These sections result in no fiscal impact because the Insurance Department does not anticipate a meaningful increase in workload.

### **The Out Years**

The cost is one-time in nature and does not result in a fiscal impact in the out years.

<sup>1</sup> Section 16 of the bill

**OLR Bill Analysis****sHB 6981*****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.*****SUMMARY**

This bill makes numerous changes to insurance statutes. Primarily, it does the following:

1. allows insurers to (a) post insurance policies on their websites instead of mailing them, if certain conditions are met, and (b) send cancellation notices using the U.S. Postal Service's intelligent mail barcode (USPS IMb) tracking system;
2. amends the Insurers Rehabilitation and Liquidation Act to allow certain activities to proceed when a Federal Home Loan Bank is a party to an agreement with an insurer that is under conservation, rehabilitation, liquidation, or administrative supervision by the Connecticut Insurance Department; and
3. exempts brokers from a requirement that they document their diligent efforts to place coverage through a licensed insurer before placing it through an unaffiliated wholesale surplus lines broker.

Lastly, the bill requires the insurance commissioner to study digital insurance payment processing systems. The study must analyze system innovations that may improve consumer experience, reduce costs, enhance transaction security, and expedite claim resolutions. The commissioner must report findings and legislative recommendations to

the Insurance and Real Estate Committee by February 1, 2026 (§ 16).

EFFECTIVE DATE: October 1, 2025, except the USPS IMb provisions are effective July 1, 2025, and the study requirement (§ 16) is effective upon passage.

## **§§ 1 & 2 — ELECTRONIC INSURANCE DOCUMENTS**

### ***Electronic Posting of Insurance Documents (§ 1)***

The bill allows insurers to post certain insurance policies and endorsements on their websites instead of mailing or delivering them to an insured as long as the documents do not include personally identifiable information. This applies to a policy, contract, certificate, plan, or agreement for life insurance, health insurance, credit life insurance, credit health insurance, annuities, personal homeowners insurance, or personal automobile insurance.

The bill requires that if an insurer posts these documents on its website, it must do the following:

1. post and have them accessible for as long as the policy is in force and in a way that lets the insured save and print them using readily available free Internet applications;
2. keep records of an expired policy and any endorsements for five years after their expiration date and make them available upon request;
3. give an insured with each declarations page provided at policy issuance or renewal (a) a description of the policy and any endorsements, (b) a way for the insured to get a paper copy of the documents for free, and (c) the website address where the documents are posted;
4. when a policy or endorsement changes, give the insured notice of the changes and how he or she may get a paper copy of the documents for free upon request; and
5. notify the insured that he or she may request to opt out of the

electronic delivery of documents at any time.

Under the bill, if an insured requests to opt out of electronic delivery of documents, the insurer must mail or deliver a paper copy to the insured instead of posting them on their website.

***Health Insurance Plan Sponsor Election for Insureds (§ 2)***

The bill allows an insurer and certain other health care entities to let a health insurance policy plan sponsor agree on behalf of the policy's covered individuals to electronic delivery of policy communications, as long as a covered individual may opt out of electronic delivery at any time.

This applies to each insurer, health care center (i.e. HMO), hospital or medical service corporation, fraternal benefit society, or other entity that delivers, issues, renews, amends, or continues a health insurance policy offered by a plan sponsor.

**§§ 3-8 — U.S. POSTAL SERVICE INTELLIGENT MAIL BARCODE TRACKING**

The bill lets property and casualty insurers send policy cancellation and nonrenewal notices by U.S. Postal Service intelligent mail barcode (USPS IMb) or similar USPS tracking method. This applies generally to property and casualty policies, including homeowners insurance policies (§ 4), personal and commercial risk policies (§§ 5 & 7), and auto insurance policies (§ 8).

For insureds who have effectively designated a third party to receive cancellation or nonrenewal notices, the bill also lets a property and casualty insurer require the insureds and third parties send their notices terminating a third-party designation to the insurer by USPS IMb or similar USPS tracking method (§ 6).

Existing law allows the use of other delivery methods for sending cancellation and nonrenewal notices and third-party designations, including certified mail, mail with return receipt requested, or electronic means.

USPS IMb is a barcode used to sort and track letters within the postal system that identifies the mail's location and estimated delivery times.

### **§§ 9-13 — FEDERAL HOME LOAN BANKS AND THE INSURERS REHABILITATION AND LIQUIDATION ACT**

The bill modifies the Insurers Rehabilitation and Liquidation Act (see BACKGROUND). It allows certain activities to proceed regardless of current prohibitions when a Federal Home Loan Bank (FHL Bank) (see BACKGROUND) is a party to any pledge, security, credit, collateral, loan, advance, reimbursement, or guarantee agreement with an insurance company under conservation, rehabilitation, liquidation, or administrative supervision by the Insurance Department.

#### ***Automatic Stays (§ 10)***

The bill eliminates, for up to 10 business days, the automatic stay that an application or petition for a delinquency proceeding, rehabilitation, or liquidation order currently grants when an FHL Bank is a party. The 10-day period begins from the date of any order starting a delinquency proceeding, whether it is formal, informal, administrative, or judicial.

By law, the stay prohibits anyone other than a receiver from engaging in a wide range of activities that might lessen the value of an insurer's assets or prejudice the rights of policyholders, creditors, or shareholders. These include transferring property, wasting assets, and obtaining judgments against the insurer or its policyholders, among other things. The stay becomes permanent and survives the entry of a conservation, rehabilitation, or liquidation order, but the court may modify or grant relief from the stay.

#### ***Fraudulent Transfers (§ 11)***

Existing law (1) makes a person receiving any property or benefit from an insurer through a fraudulent transfer or obligation personally liable and accountable to the liquidator and (2) allows certain receivers to avoid the transfer or obligation. A transfer or obligation is considered fraudulent if it is made or incurred within one year before the successful filing of a petition for rehabilitation or liquidation without fair

consideration or with actual intent to hinder, delay, or defraud creditors.

Under the bill, a receiver or any other person generally cannot avoid a transfer or obligation that would be considered fraudulent under existing law if it arises in connection with any agreement to which an FHL Bank is a party. But the bill allows the receiver or other person to avoid the transfer or obligation if it was made or incurred with actual intent to hinder, delay, or defraud the insurer, receiver, or creditors.

### ***Preferences (§ 12)***

To the extent agreements to which an FHL Bank is a party have preferences to creditors, the bill requires an insurer's liquidator carry a preference out. Under existing law, a "preference" is a transfer of the insurer's property to or for the benefit of a creditor, within one year before the filing of a petition for liquidation, that enables the creditor to obtain a greater percentage of debt than another creditor of the same class. Current law allows a liquidator to avoid giving a preference in certain circumstances.

### ***Requirements When Exercising Collateral Rights (§ 13)***

When an insurer that is an FHL Bank member is subject to a delinquency proceeding, the bill sets requirements for how the FHL Bank may exercise its collateral rights.

Specifically, under the bill, if the FHL Bank exercises its rights regarding collateral the insurer pledged, the bank must repurchase any outstanding capital stock that exceeds the amount the insurer is required to hold as a minimum investment. The bank must do this within seven business days after the delinquency proceeding if the bank determines in good faith that the repurchase is (1) permissible under applicable laws and regulations and the bank's capital plan and (2) consistent with its capital stock practices that apply to its entire membership.

After a receiver is appointed for the insurer, the FHL Bank must, within 10 business days after a request from the receiver, provide the receiver with a process and develop a timeline for the following:



1. releasing the insurer's collateral that exceeds the amount required to support any remaining secured obligations after repaying any loans, in accordance with any agreements between the insurer and bank;
2. releasing any of the insurer's remaining collateral after repaying all the insurer's outstanding secured obligations in full;
3. paying any fees the insurer owes and the operation, maintenance, closure, or disposition of deposits and other accounts the insurer has with the bank; and
4. possibly redeeming or repurchasing the bank's stock or excess stock of any class that the insurer must hold as an FHL Bank member.

Additionally, the FHL Bank must, upon a receiver's request, provide it with any available options for the insurer to renew or restructure a loan. The options must be subject to market conditions, the terms of the insurer's outstanding loans, the FHL Bank's applicable policies, and the FHL Bank's compliance with federal laws and regulations.

#### **§ 14 — HYPOTHECATION OF ASSETS**

By law, domestic insurers, HMOs, and fraternal benefit societies are prohibited from pledging, hypothecating, or otherwise encumbering their assets to secure their own debt, guaranty, or obligations without the insurance commissioner's prior written consent if the amount to be encumbered, along with all other encumbrances, exceeds the lesser of 5% of admitted assets or 25% of policyholder surplus. However, this does not apply to transactions made in the ordinary course of business.

The bill explicitly specifies that "the ordinary course of business" includes participating in the FHL Bank system, such that the hypothecation of assets prohibition does not apply in that circumstance.

#### **§ 15 — DILIGENT EFFORTS TO PLACE INSURANCE**

The bill exempts brokers who seek to procure or place an insurance

policy through an unaffiliated wholesale surplus lines broker from a requirement that they keep documentation indicating that they made diligent efforts to obtain the insurance from a licensed insurer.

By law, the insurance commissioner must maintain a list of insurance lines that he believes are generally unavailable from licensed insurers (CGS § 38a-741(a)). Such insurance may be provided by surplus lines insurers, whose policies are not reviewed by the Insurance Department.

## **BACKGROUND**

### ***Insurers Rehabilitation and Liquidation Act***

The Insurers Rehabilitation and Liquidation Act generally protects the interests of policyholders, claimants, creditors, and the general public in the event of an insurance company's insolvency. It gives the insurance commissioner broad authority to monitor the financial condition of insurers and, when he believes necessary, to place them under administrative supervision or, with court approval, conservation, rehabilitation, or liquidation (CGS § 38a-903 et seq.).

### ***FHL Banks***

There are currently 11 regional FHL Banks across the United States. Created by Congress in 1932, each FHL Bank is a member-owned, federally chartered cooperative that provides funding and liquidity to their members to support housing finance and community development.

## **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 11      Nay 2      (03/11/2025)