



House of Representatives

File No. 925

General Assembly

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(Reprint of File No. 314)

Substitute House Bill No. 6981
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 15, 2025

**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 subsections (b) and (c) of this section and section 38a-477d of the general
4 statutes, an insurer may post on such insurer's Internet web site any
5 policy, as defined in section 38a-296 of the general statutes, and any
6 endorsement thereto in lieu of mailing or delivering such policy or
7 endorsement to an insured, provided such policy or endorsement does
8 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) Obtain the insured's agreement to receive such policy or
14 endorsement on such insurer's Internet web site;

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

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

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

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

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

39 (c) If an insured does not agree to electronic delivery or submits a
40 request to the insurer to opt out of electronic delivery of such insured's

41 policy and any endorsement thereto, such insurer shall mail or deliver
42 a paper copy of such policy and any endorsement and any changes to
43 such policy or endorsement to such insured in lieu of posting on such
44 insurer's Internet web site any such policy or endorsement as set forth
45 in subsections (a) and (b) of this section.

46 (d) The Insurance Commissioner may adopt regulations, in
47 accordance with the provisions of chapter 54 of the general statutes, to
48 implement the provisions of this section.

49 Sec. 2. Section 38a-477d of the general statutes is amended by adding
50 subsection (k) as follows (*Effective January 1, 2026*):

51 (NEW) (k) (1) Notwithstanding the provisions with respect to
52 explanation of benefits set forth in subsections (d) to (h), inclusive, of
53 this section, each insurer, health care center, hospital service
54 corporation, medical service corporation, fraternal benefit society or
55 other entity that delivers, issues for delivery, renews, amends or
56 continues a health insurance policy providing coverage of the type
57 specified in subdivisions (1), (2), (4), (11) and (12) of section 38a-469 in
58 this state on or after January 1, 2026, may allow a plan sponsor of a
59 health insurance policy, on behalf of consumers who are covered
60 individuals under such policy, to consent to the delivery of all
61 communications pertaining to such policy by electronic means,
62 provided each covered individual under such policy (A) is provided, at
63 the time of enrollment or within a reasonable amount of time prior to
64 such delivery of communications pertaining to such policy by electronic
65 means, (i) notification of such delivery of all communications pertaining
66 to such policy by electronic means, and (ii) an opportunity to choose
67 delivery of such communications pertaining to such policy by mail in
68 lieu of delivery by electronic means, and (B) may, at any time, submit a
69 request to such insurer, center, corporation, society or other entity to opt
70 out of such delivery of communications pertaining to such policy by
71 electronic means.

72 (2) The Insurance Commissioner may adopt regulations, in

73 accordance with the provisions of chapter 54, to implement the
74 provisions of this subsection.

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

77 Proof of mailing by certified mail, return receipt requested, mail
78 using the United States Postal Service intelligent mail barcode tracking
79 method, as provided in Chapter 204 of the Domestic Mail Manual or any
80 subsequent corresponding document of the United States Postal Service,
81 or any similar tracking method developed by the United States Postal
82 Service, or, if agreed between an insurer and a named insured, delivery
83 by electronic means with proof of a delivery receipt, notice of
84 cancellation, an intention not to renew or of reasons for cancellation, to
85 the named insured and any third party designated pursuant to section
86 38a-323a, as amended by this act, at the address shown in the policy, or
87 by electronic means if agreed between an insurer and a named insured,
88 shall be sufficient proof of notice.

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

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

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

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

101 (I) Such cancellation;

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

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

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

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

109 (I) Such cancellation;

110 (II) The reason for such cancellation;

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

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

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

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

119 (I) Such cancellation;

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

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

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

130 that materially increases a hazard insured against under such policy
131 disclosing:

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

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

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

138 (A) Nonpayment of premium;

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

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

145 (3) No notice of cancellation required under subdivision (1) of this
146 subsection shall be effective unless such notice is sent to the named
147 insured by registered mail, certified mail or mail evidenced by a
148 certificate of mailing, mail using the United States Postal Service
149 intelligent mail barcode tracking method, as provided in Chapter 204 of
150 the Domestic Mail Manual or any subsequent corresponding document
151 of the United States Postal Service, or any similar tracking method
152 developed by the United States Postal Service, or, if agreed by the
153 insurer and the named insured, by electronic means evidenced by a
154 delivery receipt.

155 (b) No notice of cancellation is required under subsection (a) of this
156 section if the homeowners insurance policy is transferred from the
157 insurer to an affiliate of such insurer for another policy with no
158 interruption of coverage and the same terms, conditions and provisions,
159 including policy limits, as the transferred policy, except that the insurer

160 to which the policy is transferred shall not be prohibited from applying
161 such insurer's rates and rating plans at the time of renewal.

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

167 Sec. 5. Subsection (a) of section 38a-323 of the general statutes is
168 repealed and the following is substituted in lieu thereof (*Effective July 1,*
169 *2025*):

170 (a) (1) No insurer shall refuse to renew any policy that is subject to
171 the requirements of sections 38a-663 to 38a-696, inclusive, unless such
172 insurer or its agent sends, by registered or certified mail or by mail
173 evidenced by a certificate of mailing, or delivers to the named insured,
174 at the address shown in the policy, mail using the United States Postal
175 Service intelligent mail barcode tracking method, as provided in
176 Chapter 204 of the Domestic Mail Manual or any subsequent
177 corresponding document of the United States Postal Service, or any
178 similar tracking method developed by the United States Postal Service,
179 or, if agreed between the insurer and the named insured, by electronic
180 means, at least sixty days' advance notice of its intention not to renew.
181 The notice of intent not to renew shall state or be accompanied by a
182 statement specifying the reason for such nonrenewal. This section shall
183 not apply: (A) In case of nonpayment of premium; (B) if the insured fails
184 to pay any advance premium required by the insurer for renewal,
185 provided, notwithstanding the failure of an insurer to comply with this
186 subsection, with respect to automobile liability insurance policies the
187 policy shall terminate on the effective date of any other insurance policy
188 with respect to any automobile designated in both policies; or (C) if the
189 policy is transferred from the insurer to an affiliate of such insurer for
190 another policy with no interruption of coverage and contains the same
191 terms, conditions and provisions, including policy limits, as the
192 transferred policy, except that the insurer to which the policy is

193 transferred shall not be prohibited from applying its rates and rating
194 plans at the time of renewal. With respect to an automobile or
195 homeowners policy, each insurer that sends or delivers a notice of
196 nonrenewal pursuant to this subsection shall use the same method to
197 send or deliver such notice to any third party designated pursuant to
198 section 38a-323a, as amended by this act.

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

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

210 (a) Each insurer that issues, renews, amends or endorses an
211 automobile or homeowners insurance policy in this state on or after July
212 1, [2019] 2025, shall include with the policy a conspicuous statement
213 specifying that any individual may designate a third party to receive
214 notice of cancellation or nonrenewal of the policy. The statement shall
215 include a designation form, a mailing address and an electronic mail
216 address the individual may use to designate a third party. Such
217 statement shall be in a form approved by the Insurance Commissioner.

218 (b) No designation form shall be effective unless it contains a written
219 acceptance by the third party designee to receive copies of notices of
220 cancellation or nonrenewal from the insurer on behalf of the individual.
221 The third party designation shall be effective not later than ten business
222 days after the date the insurer receives the designation form and the
223 acceptance of the third party. The third party may terminate the status
224 as a third party designee by providing written notice to both the insurer

225 and the insured individual. The individual may terminate the third
226 party designation by providing written notice to the insurer and the
227 third party designee. The insurer may require the individual and the
228 third party to send the notices to the insurer by certified mail, return
229 receipt requested, mail using the United States Postal Service intelligent
230 mail barcode tracking method, as provided in Chapter 204 of the
231 Domestic Mail Manual or any subsequent corresponding document of
232 the United States Postal Service, or any similar tracking method
233 developed by the United States Postal Service, or, if agreed between the
234 insurer and the individual or the insurer and the third party, by
235 electronic means.

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

249 Sec. 7. Subsection (a) of section 38a-324 of the general statutes is
250 repealed and the following is substituted in lieu thereof (*Effective July 1,*
251 *2025*):

252 (a) After a policy of commercial risk insurance, other than workers'
253 compensation insurance and automobile insurance issued under a
254 residual market mechanism as described in section 38a-329, has been in
255 effect for more than sixty days, or after the effective date of a renewal
256 policy, no insurer may cancel any policy unless the cancellation is based
257 on the occurrence, after the effective date of the policy or renewal, of one

258 or more of the following conditions: (1) Nonpayment of premium; (2)
259 conviction of a crime arising out of acts increasing the hazard insured
260 against; (3) discovery of fraud or material misrepresentation by the
261 insured in obtaining the policy or in perfecting any claim thereunder;
262 (4) discovery of any wilful or reckless act or omission by the insured
263 increasing the hazard insured against; (5) physical changes in the
264 property which increase the hazard insured against; (6) a determination
265 by the commissioner that continuation of the policy would violate or
266 place the insurer in violation of the law; (7) a material increase in the
267 hazard insured against; or (8) a substantial loss of reinsurance by the
268 insurer affecting this particular line of insurance. If the basis for
269 cancellation is nonpayment of premium, at least ten days' advance
270 notice shall be given and the insured may continue the coverage and
271 avoid the effect of the cancellation by payment in full at any time prior
272 to the effective date of cancellation. If the basis for cancellation is
273 conviction of a crime arising out of acts increasing the hazard insured
274 against, discovery of fraud or material misrepresentation by the insured
275 in obtaining the policy or in perfecting any claim thereunder, discovery
276 of any wilful or reckless act or omission by the insured increasing the
277 hazard insured against or a determination by the commissioner that
278 continuation of the policy would violate or place the insurer in violation
279 of the law, at least ten days' advance notice shall be given. In all other
280 cases, at least sixty days' advance notice shall be given. Notwithstanding
281 the provisions of this section, the advance notice period for cancellation
282 of any professional liability policy, as defined in section 38a-393, shall
283 be at least ninety days. No notice of cancellation shall be required if such
284 policy is transferred from an insurer to an affiliate of such insurer for
285 another policy with no interruption of coverage and contains the same
286 terms, conditions and provisions, including policy limits, as the
287 transferred policy, except that the insurer to which the policy is
288 transferred shall not be prohibited from applying its rates and rating
289 plans at the time of renewal. No notice of cancellation shall be effective
290 unless it is sent, by registered or certified mail, mail evidenced by a
291 United States Post Office certificate of mailing, mail using the United
292 States Postal Service intelligent mail barcode tracking method, as

293 provided in Chapter 204 of the Domestic Mail Manual or any
294 subsequent corresponding document of the United States Postal Service,
295 or any similar tracking method developed by the United States Postal
296 Service, or, if agreed between the insurer and the named insured, by
297 electronic means evidenced by a delivery receipt, or delivered by the
298 insurer to the named insured by the required date.

299 Sec. 8. Subsection (a) of section 38a-343 of the general statutes is
300 repealed and the following is substituted in lieu thereof (*Effective July 1,*
301 *2025*):

302 (a) No notice of cancellation of a policy to which section 38a-342
303 applies shall be effective unless the notice is delivered or sent by the
304 insurer to the named insured, and any third party designated pursuant
305 to section 38a-323a, as amended by this act, by registered mail, certified
306 mail, mail evidenced by a certificate of mailing, mail using the United
307 States Postal Service intelligent mail barcode tracking method, as
308 provided in Chapter 204 of the Domestic Mail Manual or any
309 subsequent corresponding document of the United States Postal Service,
310 or any similar tracking method developed by the United States Postal
311 Service, or, if agreed between the insurer and the named insured, by
312 electronic means, at least forty-five days before the effective date of
313 cancellation, except that (1) where cancellation is for nonpayment of the
314 first premium on a new policy, at least fifteen days' notice of cancellation
315 accompanied by the reason for cancellation shall be given, and (2) where
316 cancellation is for nonpayment of any other premium, at least ten days'
317 notice of cancellation accompanied by the reason for cancellation shall
318 be given. No notice of cancellation of a policy that has been in effect for
319 less than sixty days shall be effective unless mailed or delivered by the
320 insurer to the insured and any third party designee at least forty-five
321 days before the effective date of cancellation, except that (A) at least
322 fifteen days' notice shall be given where cancellation is for nonpayment
323 of the first premium on a new policy, and (B) at least ten days' notice
324 shall be given where cancellation is for nonpayment of any other
325 premium or material misrepresentation. The notice of cancellation shall
326 state or be accompanied by a statement specifying the reason for such

327 cancellation. Any notice of cancellation for nonpayment of the first
328 premium on a new policy may be retroactive to the effective date of such
329 policy, provided at least fifteen days' notice has been given to the
330 insured and any third party designee and payment of such premium
331 has not been received during such notice period.

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

334 For the purposes of sections 38a-903 to 38a-961, inclusive, and section
335 13 of this act:

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

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

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

340 (4) "Commodity contract" means: (A) A contract for the purchase or
341 sale of a commodity for future delivery on, or subject to the rules of, a
342 board of trade designated as a contract market by the Commodity
343 Futures Trading Commission under the Commodity Exchange Act (7
344 USC 1 et seq.) or board of trade outside the United States; (B) an
345 agreement that is subject to regulation under Section 19 of the
346 Commodity Exchange Act (7 USC 1, et seq.) and that is commonly
347 known to the commodities trade as a margin account, margin contract,
348 leverage account or leverage contract; or (C) an agreement or transaction
349 that is subject to regulation under section 4c(b) of the Commodity
350 Exchange Act (7 USC 1 et seq.) and that is commonly known to the
351 commodities trade as a commodity option.

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

355 (6) "Delinquency proceeding" means any proceeding instituted
356 against an insurer for the purpose of liquidating, rehabilitating,

357 reorganizing or conserving such insurer, and any summary proceeding
358 under section 38a-912. "Formal delinquency proceeding" means any
359 liquidation or rehabilitation proceeding.

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

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

374 (9) "Fair consideration" is given for property or obligation: (A) When
375 in exchange for such property or obligation, as a fair equivalent therefor,
376 and in good faith, property is conveyed or services are rendered or an
377 obligation is incurred or an antecedent debt is satisfied; or (B) when such
378 property or obligation is received in good faith to secure a present
379 advance or antecedent debt in an amount not disproportionately small
380 as compared to the value of the property or obligation obtained.

381 (10) "Foreign country" has the same meaning as provided in section
382 38a-1.

383 (11) "Forward contract" means a contract, other than a commodity
384 contract, for the purchase, sale or transfer of a commodity, as defined in
385 Section 1 of the Commodity Exchange Act (7 USC 1 et seq.), or any
386 similar good, article, service, right or interest that is presently or in the
387 future becomes the subject of dealing in the forward contract trade, or
388 product or by-product thereof, with a maturity date more than two days

389 after the date the contract is entered into, including, but not limited to,
390 a repurchase transaction, reverse repurchase transaction, unallocated
391 hedge transaction, deposit, loan, option, allocated transaction or a
392 combination of these or option on any of them.

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

402 (13) "Guaranty association" means the Connecticut Insurance
403 Guaranty Association established pursuant to sections 38a-836 to 38a-
404 853, inclusive, the Connecticut Life and Health Insurance Guaranty
405 Association established pursuant to sections 38a-858 to 38a-875,
406 inclusive, and any other similar entity created by the General Assembly
407 for the payment of claims of insolvent insurers. "Foreign guaranty
408 association" means any similar entities created by the legislature of any
409 other state.

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

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

419 (16) "Netting agreement" means a contract or agreement, including
420 terms and conditions incorporated by reference therein, including a

421 master agreement, which master agreement, together with all schedules,
422 confirmations, definitions and addenda thereto and transactions under
423 any thereof, shall be treated as one netting agreement, that (A)
424 documents one or more transactions between the parties to the
425 agreement for or involving one or more qualified financial contracts and
426 (B) provides for the netting or liquidation of qualified financial contracts
427 or present or future payment obligations or payment entitlements
428 thereunder, including liquidation or closeout values relating to such
429 obligations or entitlements, among the parties to the netting agreement.

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

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

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

440 (20) "Reciprocal state" means any state other than this state in which
441 in substance and effect sections 38a-920, 38a-954, 38a-955 and 38a-957 to
442 38a-959, inclusive, are in force and in which provisions are in force,
443 requiring that the commissioner or equivalent official be the receiver of
444 a delinquent insurer and in which some provision exists for the
445 avoidance of fraudulent conveyances and preferential transfers.

446 (21) "Repurchase agreement" and "reverse repurchase agreement"
447 mean an agreement, including related terms, that provides for the
448 transfer of certificates of deposit, eligible bankers' acceptances, or
449 securities that are direct obligations of, or that are fully guaranteed as to
450 principal and interest by, the United States or an agency of the United
451 States against the transfer of funds by the transferee of the certificates of
452 deposit, eligible bankers' acceptances or securities with a simultaneous

453 agreement by the transferee to transfer to the transferor certificates of
454 deposit, eligible bankers' acceptances or securities as described in this
455 subdivision, at a date certain not later than one year after the transfers
456 or on demand, against the transfer of funds. For the purposes of this
457 subdivision, the items that may be subject to an agreement include
458 mortgage-related securities, a mortgage loan, and an interest in a
459 mortgage loan, and shall not include any participation in a commercial
460 mortgage loan, unless the commissioner determines to include the
461 participation within the meaning of the term.

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

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

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

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

482 (26) "Swap agreement" means an agreement, including the terms and
483 conditions incorporated by reference in an agreement, that is a rate swap
484 agreement, basis swap, commodity swap, forward rate agreement,

485 interest rate future, interest rate option, forward foreign exchange
486 agreement, spot foreign exchange agreement, rate cap agreement, rate
487 floor agreement, rate collar agreement, currency swap agreement, cross-
488 currency rate swap agreement, currency future, or currency option or
489 any other similar agreement, and includes any combination of
490 agreements and an option to enter into an agreement.

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

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

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

502 (a) The conservation, rehabilitation and liquidation of insurance
503 companies and other persons subject to the provisions of sections 38a-
504 903 to 38a-961, inclusive, are a matter of vital public interest and affect
505 the relationships between insureds and their insurers.

506 (1) [An] Except as provided in subsection (c) of this section, an
507 application or petition under sections 38a-912, 38a-914, 38a-915, 38a-918,
508 38a-919 and 38a-920, shall operate as an automatic stay applicable to all
509 persons, other than the receiver, which shall be permanent and survive
510 the entry of an order of conservation, rehabilitation or liquidation, and
511 which shall prohibit: (A) The transaction of further business; (B) the
512 transfer of property; (C) interference with the receiver or with a
513 proceeding under said sections; (D) waste of the insurer's assets; (E)
514 dissipation and transfer of bank accounts; (F) the institution or further
515 prosecution of any actions or proceedings in which the insurer is a party;
516 (G) the obtaining of preferences, judgments, attachments, garnishments,

517 or liens against the insurer, its assets or its policyholders; (H) the levying
518 of execution against the insurer, its assets, or its policyholders; (I) the
519 making of any sale or deed for nonpayment of taxes or assessments that
520 would lessen the value of the assets of the insurer; (J) the withholding
521 from the receiver of books, accounts, documents, or other records
522 relating to the business of the insurer; or (K) any other threatened or
523 contemplated action that might lessen the value of the insurer's assets
524 or prejudice the rights of policyholders, creditors, or shareholders, or
525 the administration of any proceeding under said sections.

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

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

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

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

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

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

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

568 (b) (1) A transfer of property other than real property shall be deemed
569 to be made or suffered when it becomes so far perfected that no
570 subsequent lien obtainable by legal or equitable proceedings on a simple
571 contract could become superior to the rights of the transferee under
572 subsection (c) of section 38a-930.

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

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

580 (4) Any transfer not perfected prior to the filing of a petition for

581 liquidation shall be deemed to be made immediately before the filing of
582 the successful petition.

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

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

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

600 (e) Notwithstanding the provisions of subsections (a) to (d), inclusive,
601 of this section or any other provision of this chapter, no receiver or any
602 other person shall avoid any transfer or obligation that arises under or
603 in connection with any pledge, security, credit, collateral, loan, advance,
604 reimbursement or guarantee agreement or arrangement or any similar
605 agreement or arrangement or other credit enhancement to which a
606 Federal Home Loan Bank, as defined in 12 USC 1422, as amended from
607 time to time, is a party, that is made, suffered or incurred prior to or
608 after the filing of a successful petition for rehabilitation or liquidation
609 under sections 38a-903 to 38a-961, inclusive. Such transfer or obligation
610 may be avoided by the receiver or other person if such transfer or
611 obligation was made, suffered or incurred with the intent to hinder,
612 delay or defraud the insurer, the receiver or existing or future creditors.

613 Sec. 12. Subsection (a) of section 38a-930 of the general statutes is
614 repealed and the following is substituted in lieu thereof (*Effective October*
615 *1, 2025*):

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

628 (2) [Any] Except as provided in subdivision (5) of this subsection, any
629 preference may be avoided by the liquidator if: (A) The insurer was
630 insolvent at the time of the transfer; (B) the transfer was made within
631 four months before the filing of the petition; (C) the creditor receiving it
632 or to be benefited thereby or such creditor's agent acting with reference
633 thereto had, at the time when the transfer was made, reasonable cause
634 to believe that the insurer was insolvent or was about to become
635 insolvent; or (D) the creditor receiving it was an officer, or any employee
636 or attorney or other person who was in fact in a position of comparable
637 influence in the insurer to an officer whether or not such employee,
638 attorney or other person held such position, or any shareholder holding
639 directly or indirectly more than five per cent of any class of any equity
640 security issued by the insurer, or any other person, firm, corporation,
641 association, or aggregation of persons with whom the insurer did not
642 deal at arm's length.

643 (3) Where the preference is voidable, the liquidator may recover the
644 property, or if it has been converted, its value from any person who has
645 received or converted the property, except where a bona fide purchaser

646 or lienor has given less than fair equivalent value, such purchaser or
647 lienor shall have a lien upon the property to the extent of the
648 consideration actually given by such purchaser or lienor. Where a
649 preference by way of lien or security title is voidable, the court may on
650 due notice order the lien or title to be preserved for the benefit of the
651 estate, in which event the lien or title shall pass to the liquidator.

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

660 (5) Notwithstanding the provisions of subdivision (2) of this
661 subsection or any other provision of this chapter, no preference that
662 arises under or in connection with any pledge, security, credit,
663 collateral, loan, advance, reimbursement or guarantee agreement or
664 arrangement or any similar agreement or arrangement or other credit
665 enhancement to which a Federal Home Loan Bank, as defined in 12 USC
666 1422, as amended from time to time, is a party shall be avoided by the
667 liquidator or any other person.

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

672 (1) If such bank exercises such bank's rights regarding collateral
673 pledged by such insurer, such bank shall repurchase, not later than
674 seven business days after such delinquency proceeding, and to the
675 extent such bank determines in good faith that such repurchase is
676 permissible under applicable laws and regulations and such bank's
677 capital plan and is consistent with such bank's current capital stock

678 practices applicable to such bank's entire membership, any outstanding
679 capital stock that is in excess of the amount of stock of such bank that
680 such insurer is required to hold as a minimum investment.

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

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

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

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

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

697 (3) Upon request from a receiver of such insurer, such bank shall
698 provide to such receiver any available options for such insurer to renew
699 or restructure a loan. Any such options shall be subject to market
700 conditions, the terms of such insurer's outstanding loans, the applicable
701 policies of such bank and such bank's compliance with federal laws and
702 regulations.

703 Sec. 14. Subsection (b) of section 38a-55 of the general statutes is
704 repealed and the following is substituted in lieu thereof (*Effective October*
705 *1, 2025*):

706 (b) (1) No domestic insurer, domestic health care center or domestic
707 fraternal benefit society may, without the prior written consent of the

708 Insurance Commissioner, pledge, hypothecate or otherwise encumber
709 its assets to secure its own debt, guaranty or obligations if the amount
710 of the assets pledged, hypothecated or otherwise encumbered, when the
711 pledge, hypothecation or encumbrance is made, together with the
712 aggregate amount of assets pledged, hypothecated or encumbered to
713 secure all such debts, guarantees and obligations, exceeds the lesser of
714 five per cent of admitted assets or twenty-five per cent of surplus as
715 regards policyholders as reported in its last financial statement filed
716 with the commissioner pursuant to section 38a-53 or 38a-614.

717 (2) Nothing in this subsection shall be construed as prohibiting a
718 domestic insurer, domestic health care center or domestic fraternal
719 benefit society from pledging, hypothecating or encumbering any assets
720 in connection with: (A) Transactions in the ordinary course of business,
721 including, but not limited to: (i) Complying with any statutory
722 requirement, (ii) reinsurance transactions otherwise in compliance with
723 applicable statutory requirements, (iii) participation in the Federal
724 Home Loan Bank System, as defined in 12 USC 1422, as amended from
725 time to time, including, but not limited to, funding transactions
726 thereunder, or [(iii)] (iv) investments or investment practices otherwise
727 in compliance with applicable statutory requirements, including, but
728 not limited to, securities lending, repurchase transactions, reverse
729 repurchase transactions, swap, futures and options transactions, and
730 any other transactions which are not prohibited by the investment law
731 and regulations of this state; (B) transactions subject to the provisions of
732 sections 38a-129 to 38a-140, inclusive; or (C) any other transaction
733 deemed excluded by the Insurance Commissioner. Assets pledged,
734 hypothecated or encumbered pursuant to subparagraph (A), (B) or (C)
735 of this subdivision shall not be charged against the limits set forth in
736 subdivision (1) of this subsection.

737 (3) In the case of a domestic life insurance company, the provisions of
738 this subsection shall apply to a separate account only to the extent that
739 reserves for guarantees with respect to (A) benefits guaranteed as to
740 dollar amount and duration or (B) funds guaranteed as to principal
741 amount or stated rate of interest are held in a separate account in

742 accordance with subdivision (3) of subsection (a) of section 38a-433.

743 Sec. 15. Subsection (b) of section 38a-741 of the general statutes is
744 repealed and the following is substituted in lieu thereof (*Effective October*
745 *1, 2025*):

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

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

775 policy from an unauthorized insurer, or (C) any policy of insurance
 776 where the broker seeks to procure or place such insurance through an
 777 unaffiliated wholesale surplus lines insurance broker.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2025	New section
Sec. 2	January 1, 2026	38a-477d(k)
Sec. 3	July 1, 2025	38a-344
Sec. 4	July 1, 2025	38a-316g
Sec. 5	July 1, 2025	38a-323(a)
Sec. 6	July 1, 2025	38a-323a
Sec. 7	July 1, 2025	38a-324(a)
Sec. 8	July 1, 2025	38a-343(a)
Sec. 9	October 1, 2025	38a-905
Sec. 10	October 1, 2025	38a-907
Sec. 11	October 1, 2025	38a-928
Sec. 12	October 1, 2025	38a-930(a)
Sec. 13	October 1, 2025	New section
Sec. 14	October 1, 2025	38a-55(b)
Sec. 15	October 1, 2025	38a-741(b)

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: None

Municipal Impact: None

Explanation

The bill, which modifies insurer requirements regarding certain communications with insureds and requirements of Federal Home Loan Banks and Surplus Lines Insurance, results in no fiscal impact. The Insurance Department does not anticipate a meaningful increase in workload associated with these requirements.

House "A" strikes a provision which would have required the Insurance Department to conduct a study, eliminating the cost associated with the bill. The amendment additionally makes clarifying and procedural changes that have no fiscal impact.

OLR Bill Analysis**sHB 6981 (as amended by House "A")******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 changes to insurance statutes. Primarily, it does the following:

1. allows insurers to (a) electronically post insurance policy documents 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.

*House Amendment "A" makes changes to the provisions on electronic insurance documents. Specifically, it (1) requires insurers to get an insured's agreement to receive documents electronically; (2)

allows the insurance commissioner to adopt regulations on electronic delivery of policy documents; and (3) delays the effective date for the provision allowing health insurance plan sponsors to elect electronic delivery for insureds from October 1, 2025, to January 1, 2026. The amendment also (1) removes a provision from the underlying bill that required the insurance commissioner to study digital insurance payment processing systems and (2) makes a minor change to the Insurers Rehabilitation and Liquidation Act provisions by changing “actual intent” to “intent.”

EFFECTIVE DATE: October 1, 2025, except (1) July 1, 2025, for the USPS IMb provisions and (2) January 1, 2026, for the plan sponsor’s election of electronic delivery of insurance documents provisions.

§§ 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.

Under the bill, if an insurer wants to post these documents on its website, it must do the following:

1. get the insured’s agreement to receive these documents electronically;
2. 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;
3. keep records of an expired policy and any endorsements for five years after their expiration date and make them available upon request;

4. 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;
5. 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
6. 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 does not agree to electronic delivery or requests to opt out of electronic delivery, the insurer must mail or deliver a paper copy to the insured instead of posting them on its 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 certain conditions are met. Specifically, each covered individual must be given, at enrollment or within a reasonable amount of time before electronic delivery, notice of the electronic delivery and an opportunity to choose delivery by mail instead. Each covered individual must also be able to 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 in the state on or after January 1, 2026, that covers (1) basic hospital expenses, (2) basic medical-surgical expenses, (3) major medical expenses, or (4) hospital or medical services.

Regulations (§§ 1 & 2)

The bill allows the insurance commissioner to adopt regulations to

implement the provisions on electronic insurance documents.

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

The bill lets property and casualty insurers send policy cancellation and nonrenewal notices by 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 to 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. Under current law, 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. The bill removes reference to "actual intent" and instead refers just to "intent."

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 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)