

Testimony of the American Council of Life Insurers  
Before the Insurance and Real Estate Committee  
Tuesday, February 14, 2012

Senate Bill 20 - An Act Concerning the Assessment Methodology Used by the Insurance Department and the Office of the Healthcare Advocate

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in opposition to Senate Bill 20 - An Act Concerning the Assessment Methodology Used by the Insurance Department and the Office of the Healthcare Advocate. The requirements of Senate Bill 20 are particularly problematic for domestic insurance companies in Connecticut.

The insurance industry is a key component of Connecticut's economy. Insurers in Connecticut employ 40,000 people and support 57,000 non-insurance jobs in the state. Senate Bill 20 will negatively impact insurers domiciled in Connecticut by exposing them to retaliatory taxes in other states.

#### Background on Retaliatory Taxes

During the nation's early years, the insurance industry was far less national in scope and the majority of insurers did business within the borders of their home state. Over the course of time, insurer companies expanded their business to other states. To protect local insurers, states began charging companies from neighboring states a premium tax not charged to domestic insurers. To counter this protectionism, states with domestic insurers doing national business began to enact what became known as retaliatory laws. Retaliation is an attempt to burden an out-of-state insurer in exactly the same way, and to the same extent, that the out-of-state insurer's state of domicile would burden a foreign insurer.

#### Harm to Connecticut Companies

Raised Bill 20 changes the way that insurance companies are assessed for the funding of the Insurance Department and the Office of the Healthcare Advocate. Currently, domestic insurance companies are assessed to pay for the administrative costs of both offices. Senate Bill 20 would require that all insurance companies operating in Connecticut be assessed annually to fund the Insurance Department. While this 'spreading the cost' idea sounds fair, it is actually detrimental to Connecticut domestic companies by exposing them to additional taxation as a result of retaliatory laws in other states.

#### Conclusion

In order to continue to grow Connecticut's economy and to retain jobs in the state, policy makers should make every effort to reduce the cost of doing business, not to further burden local business. Senate Bill 20 will result in additional expense to Connecticut domestic insurers and for this reason we urge you to vote in opposition to the proposal.

Thank you for your consideration of our position. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at 202-624-2463 with any questions.

*ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 242 ACLI member companies licensed to do business in Connecticut, accounting for 91 percent of the ordinary life insurance in force in the state.*