

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 21-137—sSB 841

Insurance and Real Estate Committee

Judiciary Committee

**AN ACT CONCERNING THE INSURANCE DEPARTMENT'S
RECOMMENDED CHANGES TO THE INSURANCE STATUTES**

SUMMARY: This act makes a number of unrelated changes in the insurance statutes concerning (1) insurers' use of genetic testing results, (2) the cancellation of homeowners insurance policies, (3) loss ratio requirements for credit insurance policies, and (4) insurance producer prelicensure education requirements.

The act prohibits certain insurance entities from requesting, requiring, purchasing, or using direct-to-consumer genetic testing results without the tested individual's written consent. It also prohibits the entities from conditioning rates, coverage, or other insurance terms on (1) an individual undergoing genetic testing or (2) the genetic testing results of the individual's family members unless the results are in his or her medical records. The act makes a violation of these provisions a Connecticut Unfair Insurance Practices Act (CUIPA) violation (see **BACKGROUND**) (§§ 1-3).

The act also codifies existing Insurance Department administrative policy for homeowners insurance policy cancellations. It requires insurers to notify consumers of a cancellation, establishes the cancellation process and timeframes, and specifies permissible cancellation reasons (§ 4).

Additionally, the act establishes a loss ratio requirement for credit life and credit accident and health insurance policies of at least 50%, and requires the insurance commissioner to adopt related regulations (§§ 5 & 6). "Loss ratio" means annual incurred claims divided by earned premiums.

Lastly, the act reduces, from 40 to 20, the number of course study hours an insurance producer license applicant must complete before sitting for a license examination (§ 7). This conforms with the National Association of Insurance Commissioners' uniform licensing standards.

EFFECTIVE DATE: October 1, 2021, except the provisions on canceling homeowners insurance policies are effective July 1, 2021.

§§ 1-3 — GENETIC TESTING RESULTS

The act prohibits insurers, health care centers (i.e., HMOs), and fraternal benefit societies from requesting, requiring, purchasing, or using direct-to-consumer genetic testing results without the tested individual's informed written consent. This applies to the issuance, withholding, extension, or renewal of annuities and life, credit life or accident, disability, long-term care, accidental injury, specified disease, and hospital indemnity insurance policies.

The act also prohibits insurers, HMOs, and fraternal benefit societies from

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conditioning rates, the issuance or renewal of coverage or benefits, or other insurance terms on (1) a requirement or agreement that an individual undergo genetic testing or (2) the genetic testing results of the individual's family members unless the results are in his or her medical records.

The act makes a violation of the above provisions a CUIPA violation. (CUIPA already prohibits insurers, HMOs, and fraternal benefit societies that issue health insurance policies from refusing to insure, limiting coverage, or charging a different rate based on genetic information (CGS § 38a-816(19)).)

§ 4 — HOMEOWNERS INSURANCE CANCELLATION

The act codifies existing Insurance Department administrative policy for homeowners insurance policy cancellations. It outlines the process and timeframes for insurers to notify consumers of a cancellation and specifies the permissible cancellation reasons.

Cancellation Process, Timeframes, and Reasons

Under the act, if an insurer wants to cancel a policy for premium nonpayment, it must send a written cancellation notice to the named insured at least 10 days before the cancellation's effective date. The notice must disclose that (1) the insured can avoid cancellation by paying the premium before the effective date and (2) any excess premium will be refunded to the insured upon request.

If a policy is not a renewal policy and has been in effect for fewer than 60 days, and the insurer wants to cancel it for a reason other than premium nonpayment, the insurer must send a written cancellation notice to the named insured at least 30 days before the cancellation's effective date. The notice must disclose the cancellation reason, the effective date, and that any excess premium will be refunded to the insured upon request.

If a policy is not a renewal policy and has been in effect for at least 60 days or is a renewal policy, and the insurer wants to cancel it for either (1) fraud or misrepresentation of a material fact by the insured in obtaining the insurance that would have caused the insurer to not issue or renew the policy or (2) any physical change in the covered property that materially increases a hazard insured against, then the insurer must send a written cancellation notice to the named insured at least 30 days before the cancellation's effective date. The notice must include the effective date and that any excess premium will be refunded to the insured upon request. (Under the act, an insurer may cancel such a policy only for these specified reasons or premium nonpayment.)

Cancellation Method

Under the act, a homeowners insurance policy cancellation notice is effective only if the insurer sends it to the named insured by registered or certified mail or mail evidenced by a certificate of mailing. But if the insured agrees, the insurer may send a cancellation notice electronically and evidenced by a delivery receipt.

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Policy Transfer to Affiliate

Under the act, an insurer does not have to issue a cancellation notice if it transfers a policy to an affiliate with no interruption of coverage and no changes in coverage terms. However, the new insurer may apply its rates and rating plans at renewal.

Insured May Cancel Anytime in Writing

The act specifies that a named insured under a homeowners insurance policy may cancel the policy anytime by sending the insurer a written notice with the cancellation effective date.

§§ 5 & 6 — LOSS RATIO REQUIREMENT FOR CREDIT INSURANCE

The act establishes a loss ratio requirement for credit life and credit accident and health insurance policies of at least 50%.

Under prior law, the insurance commissioner had to disapprove a credit insurance policy form (e.g., policy, certificate, application, rider) if the rates charged, by reasonable assumptions, were excessive in relation to the benefits provided. The act instead requires him to disapprove a policy form if the rates charged, by reasonable assumptions and as determined according to benchmark loss ratio calculations, are excessive in relation to the benefits provided.

The act also requires the commissioner to disapprove a policy form that does not comply with the loss ratio requirement. However, he may approve a premium rate deviation for a policy.

The act requires the commissioner to adopt regulations that reflect the above requirements.

BACKGROUND

Connecticut Unfair Insurance Practices Act

CUIPA prohibits engaging in unfair or deceptive acts or practices in the business of insurance. It authorizes the insurance commissioner to conduct investigations and hearings, issue cease and desist orders, impose fines, revoke or suspend licenses, and order restitution for per se violations (i.e., violations specifically listed in statute). The law also allows the commissioner to ask the attorney general to seek injunctive relief in Superior Court if he believes someone is engaging in other unfair or deceptive acts not specifically defined in statute.

Fines may be up to (1) \$5,000 per violation to a \$50,000 maximum or (2) \$25,000 per violation to a \$250,000 maximum in any six-month period if the violation was knowingly committed. The law also imposes a fine of up to \$50,000, in addition to or in lieu of a license suspension or revocation, for violating a cease and desist order.