

Insurance and Real Estate Committee JOINT FAVORABLE REPORT

Bill No.: HB-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

Title: ASSETS AND SURPLUS LINES INSURANCE.

Vote Date: 3/11/2025

Vote Action: Joint Favorable Substitute

PH Date: 2/27/2025

File No.: 314

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SPONSORS OF BILL:

Insurance and Real Estate Committee
Rep. Tom Delnicki, 14th Dist.

REASONS FOR BILL:

Both the raised and proposed substitute bill intend to address multiple issues.

Section 1 allows insurers to post certain policies and enforcements online on their websites instead of mailing or delivering them to their clients. This helps modernize the statutes and increase accessibility for consumers.

Section 2 allows insurers or health care entities to let a policy sponsor agree on behalf of the client to electronically deliver policy communications. This modernizes the policy delivery system and streamlines the process for insurers and the insured.

Sections 3-8 grants property and casualty insurers the ability to send both cancellation and nonrenewal notices by U.S. Postal Service intelligent mail barcode tracking. This will assist insurers to participate in multiple postal service programs at one time and gives insured individuals the ability to track individual mail pieces while simultaneously providing greater mail stream visibility.

Sections 9-13 modified the Insurers Rehabilitation and Liquidation Act to allow certain activities to proceed regardless of prohibitions placed onto Insurers and Federal Home Loan Banks by the current general statutes. These certain exceptions, if implemented, would allow

Federal Home Loan Banks to further facilitate business throughout the state and help combat attempts to defraud or hinder insurers, receivers, or creditors.

Section 14 considers participation in the Federal Home Loan Banks program as an ordinary business activity to which the hypothecation of assets limits does not apply. This is an attempt by the legislature to increase business lending and investment while potentially lowering borrowing costs for consumers.

Section 15 exempts insurance policies that were obtained from unaffiliated wholesale surplus lines brokers from keeping documentation that prove sufficient effort was made to find insurance from a licensed insurer. This aim of the section is to decrease burdens on both brokers and insureds to help streamline insurance processes.

SUBSTITUTE LANGUAGE:

The substitute language changed "surplus lines broker" to "broker" in section 15 to broaden the section's scope and efficacy and prevent limits to the intended impact of the proposal.

The substitute bill also added section 16, which requires the insurance commissioner to study digital insurance payment systems. This is so that the insurance department and legislature can further investigate ways to improve consumer experience, reduce costs, enhance security, and expedite the insurance process.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Andrew Mais, Commissioner, Connecticut Insurance Department](#)

Andrew Mais testified in opposition to HB 6981, requesting language changes be made to sections 1 and 2. In his written testimony, he asks the committee to revise sections 1 and 2 to allow individual consumers to "opt-in" to electronic communications and information delivery rather than to "opt-out". He notes that while the department recognizes the efficiency and effectiveness of electronic communication, not all consumers in the state "have access to or the ability to use electronic communications," or do so frequent enough to be able to "opt-out" of the communications.

NATURE AND SOURCES OF SUPPORT:

[Rep. Al Paolillo, Dist. 97, State Representative, Connecticut General Assembly](#)

Rep. Al Paolillo testified in support of the bill, specifically regarding the sections allowing the use of Postal Service intelligent mail barcode tracking. He believes the tracking of notices will help ensure that notices are received by individuals. He cites a constituent situation where the individual did not believe they received a notice and it led to a cancellation and gap in coverage that had the potential to cost several thousands of dollars.

[Kathleen Bailey, Producer, The Russel Agency Inc.](#)

Kathleen submitted testimony in support of HB 6981. She states that her support stems from her belief that the bill will help reduce burdens and expedite business in the surplus lines market. She additionally believes that insurance law should be updated as the industry continues to develop over time.

[James Berliner, President, Berliner-Gelfand & Co.](#)

James supports HB 6981 as a measure to eliminate the three-declination requirement for placing risks in the non-admitted, surplus lines marketplace. He believes the three-declination requirement does not protect consumers, as it burdens and prevents licensed insurance producers from providing affordable price and coverage options.

[Sam Caligiuri, Vice President and Deputy General Counsel, Nassau Financial Group](#)

Sam wrote testimony in support of HB 6981, specifically section 14. He states that this will allow Connecticut insurers to better compete with out-of-state insurers without increasing financial risk for them or their clients.

[Raymond Chase, Insurance Broker, HUB International](#)

Raymond submitted testimony in support of the bill. He believes the bill will help eliminate the obstacles that come with the three-declination requirement for the excess & surplus market. He states that the requirement is burdensome, time-consuming, and creates stress and confusion. By eliminating this requirement, Raymond believes that it will expedite providing coverage for clients.

[Kyle Dougherty, President, Dougherty Insurance Agency, Inc.](#)

Kyle supports the bill as a measure to eliminate the three-declination rule. He believes the current rule is unnecessary and results in more expensive coverage.

[Susan Halpin, Executive Director, CT Association of Health Plans](#)

Susan submitted testimony on behalf of the Connecticut Association of Health Plans in support of section 2 of the bill. They believe that going paperless has numerous benefits for consumers, including reduced risk of lost or misplaced paperwork, quick retrieval of information, the ability to track claims and manage payments, and increased security and privacy. Additionally, it would cut printing costs and reduce paper waste.

[Bradford Lachut, Director of Government Affairs, PIACT](#)

Bradford supports HB 6981 as it removes the three-declination requirement. He believes the bill will provide businesses with proper coverage while simultaneously protecting consumers. He notes the current laws are burdensome to the process of providing coverage and that by removing the rule, it would streamline the coverage process. Additionally, he cites that Connecticut is behind other states in the surplus lines market. Finally, he requests a language correction, which can be found on page 3 of his written testimony.

[Kevin McKiernan, President, Abercrombie, Burns, McKiernan & Co. Insurance Inc.](#)

Kevin McKiernan submitted testimony in support of HB 6981 as it removes the three-declination requirement. He states that while well intentioned, the rule creates obstacles for brokers throughout the state. He believes the rule limits options and delays coverage for consumers.

[John Meetz, Director of Government Relations, WSIA](#)

John supports the bill's measure to "streamline the regulatory process for difficult-to-place risks while preserving the admitted market's primacy and maintaining robust consumer protections." He states that the law would assist consumers obtain insurance for complex risk without the risk of disrupting the balance between the admitted line market and surplus line market.

[Tom Mongellow, President and CEO, Connecticut Bankers Association](#)

Tom, on behalf of the Connecticut Bankers Association, provided testimony in support of sections 10-13 of the bill. They believe that the Federal Home Loan Bank system is crucial to the stability and strength of the economy, providing banks with liquidity, funding, and other tools, and this legislation would help to bolster these benefits.

[Eric George, President, IAC](#)

[Kristina Baldwin, Vice President, APCIA](#)

[Chris Nicolopolous, Senior Regional Vice President, NAMIC](#)

These individuals, on behalf of their companies, wrote similar testimony in support of HB 6981. They first note that they support the provisions that would allow insurers to post information on the internet through their websites. They state that this is a good idea, as they believe that paper and postage costs are rising, paper product is impacted by supply chain issues, reliance on the Postal Service is becoming difficult to predict and rely on, and the bill would increase the accessibility and comfort of consumers who are used to this method of delivery.

[Timothy Russel, Principal, The Russell Agency LLC](#)

Timothy submitted testimony in support of the bill. He believes that the current surplus lines diligent effort format is outdated and should be eliminated.

[Keith Walsh, General Counsel, FHLBank Boston](#)

Keith expressed his support of sections 10 through 13 in his testimony. He begins by stating the importance of the FHL Banks as institutions throughout history. He then states his belief that the provisions in this bill will help equalize disparities between state and federal law, allowing the FHL Banks to lend to Connecticut insurance company members when they are staving off receiverships. He additionally notes that the bill would benefit policyholders by stabilizing insurance companies.

[Travis Wattie, Assistant Vice President of Government Relations, Big I Connecticut](#)

Travis submitted testimony in support of section 15 of HB 6981 with a slight amendment; to slash the "diligent effort" requirement for insurance policies secured by brokers. He believes E&S coverage provides more flexibility and is important to the growth of the insurance market. By eliminating the three-declinations rule, it would save time and reduce burdens on agents and clients. He also suggests a language change in Sec.15(b)(2)(c) to rid of "surplus lines" in the term "surplus lines broker" to ensure there are not any unintended limits on the impact of the proposal. This was addressed in the substitute language.

NATURE AND SOURCES OF OPPOSITION:

None Expressed.

Reported by: Michael Flynn

Date: 4/14/2025