



# LEGISLATIVE POSITION

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## **Memorandum in support of: Raised House Bill No. 6621**

### *An Act concerning insurance*

PIACT supports amending Raised House Bill No. 6621 to include surplus-lines reform that would greatly simplify the process of renewing insurance policies in the non-admitted market and adapt to current business practices.

Most insurance policies are sold through the highly regulated admitted market. Not all risks have policy options in the admitted market due to a variety of reasons, such as tree-cutting businesses, equestrian centers, and high-value coastal properties. This forces insurance agents to turn to the surplus-lines market. This market allows for customization to provide insurance for unique and hard-to-insure risks. To ensure customers do not purchase a surplus-lines policy unnecessarily, the risk must either be on the export list maintained by the Connecticut Insurance Department or the insurance producer must take steps while working with a specialized broker to protect the client.

Risks that cannot be covered by an admitted policy and not on the export list require declinations from three admitted market carriers before the insurance agent can work with a surplus-lines broker to find a policy to best cover the risk. The process must be repeated each time the policy renews, even when the policy remains with the same carrier with nominal changes. Written declinations are intended to protect clients from any potential risks associated with the surplus-lines market. These risks have greatly declined since the requirement went into effect as the surplus-lines market has greatly stabilized over several decades.

While the steps to obtain declinations of coverage protects policies from being placed in the surplus-lines market unnecessarily, this cumbersome process has no additional purpose when it comes to the renewal. A producer can quickly confirm what coverage may be available through the online portals. Written declinations require steps outside the ordinary renewal procedures without adding additional protections for the client. This legislation would continue to protect consumers from unnecessarily being sold a surplus-lines policy without creating complications with the otherwise straightforward renewal of the same policy.

PIACT supports Raised Bill No. 6621 and encourages the committee to add a repeal of the written declinations on surplus-lines renewals to simplify the renewal process.