



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

5442

Testimony of the Connecticut Insurance Department  
Before the

Insurance and Real Estate Committee

Thursday, February 5th, 2009

**Raised Bill 5442—An Act Extending the Effective Date for Certain Interlocal Risk Management Pools**

The Connecticut Insurance Department would like to offer the following comments on Raised Bill 5442—An Act Extending the Effective Date for Certain Interlocal Risk Management Pools. Raised Bill 5442 seeks a further extension of time for MIRMA to meet its financial obligations to policyholders and to the injured workers who expect to have their claims paid.

### History

MIRMA was formed in January of 2002 under CGS 7-479. At that time the law required a minimum contingency fund of \$100,000. On June 30, 2002, MIRMA's contingency fund was below the minimum and equaled \$97,888. By June 20, 2004, the contingency fund had steadily deteriorated to (\$2,228,887). MIRMA failed to meet the statutory standard that provides for protection of policyholders and injured workers.

Numerous meetings were held with Insurance Department personnel and MIRMA officials to discuss a variety of alternatives, however, on June 2, 2005, the General Assembly passed Public Act 05-65 that allowed MIRMA "to choose not to maintain a contingency fund as required by current law until July 1, 2010." This statute provided five additional years for MIRMA to eliminate its negative position, and meet the minimum contingency fund requirements.

Between 2005 to 2008, the contingency fund has continued to deteriorate to (\$5.6 million). Actuarially supported estimates of outstanding claims to policyholders increased from \$5.7 million to \$7.5 million. The majority of unpaid claims relate to municipal employees who are injured on the job. The actuarial staff of the Insurance Department believes that MIRMA's ability to pay their obligations is worse than when Public Act 05-65 was enacted.

### Current Status

Upon analyzing certain data, the Insurance Department does not believe the surplus condition of MIRMA will improve over the next five years. Reasonable assumptions calculated by the Insurance Department reflect continued deterioration, and possibly even complete failure in 2013, at which time MIRMA's deficit could grow to over \$15 million. Due to adverse projections the Insurance Department recommends the following:

1. No action be taken on HB 5442 at this time since MIRMA is currently not in violation of the contingency fund requirements and defer consideration one year. Public Act 05-65 extended the date for first measurement to July 1, 2010.

2. Enhanced regulatory monitoring over the next four quarters in order to assess MIRMA's continued ability to meet claimant obligations.

Conclusion

The Department continues to work with our domestic carriers in order to better protect and serve Connecticut consumers. The Department is willing to continue its work with MIRMA officials and members of the General Assembly regarding this matter.