



House of Representatives

General Assembly

File No. 255

January Session, 2007

House Bill No. 7061

House of Representatives, April 2, 2007

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT CONCERNING THE RIGHT OF RECOVERY BY THE
CONNECTICUT INSURANCE GUARANTY ASSOCIATION.***

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

1 Section 1. Subdivision (4) of section 38a-844 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (4) The association shall have the right to recover from the following
5 persons the amount of any covered claim paid on behalf of such
6 person pursuant to sections 38a-836 to 38a-853, inclusive: (A) Any
7 person who is an affiliate of the insolvent insurer and whose liability
8 obligations to other persons are satisfied in whole or in part by
9 payments made under this chapter; and (B) any insured whose net
10 worth on December thirty-first of the year next preceding the date the
11 insurer becomes an insolvent insurer exceeds fifty million dollars and
12 whose liability obligations to other persons are satisfied in whole or in
13 part by payments made under said sections. For purposes of this
14 subdivision, "insured" does not include [a municipality, as defined in

15 section 7-148, or] the Second Injury Fund, established in section 31-354,
16 a governmental entity or a tax-exempt organization under Section
17 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent
18 corresponding internal revenue code of the United States, as from time
19 to time amended.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	38a-844(4)

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

Insurers that are assessed by the Connecticut Insurance Guaranty Association (CIGA)¹ can claim an offset to their insurance premium tax obligation for any assessments. The bill excludes all governmental entities and charitable organizations from being assessed by the Connecticut Insurance Guaranty Association (CIGA) for claims paid on behalf of the association’s insolvent insurer, which potentially increases the amount CIGA assess insurers. Therefore if the bill results in greater assessments then there would be a General Fund Revenue loss to the insurance premium tax.²

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

¹ CIGA, which is funded by assessments against insurers licensed to write property and casualty insurance in the state, is required by law to process and pay qualifying claims filed by state residents against an insolvent insurance company. CIGA will attempt to refund those insurers they assess over time with funds they recover from the insolvent insurer.

² To the extent insurers are refunded by CIGA they are required to reimburse Connecticut for their previously claimed offset to the insurance premiums tax.

OLR Bill Analysis**HB 7061*****AN ACT CONCERNING THE RIGHT OF RECOVERY BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.*****SUMMARY:**

By law, certain entities with a net worth exceeding \$50 million, except municipalities, must repay the Connecticut Insurance Guaranty Association for claims paid on behalf of the entity's insolvent insurer. This bill excludes from the repayment obligation all government entities and charitable organizations (i.e., tax exempt under Internal Revenue Code section 501(c)(3)).

EFFECTIVE DATE: Upon passage

BACKGROUND***Connecticut Insurance Guaranty Association***

The association, which is funded by assessments against insurers licensed to write property and casualty insurance in the state, is required by law to process and pay qualifying claims filed by state residents against an insolvent insurance company.

Related Bill

sSB 1212, reported favorably by the Insurance and Real Estate Committee, increases the association's claim coverage limit from \$300,000 to \$400,000.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 18 Nay 1 (03/15/2007)