



STATE OF CONNECTICUT

INSURANCE DEPARTMENT PROPERTY & CASUALTY DIVISION

SAFETY GROUP PROGRAM GUIDELINES INCLUDING DIVIDEND PROGRAMS

Definitions

For purposes of these guidelines, the following definitions shall apply:

- (a) "Personal risk insurance" has the meaning ascribed by Section 38a-663(i) of the Connecticut General Statutes ("CGS").
- (b) "Safety group" means a method of marketing individually underwritten and issued property/casualty insurance policies to participants engaged in similar activities giving rise to similar risks, placing special emphasis on common safety controls and risk management measures among such participants to reduce such risks.
- (c) "Sponsoring entity" means the group, association or other organization, including a federal risk purchasing group, undertaking to coordinate, promote or otherwise facilitate a safety group or group program under which an insurer provides property/casualty or liability insurance.

Scope

- (a) Property/casualty insurance may be issued or renewed covering risks located in this State on a safety group basis only in compliance with these guidelines.
- (b) These guidelines set forth standards, requirements and procedures governing safety group programs, including dividend programs.

General Requirements

- (a) No safety group policy shall be issued or renewed covering risks located in this State with respect to personal risk insurance.
- (b) No safety group policy shall be issued or renewed covering risks located in this State, unless:
 - (1) the group is homogeneous in nature, based upon standards acceptable to the Insurance Commissioner;
 - (2) the group (other than a federal risk purchasing group) is formed for purposes other than obtaining insurance;

- (3) the group, determined either on a statewide or countrywide basis, consists of at least twenty group members engaged in similar activities giving rise to similar risks, based upon standards acceptable to the Insurance Commissioner, except that a smaller number of members, but not less than five, may be covered on a group basis where each such member generates at least \$10 million in annual revenues; and
 - (4) the coverage includes any kind of property/casualty insurance governed by Chapter 701 CGS, other than personal risk insurance.
- (c) An insurer issuing or renewing safety group policies shall maintain separate statistics tracking group loss and expense experience for each safety group program.

Premium Collection & Payment

- (a) The premium for coverage under a safety group policy shall be paid by each group member, and shall not be paid by the group or association.
- (b) If authorized to act on the insurer's behalf, the sponsoring group or association may collect premiums from members and remit such premiums to the insurer.

Failure to remit premiums when due to the insurer shall not constitute non-payment of premium by the participant if the sponsoring entity has received such participant's premium in a timely manner and the insurer has authorized the sponsoring entity to collect premiums from participants for the insurer's account.

Form and Rate Filing Requirements

Every authorized insurer issuing or renewing in this State any safety group policy insuring risks or operations in this State, in connection with state law or a federal risk purchasing group, shall comply with the following requirements:

- (a) All such policy forms, rating classifications and territories shall be approved by the Insurance Commissioner pursuant to Chapter 701 CGS.
- (b) All such rates, rating plans or rating rules shall be submitted to the Insurance Commissioner pursuant to the applicable provisions of Chapter 701 CGS.
- (c) No group policy shall qualify for exemption from filing.
- (d) In complying with subdivisions (a) and (b) of this section, the insurer shall describe the nature and all material components of the safety group approach for which the forms, rating classifications, territories, rates, rating plans or rating rules are proposed for use.
- (e) Eligibility criteria must be identified to the Commissioner and, at every risk meeting, such criteria that qualify for coverage under the program shall be disclosed to group members.
- (f) Advantages, based on the loss and expense experience of the safety group, may be considered where such advantages and experience can be demonstrated.

- (g) Rates, rating plans or rating rules recognizing loss or expense experience differences on a safety group basis, in comparison to like risks not in the safety group shall be deemed rating classifications subject to the Insurance Commissioner's approval pursuant to Chapter 701 CGS.

Dividend Plans

- (a) Dividends may be declared and paid by the insurer to safety group members, or to the sponsoring entity for distribution of such dividends by the sponsoring entity.
- (b) No dividend plan shall be acceptable unless:
 - (1) the declaration of dividends remains within the discretion of the insurer, which may not obligate itself to return to a participant any portion of the premium through dividends;
 - (2) the method of determining and declaring dividends is reasonable and disclosed to participants;
 - (3) records documenting financial and loss experience for the group are maintained subject to the Insurance Commissioner inspection;
 - (4) dividends cannot be guaranteed; and
 - (5) dividends cannot be projected or estimated, nor can credit be given in advance.
- (c) In addition to the requirements set forth in subdivision (b) of this section, the following requirements shall also apply in connection with any dividend plan based upon implementation of safety-related or other risk management measures:
 - (1) group participants must have like exposures to the hazards insured against that can be materially affected by common safety-related or risk management measures beyond those normally required by the insurer for like risks not insured on a safety group basis;
 - (2) group participants must enter into written commitments to implement and to report progress and any problems in implementing a specially designed accident prevention and loss reduction program, whose requirements must be specified as an integral part of the dividend plan; and
 - (3) a safety committee must be established to monitor the progress and any problems in implementing the accident prevention and loss reduction program.
- (d) Dividends earned under a dividend plan subject to this section may not be paid by the insurer or withheld in whole or part by the group or sponsoring entity in order to accumulate funds, unless:

- (1) the purpose is to capitalize an insurer to be controlled by such group members;
 - (2) every group member whose dividends are withheld has given specific written consent;
 - (3) any dividends withheld are maintained in separate, segregated accounts for the benefit of each group member that has given specific written consent; and
 - (4) any dividends so withheld and maintained are promptly returned by the sponsoring entity to any group member that, for any reason, leaves the group before an insurer controlled by group members has been duly organized.
- (e) The Insurance Commissioner may modify or withdraw approval from a dividend plan, based upon experience under, or unfair application of, such plan.

Compulsory Participation Prohibited

No insurer shall provide coverage in regard to a safety group program that:

- (a) requires as a condition of association membership or participation that insurance be purchased; or
- (b) imposes any penalty upon a member or participant if insurance is not purchased.

Tie-in Sales Prohibited

No insurer shall provide coverage in regard to a safety group program if:

- (a) the purchase of any good or service from the group or sponsoring entity is a condition of purchasing insurance; or
- (b) the purchase of insurance by a participant is a condition of purchasing any good or service from the group or sponsoring entity.

Insurance Producers

No person shall act, in regard to any safety group program, as an insurance producer unless authorized to do so in accordance with applicable Connecticut Insurance Law.