

Conn. Insurers Should Prepare To Explain Premium Hikes

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This article was originally published on [Law360](#) and is republished here with permission as it originally appeared on October 9, 2026.

On Sept. 17, Connecticut Insurance Commissioner Joshua Hershman issued Bulletin PC-94-26, addressed to all companies licensed to write personal risk insurance in Connecticut, regarding new requirements for premium increase explanations under Public Act 26-69.

Effective Jan. 1, 2027, the act requires insurers to provide policyholders with a reasonable explanation for personal risk insurance premium increases upon request, and to include a prominent statement in premium billing notices informing insureds of their right to request such an explanation.

The bulletin prescribes the specific methods by which requests may be submitted, the content and formatting requirements for the prominent statement, and the timeline for insurer compliance.

“Personal risk insurance” is defined in the Connecticut General Statutes, Section 38a-663(9), as “homeowners, tenants, private passenger non-fleet automobile and mobile manufactured home insurance, and other property and casualty insurance for personal, family or household needs.”

The bulletin specifically addresses the act’s requirements for homeowners, tenants, private passenger nonfleet automobile and mobile manufactured home insurance. For other personal property and casualty lines falling within the statutory definition, insurers “may exercise their discretion regarding the requirements of the Public Act.”

The act authorizes the insurance commissioner to prescribe the manner in which an insured’s request for an explanation of a premium increase may be submitted to its insurer, and to establish requirements for the statement insurers must include in premium billing notices regarding the request process. The bulletin exercises that authority on both fronts.

BILLING NOTICE AND REASONABLE EXPLANATION REQUIREMENTS

The act imposes two obligations on insurers issuing personal risk insurance policies for which the premium is increasing upon renewal. First, the premium billing notice must state that the insurer will provide a “reasonable explanation” for premium increases within 20 business days after the named insured submits a request.

The bulletin, citing the act, defines a “reasonable explanation” as “sufficient information, in terms that are understandable to an average policyholder that enables the policyholder to determine the basic nature of any premium increase.”

Second, the billing notice must “include a prominent statement in a location and format prescribed by the commissioner, that includes contact information of such insurer to which such request may be submitted.

SUBMISSION OPTIONS AND THE 20-BUSINESS-DAY REVIEW PERIOD

Section A of the bulletin prescribes the permissible methods for submitting a request. All insurers writing personal risk insurance must accommodate receipt of a request by mail, telephone and email. Insurers may also provide an option for other forms of electronic submission, but they may not require use of any such electronic submission method.

The bulletin specifies that the 20-business-day response period begins “upon receipt by the insurer” of the request. Where an insurer provides a verbal response, the bulletin requires that the response “address the specific components of the premium increase for the requesting policyholder,” and that “such communication must be fully documented and tagged as a premium increase inquiry in the insurer’s system.”

PROMINENT STATEMENT REQUIREMENTS

Section B of the bulletin establishes detailed requirements for the prominent statement that must appear in the premium billing notice required by Section 38a-323(b)(1), which is delivered to insureds in advance of policy renewal. The bulletin prescribes four specific elements.

The prominent statement must:

- Include a statement that the insured’s renewal premium is increasing;
- Explain that the insurer is required to provide a reasonable explanation for premium increases within 20 business days after the named insured requests such explanation;
- Specify the insurer’s contact information, including a mailing address, telephone number, email address and other electronic submission option (if applicable), and explain the insureds’ options for submitting a request; and
- Be located at the beginning of the premium billing notice and printed in 12-point bold typeface.

The department acknowledges that the format of the required notices “may vary by line of business so long as the foregoing elements are addressed.”

FILING REQUIREMENTS AND KEY COMPLIANCE DATES

Section C of the bulletin addresses the transition to compliance. The department requests that insurers revise their premium billing notices to conform to the act’s requirements and file the revised notices, for informational purposes, through the System for Electronic Rate and Form Filing, or SERFF, before Dec. 1.

Insurers must be prepared to mail the new notices to policyholders beginning on Jan. 1, 2027, for future renewal effective dates.

Lastly, the bulletin also advises that the department “may request data from insurers to evaluate the volume of Requests,” and that insurers “should establish a tracking mechanism to record the volume of Requests generated by this statutory mandate.”

This data-tracking expectation reinforces the department’s interest in monitoring the practical impact of the new requirements.

CONCLUSION

Bulletin PC-94-26 outlines a shift in Connecticut’s regulatory approach to premium transparency for personal risk insurance brought about by the act. Insurers should prioritize several near-term action items for proper compliance:

- Revising premium billing notices to include the prescribed prominent statement with all four required elements;
- Filing those revised notices through SERFF before the Dec. 1 deadline; and
- Ensuring that internal systems are equipped to receive requests by mail, telephone and email by the Jan. 1, 2027, effective date.

Additionally, insurers should establish tracking mechanisms to record request volume, as the department has signaled its intent to collect and evaluate that data.

Given the bulletin’s emphasis on policyholder comprehension, requiring explanations in terms “understandable to an average policyholder,” companies should also consider whether their existing explanation processes meet this standard.

While not required expressly under the bulletin, many states require provision of Flesch scores with SERFF form filings. A Flesch score indicates the ease of readability of a selection of text and may be one metric an insurer can use to get a sense for whether its reasonable explanation complies with the bulletin’s mandate to be understandable to an average policyholder.

Insurers that act promptly to align their billing notices, response protocols and data-tracking capabilities with the bulletin’s requirements will be best positioned to meet both the requested informational filing deadline and the operational go-live date.

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