



**CONNECTICUT  
INSURANCE  
DEPARTMENT**

**LEGISLATIVE SUMMARY**

**2008**

# Connecticut Insurance Department 2008 Legislative Summary

## Forward

The following public act summaries were written by the Legislative Commissioner's Office and the Office of Legislative Research. Only public acts affecting, or of interest to, the Insurance Department are included in this document. *This document is not intended to convey legal advice on the content of the public acts.*

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## Acts Proposed by the Insurance Department

**Public Act 08-147 (House Bill 5158)**  
**An Act Making Changes To The Insurance Statutes**  
*(Signed by Governor 6/12/2008)*

This act makes substantive and technical changes to the insurance statutes. It:

1. Revises the criteria for determining when a child loses coverage under a private health insurance policy that the legislature enacted in 2007 and made effective January 1, 2009.

**Individual Policy:**

The 2007 acts (PA 07-185 and PA 07-2, JSS) require that a child's health insurance coverage under an individual policy continue at least until the policy's anniversary date on or after the date the child marries or turns age 26, whichever occurs first, as long the child is a Connecticut resident, unless he or she is living out-of-state (1) as a full-time student at an accredited school of higher education or (2) with a custodial parent pursuant to a child custody determination.

The act instead requires a child's coverage under an individual policy to continue at least until the policy anniversary date on or after the date the child:

- A. marries;
- B. ends his or her Connecticut residency, unless he or she is (a) under age 19 or (b) a full-time student at an accredited school of higher education;
- C. becomes covered under a group health plan through his or her employment; or
- D. turns age 26.

**Group Plan and Continued Coverage**

The 2007 acts require group comprehensive health care plans to (1) extend coverage eligibility to unmarried children who are under age 26 and Connecticut residents and (2) offer continuation coverage to the end of the month following the month in which the child marries or turns age 26, as long as the child is a Connecticut resident, unless he or she is living out-of-state (a) as a full-time student at an accredited school of higher education or (b) with a custodial parent pursuant to a child custody determination.

The act instead requires group comprehensive care plans to (1) extend coverage eligibility to unmarried children under age 26 (thus eliminating the residency requirement and related exception) and (2) to offer continuation coverage to the end of the month in which the child meets the criteria for losing coverage under an individual policy.

2. Redefines "limited coverage" for purposes of determining which health insurance policies must disclose that they do not provide comprehensive benefits;

3. Exempts state-funded Federally Qualified Health Centers (FQHCs), which are Preferred Provider Networks (PPNs), that provide services only to recipients of programs the Department of Social Services (DSS) administers from the PPN law's net worth and reserve requirements and requires the DSS commissioner to adopt regulations to establish criteria to certify these FQHCs;
4. Deletes the 60-day, and leaves a five-business-day, deadline for Managed Care Organizations (MCOs) and health insurers to provide appeal-related information before a presumption of coverage applies during an appeal review;
5. Specifies that the Connecticut Life and Health Insurance Guaranty Association does not protect stop-loss and excess-loss insurance policies covering life, health, or annuity benefits;
6. Subjects TriCare supplement coverage to state health insurance laws and regulations;
7. Requires the insurance commissioner to adopt regulations establishing standards for selling annuities to all consumers, instead of senior consumers only;
8. Requires reinsurers and risk retention groups to file financial statements electronically; and,
9. Allows the commissioner to notify health insurance entities of certain new laws electronically, as an alternative to in writing.

**EFFECTIVE DATE: October 1, 2008, except for the dependent children provisions, which are effective January 1, 2009, and the FQHC and commissioner's rule-making authority provisions, which are effective upon passage.**

**Public Act 08-178 (House Bill 5159)**

**An Act Modernizing Insurance Department Fines And Making Minor Technical Revisions To The Insurance Statutes**

*(Signed by Governor 6/12/2008)*

This act generally increases fines the insurance commissioner may assess against insurance companies, related companies, and people for violating Connecticut's insurance laws, including those related to utilization review, unauthorized insurers, producer and company licensing, unfair and prohibited practices, and fraud.

It leaves unchanged most fines enacted since 1996, including those related to privacy, preferred provider networks, and self-insured workers' compensation laws. It also makes technical changes.

The act requires insurers to pay claims from Department of Public Health-licensed emergency medical service personnel and organizations in accordance with the law's prompt claim payment requirements. An insurer's failure to pay claims as specified by law is an unfair and deceptive insurance act, for which the commissioner may assess fines as shown in the table below (see section 39).

\*House Amendment "A" (1) increases the fines for violating Connecticut's laws relating to medical discount plans and (2) applies prompt claim payment requirements to claims insurers receive from emergency medical service personnel and organizations.

**EFFECTIVE DATE: October 1, 2008**

INSURANCE FINES INCREASED

<i>Bill</i>			
1	General penalty – Violation of any Title 38a provision when no other penalty is provided	Up to \$ 7,500	Up to \$ 15,000
3	Assessments on domestic insurers – Not paying assessment when due	\$ 10 plus 6% per annum interest	\$ 25 plus 6% per annum interest
5	Managing General Agents Act – Violating the act (Fine is in addition to license revocation or suspension.)	\$ 10,000 for each violation	\$ 15,000 for each violation
6	Insurance Holding Company Act – An insurance company's willful violation of the act	Up to \$ 10,000	Up to \$ 50,000
6	Insurance Holding Company Act – An insurance company, without just cause, does not file a required registration statement	\$ 100 each day, up to \$ 10,000 maximum	\$ 150 each day, up to \$ 15,000 maximum
7	Insurance Premium Finance Companies – Violating act (Fine is in addition to, or in lieu of, license suspension or revocation.)	Up to \$ 1,000 for each violation	Up to \$ 5,000 for each violation

		\$ 50,000 maximum in any six-month period	\$ 75,000 maximum in any six-month period
8	Utilization Review – Violating commissioner's cease and desist order (Fine is in lieu of license suspension or revocation.)	Up to \$ 50,000	Up to \$ 75,000
9	Utilization Review – Providing fraudulent or misleading information to a UR company	Up to \$ 5,000 or equal to the value of services provided due to the fraud	Up to \$ 7,500 or equal to the value of services provided due to the fraud
10	Unauthorized Insurers Act– Not paying premium tax on time	The greater of 10% of the tax or \$ 50, plus 1% interest per month	The greater of 10% of the tax or \$ 75, plus 1% interest per month
11	Unauthorized Insurers Act—Any unauthorized insurer doing insurance business	Up to \$ 10,000	Up to \$ 50,000
11	Unauthorized Insurers Act—Violating the specific provisions of the act	\$ 500 for first offense and \$ 500 for each month it continues	\$ 2,500 for first offense and \$ 2,500 for each month it continues
12	Defrauding a life or accident insurance company	If obtained less than \$ 100 due to fraud: up to \$ 500, up to one year in prison, or both  (If more: up to 10 years in prison)	If obtained less than \$ 2,000 due to fraud: up to \$ 10,000, up to one year in prison, or both  (If more: up to 10 years in prison)
13	Standard Form of Fire Insurance Policy – Making, issuing, or delivering a fire insurance policy that is not the statutorily required standard policy	Up to \$ 200 for each offense	Up to \$ 1,000 for each offense
14	Group Life Insurance – Failure to give an insured a notice of insurance cancellation or discontinuance	Up to \$ 1,000 for each violation	Up to \$ 2,000 for each violation
15	Burial Contracts – Issuing burial contracts without a license or without the required provisions	Up to \$ 500, up to one year in prison, or both	Up to \$ 6,000, up to one year in prison, or both
16	Individual Health Insurance – Delivering an individual policy that does not meet statutory requirements	Up to \$ 500 for each offense	Up to \$ 10,000 for each offense
17	Group Health Insurance – Failure to give an insured a notice of insurance cancellation or discontinuance	Up to \$ 1,000 for each violation	Up to \$ 2,000 for each violation
18	Group Health Insurance – Delivering a group policy that does not meet statutory requirements	Up to \$ 500 for each offense	Up to \$ 1,000 for each offense
19	Consumer Dental Plans – Not complying with	Up to \$ 1,000 for	Up to \$ 1,500 for

	statutory requirements	each violation	each violation
21	Fraternal Benefit Societies– Willfully making a false or fraudulent statement on a membership application	\$ 100 to \$ 500 fine, 30 days to one year in prison, or both	\$ 2,000 to \$ 10,000 fine, 30 days to one year in prison, or both
21	Fraternal Benefit Societies– Willfully violating, neglecting, or refusing to comply with fraternal benefit society statutes when no other penalty is specified	Up to \$ 200	Up to \$ 4,000
23	Personal and Commercial Risk Insurance Rating Practices – Not complying with the commissioner's final order	Up to \$ 1,000, but if willful, up to \$ 10,000, up to one year in prison, or both	Up to \$ 2,000, but if willful, up to \$ 20,000, up to one year in prison, or both
25	Insurance Producers – Acting without a license	Up to \$ 500, up to three months in prison, or both	Up to \$ 10,000, up to three months in prison, or both
27	Public Adjusters – Acting as a public adjuster without a license	Up to \$ 500, up to three months in prison, or both	Up to \$ 10,000, up to three months in prison, or both
29	Certified Insurance Consultants – Receiving compensation in violation of law	\$ 50 to \$ 500 fine, 30 to 90 days in prison, or both	\$ 250 to \$ 2,500 fine, 30 to 90 days in prison, or both

		prison, or both	
31	Fraternal Agents –Acting as fraternal agent without a license	Up to \$ 100	Up to \$ 10,000
33	Licensing in General – Impersonating another person when taking an insurance license examination	Up to \$ 500, up to six months in prison, or both	Up to \$ 4,000, up to six months in prison, or both
35	Surplus Lines Broker – Not making and filing an affidavit or willfully making a false affidavit	Up to \$ 500, up to six months in prison, or both	Up to \$ 4,000, up to six months in prison, or both
37	Motor Vehicle Physical Damage Appraisers – Acting without a license	Up to \$ 500, up to one year in prison, or both	Up to \$ 2,500, up to one year in prison, or both
39	Unfair and Prohibited Practices – Committing an unfair or prohibited practice (Fine is in addition to or in lieu of license suspension or revocation and restitution.)	Up to \$ 1,000 for each violation, but up to \$ 10,000 maximum	Up to \$ 5,000 for each violation, but up to \$ 50,000 maximum
39	Unfair and Prohibited Practices – Violating a cease and desist order (Fine is in addition to or in lieu of license suspension or revocation.)	Up to \$ 10,000 for each violation	Up to \$ 50,000 for each violation
41	Unfair and Prohibited Practices – Publishing a false statement of assets or one that does not meet statutory requirements	\$ 500 for first offense, \$ 1,000 for each subsequent offense	\$ 10,000 for first offense, \$ 20,000 for each subsequent offense

		\$ 100 a month	
43	Connecticut Life & Health Insurance Guaranty Association – Not paying assessment (Fine is in lieu of license suspension or revocation.)	Up to 5% of the unpaid amount per month, but at least \$ 100 a month	Up to 5% of the unpaid amount per month, but at least \$ 500 a month
45	Brokered Transactions Guaranty Fund – Penalty for having embezzled (Penalty is in addition to restitution, attorney costs and fees, and other relief the court may order)	Up to \$ 1,000	Up to \$ 1,500
47	Rehabilitation and Liquidation Act – Any agent not giving required notice of policies written for an insurer subject to liquidation or not filing a compliance report (Fine is in addition to or in lieu of license suspension or revocation.)	Up to \$ 1,000	Up to \$ 2,500
49	Connecticut Insurance Information and Privacy Protection Act – Obtaining information from an insurance institution under false pretenses	Up to \$ 10,000	Up to \$ 20,000
502, House “A”	Medical Discount Plans – Knowingly aiding or abetting someone who a person knew or reasonably should have known was operating as a medical discount plan organization in violation of law	Up to \$ 10,000	Up to \$ 15,000

## Acts of Direct Interest to the Insurance Department

### Life and Health

#### **Public Act 08-33 (Senate Bill 310)**

#### **An Act Clarifying The Sale Of Special Health Care Plans For Small Employers**

*(Signed by Governor 5/7/08)*

This act makes several changes to insurance laws on the offer and sale of health insurance plans to small employers to resolve inconsistencies between state and federal law.

It eliminates the requirement that insurers offer “special health care plans.” And it limits the employers to whom insurers must offer a small employer plan. Under prior law, insurers had a duty to offer a small employer plan to any small employer (50 or fewer employees, including a sole proprietor) for which it denied other coverage. The act limits the insurers' duty by applying it only to a sole proprietor. Thus, under the act, an insurer must promptly offer a sole proprietor the opportunity to purchase a small employer plan if (1) the insurer denies coverage that the sole proprietor requested or (2) the insurer or its producer does not offer, for any reason, coverage that the sole proprietor requested. (For example, a sole proprietor may have applied for, and been denied, coverage under an individual health insurance policy. At that time, the insurer would have to offer a small employer plan to him or her. ) By law, an insurer may require proof that the person has been self-employed for three consecutive months.

The act also makes technical and conforming changes.

**EFFECTIVE DATE: Upon Passage**

#### **Public Act 08-125 (Senate Bill 167)**

#### **An Act Concerning Benefits For Inpatient Treatment Of Serious Mental Or Nervous Conditions. ---Originally Titled: An Act Requiring A Study Of The Feasibility Of Establishing A State Catastrophe Fund**

*(Signed by Governor 5/27/08)*

This act expands the benefits payable under a group health insurance policy for treatment received in a residential treatment facility by (1) eliminating a three-day hospital stay prerequisite for a child or adolescent with a serious mental illness and (2) extending benefits to adults.

It replaces the term “serious mental illness” with “serious mental or nervous condition” and removes from the term's definition a requirement that the person have shown recent disturbed behavior. It requires benefits be paid when a physician, psychiatrist, psychologist, or clinical social worker assesses the person and determines that he or she cannot appropriately, safely, or

effectively be treated in other specified settings. (Due to federal preemption, state benefit mandates do not apply to self-insured plans.)

**EFFECTIVE DATE: January 1, 2009**

### **COVERAGE CRITERIA**

The act requires benefits to be payable under group health policies, including HMO contracts, for treatment an insured person receives while confined at a residential treatment facility when he or she:

1. has a serious mental or nervous condition (one that substantially impairs the person's thought, perception of reality, emotional process, or judgment or grossly impairs his or her behavior) and
2. a physician, psychiatrist, psychologist, or clinical social worker has assessed the person and determined that he or she cannot appropriately, safely, or effectively be treated in an acute care, partial hospitalization, intensive outpatient, or other outpatient setting.

Prior law required group policies to cover an insured person's treatment at a residential treatment facility only when he or she:

1. had a serious mental illness (one that substantially impairs the person's thought, perception of reality, emotional process, or judgment or grossly impairs his or her behavior as demonstrated by recent disturbed behavior);
2. was confined in a hospital because of the illness for the three days before being admitted to the residential treatment facility; and
3. without treatment at a residential treatment facility for children and adolescents, would require additional hospital confinement.

### **MENTAL OR NERVOUS CONDITION**

#### *Definition*

By law, "mental or nervous conditions" are mental disorders, as defined in the most recent edition of the American Psychiatric Association's "Diagnostic and Statistical Manual of Mental Disorders" (DSM-IV-TR).

Such conditions do not include (1) mental retardation, (2) learning disorders, (3) motor skills disorders, (4) communication disorders, (5) caffeine-related disorders, (6) relational problems, and (7) additional conditions that may be a focus of clinical attention that are not otherwise defined as mental disorders in the DSM-IV-TR.

#### *General Coverage Requirement*

The law prohibits group policies from establishing any provisions that place a greater financial burden on an insured for the diagnosis or treatment of mental or nervous

conditions than for the diagnosis or treatment of medical, surgical, or other physical health conditions.

**Public Act 08-132 (House Bill 5696)**

**An Act Requiring Insurance Coverage For Autism Spectrum Disorder Therapies**

*(Signed by Governor 6/5/2008)*

This act requires health insurance policies delivered, issued, renewed, amended, or continued in Connecticut on or after January 1, 2009 to cover physical, speech, and occupational therapy services provided to treat autism spectrum disorders if the policies cover these services for other diseases and conditions. It defines “autism spectrum disorder” based on the American Psychiatric Association's most recent *Diagnostic and Statistical Manual of Mental Disorders*.

It applies this requirement to group and individual (1) health insurance policies that cover basic hospital, medical-surgical, or major medical expenses; (2) HMO contracts covering hospital and medical expenses; and (3) hospital or medical service contracts. Due to federal preemption, this requirement does not apply to self-insured plans.

**EFFECTIVE DATE: January 1, 2009**

**Public Act 08-175 (House Bill 5512)**

**An Act Concerning Life Settlements**

*(Signed by Governor 6/12/2008)*

This act revises prior insurance laws regarding viatical settlements to incorporate requirements for life settlements that are based on the National Conference of Insurance Legislators (NCOIL) Life Settlements Model Act. The act addresses an emerging type of life settlement activity, stranger-originated life insurance (STOLI), which it defines and prohibits.

Under the act, a “life settlement contract” is a written agreement entered into between a life insurance policy owner and another person (called a “provider”), under which the owner assigns, transfers, sells, devises, or bequeaths some or all of his or her policy's death benefit for money or other value. Prior law defined “viatical settlement contract” similarly, referring to the owner as a viator.

The act generally prohibits a person from entering into a life settlement contract involving a life insurance policy before, when, or within two years of purchasing a life insurance policy. Prior law prohibited it within two years after purchase, with certain exceptions. The act retains similar exceptions and adds several new exceptions to the prohibition, including life status changes (e.g., divorce or retirement).

The act:

1. revises provider and broker licensing requirements, permits life insurance producers to act as brokers under certain conditions, and lowers the insurance commissioner's threshold for denying, suspending, revoking, or not renewing a license;

2. specifies and prohibits “fraudulent life settlement acts,” which it defines and subjects to criminal and civil penalties;
3. requires anyone who suspects fraud to report it to the commissioner and grants qualified immunity from liability for doing so;
4. revises examination, disclosure, confidentiality, advertising, and contract requirements;
5. identifies prohibited life settlement practices;
6. subjects settlement proceeds to state tax by eliminating an exemption;
7. permits insurers to ask a life insurance policy applicant about premium financing, life settlement arrangements, and his or her interest in the proposed insured person;
8. specifies that insurers cannot prohibit (a) life insurance producers and brokers from speaking with clients about life settlement options and (b) the lawful assignment of policies;
9. expands the commissioner's rule-making and regulatory authority;
10. eliminates various provisions, including one that prohibited settlement contract investors from influencing an insured person's medical treatment;
11. makes a violation of the act (a) an unfair insurance practice, (b) insurance fraud, and (c) in addition to other penalties allowed, subject to a civil penalty of up to \$100,000; and
12. makes minor, technical, and conforming changes.

**EFFECTIVE DATE: October 1, 2008**

**Public Act 08-181 (House Bill 5157)**

**An Act Concerning The Marketing Of Medical Discount Plans, The Issuing Of Small Employer Plans And Arrangements By The Comptroller And Association Groups, And An Offset Of The Annual Standard Premium Required Of Workers' Compensation Self-Insurance Groups.**

*(Signed by Governor 6/12/2008)*

This act explicitly permits a licensed medical discount plan organization (MDPO) to market plans directly or through a marketer with which it has a written agreement. Prior law implied this. The act includes operating restrictions for marketers and requirements for MDPOs. It permits the insurance commissioner to (1) take specified actions against an MDPO if its marketer uses unapproved marketing material and (2) in the absence of a court order for financial restitution, order a person convicted of larceny for collecting membership fees without providing the promised benefits to pay restitution.

The act prohibits the insurance commissioner from requiring that a marketer obtain a license. It specifies that an MDPO that contracts with a marketer is bound by, and responsible for, the

marketer's activities done on its behalf. It requires an MDPO to provide the commissioner a list of its Connecticut marketers operating under a different name from its own and to update the list as necessary. By law, anyone who violates the MDPO law is subject to a fine of up to \$2,000.

This act permits health insurers to issue "specified disease" policies in Connecticut; prohibits group or individual health insurance plans from coordinating benefits with these policies; and requires the insurance commissioner to adopt regulations by January 1, 2009 to establish minimum standards for group policies. Prior law prohibited insurers from issuing specified disease policies, except as the commissioner allowed in regulations adopted to establish minimum policy standards, or as provided for in statute. (Regulations are in effect for individual policies (Conn. Agencies Regs. § 38a-505-13).)

The act lowers, from 10,000 to 3,000, the number of people needed to be covered in order to exempt small employer groups purchasing health insurance through the Municipal Employer Health Insurance Plan (MEHIP) or an association group plan from the existing small employer rating law and adds additional requirements for an association to avail itself of this option. It requires the 3,000 people to be employees. Prior law required them to be eligible individuals, which presumably included employees and dependents.

The act permits a proposed workers' compensation self-insurance group to offset or reduce its annual standard premium, which the law requires to be at least \$1 million, by depositing equivalent liquid assets in an interest-bearing claims reserve account set up in the group's name. It prohibits the group from pledging, hypothecating (e.g., using as collateral), or otherwise encumbering its assets to secure debt, guaranty, or obligations.

The act also makes technical and conforming changes.

**EFFECTIVE DATE: October 1, 2008, except for the provisions regarding specified disease policies, which are effective upon passage.**

## Property and Casualty

**Public Act 08-129 (House Bill 5520)**  
**An Act Concerning Notification By Surplus Lines Insurers**  
*(Signed by Governor 6/5/2008)*

This act changes the notice requirement concerning the Connecticut Insurance Guaranty Association that surplus lines insurers' must include on the cover of their policies. It requires the notice to be printed in at least 12-point boldface type and in capital letters instead of 10-point red bold type.

It also revises the notice by adding a reference that the policy is a surplus lines policy. The revised notice must state "This is a surplus lines policy and is not protected by the Connecticut Insurance Guaranty Association." Under current law, the notice reads: "This policy is not protected by the Connecticut Insurance Guaranty Association."

The association, which property and casualty insurers fund through assessments, pays qualifying claims from state residents against insolvent insurance companies. A surplus lines insurer is an unauthorized insurer (i.e., an insurer not licensed to do business in Connecticut).

**EFFECTIVE DATE: October 1, 2008**

**Public Act 08-156 (House Bill 454)**  
**An Act Concerning Employee Misclassification**  
*(Signed by Governor 6/12/2008)*

This act establishes a permanent five-member enforcement commission to address the problem of employers avoiding state and federal labor, employment, and tax law obligations by misclassifying their employees. Misclassification often involves an employer treating employees as independent contractors in order to avoid paying workers' compensation insurance premiums and unemployment taxes.

The commission must meet at least four times a year and (1) coordinate the civil prosecution of state and federal employment law violations involving employee misclassification and (2) report any suspected violation of state criminal statutes to the chief state's attorney or the state's attorney serving the district where the violation allegedly occurred.

The commission members are the labor and revenue services commissioners, workers' compensation commission chairperson, attorney general, and chief state's attorney, or their designees. By February 1, 2010, and every year after that, the commission must report to the governor and the Labor and Public Employees Committee. The report must summarize the commission's actions for the previous year and include any administrative or legislative recommendations.

The act also creates an advisory board to advise the commission on job misclassification in the construction industry.

**EFFECTIVE DATE: July 1, 2008**

## Financial/Agency Operations/Consumer Affairs

**Public Act 08-3 (House Bill 6502)**  
**An Act Concerning Comprehensive Ethics Reforms**  
*(Signed by Governor 6/17/08)*

This act:

1. generally permits state courts to revoke or reduce any retirement or other benefit due to state or municipal officials or employees who commit certain crimes related to their employment;
2. makes it a class A misdemeanor for public servants to fail to report a bribe;
3. expands illegal campaign finance practices to cover certain solicitations by chiefs of staff;
4. makes several changes to state codes of ethics such as limiting gift exceptions, prohibiting state contractors from hiring certain former public officials and state employees, restricting the Office of State Ethics' (OSE) authority to issue subpoenas, prohibiting ex parte communications during OSE hearings on ethics complaints, limiting Citizens' Advisory Board members who can act on ethics complaints, and subjecting the governor's spouse to the code;
5. requires OSE to provide mandatory training to legislators on the Code of Ethics for Public Officials; and
6. requires public agencies to post, on available web sites, meeting dates, times, and minutes required by law to be publicly disclosed.

**EFFECTIVE DATE: October 1, 2008**

### **§§ 1-5 — CORRUPT OFFICIALS AND EMPLOYEES**

The act generally permits state courts to revoke or reduce any retirement or other benefit due to state or municipal public officials or employees or quasi-public agency members and directors who commit certain crimes related to their employment.

It requires the courts to order payment of any benefit or payment that is not revoked or reduced.

Exceptions to Reduction or Revocation

Under the act:

1. no revocation or reduction may prohibit or limit benefits that are the subject of a qualified domestic relations order (e. g. , child support);
2. no pension may be reduced or revoked if the IRS determines that the action will negatively affect or invalidate the status of the state's or a municipality's government retirement plans under Section 401 (a) of the Internal Revenue Code; and
3. the pension benefits of a public official or employee who cooperated with the state as a whistleblower before learning of the criminal investigation may not be revoked or reduced if the court determines or the attorney general certifies that he or she voluntarily provided information to the attorney general, state auditors, or a law enforcement agency against a person more blameworthy than the official or employee.

Additionally, no pension may be revoked if the court determines that to do so would constitute a unilateral breach of a collective bargaining agreement. Instead the court may issue an order to reduce the pension by an amount necessary to (1) satisfy any fine, restitution, or other monetary order issued by the criminal court and (2) pay the cost of the official's or employee's incarceration.

#### *Crimes Related to Office or Employment*

The act requires the attorney general to apply to the Superior Court for an order to revoke or reduce the benefits of a public official or employee who, on and after October 1, 2008, is convicted of or pleads guilty or nolo contendere (no contest) in federal or state court to:

1. committing or aiding or abetting the embezzlement of public funds from the state, a municipality, or a quasi-public agency;
2. committing or aiding or abetting any felonious theft from the state, a municipality, or a quasi-public agency;
3. bribery connected to his or her role as a public official or employee; or
4. felonies committed willfully and with intent to defraud to obtain or attempt to obtain an advantage for himself or herself or others through the use or attempted use of his or her office.

The attorney general must notify the prosecutor in these criminal cases of the pension revocation statute and that the pension may be used to pay any fine, restitution, or other monetary order the court issues.

“Public officials” are (1) statewide elected officers, (2) legislators and legislators-elect, (3) judges, (4) gubernatorial appointees, (5) municipal elected and appointed officials, (6) public members and union representatives on the Investment Advisory Council, (7) quasi-public agency members and directors, and (8) people appointed or elected by the General Assembly or either chamber. Advisory board members and members of Congress are not public officials.

“State employees” includes employees of quasi-public agencies.

### *Sentencing Considerations*

When determining whether to revoke or reduce a public official's or employee's benefits or payments, the court must consider:

1. the severity of the crime;
2. the amount of money the state, municipality, quasi-public agency, or anyone else lost as a result of the crime;
3. the degree of public trust reposed in the person by virtue of his or her position;
4. if the crime was part of a fraudulent scheme against the state or a municipality, the defendant's role in it; and
5. any other factors the court determines that justice requires.

After determining to reduce pension benefits, the court must consider the needs of an innocent spouse or beneficiary and may order that all or part of the benefits be paid to the spouse or beneficiary.

### *Pension Contributions*

If an official's or employee's pension is revoked, the act entitles the person to the return of any contributions he or she made to it, without interest. But, the repayment cannot be made until the court determines that the individual has fully satisfied any judgment or court-ordered restitution related to the crime against the office. If the court determines that he or she has not, it may deduct the unpaid amount from the individual's pension contributions.

### *Collective Bargaining Agreements*

Beginning October 1, 2008, the act prohibits collective bargaining agreements from containing any provision that bars the revocation or reduction of a corrupt state or municipal employee's pension.

### **§§ 6 & 7 — BRIBERY**

The act makes it a class A misdemeanor for public servants to fail to report a bribe (see Table on Penalties). Public servants commit this crime when they do not report to a law enforcement agency as soon as reasonably practicable that (1) another person has attempted to bribe them by promising, offering, transferring, or agreeing to transfer to them any benefit as consideration for their decision, opinion, recommendation, or vote or (2) they knowingly witnessed someone attempting to bribe another public servant or another public servant committing bribe receiving. Under existing law, a person is guilty of bribe receiving if he or she solicits, accepts, or agrees to accept any benefit for, because of, or in consideration for his or her decision, opinion, recommendation, or vote.

The act expands the definition of “public servant” that applies to existing bribery and bribe receiving crimes, as well as this new crime, to include quasi-public agency officers and employees. Elected and appointed government officers and employees and people

performing a government function, including advisors and consultants, are already covered.

## **§ 12 — CAMPAIGN FINANCE**

The act makes it an illegal campaign practice for certain chiefs of staff to solicit contributions from certain people on behalf of, or for the benefit of, any state, district, or municipal office candidate. Under the act, the chief of staff (1) for a legislative caucus cannot solicit an employee of the caucus, (2) for a statewide elected official cannot solicit a member of the official's office, and (3) for the governor or lieutenant governor cannot solicit from any member of the official's office or from any state commissioner or deputy commissioner.

Under existing law, it is an illegal campaign finance practice for, among other things, state department heads and their deputies to solicit political contributions at any time, and for anyone to knowingly and willfully violate a campaign finance law. Campaign finance violators are subject to criminal penalties of up to five years in prison, a \$5,000 fine, or both for knowing and willful violations. They are also subject to civil penalties of up to \$2,000 per offense.

## **STATE ETHICS CODE**

### **§§ 16 & 17 — ETHICS COMPLAINT ENFORCEMENT**

Existing law requires OSE to conduct probable cause investigations, including hearings, when complaints of alleged ethics violations are filed. If probable cause is found, OSE's Citizens' Advisory Board initiates a hearing to determine whether there has been a violation. A judge trial referee conducts the hearing. Both OSE and its advisory board can subpoena witnesses and records during their respective proceedings.

Subpoenas. The act restricts OSE's authority to issue subpoenas by requiring it to get (1) approval from a majority of the advisory board members or (2) the chairperson of the board to sign the subpoena. It authorizes the vice chairperson to sign the subpoena if the chairperson is unavailable.

Ex Parte Communications. During the hearing on whether a violation has occurred, the act prohibits ex parte communications about the complaint or respondent between the board or any of its members and the judge trial referee conducting the hearing or a member of OSE's staff.

Voting on Existence of Violation. By law, the Citizens' Advisory Board, at the conclusion of the hearing, determines whether a violation occurred and, if so, imposes penalties. The act restricts the board members who can vote on whether a violation occurred to those who were physically present during the entire violation hearing.

The act makes a minor change by specifying the number of board members, rather than the fraction of the board, necessary to find a violation of the State Code for Lobbyists. The act requires six of the nine board members, rather than two-thirds of the members present and voting, to find a violation.

## **§§ 13 & 14 — GIFTS**

With several exceptions, existing law prohibits public officials, candidates for public office, and state employees from accepting gifts (generally anything valued at over \$10) from lobbyists. It prohibits public officials and state employees from accepting gifts from people doing, or seeking to do, business with their agency; people engaged in activities regulated by their agency; or prequalified state contractors. Existing law also prohibits these people from giving gifts to public officials and employees.

The act caps at \$1,000 the exception for gifts provided at celebrations of major life events by people unrelated to the recipient. Major life events include a ceremony commemorating an individual's induction into religious adulthood such as a confirmation or bar or bat mitzvah, a wedding, a funeral, and the birth or adoption of a child. It does not include any event that occurs on an annual basis such as an anniversary (Conn. State Agency Regulations § 1-92-53).

## **§ 15 — EMPLOYMENT RESTRICTIONS**

The act prohibits a party to a state contract or agreement from employing a former public official or state employee who substantially helped negotiate or award a contract valued at \$50,000 or more or an agreement for the approval of a payroll deduction. The prohibition applies to employees or officials who resign within one year after the contract or agreement is signed and ends one year after the resignation. Existing law already prohibits former officials and employees from accepting the job. The penalty for violations is a fine of up to \$10,000. First-time intentional violations are punishable by up to one year in prison, a \$2,000 fine, or both. Subsequent intentional violations are punishable by up to five years in prison, a \$5,000 fine, or both.

## **§§ 9 & 10 — GOVERNOR'S SPOUSE**

The act makes the governor's spouse subject to the State Ethics Code by extending the definition of “public official” to include him or her. Currently, “public officials” are statewide elected officers, legislators and legislators-elect, gubernatorial appointees, public members and union representatives on the Investment Advisory Council, quasi-public agency members and directors, and people appointed or elected by the General Assembly or either of its chambers. The term does not include judges, advisory board members, or members of Congress.

## **§ 8 — TRAINING**

By December 31, 2010, the act requires OSE to establish and administer a program for providing mandatory training to legislators on the Code of Ethics for Public Officials. The program must provide for mandatory training of (1) newly elected legislators and (2) all legislators every four years beginning in 2011. However, the Legislative Management Committee must request OSE to train all legislators before the next regularly scheduled training if it determines that there has been a significant revision to the Code of Ethics for Public Officials.

**Public Act 08-18 (House Bill 5318)**  
**An Act Concerning Technical Revisions To The Freedom Of Information Act**  
*(Signed by Governor 4/29/08)*

This act makes a technical change to the Freedom of Information Act (FOIA), moving the requirement that public agencies make, keep, and maintain records of their meetings from one section of FOIA to another.

**EFFECTIVE DATE: Upon Passage**

**Public Act 08-96 (House Bill 5513)**  
**An Act Concerning The Right Of Recovery By The Connecticut Insurance Guaranty Association.**  
*(Signed by Governor 5/27/08)*

By law, the Connecticut Insurance Guaranty Association (CIGA) has a statutory right to recover, from an insolvent insurer's (1) affiliates and (2) insureds whose net worth exceeds \$50 million, the amount of covered claims that CIGA paid on the affiliate's or insured's behalf. It exempts municipalities and the Second Injury Fund from having to repay CIGA.

The act eliminates CIGA's right to recover any amount of covered claims it paid on or after December 1, 2001 on behalf of a nonprofit corporation that meets certain criteria, if the insolvent insurer was declared insolvent before the act's effective date. The nonprofit must be (1) organized to deliver health and social services to the elderly, (2) incorporated in Connecticut, and (3) qualified as an IRS Code 501(c)(3) tax-exempt organization. The act specifies that CIGA is not required to refund any amounts it recovered from such a nonprofit, or its affiliates, before the act's effective date.

**EFFECTIVE DATE: Upon Passage**

**Public Act 08-110 (Senate Bill 492)**  
**An Act Concerning Making Technical Revisions And Minor Changes To The Insurance Statutes**  
*(Signed by Governor 5/27/08)*

To make technical revisions to the insurance statutes.

**EFFECTIVE DATE: Upon Passage**

**Public Act 08-126 (Senate Bill 273)**  
**An Act Concerning Regulation Of The Secondary Market In Physician Discounts**  
*(Signed by Governor 6/2/08)*

This act requires, with some exceptions, a “contracting entity” that (1) enters into or renews a contract with a health care provider on or after January 1, 2009 and (2) sells, leases, rents, assigns, or grants access to the provider's health care services, discounted rates, or fees, to

include a contract provision that it can permit a third party (i. e. , a “covered entity”) to access the provider's services, discounted rates, or fees. It specifies (1) requirements for a contracting entity when it permits such access and (2) that it does not apply in cases involving workers' compensation benefits.

The act requires covered entities that access a provider's services to pay the discounted rates or fees established in the provider's contract with the contracting entity. It specifies that a covered entity's right to access a provider's services, rates, or fees ends when the contract between the contracting entity and the provider terminates, except for any applicable (1) continuity of care requirements or (2) agreements or contractual provisions with the provider.

The act requires all written and electronic remittance advices (payment notices sent to providers) to clearly identify the name of the (1) covered entity responsible for paying the provider and (2) contracting entity whose payment rates and discounts apply.

**EFFECTIVE DATE: January 1, 2009**

**Public Act 08-127 (Senate Bill 281)**  
**An Act Concerning Captive Insurance Companies**  
*(Signed by Governor 6/2/08)*

This act permits a captive insurance company (“captive”) to be licensed and domiciled (have its principal place of business) in Connecticut to transact life insurance, annuity, health insurance, and commercial risk insurance business. A captive insurance company is, in its simplest form, an insurance company that is a wholly-owned subsidiary whose primary function is to insure all or part of the risks of its parent company.

The act enumerates requirements for a captive's formation, capital and surplus, local office presence, ability to meet policy obligations, payment of certain fees and premium taxes, and annual reporting, among other things. The captive may form as a pure captive, an association captive, an industrial insured captive, or a risk retention group (RRG). (By law, an RRG can already domicile in Connecticut, and RRGs domiciled in other states can transact business in Connecticut if they register with the Insurance Department. )

The act requires the insurance commissioner to regulate captives and examine each at least once every five years. It also authorizes him to suspend, revoke, or refuse to renew a captive's license or impose a fine up to \$10,000 for cause. It applies some, but not all, insurance laws to captives.

It authorizes the insurance commissioner to use the money in the Insurance Department's Utilization Review Fund as necessary to implement the act. Prior law required him to use that fund exclusively to regulate utilization review companies. (By law, utilization review companies must each pay the department \$2,500 annually to maintain their operating licenses. The department deposits these fees in the Utilization Review Fund. )

The act prohibits a captive from joining or contributing to the state insolvency guaranty funds. It also prohibits a captive and its insureds and their affiliates from receiving benefits from the guaranty funds if the captive becomes impaired or insolvent.

**EFFECTIVE DATE: January 1, 2009, except for the provision authorizing the insurance commissioner to use the Insurance Department's Utilization Review Fund as necessary to implement the bill, which is effective October 1, 2008.**

**Public Act 08-146 (House Bill 5152)**  
**An Act Concerning Motor Vehicle Repairs**  
*(Signed by Governor 6/6/08)*

This act requires a notice (1) in motor vehicle repair shops, (2) on a repair appraisal or estimate, and (3) on auto insurance identification cards informing customers of their right to choose the licensed repair shop that will fix their vehicles. By law, an appraiser and an insurer (unless an insured agrees in writing) are prohibited from requiring a person to use a specific repair shop.

The act prohibits a motor vehicle repair shop that participates in an insurer's vehicle repair program (which generally requires the use of a certain facility) from repairing a vehicle under that program unless the person whose insured vehicle needs repairs acknowledges in writing that he or she is aware of the right to have the vehicle repaired at a shop he or she chooses.

**EFFECTIVE DATE: January 1, 2009**

## Other Acts of Interest

### **Public Act 08-52 (Senate Bill 684)**

#### **An Act Concerning The Practice And Privileges Of Certified Public Accountants (Signed by Governor 5/12/2008)**

By adopting certain provisions of the Uniform Accountancy Act (UAA), this act allows qualified out-of-state certified public accountants (CPAs) to practice in Connecticut without a state-issued license. To do so, an individual or firm must have a “practice privilege.”

The act authorizes the State Board of Accountancy to regulate and discipline individuals who have a practice privilege in much the same way that it regulates and disciplines in-state CPAs. It similarly subjects in-state CPAs who render services in another state to disciplinary action in Connecticut for an act committed in the other state if the act would subject them to disciplinary action there.

The act eliminates the requirement that the State Board of Accountancy adopt regulations to allow licensed “public accountants” to convert their licenses to “certified public accountant” licenses. Those regulations allowed for license conversion without testing.

It requires the board to issue a “Connecticut Certified Public Accountant's Certificate” to any person granted the CPA designation by any board in any jurisdiction, and who submits an application and pays the applicable fee for an initial certificate.

The act establishes a fee schedule for failure to earn all continuing education credits by the annual deadline. By law, a CPA who fails to meet continuing education requirements is subject to disciplinary action.

Finally, it makes conforming and technical changes.

**EFFECTIVE DATE: upon passage**

### **Public Act 08-61 (House Bill 5629)**

#### **An Act Concerning Workers' Compensation Coverage For Firefighters And Police Officers (Signed by Governor 5/12/08)**

This act establishes a rebuttable presumption under workers' compensation law for municipal firefighters, police, and constables hired after July 1, 1996 who suffer a cardiac emergency while on duty after July 1, 2009.

To be covered by the act, the cardiac emergency must result in lost work time due to total or partial incapacity or death. The presumption that the ailment is due to the occupation is rebuttable, meaning it is presumed to be job related unless a preponderance of evidence shows it

is not. Until the act takes effect, such an ailment is compensable, but it is the employee's burden to prove the ailment is job related.

**EFFECTIVE DATE: July 1, 2009**

**Public Act 08-74 (Senate Bill 279)**  
**An Act Concerning Automobile Insurance Discounts**  
*(Signed by Governor 5/27/08)*

This act adds to what the Department of Motor Vehicle (DMV) commissioner must include in regulations regarding accident-prevention courses drivers age 60 and over may take to qualify for an auto insurance premium discount. By law, the regulations must include the number of classroom instruction hours, DMV approval of schools and instructors, and certificate issuance to those who successfully complete the course. The act requires the regulations to also address approval of courses that drivers take on the Internet.

The act requires the commissioner to adopt regulations regarding such Internet courses, including methods to verify a person's (1) identity when he or she registers for, and throughout, the course; (2) participation throughout the course's duration; (3) course completion within any time requirements the course or commissioner requires; and (4) successful course completion.

**EFFECTIVE DATE: October 1, 2008**

**Public Act 08-82 (Senate Bill 391)**  
**An Act Concerning The Insurance Reinvestment Act**  
*(Signed by Governor 5/27/08)*

This act redefines "insurance business," for purposes of the Insurance Reinvestment Fund, by limiting it to insurance and other businesses providing insurance-related services with a North American Industry Classification code of 524113 through 524298. These codes include (1) insurance and reinsurance carriers; (2) insurance agencies and brokerages; and (3) other insurance-related activities, such as claims adjusting, third-party administration, and advisory and rate-making services. The redefinition limits the types of businesses eligible for investments through the Insurance Reinvestment Fund program.

**EFFECTIVE DATE: October 1, 2008**

**Public Act 08-98 (House Bill 5600)**  
**An Act Concerning Connecticut Global Warming Solutions**  
*(Signed by Governor 6/2/08)*

This act mandates reductions in state greenhouse gas (GHG) emissions and makes changes designed to help the state achieve the reductions.

Prior law set state GHG emission reduction goals for 2010, 2020, and 2050. The act requires the state to meet its 2020 goal and a modified 2050 goal.

It requires certain state agencies to identify (1) activities and facility improvements to meet state energy saving goals and (2) policies and regulations they may adopt to help meet the emission limits. It also requires the Department of Environmental Protection (DEP) commissioner, with the help of a regional nonprofit air quality and climate organization, to publish a baseline inventory of GHG emissions and recommend strategies, regulatory actions, and policies to achieve the necessary reductions. It eliminates a requirement that the commissioner establish a regional GHG registry to which certain emission sources must report and related provisions.

The act requires the Governor's Steering Committee on Climate Change (steering committee) to create a subcommittee to assess the impact of climate change on the state and recommend to the governor and legislature ways the state can adapt to, and mitigate, harmful impacts. It authorizes the DEP commissioner to contract with, and serve on the board of, a nonprofit organization created to help the state implement a multistate air pollution control program.

It allows the commissioner to use funds from the greenhouse gas reduction fee on new motor vehicles to implement air pollution control requirements as well as the act's greenhouse gas reduction requirements.

It also (1) requires the Department of Transportation (DOT) to continue to investigate, within available appropriations, the potential for improving the state transportation system in ways to reduce GHG emissions; (2) requires DEP to keep abreast of low carbon fuel standards in other states and elsewhere; (3) allows proceeds from the auction of GHG emission allowances to be used to cover certain state agency administrative costs; (4) authorizes DEP to work with other states and Canadian provinces to develop market-based compliance mechanisms to achieve the GHG limits, including a cap-and-trade program; (5) changes reporting requirements, and (6) makes other changes.

**EFFECTIVE DATE: October 1, 2008, except the provisions concerning the DEP commissioner's contracting authority, which are effective upon passage.**

### **Public Act 08-105 (House Bill 5113)**

#### **An Act Concerning Professional Employer Organizations And Employee Misclassification (Signed by Governor 6/2/08)**

This act requires professional employer organizations (PEOs) to register with the Labor Department (DOL) and creates standards for them, including financial capacity standards. It defines the organizations as businesses that provide employer services for their clients and have entered coemployment agreements with their clients' employees. It sets application requirements and allows more than one PEO to form a group and meet the reporting and financial requirements as a group.

The act sets standards for the contracts between the organizations and their clients.

It prohibits the organizations from, among other things, committing willful violations of its provisions and authorizes the labor commissioner to discipline violators.

The act states its relationship to other labor laws and laws creating certain economic development programs.

The act also establishes a permanent enforcement commission to coordinate prosecutions of employers who misclassify their employees in order to avoid state and federal labor, employment, and tax law obligations.

**EFFECTIVE DATE: January 1, 2009, except the definitions section, including the definition of a PEO, is effective on October 1, 2008; the provision on the bill's relationship to state labor law and the creation of the employee misclassification enforcement commission are effective on July 1, 2008; and the provision requiring implementing regulations is effective on passage.**

**Public Act 08-109 (Senate Bill 471)**

**An Act Extending The State Physician Profile To Certain Other Health Care Providers**

*(Signed by Governor 5/27/08)*

By law, the Department of Public Health (DPH), after consulting with the Connecticut Medical Examining Board and the Connecticut State Medical Society, must collect certain information to create an individual public profile on each physician licensed to practice medicine in Connecticut. This act, within available appropriations, extends this requirement to dentists, chiropractors, optometrists, podiatrists, naturopaths, dental hygienists, advanced practice registered nurses, and physical therapists. Consistent with existing law for physicians, the act requires DPH to consult with the appropriate state board. It also makes other conforming changes, including authorizing the appropriate board, commission, or department to revoke or suspend the health care provider's license for failing to provide DPH with the information the act requires.

**EFFECTIVE DATE: January 1, 2010**

**Public Act 08-111 (House Bill 5839)**

**An Act Concerning The Implementation Of Generally Accepted Accounting Principles (GAAP)**

*(Signed by Governor 5/27/08)*

Starting in FY 09, this act allows the comptroller to make incremental changes to the way she prepares and maintains the state's annual financial statement. The changes must be consistent with generally accepted accounting principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB) and eventually lead to full GAAP implementation.

By law, the Office of Policy and Management (OPM) secretary may use GAAP to prepare the annual state budget. The act allows, rather than requires, the comptroller and presumably the OPM secretary to concurrently prepare conversion plans for implementing GAAP. If they decide to do so, they must prepare the plans annually, rather than by February 1, 2009, and submit them to the Appropriations Committee when the governor submits her biennium budget and budget status report to the General Assembly. By law, the governor must submit the budget document by the first session day after February 3rd in odd-numbered years and the status report by the opening day of the session in even-numbered years.

The act eliminates a requirement for the comptroller to (1) use GAAP to establish an opening combined balance sheet for all appropriated funds beginning in FY 10 and (2) amortize the GAAP deficit over 15 years beginning in FY 11.

**EFFECTIVE DATE: July 1, 2008**

**Public Act 08-112 (House Bill 5841)**

**An Act Concerning Increasing The Health Insurance Subsidy To Retired Teachers And Concerning Credited Service For Teachers' Retirement**

*(Signed by Governor 5/27/08)*

This act increases, from \$110 to \$220 per person, the monthly state health insurance premium subsidy for certain retired teachers, and their spouses or surviving spouses, who receive health insurance coverage from the retiree's last employing board of education. To qualify for the increased subsidy, the retiree must: (1) have attained normal age to participate in Medicare (currently, age 65); (2) not be eligible for Part A of Medicare without cost; and (3) contribute at least \$220 per month towards his or her medical and prescription drug plan provided by the board of education.

The act also allows Teachers' Retirement System (TRS) members to purchase credit in TRS for more than 10 years of out-of-state teaching service, provided they pay the full present value actuarial cost of the additional benefits arising from the purchased service exceeding 10 years.

Finally, the act allows teachers who meet certain conditions to retain TRS service credit for employment outside the scope of their teaching certificates.

**EFFECTIVE DATE: July 1, 2008, except for the provision concerning credit for service outside the scope of the member's certificate, which is effective on passage.**

**Public Act 08-141 (House Bill 5899)**

**An Act Concerning On-Line Procurement By State Agencies, Municipalities And Regional And Local School Districts**

*(Signed by Governor 6/5/2008)*

This act allows contracting agencies to use a reverse auction to award contracts for goods or supplies if they determine that doing so would be advantageous to the agencies and ensure a competitive contract award. Contracting agencies may contract with a third party to prepare and manage the reverse auction. The act requires that agencies comply with their policies and any applicable statutory requirements when using a reverse auction to award these contracts.

Under the act, "contracting agencies" are state agencies with statutory authority to award contracts for goods or supplies, political subdivisions of the state, and school districts. "Reverse auction" means an on-line bidding process in which qualified bidders and proposers anonymously submit bids or proposals to provide goods or supplies pursuant to an invitation to bid or request for proposals.

**EFFECTIVE DATE: Upon passage**

**Public Act 08-145 (House Bill 5020)**

**An Act Implementing The Governor's Budget Recommendations Regarding The Tobacco And Health Trust Fund**

*(Signed by Governor 6/12/2008)*

This act increases the amount the Tobacco and Health Trust Fund (THTF) trustees can recommend be disbursed annually to programs for tobacco prevention, education, cessation; substance abuse reduction; and unmet physical and mental health needs. Beginning in FY 09, it allows the trustees to recommend disbursement of up to half of the previous year's annual disbursement to the THTF from the Tobacco Settlement Fund, up to \$6 million. This is in addition to recommending disbursements from the THTF's annual net earnings on principal, which the trustees can already do. The act specifies that these annual earnings are the prior year's.

By law, the THTF trustees must report annually on the board's activities to the Appropriations and Public Health committees. The act eliminates a mandate that each of the 17 trustees approve this report.

**EFFECTIVE DATE: July 1, 2008**

**Public Act 08-167 (House Bill 5658)**

**An Act Concerning The Confidentiality Of Social Security Numbers**

*(Signed by Governor 6/10/2008)*

This act requires anyone possessing personal information about another person to safeguard it and the computer files and documents that contain it. "Personal information" is information that can be associated with an individual through an identifier like a Social Security number.

It requires a business that collects Social Security numbers to create a privacy protection policy that must ensure confidentiality of Social Security numbers.

The act exempts state agencies and political subdivisions from the duty to safeguard personal information.

It subjects violators to a civil penalty of \$500 for each violation, up to a maximum of \$500,000 per event. It provides that a violation is not a violation if it is unintentional. Civil penalties must be deposited into the Privacy Protection Guaranty and Enforcement Account. (Because legislation establishing the account was not enacted, penalties will presumably be deposited into the General Fund. )

**EFFECTIVE DATE: October 1, 2008**

**Public Act 08-171 (Senate Bill 681)**  
**An Act Establishing A Commission On Health Equity**  
*(Signed by Governor 6/12/2008)*

This act establishes a 32-member Commission on Health Equity within the Office of the Health Care Advocate for administrative purposes. The commission must work to (1) eliminate disparities in health status based on race, ethnicity, and linguistic ability and (2) improve the quality of health for all state residents.

The commission may (1) employ necessary staff within available appropriations and in compliance with the State Personnel Act; (2) use any funds available from federal, state, or other sources; and (3) enter contracts to carry out its duties.

The act repeals the Advisory Commission on Multicultural Health. That commission's mission was the elimination of disparities in health status among the state's cultural and ethnic communities and the overall improvement of state residents' health.

**EFFECTIVE DATE: Upon passage**

**Public Act 08-180 (Senate Bill 561)**  
**An Act Concerning The Money Follows The Person Project And Other Long-Term Care Initiatives**  
*(Signed by Governor 6/12/2008)*

This act increases, from 700 to 5,000, the number of individuals who can be served under the state's plan for participating in the federal Money Follows the Person (MFP) demonstration program. MFP is a five-year program that permits states to move individuals out of nursing homes or other institutional settings and into less-restrictive, community-based settings and not jeopardize federal funding. The act requires, instead of allows, the Department of Social Services (DSS) commissioner to submit an application to the federal government. DSS has developed a protocol for the demonstration, which needs federal approval before it can be implemented.

The act also requires the DSS commissioner to develop a plan to establish and administer a similar home- and community-based services (HCBS) project for adults who may not meet the MFP institutionalization requirement.

And it establishes a separate, nonlapsing General Fund account to hold the enhanced federal matching funds the state receives for MFP. It specifies the uses of funds in the account and requires a report on expenditures from it.

**EFFECTIVE DATE: July 1, 2008, except the changes in the MFP demonstrations are effective upon passage.**