



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Oral Testimony of Jon Arsenault
General Counsel of the Connecticut Insurance Department

Before the
Insurance and Real Estate Committee

Tuesday, March 8, 2011

Raised Bill No. 6509 - An Act Concerning the Connecticut Insurance Guaranty Association and the Connecticut Life and Health Insurance Guaranty Association

Senator Crisco and Representative Megna, committee co-chairs and ranking members, and Members of the Committee, I am Jon Arsenault, General Counsel of the Connecticut Insurance Department. Thank you for the opportunity to appear before you this afternoon. I am here to testify on Raised Bill 6509 concerning Connecticut's insurance guaranty associations. This is a legislative proposal of the Insurance Department, with minor redrafting by Legislative Commissioner's Office. The Department would like to thank the Co-Chairmen of the Insurance and Real Estate Committee for raising this bill on our behalf.

The Connecticut Insurance Guaranty Association and the Connecticut Life and Health Insurance Guaranty Association were created in 1971 and 1972, respectively, to serve as a safety net for consumers of insolvent insurers licensed in Connecticut.

Raised Bill 6509 will amend the insurance guaranty association statutes to more closely follow the current provisions of the National Association of Insurance Commissioners insurance guaranty association model acts. The changes are described in detail in the written testimony of the Insurance Department. Of significance is the proposed increase in the coverage of the property and casualty insurance guaranty association from \$400,000 to \$500,000 for claims other than workers compensation, and the proposed increased limit of coverage for unearned premiums to \$10,000.

Raised Bill 6509 will also allow insurance companies to offset their premium tax liability by 50% of the amount of assessments they pay to the Connecticut insurance guaranty associations, instead a 100% tax offset under current law. (Sections 4 and 15.)

We believe that Connecticut should require insurers to share the economic loss associated with providing the insurance insolvency protection for consumers. This concept is similar to what exists for banking institutions which are required to pay the Federal Deposit Insurance Corporation for protection of customers' deposits.

The adjustments to the insurance premium tax offset provision as proposed in this legislation will provide a greater economic stake for insurers with respect to the costs of the insurance guaranty associations, including a greater sensitivity toward expenditures each association authorizes as administrative costs, rather than simply passing 100% of those costs as a premium tax offset.

Incidentally, it also will reduce the loss of state tax revenue associated with guaranty fund tax offset if an insurance company were to become insolvent.

Thank you once again for raising this legislation on behalf of the Insurance Department. We ask that the Committee act favorably on Raised Bill 6509.

We would be happy to answer any questions you may have.