



Testimony of Gary J. Vallo  
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Submitted to the Program Review and  
Investigations Committee

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Good morning Senator Fonfara, Representative Rowe, and members of the Program Review and Investigations Committee. My name is Gary Vallo; I am Chief Executive Officer of Middlesex Mutual Assurance Company, headquartered in Middletown, Connecticut.

It is my pleasure to speak to you this morning in reference to the matter on your agenda today titled: An Investigation into the Assessment Methodology and Process to Fund the Insurance Department.

As I have spoken about previously, the Department of Insurance operating budget is not funded by the State's General Fund. Instead, under statutory authority, its budget – which is slightly more than \$24 million – is derived from an assessment that it applies to the Connecticut domiciled companies it regulates.

While the Department of Insurance regulates the entire industry of approximately 1,200 companies writing policies in Connecticut, it is funded only by 109 Connecticut domiciled companies – less than 10 percent of the industry. These 109 domestic companies include companies with their home offices here in Connecticut, such as our company Middlesex Mutual Assurance, which has been a Connecticut domiciled company since 1836.

Foreign insurers – those who are domiciled in other states – pay nothing. The disparity between the tax burden borne by foreign and domestic insurers creates

an unequal playing field for Connecticut domiciled companies like Middlesex Mutual. It is for this reason that almost all other states assess both foreign and domestic companies in funding their Departments of Insurance.

You have heard that there is a potential retaliatory tax to be concerned about; we have heard this as well. But my message to you today is a simple one: Connecticut's regulatory framework in this area needs to be more like that of the other states. It ought not let the "non-domestics" who write most of the business in Connecticut have a free ride while the companies that choose to make this state their home, like Middlesex Mutual Assurance, are placed at a competitive disadvantage by having to shoulder all of the burden.

To accomplish that goal, all that is required is to make a simple adjustment to the method of calculating the annual assessment, from its current method of assessing only those companies domiciled in Connecticut, to assessing all companies, foreign and domestic which operate and write business in Connecticut, would serve to level the playing field and broaden the tax base. Let me say it again – most other states in the country assess all companies that write policies in those states. This change would result in fairer assessments for Connecticut domiciled companies, and serve to create a level playing field within which all companies would operate.

Thank you for your consideration in this matter. I would be pleased to take any questions.