



Senate

General Assembly

File No. 16

February Session, 2006

Senate Bill No. 33

Senate, March 15, 2006

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT ESTABLISHING A DIVISION REGULATING CAPTIVE INSURANCE COMPANIES WITHIN THE INSURANCE DEPARTMENT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) Not later than January 1,
2 2007, and notwithstanding the provisions of section 4-8 of the general
3 statutes, there shall be a Division of Risk Management within the
4 Insurance Department, which division shall act on the Insurance
5 Commissioner's behalf and at the commissioner's direction in order to
6 carry out the commissioner's responsibilities under title 38a of the
7 general statutes with respect to the regulation of captive insurance
8 companies.

9 (b) The directors and staff of the Division of Risk Management shall
10 be appointed by the commissioner under the provisions of chapter 67
11 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Insurance Dept.	IF - Cost	482,498	606,061

Note: IF=Insurance Fund; These figures have been adjusted for inflation at a rate of 3%

Municipal Impact: None

Explanation

The bill establishes a Division of Risk Management within the Insurance Department to regulate captive insurance companies. It is estimated that in FY 07 the Insurance Department would incur costs of \$482,498, which includes two Examiners (annual salary of \$61,646 each), one Actuary (annual salary of \$91,109), one Program Manager (annual salary of \$87,603), one Reinsurance Specialist (annual salary of \$71,376), \$88,118 in fringe benefits, a one-time cost of \$6,000 in Equipment for new computers, and \$15,000 in Other Expenses for supplies, mileage, and other operating expenses. In FY 08, the one-time Equipment cost would be eliminated, but the total fringe benefit cost would increase to \$217,681 making the total cost for FY 08 \$606,061.¹

The Out Years

State Impact:

¹ The estimated first year fringe benefit rate as a percentage of payroll is 23.6%, effective July 1, 2005. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2005-06 fringe benefit rate is 34.7%, which when combined with the non pension fringe benefit rate would total 58.3%.

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$	FY 11 \$
Insurance Dept.	IF - Cost	624,243	642,970	662,259

Note: IF=Insurance Fund; These figures have been adjusted for inflation at a rate of 3%

Depending on the future growth of the captive insurer industry in Connecticut, the Insurance Department will potentially experience additional needs for staff to regulate the growing market. Otherwise, the annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Municipal Impact: None

**OLR Bill Analysis
SB 33****AN ACT ESTABLISHING A DIVISION REGULATING CAPTIVE
INSURANCE COMPANIES WITHIN THE INSURANCE
DEPARTMENT.****SUMMARY:**

This bill establishes a Division of Risk Management within the Insurance Department to regulate captive insurance companies. The division must be in place by January 1, 2007. The insurance commissioner appoints the division's directors and staff. Current law authorizes the commissioner to regulate risk retention groups, a type of captive permitted by federal law.

EFFECTIVE DATE: Upon passage

BACKGROUND***Captive Insurer***

A "captive insurer" is an insurance company owned by an organization to insure its own risks and those of its affiliates or group members (CGS § 38a-91(2)). Forming a captive is an alternative to purchasing insurance in the commercial market.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (03/07/2006)