



# House of Representatives

General Assembly

**File No. 112**

February Session, 2008

House Bill No. 5513

*House of Representatives, March 20, 2008*

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2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *October 1, 2008*):

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] one hundred  
12 million dollars and whose liability obligations to other persons are  
13 satisfied in whole or in part by payments made under said sections.  
14 For purposes of this subdivision, "insured" does not include a

15 municipality, as defined in section 7-148 of the 2008 supplement to the  
 16 general statutes, [or] the Second Injury Fund, established in section 31-  
 17 354, or a tax-exempt nursing home facility under Section 501(c)(3) of  
 18 the Internal Revenue Code of 1986, or any subsequent corresponding  
 19 internal revenue code of the United States, as amended from time to  
 20 time, and "nursing home facility" means a nursing home or rest home  
 21 that provides nursing supervision or a chronic and convalescent  
 22 nursing home that provides skilled nursing care under medical  
 23 supervision and direction.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2008	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:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

This bill has no fiscal impact for the Department of Insurance.

Under current law, the Connecticut Insurance Guaranty Association has a statutory right to recover amounts it paid on behalf of an insolvent insurer's (1) affiliates and (2) insureds whose net worth exceeds \$50 million. This bill increases the insureds' net worth amount to \$100 million. The bill also specifies that an IRS Code 501(c)(3) tax-exempt nursing home facility is not an insured, and, therefore, also would not have to repay the Connecticut Insurance Guaranty Association.

It should be noted that, in Connecticut, payment of claims by guaranty associations is coordinated with the Department of Insurance. Funds to pay claims, administrative costs and other guaranty association obligations are raised by mandatory "assessments" on insurance companies licensed to issue the same lines of insurance as the problem company. A company's assessment is based on its market share of the particular line of insurance involved.

**The Out Years**

**State Impact:** None

**Municipal Impact:** None

**OLR Bill Analysis****HB 5513*****AN ACT CONCERNING THE RIGHT OF RECOVERY BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.*****SUMMARY:**

Under current law, the Connecticut Insurance Guaranty Association (CIGA) has a statutory right to recover amounts it paid on behalf of an insolvent insurer's (1) affiliates and (2) insureds whose net worth exceeds \$50 million from those affiliates and insureds. This bill increases the insureds' net worth amount to \$100 million. Thus, insureds with net worth of less than \$100 million would be exempt from repaying CIGA.

By law, a municipality and the Second Injury Fund are not insureds, and thus not required to repay CIGA. The bill specifies that an IRS Code 501(c)(3) tax-exempt nursing home facility also is not an insured, and therefore, would not have to repay CIGA.

EFFECTIVE DATE: October 1, 2008

**NURSING HOME FACILITY**

The bill defines "nursing home facility" as a nursing home that provides nursing supervision or a chronic and convalescent nursing home that provides skilled nursing care under medical supervision and direction.

**BACKGROUND*****Connecticut Insurance Guaranty Association***

The law requires CIGA to process and pay qualifying claims that state residents file against an insolvent insurance company. It is funded by assessments against insurers licensed to write property and

casualty insurance in the state.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 18 Nay 0 (03/06/2008)