



Agency Legislative Proposal – 2025 Session

Document Name: CID – Auto Physical Damage Arbitration Process

Document Name	CID – Auto Physical Damaged Arbitration Process
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Legislative Liaison	Jim Carson
Division Requesting This Proposal	Consumer Affairs
Drafter	Mike Malesta

Title of Proposal	An Act Concerning the Insurance Department Auto Physical Damage Arbitration Process
Statutory Reference, if any	CGS 38a-9
Brief Summary and Statement of Purpose	CGS 38a-9 requires that the CID establish an arbitration process for auto physical damage claims. In order to encourage resolution of these claims outside of arbitration, the CID is proposing that the subject insurance company pay the cost of the arbitration process if the decision is in the claimant's favor, unless the claimant rejected the insurance company's pre-arbitration offer of compromise of equal or higher value than the arbitration award.
How does this proposal relate to the agency's mission?	Consistent with the Department's mission to protect policyholders, this proposal encourages the early resolution of auto physical damage claims. The CID expects that early resolution will result in a more efficient and cost-effective process for both claimants and carriers.



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SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

Section 1: Requires carriers to pay the cost of the arbitration process if the arbitration process results in a decision in favor of the claimant, unless the claimant rejected the carrier's pre-arbitration offer of compromise of equal or higher value than the arbitration award.

BACKGROUND

Origin of Proposal

☒ New Proposal

☐ Resubmission

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Please consider the following, if applicable:

Have there been changes in federal/state laws or regulations that make this legislation necessary?	No.
Has this proposal or a similar proposal been implemented in other states? If	Yes. In California, recovery of arbitration costs depends on whether the prevailing party rejected pre-arbitration offer of compromise. Cal. Civ. Proc. Code § 998. In New Jersey, the Supreme Court has authority to adopt rules governing the assessment of the costs of arbitration proceedings where a



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yes, to what result?	pre-arbitration offer was made but refused by the other party to controversy. N.J. Stat. § 39:6A-28.
Have certain constituencies called for this proposal?	NA

INTERAGENCY IMPACT

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	[] Approved [] Talks Ongoing
Open Issues, if any	



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FISCAL IMPACT

Include the section number(s) responsible for the fiscal impact and the anticipated impact

☐ Check here if this proposal does NOT have a fiscal impact

State	The current cost to the state for each arbitration that proceeds to a hearing is \$3,075 (Note: the claimant and insurer each are responsible for a \$20 filing fee). In 2023, 20 arbitration proceedings were conducted with 15 resulting in a decision in favor of the claimant. If these were all matters where the claimants rejected an insurer's offer that was equal to or higher than the arbitration award, at the current cost, the insurers would have paid \$46,125 (i.e., 15 x \$3,075), which would have been a direct savings for the state.
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	

MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

☐ Check here if this proposal does NOT lead to any measurable outcomes



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Expected reduction in arbitration proceedings due to the more frequent and successful early resolution of claims, and cost savings for the state.

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

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

(b) (1) The Division of Consumer Affairs shall provide an independent arbitration procedure for the settlement of disputes between claimants and insurance companies concerning automobile physical damage and automobile property damage liability claims in which liability and coverage are not in dispute. Such procedure shall apply only to disputes involving private passenger motor vehicles as defined in subsection (e) of section 38a-363. Any company licensed to write private passenger automobile insurance, including collision, comprehensive and theft, in this state shall participate in the arbitration procedure. The commissioner shall appoint an administrator for such procedure. Only those disputes in which attempts at mediation by the Division of Consumer Affairs have failed shall be accepted as arbitrable. The referral of the complaint to arbitration shall be made by the Insurance Department examiner who investigated the complaint. Each party to the dispute shall pay a filing fee of twenty dollars. The insurance company shall pay the claimant the undisputed amount of the claim upon written notification from the department that the complaint has been referred to arbitration. Such payment shall not affect any right of the claimant to pursue the disputed amount of the claim.

(2) The commissioner shall prepare a list of at least ten persons, who have not been employed by the department or an insurance company during the preceding twelve months, to serve as



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arbitrators in the settlement of such disputes. The arbitrators shall be members of any dispute resolution organization approved by the commissioner. One arbitrator shall be appointed to hear and decide each complaint. Appointment shall be based solely on the order of the list. If an arbitrator is unable to serve on a given day, or if either party objects to the arbitrator, then the next arbitrator on the list shall be selected. The department shall schedule arbitration hearings as often, and in such locations, as it deems necessary. Parties to the dispute shall be provided written notice of the hearing at least ten days prior to the hearing date. The commissioner may issue subpoenas on behalf of the arbitrator to compel the attendance of witnesses and the production of documents, papers and records relevant to the dispute. Decisions shall be made on the basis of the evidence presented at the arbitration hearing. Where the arbitrator believes that technical expertise is necessary to decide a case, such arbitrator may consult with an independent expert recommended by the commissioner. The arbitrator and any independent technical expert shall be paid by the department on a per dispute basis as established by the commissioner. The arbitrator, as expeditiously as possible but not later than fifteen days after the arbitration hearing, shall render a written decision based on the information gathered and disclose the findings and the reasons to the parties involved. The arbitrator shall award filing fees to the prevailing party. If the decision favors the claimant, [\(i\) the decision shall provide specific and appropriate remedies including interest at the rate of fifteen per cent per year on the arbitration award concerning the disputed amount of the claim, retroactive to the date of payment for the undisputed amount of the claim, and \(ii\) the arbitrator shall require the insurance company to reimburse the department for its costs incurred in connection with the administration of the arbitration hearing, unless the claimant rejected the insurance company's pre-arbitration offer of compromise of equal or higher value than the arbitration award.](#) The decision may include costs for loss of use and storage of the motor vehicle and shall specify a date for performance and completion of all awarded remedies. Notwithstanding any provision of the general statutes or any regulation, the Insurance Department shall not amend, reverse, rescind, or revoke any decision or action of any arbitrator. The department shall contact the claimant not later than ten business days after the date for performance, to determine whether performance has occurred. Either party may make application to the superior court for the judicial district in which one of the parties resides or, when the court is not in session, any judge thereof for an order confirming, vacating, modifying or correcting any award, in accordance with the provisions of sections 52-417, 52-418, 52-419 and 52-420. If it is determined by the court that either party's position after review has been improved by at least ten per cent over that party's position after arbitration, the court may grant to that party its costs and reasonable attorney's fees. No evidence, testimony, findings, or decision from the department arbitration procedure



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shall be admissible in any civil proceeding, except judicial review of the arbitrator's decision as contemplated by this subsection.

(3) The department shall maintain records of each dispute, including names of parties to the arbitration, the decision of the arbitrator, compliance, the appeal, if any, and the decision of the court. The department shall annually compile such statistics and send a copy to the committee of the General Assembly having cognizance of matters relating to insurance. The report shall be considered a public document.



Agency Legislative Proposal – 2025 Session
Document Name: CID – Market Conduct & Licensing

Document Name	CID 2 – Market Conduct & Licensing
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Legislative Liaison	Jim Carson
Division Requesting This Proposal	Market Conduct
Drafter	Antonio Caporale

Title of Proposal	An Act Concerning Market Conduct and Licensing
Statutory Reference, if any	C.G.S. Sections 38a-26, 38a-774, 38a-720e, 38a-708, 38a-356
Brief Summary and Statement of Purpose	This proposal introduces minor changes: (i) allowing Department notices to be sent by electronic means, (ii) allowing for audits by insurers of third party administrators to be conducted remotely, (iii) introducing a time limit for insurers to report to the Commissioner terminations of insurance producers for cause, and (iv) eliminating the requirement for insurers to file an annual report concerning their investigations about automobile insurance fraud.
How does this proposal relate to the agency's mission?	The proposal seeks to improve, make more efficient and streamline Departments processes, and to eliminate outdated requirements.



SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

Sections 1 and 2 amend insurance statutes to allow for documents relating to service of process and notices to licensees to be provided by the Department by electronic means.

Section 3 allows for audits of TPAs by insurers to be conducted entirely remotely.

Section 4 provides that insurers are required to report to the commissioner any terminations of an appointment of a producer for notice within 30 days.

Section 5 eliminates the requirement for insurers to file an annual report concerning their investigations about automobile insurance fraud. Insurance fraud information is readily available to the Department. The National Insurance Crime Bureau (NICB) maintains an insurance from database which subscribed to by all insurance companies and regulators. Also, this report captures information that the CID has no authority to address.

BACKGROUND

Origin of Proposal ☒ New Proposal ☐ Resubmission

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Please consider the following, if applicable:

Have there been changes in federal/state laws or regulations that	No
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Document Name: CID – Market Conduct & Licensing

make this legislation necessary?	
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	No
Have certain constituencies called for this proposal?	No

INTERAGENCY IMPACT

List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	[] Approved [] Talks Ongoing
Open Issues, if any	



Agency Legislative Proposal – 2025 Session
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FISCAL IMPACT

Include the section number(s) responsible for the fiscal impact and the anticipated impact

☐ Check here if this proposal does NOT have a fiscal impact

State	The proposal relating to the ability for the Department to provide notices by electronic means will result in undetermined savings related to mailing costs and a more efficient process.
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	

MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

☒ Check here if this proposal does NOT lead to any measurable outcomes

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ANYTHING ELSE WE SHOULD KNOW?

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INSERT FULLY DRAFTED BILL HERE

SECTION 1. Section 38a-26 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Service of process on the commissioner as provided in section 38a-25 shall be made by delivering two copies thereof to the commissioner, or to the office of the commissioner, or to an official or office of an official designated by the commissioner to receive service. The person serving process shall pay to the office of the commissioner the fee set for that service by section 38a-11, for each person or insurer to be served.

(b) The commissioner shall immediately send by registered, [or] certified or electronic mail one copy of the process to the person to be served as follows: (1) To that person's last-known principal place of business, residence, email address or post-office address, or (2) if a foreign insurance company, to the secretary of the company or designee of the company, or (3) if an alien insurance company, to the resident manager, if any, in this country, or (4) if a fraternal benefit society, to the secretary or corresponding officer of the society. Service by electronic mail as provided in this subsection shall be made to the person's or the person's designee last known email address as filed with and maintained by the commissioner.

(c) The commissioner shall retain the second copy of the process for his files. The commissioner shall keep a record of all process served, showing the day and hour of service.

(d) Proof of service shall be evidenced by a certificate signed by the commissioner or by the official designated to receive service of process, showing the service made on him and mailing by him, attached to the second copy of the process.

(e) No plaintiff or complainant shall be entitled to a judgment or determination by default in any action or proceeding in which the process is served under this section until the expiration of forty-five days from the date of service of process commencing the action or proceeding.

SECTION 2. Section 38a-774 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) The commissioner, after reasonable notice to and hearing of any licensee, may suspend or



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revoke the licensee's license for cause shown. In addition to or in lieu of suspension or revocation, the commissioner may impose a fine not to exceed five thousand dollars. Hearings may be held by the commissioner or by any person designated by the commissioner. Whenever a person other than the commissioner acts as the hearing officer, such person shall submit to the commissioner a memorandum of the findings and recommendations upon which the commissioner may base a decision.

(b) Notwithstanding the provisions of subsection (c) of section 4-182, the commissioner may provide notice pursuant to section 4-182 or to this section to any person licensed by or registered with the commissioner by personal delivery, as defined in section 4-166. For licensed or registered persons who are not natural persons, the electronic mail addresses of the natural persons designated as primary contacts by such licensed or registered persons in the contact employee fields on the system shall constitute an acceptable means of communication for personal delivery, and a notice sent by electronic mail to such primary contacts at such electronic mail addresses shall constitute notice. For licensed or registered persons who are natural persons, the electronic mail address identified by such licensed persons on the system shall constitute an acceptable means of communication for personal delivery within the meaning of section 4-166, and a notice sent by electronic mail to such electronic mail address shall constitute notice. Any notice provided in accordance with this section shall be deemed received by the person on the earlier of the date of actual receipt or seven days after mailing or sending, and in the case of a notice sent by electronic mail, the notice shall be deemed received by the person on the earlier of the date of actual receipt by any natural person to whom such notice was sent or seven days after such notice was sent.

~~[(b)]~~(c) If an insurance license held by a firm, association or corporation is revoked, the insurance licenses of any principal of such firm or association or any officer or director of such corporation shall be revoked, unless the commissioner determines that such principal, officer or director was not personally at fault in the matter on account of which such license held by the firm, association or corporation was revoked.

~~[(c)]~~(d) Any person aggrieved by the action of the commissioner in revoking, suspending or refusing to grant or reissue a license or in imposing a fine may appeal therefrom in accordance with the provisions of section 4-183, except venue for such appeal shall be in the judicial district of New Britain. Appeals under this section shall be privileged in respect to the order of trial assignment.



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SECTION 3. Section 38a-720e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Each insurer or other person utilizing the services of a third-party administrator shall be responsible for determining the benefits, premium rates, underwriting criteria and claims payment procedures for the lines, classes or types of insurance such third-party administrator is authorized to administer, and for securing reinsurance, if any. The insurer or other person utilizing the services of a third-party administrator shall provide to such third-party administrator, in writing, procedures pertaining to such third-party administrator's administration of benefits, premium rates, underwriting criteria and claims payment. Each insurer or other person utilizing the services of a third-party administrator shall be responsible for the competent administration of such insurer's or other person's benefit and service programs.

(b) If a third-party administrator administers benefits for more than one hundred certificate holders on behalf of an insurer or other person utilizing the services of a third-party administrator, such insurer or other person shall, at least semiannually, conduct a review of the operations of the third-party administrator. **[At least one such review shall be an on-site audit of the operations of the third-party administrator.]**

SECTION 4. Section 38a-708 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

Company to furnish facts relative to termination of agent's appointment. False statement sole grounds for cause of action by agent. Upon the request of the Insurance Commissioner, any insurance company shall furnish to the Insurance Department the facts relative to the termination of an agent's appointment and the causes thereof. If a company terminates an agent's appointment for cause, such termination shall be reported to commissioner not later than 30 calendar days after such termination. No agent shall have a cause of action against any insurance company as a result of such company's having furnished to said department pursuant to this section any statement, oral or written, unless such statement is false and was known by such company to be false when made.



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SECTION 5. Section 38a-356 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Any authorized employee of the Department of Emergency Services and Public Protection, Department of Motor Vehicles or a local police department may in writing request any insurance company to release to such employee information relative to any investigation it has made concerning a motor vehicle's loss or potential loss or any information relating to fraud or potential fraud in any claim under a motor vehicle insurance policy. Any insurance company, on its own initiative, may provide and disclose information relating to fraud or potential fraud to such authorized persons. Such information shall include, but not be limited to: (1) An insurance policy relative to such loss, (2) policy premium records, (3) history of previous claims, and (4) other relevant material relating to such loss or potential loss or to such fraud or potential fraud.

(b) Any insurance company so requested shall furnish such information to any such employee and shall permit the Insurance Commissioner or the commissioner's designee and any person ordered by a court to inspect its records pertaining to the policy and loss. Any insurance company may request any such employee to release information relative to any departmental investigation concerning the loss. Any information obtained relative to fraud or potential fraud may be disclosed to any central reporting bureau and any law enforcement agency.

[(c) On or before March thirty-first of each year, each insurance company shall provide the Insurance Commissioner annual reports detailing all information received or investigations conducted by such company during the past year concerning insurance fraud in any claim under a motor vehicle insurance policy. Such reports shall be filed in a manner prescribed by the commissioner.]

[(d)] (c) In the absence of fraud, malice or criminal act, no insurance company, authorized employee or person who furnished information on behalf of such company or department, shall be liable for damages in a civil action or subject to criminal prosecution for any oral or written statement made pursuant to the provisions of this section.

[(e)] (d) Information furnished pursuant to this section shall be held in confidence until its release is required pursuant to a criminal or civil proceeding.



Agency Legislative Proposal – 2025 Session

Document Name: CID – Health Insurance

Document Name	CID – Health Insurance
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Legislative Liaison	Jim Carson
Division Requesting This Proposal	Life & Health
Drafter	Jen Dowty/Milanna Datlow

Title of Proposal	An Act Concerning Technical Changes to the Health Insurance Law
Statutory Reference, if any	CGS Sections 38a-21 and 38a-479ppp; Public Act 24-58
Brief Summary and Statement of Purpose	<p>Section 1. CGS 38a-21 requires that, in order to conduct any mandated health benefit review, the commissioner contract with The University of Connecticut Center for Public Health and Health Policy. Because The University of Connecticut Center for Public Health and Health Policy no longer exists, the CID proposes to replace it with different organizations that may assist the commissioner in conducting any mandated health benefit review.</p> <p>Section 2. CGS 38a-479ppp (effective January 1, 2025) requires that pharmacy benefits managers (PBMs) report rebate information to the Insurance Commissioner for the immediately preceding calendar year on February 1, 2025, and annually thereafter. However, the February 1 due date will result in PBMs being able to provide only 11 months of data. To ensure PBMs' ability to report 12 months of data, CID proposes to change the due date for PBMs' annual data</p>



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	<p>report submission to CID from February 1 to March 1, and the due date for CID submission of the report to the Legislature from March 1 to April 1.</p> <p>Section 3. Public Act 24-58 (Wheelchair Repair Requirements) (effective July 1, 2024) (the “Act”) requires that the Insurance Commissioner adopt regulations to implement the provisions of sections 5 and 6 of the Act. However, the language in those sections is sufficient and regulations are not needed to implement the Act. The CID proposes to replace “shall” with “may” in sections 5 and 6 of the Act to make the adoption of regulations by the commissioner optional.</p>
How does this proposal relate to the agency’s mission?	<p>This proposal helps to protect policyholders by supporting a process that will allow legislators to understand the financial impact (i.e., potential increase in premium costs) of new mandated health benefits and allowing for the review and analysis of PBMs’ rebate information for the entire preceding calendar year.</p>

SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

Section 1: Identifies the organizations that will replace The University of Connecticut Center for Public Health and Health Policy, which no longer exists, in assisting the commissioner in the review and evaluation of any mandated health benefit review.

Section 2: Enables PBMs to submit rebate information for the entire preceding calendar year for CID’s and legislators’ review by the statutorily established deadline.



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Section 3: Makes optional the adoption of regulations related to the Act (wheelchair repair requirements). At this time, the commissioner has determined that regulations are not needed.

BACKGROUND

Origin of Proposal

☒ New Proposal

☐ Resubmission

Please consider the following, if applicable:

Have there been changes in federal/state laws or regulations that make this legislation necessary?	No
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	<p>Section 1: Yes – examples follow.</p> <p>In New Jersey, the statutorily established Mandated Health Benefits Advisory Commission conducts mandated benefits review. N.J. Stat. § 17B:27D-3. It includes, <i>inter alia</i>, licensed physicians, “a medical educator from the University of Medicine and Dentistry of New Jersey whose major field of expertise is the study and evaluation of the cost of health care and health insurance, a representative of the New Jersey Association of Health Plans, a representative of the New</p>



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	<p>Jersey Hospital Association, a representative of the New Jersey State Nurses Association, a representative of the New Jersey Dental Association, a representative of a consumer advocacy organization and two representatives of the general public who are knowledgeable about health benefits plans.” N.J. Stat. § 17B:27D-4.</p> <p>In California, the University of California is authorized by statute to establish and oversee the California Health Benefit Review Program to conduct mandated health benefit review. Cal. Health & Safety Code § 127660.</p> <p>If Florida, the Agency for Health Care Administration and the legislative committees having jurisdiction conduct mandated benefit review. Fla. Stat. Ann. § 624.215.</p> <p>Section 2: NA</p> <p>Section 3: NA</p>
Have certain constituencies called for this proposal?	NA

INTERAGENCY IMPACT

List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	



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Date Contacted	
Status	<input type="checkbox"/> Approved <input type="checkbox"/> Talks Ongoing
Open Issues, if any	

FISCAL IMPACT

Include the section number(s) responsible for the fiscal impact and the anticipated impact

☒ Check here if this proposal does NOT have a fiscal impact

State	<p>Section 1: The CID expects that the cost associated with conducting any mandated health benefit review will be approximately the same that it would be if the University of Connecticut Center for Public Health and Health Policy conducted the review.</p> <p>Section 2: There is no cost impact associated with the change to the PBM reporting.</p> <p>Section 3: There is no cost impact associated with the change to Public Act 24-58.</p>
Municipal (Include any municipal mandate that can be found within legislation)	
Federal	
Additional notes	



MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

[X] Check here if this proposal does NOT lead to any measurable outcomes

ANYTHING ELSE WE SHOULD KNOW?

INSERT FULLY DRAFTED BILL HERE

SECTION 1. Section 38a-21(b) of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(b) (1) There is established within the Insurance Department a health benefit review program for the review and evaluation of any mandated health benefit that is requested by the joint standing committee of the General Assembly having cognizance of matters relating to insurance. Such program shall be funded by the Insurance Fund established under section 38a-52a. The commissioner shall be authorized to make assessments in a manner consistent with the provisions of chapter 698 for the costs of carrying out the requirements of this section. Such assessments shall be in addition to any other taxes, fees and moneys otherwise payable to the state. The commissioner shall deposit all payments made under this section with the State Treasurer. The moneys deposited shall be credited to the Insurance Fund and shall be accounted for as expenses recovered from insurance companies. Such moneys shall be expended by the



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commissioner to carry out the provisions of this section and section 2 of public act 09-179.

(2) The commissioner [shall contract with The University of Connecticut Center for Public Health and Health Policy to conduct] may engage the services of an actuary, actuarial firm, quality improvement clearinghouse, health policy research organization or any other independent expert(s) not otherwise part of the commissioner's staff as may be necessary to assist the commissioner in the review and evaluation of any mandated health benefit review requested pursuant to subsection (c) of this section. [The director of said center may engage the services of an actuary, quality improvement clearinghouse, health policy research organization or any other independent expert, and may engage or consult with any dean, faculty or other personnel said director deems appropriate within The University of Connecticut schools and colleges, including, but not limited to, The University of Connecticut (A) School of Business, (B) School of Dental Medicine, (C) School of Law, (D) School of Medicine, and (E) School of Pharmacy.]

SECTION 2. Section 38a-479ppp(a) of the general statutes is repealed and the following is substituted in lieu thereof (Effective *upon passage*):

(a) Not later than [February 1, 2025] March 1, 2026, and annually thereafter, each pharmacy benefits manager shall file a report with the commissioner for the immediately preceding calendar year. The report shall contain the following information for health carriers that delivered, issued for delivery, renewed, amended or continued health care plans that included a pharmacy benefit managed by the pharmacy benefits manager during such calendar year:

(1) The aggregate dollar amount of all rebates concerning drug formularies used by such health carriers that such manager collected from pharmaceutical manufacturers that manufactured outpatient prescription drugs that (A) were covered by such health carriers during such calendar year, and (B) are attributable to patient utilization of such drugs during such calendar year; and

(2) The aggregate dollar amount of all rebates, excluding any portion of the rebates received by such health carriers, concerning drug formularies that such manager collected from pharmaceutical manufacturers that manufactured outpatient prescription drugs that (A) were covered by such health carriers during such calendar year, and (B) are attributable to patient utilization of such drugs by covered persons under such health care plans during such calendar year.



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Document Name: CID – Health Insurance

Section 38a-479ppp(d) of the general statutes is repealed and the following is substituted in lieu thereof (Effective *upon passage*):

(d) Not later than **[March 1, 2025]** April 1, 2026, and annually thereafter, the commissioner shall submit a report, in accordance with section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters relating to insurance. The report shall contain (1) an aggregation of the information submitted to the commissioner pursuant to subsection (a) of this section for the immediately preceding calendar year, and (2) such other information as the commissioner, in the commissioner's discretion, deems relevant for the purposes of this section. Not later than ten days prior to the submission of the annual report pursuant to the provisions of this subsection, the commissioner shall provide each pharmacy benefits manager and any third party affected by submission of a report required by this subsection with a written notice describing the content of the report.

SECTION 3. Section 5(c) of Public Act 24-58 is repealed and the following is substituted in lieu thereof (Effective *upon passage*):

(c) The Insurance Commissioner **[shall]** may adopt regulations, in accordance with chapter 54 of the general statutes, to implement the provisions of this section.

Section 6(c) of Public Act 24-58 is repealed and the following is substituted in lieu thereof (Effective *upon passage*):

(c) The Insurance Commissioner **[shall]** may adopt regulations, in accordance with chapter 54 of the general statutes, to implement the provisions of this section.



Agency Legislative Proposal – 2025 Session

Document Name: CID – An Act Concerning Captive Insurers

Document Name	CID – An Act Concerning Captive Insurers
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Legislative Liaison	Jim Carson
Division Requesting This Proposal	Captive
Drafter	Anthony Francini Fenhua Liu

Title of Proposal	An Act Concerning Captive Insurers
Statutory Reference, if any	38a-91oo; 38a-91rr
Brief Summary and Statement of Purpose	The purpose of this proposal is to (i) increase the Department's ability to regulate captive insurers, (ii) allow businesses the additional flexibility related to the use of a protected cell captive, and (iii) make the Connecticut captive laws more consistent with Vermont, which is another top domicile for captives.
How does this proposal relate to the agency's mission?	This proposal relates to the CID's mission of safeguarding and promoting a healthy insurance industry in Connecticut.



Agency Legislative Proposal – 2025 Session

Document Name: CID – An Act Concerning Captive Insurers

SECTION-BY-SECTION SUMMARY

Summarize sections in groups where appropriate

Section 1.

This proposal expands the applicability of CGS § 38a-2 (General Penalty) to captive insurance companies.

Section 2.

This proposal provides an option for a captive insurance company to convert into an unincorporated protected cells without any impact on the assets, rights, benefits, obligations and liabilities of the captive insurance company to be converted.

Section 3.

This proposal provides an option for a protected cell or incorporated protected cell to be sold, transferred or assigned to a new or existing captive insurance company with all of the protected cell's assets, rights, benefits, obligations and liabilities.

Section 4.

This proposal provides the Commissioner with the ability to separate insolvent protected cells from the sponsored captive Insurer and address the insolvency of the protected cell separate from the financial condition of the sponsored captive core.

BACKGROUND

Origin of Proposal

☒ New Proposal

☐ Resubmission

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Document Name: CID – An Act Concerning Captive Insurers

Please consider the following, if applicable:

Have there been changes in federal/state laws or regulations that make this legislation necessary?	No
Has this proposal or a similar proposal been implemented in other states? If yes, to what result?	<p>Yes.</p> <p>Section 1. Captive laws in South Carolina and Oklahoma provide the option to impose fines in lieu of suspending or revoking the license of the captive. Captive laws in North Carolina provide for the application of a general penalty for any violation of the captive laws.</p> <p>Sections 2 and 3. The captive laws of Vermont allow for (i) the conversion of a captive insurance company, and (ii) the sale, transfer or assignment of a protected cell, each to the same extent provided in this proposal.</p> <p>Section 4. The captive laws of Vermont allow for insolvent protected cells to be separated from the solvent sponsored captive.</p> <p>The Information regarding the (i) penalties imposed on captives, and (ii) the number of conversions, sales, transfers or assignments, are not available from other states.</p> <p>We are aware of one instance in Vermont, where an insolvent protected cell was removed from the sponsored captive core thereby further isolating the insolvent cell. Separation of the</p>



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	insolvent protected cell reduces the potential of the sponsored captive core having solvency issues and provides both the sponsored captive core and the other protected cells attached to the core the ability to continue to operate.
Have certain constituencies called for this proposal?	Yes. Captive managers have asked for the ability to convert captive insurance companies into protected cells, and for the ability to sell, transfer, or assign protected cells to a captive insurance company.

INTERAGENCY IMPACT

List each affected agency. Copy the table as needed.

[X] Check here if this proposal does NOT impact other agencies

1. Agency Name	
Agency Contact (name, title)	
Date Contacted	
Status	[] Approved [] Talks Ongoing
Open Issues, if any	



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FISCAL IMPACT

Include the section number(s) responsible for the fiscal impact and the anticipated impact

☐ Check here if this proposal does NOT have a fiscal impact

State	With the additional flexibility created by this proposal, Connecticut may be able to attract more captive business resulting in additional taxes and fee revenue, and be better positioned to avoid costly receivership proceedings. There could be penalty revenue but likely not significant.
Municipal (Include any municipal mandate that can be found within legislation)	None
Federal	None
Additional notes	None

MONITORING & EVALUATION PLAN

If applicable, please describe the anticipated measurable outcomes and the data that will be used to track those outcomes. Include the section number(s) responsible for those outcomes

☐ Check here if this proposal does NOT lead to any measurable outcomes

Sections 2 & 3: Potential for additional Connecticut domiciled captives. The Department recognizes that it may not be possible to definitively determine the specific driver for the formation of additional captives.



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ANYTHING ELSE WE SHOULD KNOW?

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INSERT FULLY DRAFTED BILL HERE

Section 1. Sec. 38a-91oo of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Unless otherwise provided in sections 38a-91aa to 38a-91tt, inclusive, no provision of this title shall apply to captive insurance companies, unless expressly included therein, except for the following: (1) Sections [38a-2](#), 38a-8, 38a-16, 38a-17, 38a-54 to 38a-59, inclusive, 38a-69a, 38a-102h and 38a-250 to 38a-266, inclusive, and chapter 704c; and (2) subsection (d) of section 38a-72 and sections 38a-73 and 38a-129 to 38a-140, inclusive, which shall apply only to captive insurance companies formed as risk retention groups.

(b) (1) The commissioner may require, with notice, any of the following to comply with the provisions of sections 38a-129 to 38a-140, inclusive:

(A) A pure captive insurance company, when (i) the assets of a subsidiary of such company are greater than ten per cent of the assets of the ultimate parent company, or (ii) the pure captive insurance company is owned by an insurance holding company system, as defined in section 38a-129; or

(B) An industrial insured captive insurance company or an association captive insurance company, when (i) any individual member's ownership of such company is greater than ten per cent, or (ii) such company is owned by an insurance holding company system, as defined in section 38a-129.

(2) The commissioner may remove the compliance requirement imposed on a company pursuant to subdivision (1) of this subsection if such company demonstrates to the commissioner that the condition that triggered the imposition of the compliance requirement no longer exists and that no other triggering condition is present.

Section 2. (*NEW*) (*Effective October 1, 2025*):

(a)(1) Subject to the prior written approval of the Commissioner, a captive insurance company



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domiciled in this State and organized as an agency captive insurance company, association captive insurance company, industrial insured captive insurance company, pure captive insurance company, risk retention group or special purpose financial insurance company may be converted into an protected cell.

(2) Any such conversion shall be subject to the provisions of section 38a-91aa to 38a-91tt, as applicable, and a plan or plans of operation approved by the Commissioner, without affecting the converted entity's assets, rights, benefits, obligations or liabilities.

(b) Any such conversion shall be deemed for all purposes to be a continuation of such converted entity's existence together with all of its assets, rights, benefits, obligations and liabilities as a new protected cell. Any such conversion shall be deemed to occur without any transfer or assignment of any such assets, rights, benefits, obligations or liabilities, and without the creation of any reversionary interest in, or impairment of, any such assets, rights, benefits, obligations and liabilities.

(c) Any such conversion shall not be construed to limit any rights or protections applicable to any converted entity under 38a-91bb(c), as applicable, that existed immediately prior to the date of such conversion.

(d)(1) Any entity converting into a protected cell pursuant to this section shall perform such conversion in accordance with chapter 601 or 613 of the general statutes, as applicable, or in accordance with any such provisions of the general statutes applicable to the formation of any other type of legal entity permissible under the laws of this state, as applicable.

Section 3. (NEW) (*Effective October 1, 2025*):

(a) Subject to the prior written approval of the Commissioner, on application of the sponsor and with the prior consent of each participant of the affected protected cell or as otherwise permitted pursuant to a participation agreement, or the consent of the affected incorporated protected cell, a sponsored captive insurance company or a sponsored captive insurance company licensed as a special purpose financial insurance company may sell, transfer, assign and otherwise convey a protected cell together with all of the protected cell's assets, rights, benefits, obligations and liabilities to a new or existing sponsored captive insurance company or sponsored captive insurance company licensed as a special purpose financial insurance



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company, pursuant to a plan or plans of operation approved by the Commissioner.

(b) Any such sale, transfer, assignment or conveyance shall be deemed for all purposes to be a continuation of the protected cell's existence together with all of its assets, rights, benefits, obligations and liabilities, as a protected cell of the transferee.

(c) Any such sale, transfer, assignment or conveyance shall not be construed to limit any rights or protections applicable to the transferred protected cell and the transferor sponsored captive insurance company or sponsored captive insurance company licensed as a special purpose financial insurance company under this chapter that existed immediately prior to any such sale, transfer, assignment, or conveyance.

Section 4. Sec. 38a-91rr of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2025*):

(a) Each sponsored captive insurance company may establish and maintain one or more protected cells, subject to the following conditions:

(1) The stockholders of a sponsored captive insurance company shall be limited to its participants and sponsors, except that a sponsored captive insurance company may issue nonvoting securities to other persons on terms approved by the commissioner;

(2) Each sponsored captive insurance company shall account separately on the books and records of such company for each protected cell to reflect the financial condition and results of operations of such protected cell, net income or loss, dividends or other distributions to participants and such other factors as may be provided in the participant contract or required by the commissioner;

(3) No liabilities arising out of any other insurance business the sponsored captive insurance company may conduct shall be chargeable against the assets of a protected cell;

(4) No sponsored captive insurance company shall make any sale, exchange or other transfer of assets, dividend or distribution between or among any of its protected cells without the consent of such protected cells;

(5) No protected cell shall make any sale, exchange or other transfer of assets, dividend or



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distribution to a sponsor or participant without the commissioner's approval. The commissioner shall not approve such sale, exchange or other transfer if it would result in insolvency or impairment with respect to a protected cell;

(6) (A) Except as otherwise specified, each sponsored captive insurance company shall attribute assets and liabilities to the protected cells and the general account in accordance with the plan of operation approved by the commissioner, and shall not attribute any other assets or liabilities between its general account and any protected cell or between any protected cells. For purposes of this subdivision, “general account” means all assets and liabilities of a sponsored captive insurance company that are not attributable to a protected cell.

(B) Each sponsored captive insurance company shall attribute all insurance obligations, assets and liabilities relating to a reinsurance contract entered into with respect to a protected cell to such protected cell. The performance under such reinsurance contract and any tax benefits, losses, refunds or credits allocated pursuant to a tax allocation agreement to which the sponsored captive insurance company is a party, including any payments made by or due to be made to the sponsored captive insurance company pursuant to the terms of such agreement, shall reflect such obligations, assets and liabilities relating to such reinsurance contract;

(7) Each sponsored captive insurance company shall file annually with the commissioner such financial reports as the commissioner shall require, including, but not limited to, accounting statements detailing the financial experience of each protected cell;

(8) Each sponsored captive insurance company shall notify the commissioner in writing not later than ten business days after any protected cell becomes insolvent or otherwise unable to meet its claim or expense obligations;

(9) No participant contract shall take effect without the commissioner's prior written approval. The addition of each new protected cell or the withdrawal of any participant or termination of any existing protected cell shall constitute a change in the sponsored captive insurance company's plan of operation and shall require the commissioner's prior written approval;

(10) If required by the commissioner, the business written by a sponsored captive insurance company with respect to each protected cell shall be (A) fronted by an insurance company licensed under the laws of any state, (B) reinsured by a reinsurer authorized or approved by this state, or (C) secured by a trust fund in the United States for the benefit of policyholders and



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claimants or funded by an irrevocable letter of credit or other arrangement that is acceptable to the commissioner. The commissioner may require the sponsored captive insurance company to increase the funding of any security arrangement established under this subdivision. If the form of security is a letter of credit, the letter of credit shall be issued or confirmed by a bank approved by the commissioner. A trust maintained pursuant to this subdivision shall be established in a form and upon such terms approved by the commissioner.

(b) Each sponsored captive insurance company may combine the assets of two or more protected cells for purposes of investment and such combination shall not be construed as defeating the segregation of such assets for accounting or other purposes. Each sponsored captive insurance company shall comply with all applicable investment requirements under this chapter, except that the commissioner shall waive compliance with such requirements for sponsored captive insurance companies to the extent that credit for reinsurance ceded to reinsurers is allowed pursuant to section 38a-91kk. The commissioner may approve the use of alternative reliable methods of valuation and rating for purposes of this subsection.

(c) Each sponsored captive insurance company, including a sponsored captive insurance company licensed as a special purpose financial captive insurance company, may establish and maintain one or more protected cells as a separate corporation formed under chapter 601 or a limited liability company formed under chapter 613. This section shall not be construed to limit any rights or protections applicable to protected cells not established as corporations or limited liability companies.

(d) (1) Each sponsored captive insurance company may establish and maintain a protected cell as an incorporated protected cell.

(2) The articles of incorporation or articles of organization of an incorporated protected cell shall refer to the sponsored captive insurance company for which it is a protected cell and shall state that the protected cell is incorporated or organized for the limited purposes authorized by the sponsored captive insurance company's license. Such company shall attach to and file with the articles of incorporation or articles of organization a copy of the commissioner's prior written approval, as required by subdivision (9) of subsection (a) of this section, to add the incorporated protected cell.

(e) Notwithstanding the provisions of chapter 704c:

(1) If the commissioner determines in the event of an insolvency of a sponsored captive



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insurance company that one or more protected cells remain solvent, the commissioner may separate such cells from such company and may, on application of a sponsor, allow for the conversion of such cells into one or more new or existing sponsored captive insurance companies with a sponsor or sponsors, or one or more other captive insurance companies, pursuant to such plan or plans of operation as the commissioner deems acceptable;

(2) Upon the issuance by a court of any order of conservation, rehabilitation or liquidation of a sponsored captive insurance company, the receiver shall manage the assets and liabilities of such company in accordance with the provisions of this section;

(3) The assets of a protected cell shall not be used to pay any expenses or claims other than those attributable to such protected cell;

(4) A sponsored captive insurance company's capital and surplus shall be available at all times to pay any expenses of or claims against such company;

(5) In connection with the conservation, rehabilitation or liquidation of a sponsored captive insurance company, the assets and liabilities of each protected cell shall at all times be kept separate from, and shall not be commingled with, the assets and liabilities of any other protected cell or the sponsored captive insurance company;

(6) Unless the sponsor consents and the commissioner has granted prior written approval, the assets of a sponsored captive insurance company's general account shall not be used to pay any expense or claim attributable solely to one or more protected cells of the sponsored captive insurance company. If the assets of a sponsored captive insurance company's general account are used to pay expenses or claims attributable solely to one or more of the company's protected cells, the sponsor shall not be required to contribute additional capital and surplus to the company's general account. Notwithstanding any provision of this subdivision, the sponsor shall satisfy the minimum capital and surplus requirements applicable to such sponsor in order to maintain its license; and

(7) A sponsored captive insurance company's capital and surplus shall at all times be available to pay any expense of, or claim against, the sponsored captive insurance company.

(f) Consistent with the provisions of this section, a creditor of a sponsored captive insurance company shall have recourse against any asset attributable to a protected cell if it is a creditor of the protected cell. A creditor of a protected cell shall not have any recourse against any asset



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attributable to another protected cell or in the sponsored captive insurance company's general account.

(g) When a sponsored captive insurance company has an obligation to a creditor arising from a transaction, or otherwise imposed, with respect to a particular protected cell, the obligation shall:

(1) Extend only to the assets attributable to the protected cell, and the creditor shall be entitled to recourse only against the assets attributable to such protected cell; and

(2) Not extend to any asset of another protected cell or in the sponsored captive insurance company's general account, and the creditor shall not be entitled to recourse against any asset attributable to another protected cell or in the company's general account.

(h) When an obligation of a sponsored captive insurance company relates solely to such company's general account, a creditor shall, with respect to such obligation, be entitled to recourse only against the assets in such account.

(i) The establishment of one or more protected cells alone, without more, shall not, by itself, constitute (1) a fraudulent conveyance, (2) evidence of intent by a sponsored captive insurance company to defraud creditors, or (3) the conduct of business by a sponsored captive insurance company for any other fraudulent purpose.

(j) (1) In the event of an insolvency of one or more protected cells of a sponsored captive insurance company, the commissioner may separate such cell or cells from the sponsored captive insurance company and may allow for the conversion of such protected cell or cells into one or more new protected cells of another sponsored captive insurance company or companies, or one or more other captive insurance companies;

(2) Any such conversion shall be deemed for all purposes to be a continuation of such converted entity's existence together with all of its assets, rights, benefits, obligations and liabilities as a new protected cell or captive insurance company, as applicable. Any such conversion shall be deemed to occur without any transfer or assignment of any such assets, rights, benefits, obligations or liabilities, and without the creation of any reversionary interest in, or impairment of, any such assets, rights, benefits, obligations and liabilities.