



General Assembly

February Session, 2012

**Raised Bill No. 411**

LCO No. 2097

\*02097\_\_\_\_\_INS\*

Referred to Committee on Insurance and Real Estate

Introduced by:  
(INS)

**AN ACT CONCERNING THE INSURANCE HOLDING COMPANY  
SYSTEM REGULATORY ACT.**

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Section 38a-129 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2012*):

3 (a) It shall be the purpose of sections 38a-129 to 38a-140, inclusive,  
4 as amended by this act, to safeguard the financial security of  
5 Connecticut domestic insurance companies by empowering the  
6 Insurance Commissioner to supervise the activities of insurance  
7 companies doing business within this state which are affiliated with an  
8 insurance holding company system, to review the acquisition of  
9 control over the management of domestic insurance companies,  
10 however effectuated, and to provide standards for such supervision  
11 and review.

12 (b) As used in sections 38a-129 to 38a-140, inclusive, as amended by  
13 this act, the following terms shall have the respective meanings  
14 hereinafter set forth, unless the context shall otherwise require:

15 (1) "Affiliate" [and] or "affiliated" [have] has the same meaning  
16 [assigned to them by] as provided in section 38a-1;

17 (2) "Commissioner" means the Insurance Commissioner and any  
18 assistant to the Insurance Commissioner designated and authorized by  
19 [him] the commissioner while acting under such designation;

20 (3) "Control", "controlled by" [and] or "under common control with"  
21 [have] has the same meaning [assigned to them by] as provided in  
22 section 38a-1. Control shall be presumed to exist if any person, directly  
23 or indirectly, owns, controls, holds with the power to vote, or holds  
24 proxies representing, ten per cent or more of the voting securities of  
25 any other person. This presumption may be rebutted by a showing  
26 that control does not exist in fact. The commissioner may determine,  
27 after furnishing all persons in interest notice and opportunity to be  
28 heard and making specific findings of fact to support the  
29 determination, [determine] that control exists in fact, notwithstanding  
30 the absence of a presumption to that effect;

31 (4) "Enterprise risk" means any activity, circumstance, event or  
32 series of events involving one or more affiliates of an insurer that, if  
33 not remedied promptly, is likely to have a material adverse effect upon  
34 the financial condition or liquidity of the insurer or the insurer's  
35 insurance holding company system as a whole, including, but not  
36 limited to, any activity, circumstance, event or series of events that  
37 would cause an insurer's risk-based capital to fall below minimum  
38 threshold levels, as described in subsection (d) of section 38a-72 or, for  
39 a health care center, in subdivision (2) of subsection (a) of section 38a-  
40 193, or would cause the insurer to be in a hazardous financial  
41 condition;

42 [(4)] (5) "Insurance holding company system" means two or more  
43 affiliated persons, one or more of which is an insurance company;

44 [(5)] (6) "Insurance company" [shall have] or "insurer" has the same  
45 meaning as [set forth] provided in section 38a-1, except that it [shall]

46 does not include agencies, authorities or instrumentalities of the  
47 United States, its possessions and territories, the Commonwealth of  
48 Puerto Rico, the District of Columbia, or a state or political subdivision  
49 of a state;

50 (7) "NAIC" means the National Association of Insurance  
51 Commissioners.

52 ~~[(6)]~~ (8) "Person" [means a person as defined] has the same meaning  
53 as provided in section 38a-1, or any combination of persons so defined  
54 acting in concert;

55 ~~[(7)]~~ (9) A "securityholder" of a specified person means one who  
56 owns any security of such person, including common stock, preferred  
57 stock, debt obligations and any other security convertible into or  
58 evidencing the right to acquire any of the foregoing;

59 ~~[(8)]~~ (10) "Subsidiary" [is defined] has the same meaning as  
60 provided in section 38a-1;

61 ~~[(9)]~~ (11) "Voting security" [is defined to include] includes any  
62 security convertible into or evidencing a right to acquire a voting  
63 security.

64 Sec. 2. Section 38a-130 of the general statutes is repealed and the  
65 following is substituted in lieu thereof (*Effective October 1, 2012*):

66 (a) (1) No person other than the issuer shall make a tender offer for  
67 [ ] or a request or invitation for tenders of, enter into any agreement to  
68 exchange securities for, seek to acquire [ ] or acquire, in the open  
69 market or otherwise, any voting security, or solicit any proxy for the  
70 purpose of acquiring control, of a domestic insurance company or,  
71 subject to the provisions of subsection (c) of this section, any  
72 corporation controlling a domestic insurance company if, after the  
73 consummation thereof, such person would, directly or indirectly, or by  
74 conversion or by exercise of any right to acquire, be in control of such  
75 domestic insurance company or corporation controlling a domestic

76 insurance company. [, and no] As used in this section, (A) "domestic  
77 insurance company" includes any person controlling a domestic  
78 insurance company unless such person is directly or through affiliates  
79 primarily engaged in business other than the business of insurance, as  
80 determined by the commissioner, and (B) "person" does not include a  
81 securities broker holding, in the usual and customary broker's  
82 function, less than twenty per cent of the voting securities of an  
83 insurance company or of any entity that controls an insurance  
84 company.

85 (2) (A) (i) No person shall enter into an agreement to merge with or  
86 otherwise acquire control of a domestic insurance company or any  
87 corporation controlling a domestic insurance company unless, at the  
88 time any form of initial offer, request or invitation is made or the  
89 agreement is entered into, or prior to the acquisition of such securities  
90 or proxies if no offer or agreement is involved, such person has filed  
91 with the commissioner and has sent to such insurance company a  
92 statement containing the information required by subsection (b) of this  
93 section and such offer, request, invitation, agreement or acquisition has  
94 been approved by the commissioner in the manner hereinafter  
95 prescribed.

96 (ii) If any offer, request, invitation, agreement or acquisition is  
97 proposed to be made by means of a registration statement under the  
98 Securities Act of 1933 or in circumstances requiring the disclosure of  
99 similar information under the Securities Exchange Act of 1934, the  
100 person required to file the statement under subparagraph (A)(i) of this  
101 subdivision may utilize the registration statement or such documents  
102 furnishing the similar information to provide the information required  
103 by subsection (b) of this section, to the extent that the registration  
104 statement or such documents contains such information.

105 (B) If the acquisition will result in a change of control of an  
106 insurance company authorized to do business in this state, the person  
107 seeking to acquire control of such insurance company shall file the

108 preacquisition notification set forth in subsection (c) of section 38a-131,  
109 as amended by this act, with the commissioner and comply with the  
110 provisions of subsection (c) of section 38a-131, as amended by this act.

111 (3) Any controlling person of a domestic insurance company  
112 seeking to divest in any manner such person's controlling interest in  
113 such insurance company shall file with the commissioner and send to  
114 such insurance company a confidential notice of the proposed  
115 divestiture at least thirty days' prior to such divestiture, except that if a  
116 statement set forth in subparagraph (A) of subdivision (2) of this  
117 subsection has been filed with the commissioner with respect to such  
118 transaction, such controlling person shall not be required to file or  
119 send such confidential notice. The notice shall remain confidential  
120 until the conclusion of the divestiture unless the commissioner  
121 determines that such confidential treatment will interfere with the  
122 enforcement of this section. The commissioner shall adopt regulations,  
123 in accordance with the provisions of chapter 54, to establish the  
124 circumstances under which a controlling person shall be required to  
125 obtain the commissioner's prior approval of such divestiture.

126 (b) [Such] (1) The statement required under subparagraph (A) of  
127 subdivision (2) of subsection (a) of this section shall be made under  
128 oath or affirmation and shall contain the following information:

129 [(1)] (A) The name and address of each person by whom or on  
130 whose behalf the merger or other acquisition of control referred to in  
131 subsection (a) of this section is to be effected, hereinafter called  
132 "acquiring party", and (i) if such person is an individual, [his] such  
133 individual's principal occupation and all offices and positions held  
134 during the past five years, and any conviction of crimes other than  
135 minor traffic violations during the past ten years, [;] or (ii) if such  
136 person is not an individual, (I) a report of the nature of its business  
137 operations during the past five years or for such lesser period as such  
138 person and any predecessors thereof shall have been in existence, [;]  
139 (II) an informative description of the business intended to be done by

140 such person and such person's subsidiaries, [;] and (III) a list of all  
141 individuals who are or who have been selected to become directors or  
142 executive officers of such person [.] or who perform functions  
143 appropriate to such positions. Such list shall include for each such  
144 individual the information required by subparagraph (A)(i) of this  
145 subdivision;

146 [(2)] (B) The source, nature and amount of the consideration used or  
147 to be used in effecting the merger or other acquisition of control, a  
148 description of any transaction wherein funds were or are to be  
149 obtained for any such purpose including any pledge of the insurance  
150 company's stock [.] or the stock of any of its subsidiaries or controlling  
151 affiliates [.] and the identity of persons furnishing such consideration,  
152 provided, where a source of such consideration is a loan made in the  
153 lender's ordinary course of business, the identity of the lender shall  
154 remain confidential if the person filing such statement so requests;

155 [(3)] (C) Fully audited financial information as to the earnings and  
156 financial condition of each acquiring party or for the preceding five  
157 fiscal years of each such acquiring party for such lesser period as such  
158 acquiring party and any predecessors thereof shall have been in  
159 existence, and similar unaudited information as of a date not earlier  
160 than ninety days prior to the filing of the statement;

161 [(4)] (D) Any plans or proposals [which] that each acquiring party  
162 may have to liquidate such insurance company, to sell [its] such  
163 insurance company's assets or merge or consolidate it with any person,  
164 or to make any other material change in [its] such insurance company's  
165 business or corporate structure or management;

166 [(5)] (E) The number of shares of any security referred to in  
167 subsection (a) of this section [which] that each acquiring party  
168 proposes to acquire, [and] the terms of the offer, request, invitation,  
169 agreement or acquisition referred to in said subsection (a), and a  
170 statement as to the method by which the fairness of the proposal was  
171 arrived at;

172        [(6)] (F) The amount of each class of any security referred to in  
173 subsection (a) of this section [which] that is beneficially owned or  
174 concerning which there is a right to acquire beneficial ownership by  
175 each acquiring party;

176        [(7)] (G) A full description of any contracts, arrangements or  
177 understandings with respect to any security referred to in subsection  
178 (a) of this section in which any acquiring party is involved, including,  
179 but not limited to, transfer of any of the securities, joint ventures, loan  
180 or option arrangements, puts or calls, guarantees of loans, guarantees  
181 against loss or guarantees of profits, division of losses or profits [,] or  
182 the giving or withholding of proxies. Such description shall identify  
183 the persons with whom such contracts, arrangements or  
184 understandings have been entered into;

185        [(8)] (H) A description of the purchase of any security referred to in  
186 subsection (a) of this section during the twelve calendar months  
187 preceding the filing of the statement, by any acquiring party, including  
188 the dates of purchase, names of the purchasers and consideration paid  
189 or agreed to be paid;

190        [(9)] (I) A description of any recommendations to purchase any  
191 security referred to in subsection (a) of this section made during the  
192 twelve calendar months preceding the filing of the statement, by any  
193 acquiring party, or by anyone based upon interview or at the  
194 suggestion of such acquiring party;

195        [(10)] (J) Copies of all tender offers for, requests, [or] invitations for  
196 tenders of, exchange offers for [,] and agreements to acquire or  
197 exchange any securities referred to in subsection (a) of this section and  
198 of additional soliciting material relating thereto;

199        [(11)] (K) The term of any agreement, contract or understanding  
200 made with or proposed to be made with any broker-dealer as to  
201 solicitation of securities referred to in subsection (a) of this section for  
202 tender and the amount of any fees, commissions or other

203 compensation to be paid to broker-dealers with regard thereto;

204 (L) An acknowledgment by the person filing such statement that  
205 such person shall make a good faith effort to ensure that the annual  
206 enterprise risk report required under subsection (f) of section 38a-135,  
207 as amended by this act, is filed in a timely manner for as long as such  
208 person's control exists;

209 (M) An acknowledgment by the person filing such statement that  
210 such person and all subsidiaries in the insurance holding company  
211 system within such person's control will provide such information the  
212 commissioner may request to evaluate enterprise risk to the insurance  
213 company; and

214 [(12)] (N) Such additional information as the commissioner may  
215 prescribe as necessary or appropriate for the protection of  
216 policyholders of the insurance company or in the public interest.

217 (2) If the person required to file the statement [referred to in  
218 subsection (a)] under subparagraph (A) of subdivision (2) of  
219 subsection (a) of this section is a partnership, limited partnership,  
220 syndicate or other group, the commissioner may require that the  
221 information called for by [subdivisions (1) to (12)] subparagraphs (A)  
222 to (N), inclusive, of subdivision (1) of this subsection shall be given  
223 with respect to each partner of such partnership or limited partnership,  
224 each member of such syndicate or group [,] and each person who  
225 controls such partner or member. If any such partner, member or  
226 person [is a corporation,] or the person required to file [the] such  
227 statement [referred to in subsection (a) of this section] is a corporation,  
228 the commissioner may require that the information called for by  
229 [subdivisions (1) to (12)] subparagraphs (A) to (N), inclusive, of  
230 subdivision (1) of this subsection shall be given with respect to such  
231 corporation, each officer and director of such corporation [,] and each  
232 person who is directly or indirectly the beneficial owner of more than  
233 ten per cent of the outstanding voting securities of such corporation. If  
234 any material change occurs in the facts set forth in the statement filed

235 with the commissioner and sent to such [insurer] insurance company  
236 pursuant to this section, an amendment setting forth such change,  
237 together with copies of all documents and other material relevant to  
238 such change, shall be filed with the commissioner and sent to such  
239 insurance company [within] not later than two business days after the  
240 person learns of such change.

241 (c) Any person seeking to acquire control of any corporation [which]  
242 that is not itself a domestic insurance company but [which] that  
243 controls a domestic insurance company shall remain fully subject to all  
244 the provisions of sections 38a-129 to 38a-140, inclusive, as amended by  
245 this act, except if such control is sought to be acquired by means of a  
246 tender offer, exchange offer or solicitation of proxies, the required  
247 approval of the commissioner need not be obtained prior to  
248 commencement of such tender offer, exchange offer or solicitation of  
249 proxies. Such person shall [, however,] be required to furnish the  
250 commissioner with a statement under oath or affirmation containing  
251 the information required in subsection (b) of this section no later than  
252 the date on which the tender offer, exchange offer or solicitation of  
253 proxies commences.

254 (d) The following shall constitute violations of subsections (a) to (c),  
255 inclusive, of this section: (1) The failure to file any statement,  
256 amendment or other material required to be filed pursuant to  
257 subsection (a) or (b) of this section; [or] (2) the effectuation of [,] or any  
258 attempt to effectuate [,] an acquisition of control of [,] or merger with  
259 [,] a domestic insurance company, other than a domestic insurance  
260 company referred to in subsection (c) of this section, unless the  
261 commissioner has given [his prior] the commissioner's approval  
262 thereto after [the] a hearing [required under] held pursuant to section  
263 38a-132, as amended by this act; or (3) the effectuation of an acquisition  
264 of control of [,] or merger with [,] a domestic insurance company  
265 referred to in subsection (c) of this section, unless the commissioner  
266 has given [his prior] the commissioner's approval thereto after [the] a  
267 hearing [required under] held pursuant to section 38a-132, as amended

268 by this act. For purposes of subdivision (3) of this subsection, the  
269 acquisition, directly or indirectly, of ten per cent or more of the voting  
270 securities of any corporation [which] that is not itself a domestic  
271 insurance company but [which] that controls a domestic insurance  
272 company, whether by tender offer, exchange offer [,] or otherwise, or  
273 the voting of proxies representing ten per cent or more of the voting  
274 securities of any such corporation shall be presumed to be the  
275 effectuation of an acquisition of control of a domestic insurance  
276 company referred to in subsection (c) of this section.

277 (e) The courts of this state hereby are vested with jurisdiction over  
278 every person not resident, domiciled or authorized to do business in  
279 this state who files a statement with the commissioner under  
280 subsection (a) of this section [,] and [overall] over all actions involving  
281 such persons arising out of violations of this section. [, and each] Each  
282 such person shall be deemed to have performed acts equivalent to and  
283 constituting an appointment by such [a] person of the commissioner to  
284 be [his] such person's true and lawful attorney upon whom may be  
285 served all lawful process in any action, suit or proceeding arising out  
286 of violations of this section. Copies of all such lawful process shall be  
287 served on the commissioner in accordance with section 38a-26.

288 Sec. 3. Section 38a-131 of the general statutes is repealed and the  
289 following is substituted in lieu thereof (*Effective October 1, 2012*):

290 [If any offer, invitation, request, agreement or acquisition referred to  
291 in section 38a-130 is proposed to be made by means of a registration  
292 statement under the Securities Act of 1933 or in circumstances  
293 requiring the disclosure of similar information under the Securities  
294 Exchange Act of 1934, the person required to file the statement referred  
295 to in said section 38a-130 may utilize such documents in furnishing the  
296 information required by said section to the extent that the registration  
297 statement contains such information.]

298 (a) For purposes of this section, (1) "acquisition" includes any  
299 agreement, arrangement or activity the consummation of which will

300 result in a person acquiring, directly or indirectly, the control of  
301 another through the acquisition of voting securities, assets or bulk  
302 reinsurance or through a merger, and (2) "involved insurer" means (A)  
303 an insurance company that acquires or is acquired by another person,  
304 (B) is affiliated with an insurance company that acquires or is acquired  
305 by another person, or (C) an insurance company that is the result of a  
306 merger.

307 (b) The provisions of this section shall apply to any acquisition in  
308 which there will be a change of control of an insurance company  
309 authorized to do business in this state, except for the following:

310 (1) A purchase of securities solely for investment purposes,  
311 provided such securities are not used by voting or otherwise to cause  
312 or attempt to cause substantial reduction of competition in any  
313 insurance market in this state. If a purchase of securities results in a  
314 presumption of control as set forth in subdivision (3) of subsection (b)  
315 of section 38a-129, as amended by this act, such purchase shall be  
316 deemed not to be solely for investment purposes unless (A) the  
317 insurance regulatory official of such insurance company's state of  
318 domicile accepts a disclaimer of control from such insurance company  
319 or such regulatory official affirmatively finds that control does not  
320 exist, and (B) such regulatory official communicates such disclaimer or  
321 affirmative finding to the commissioner;

322 (2) The acquisition of a person by another person when neither  
323 person is directly or through affiliates primarily engaged in the  
324 business of insurance;

325 (3) The acquisition of an affiliate;

326 (4) An acquisition if, as an immediate result of such acquisition, (A)  
327 the combined market share of the involved insurers will not exceed  
328 five per cent of the total market in any market, (B) there will be no  
329 increase in any market share, or (C) (i) the combined market share of  
330 the involved insurers will not exceed twelve per cent of the total

331 market in any market, and (ii) the market share will not increase more  
332 than two per cent of the total market in any market;

333 (5) An acquisition for which a preacquisition notification would be  
334 required solely due to the resulting effect on the ocean marine  
335 insurance line of business in this state;

336 (6) An acquisition of an insurance company that is affirmatively  
337 determined by the insurance regulatory official of such insurance  
338 company's state of domicile to be in failing condition and (i) there is a  
339 lack of a feasible alternative to improving such condition, (ii) the  
340 public benefits of improving such insurance company's condition  
341 through the acquisition exceed the public benefits that would arise  
342 from not causing a reduction in competition in this state, and (iii) such  
343 regulatory official has communicated such determination and findings  
344 to the Insurance Commissioner.

345 (c) For an acquisition not exempt under subsection (b) of this  
346 section, the acquiring party shall file a preacquisition notification in  
347 accordance with this section and the acquired party may file a  
348 preacquisition notification. The commissioner shall treat any  
349 information filed under this subsection as confidential in the same  
350 manner as provided under section 38a-137, as amended by this act.

351 (1) The preacquisition notification shall be in such form and contain  
352 such information as the National Association of Insurance  
353 Commissioners prescribes. The commissioner may require additional  
354 material and information the commissioner deems necessary,  
355 including, but not limited to, the opinion of an economist as to the  
356 impact of the proposed acquisition on competition in this state, to  
357 evaluate whether the proposed acquisition will violate the competitive  
358 standard described in subsection (d) of this section.

359 (2) There shall be a waiting period after the acquiring party files the  
360 preacquisition notification. Such waiting period shall begin on the date  
361 the commissioner receives the preacquisition notification and shall end

362 on the thirtieth day after such date or upon termination by the  
363 commissioner of such waiting period, whichever is earlier. Prior to the  
364 end of the waiting period, the commissioner may require, on a one-  
365 time basis, the acquiring party or the acquired party to submit  
366 additional needed information relevant to the proposed acquisition, in  
367 which case the waiting period shall end on the thirtieth day after the  
368 commissioner receives the additional information or upon termination  
369 by the commissioner of such waiting period, whichever is earlier.

370 (d) (1) For a proposed acquisition not exempt under subsection (b)  
371 of this section, the commissioner shall evaluate whether such proposed  
372 acquisition will reduce substantially competition in any line of  
373 insurance business in this state or tend to create a monopoly in this  
374 state. In making such evaluation, the commissioner shall consider the  
375 percentages of market share the involved insurers possess and the  
376 market in which the involved insurers compete.

377 (A) (i) With respect to an acquisition involving more than two  
378 involved insurers, if a comparison of the percentage of market share of  
379 the insurance company with the largest market share, designated as  
380 Insurer A, against each involved insurer shows for any such  
381 comparison that the percentages exceed those in the tables set forth in  
382 this subparagraph, such showing shall be prima facie evidence of a  
383 violation of the competitive standards described in this subdivision.  
384 Percentages not shown in the tables shall be interpolated  
385 proportionately to the percentages shown:

386 (I) In a highly concentrated market and the involved insurers  
387 possess the following shares of the market:

	<u>Insurer A</u>	<u>Insurer B</u>
T1		
T2	<u>4%</u>	<u>4% or more</u>
T3	<u>10%</u>	<u>2% or more</u>
T4	<u>15%</u>	<u>1% or more</u>

388 or;

389 (II) In a market not highly concentrated and the involved insurers  
390 possess the following shares of the market:

	<u>Insurer A</u>	<u>Insurer B</u>
T5		
T6	<u>5%</u>	<u>5% or more</u>
T7	<u>10%</u>	<u>4% or more</u>
T8	<u>15%</u>	<u>3% or more</u>
T9	<u>19%</u>	<u>1% or more.</u>

391 (ii) For purposes of this subparagraph, a highly concentrated market  
392 is one in which the share of the four largest insurance companies is  
393 seventy-five per cent or more of the market.

394 (B) (i) An acquisition involving two or more involved insurers  
395 competing in the same market shall be prima facie evidence of a  
396 violation of the competitive standards described in this subdivision if  
397 (I) there is a significant trend toward increased concentration in the  
398 market, (II) one of the involved insurers is included in a grouping of  
399 large insurance companies that shows the increase in market share  
400 specified in subparagraph (B)(ii) of this subdivision, and (III) another  
401 involved insurer's market share is two per cent or more.

402 (ii) For purposes of this subparagraph, there is a significant trend  
403 toward increased concentration in the market when the aggregate  
404 market share for any grouping of the largest insurance companies in  
405 the market, from the two largest to the eight largest, has increased by  
406 seven per cent or more of the market over a period extending from any  
407 base year not less than five years and not more than ten years prior to  
408 the proposed acquisition.

409 (2) For purposes of subdivision (1) of this subsection, "market"  
410 means the relevant product and geographical markets. In determining  
411 the relevant product and geographical markets, the commissioner shall  
412 give due consideration to (A) definitions or guidelines, if any,  
413 promulgated by the National Association of Insurance Commissioners,  
414 (B) information submitted, if any, by an acquiring party or an acquired

415 party, and (C) any other information the commissioner deems  
416 relevant. In the absence of sufficient information to the contrary, the  
417 relevant product market shall be the direct written insurance premium  
418 for a line of business, such line being that used in the annual statement  
419 insurance companies doing business in this state are required to file  
420 with the commissioner, and the relevant geographical market shall be  
421 this state.

422 (3) (A) An acquiring party or an acquired party may rebut a prima  
423 facie violation set forth in subdivision (1) of this subsection based on  
424 substantial evidence of the absence of the requisite anticompetitive  
425 effect. Factors relevant to such rebuttal include, but are not limited to,  
426 the involved insurers' market shares, the volatility of market leader  
427 rankings, the number of competitors in the market, the concentration  
428 and the trend in concentration in the insurance industry and ease of  
429 entry to and exit from the market.

430 (B) The commissioner may find, based on substantial evidence, a  
431 violation of the competitive standards described in subdivision (1) of  
432 this subsection that is not a prima facie violation as set forth in said  
433 subdivision (1).

434 (e) (1) (A) If the commissioner finds that a proposed acquisition  
435 violates the competitive standards described in subdivision (1) of  
436 subsection (d) of this section or if an acquiring party fails to file or fails  
437 to provide adequate information in the preacquisition notification  
438 required under subsection (c) of this section, the commissioner may  
439 issue an order, after notice and hearing, (i) directing an involved  
440 insurer to cease and desist from doing business in this state with  
441 respect to any line of insurance involved in the violation, or (ii)  
442 denying the application of an involved insurer for a license to do  
443 business in this state.

444 (B) The commissioner shall not issue such order unless (i) there is a  
445 hearing, (ii) notice of the hearing is provided to the involved insurers  
446 prior to the end of the waiting period specified in subsection (c) of this

447 section and not less than fifteen days prior to the hearing, and (iii) the  
448 hearing is concluded and the order issued not later than sixty days  
449 after the date the acquiring party filed the preacquisition notification  
450 under subsection (c) of this section. Any such order shall be  
451 accompanied by a written decision by the commissioner setting forth  
452 findings of fact and conclusions of law.

453 (C) Any person who violates a cease and desist order of the  
454 commissioner may, after notice and hearing, be fined not more than  
455 ten thousand dollars for each day of such violation or be subject to  
456 suspension or revocation of such person's license or both.

457 (D) An order issued pursuant to this subdivision shall not apply if  
458 the proposed acquisition is not consummated.

459 (2) The commissioner shall not issue an order under subdivision (1)  
460 of this subsection if:

461 (A) The proposed acquisition will yield substantial economies of  
462 scale or economies in resource utilization that cannot be feasibly  
463 achieved in any other way and the public benefits that would arise  
464 from such economies exceed the public benefits that would arise from  
465 not causing a reduction in competition in this state; or

466 (B) The proposed acquisition will substantially increase the  
467 availability of insurance in this state and the public benefits of such  
468 increase exceed the public benefits that would arise from not causing a  
469 reduction in competition in this state.

470 (f) Any person that fails to make a filing required under this section  
471 and fails to demonstrate a good faith effort to comply with such filing  
472 requirement shall be fined not more than fifty thousand dollars.

473 Sec. 4. Section 38a-132 of the general statutes is repealed and the  
474 following is substituted in lieu thereof (*Effective October 1, 2012*):

475 [(a) (1) The commissioner shall hold a public hearing on the

476 question of the granting of his approval under section 38a-130 within  
477 thirty days after the statement required by said section containing all  
478 the information, as determined by the commissioner, is filed with him,  
479 and at least twenty days notice thereof shall be given by the  
480 commissioner to the person filing the statement. No less than fifteen  
481 days' notice of such public hearing shall be given by the person filing  
482 the statement to the insurance company and to such other persons as  
483 may be designated by the commissioner. If any amendment to the  
484 statement is filed, the public hearing may be postponed by the  
485 commissioner for a reasonable period not to exceed thirty days after  
486 the filing of such amendment. The commissioner shall make a  
487 determination within thirty days after the conclusion of the hearing.

488 (2) The person filing the statement, the insurance company, any  
489 person to whom notice of hearing was sent and any other affected  
490 person shall have the right to present evidence, have counsel, examine  
491 or cross-examine witnesses and offer oral and written argument; and  
492 in connection therewith shall be entitled to conduct discovery  
493 proceedings in the same manner as is prescribed by the rules for the  
494 Superior Court. All discovery proceedings shall be concluded not later  
495 than three days prior to the commencement of the public hearing.

496 (3) The commissioner may engage the services of, at the acquiring  
497 person's expense, any attorneys, actuaries, accountants and other  
498 experts not otherwise a part of the commissioner's staff as may be  
499 reasonably necessary to assist the commissioner in reviewing the  
500 proposed acquisition of control.]

501 [(b) (1)] (a) The commissioner shall approve any merger or other  
502 acquisition of control referred to in subsection (a) of [this] section 38a-  
503 130, as amended by this act, unless, after a public hearing, [he] the  
504 commissioner finds that:

505 [(A)] (1) After the change of control, the domestic insurance  
506 company referred to in subsection (a) of [this] section 38a-130, as  
507 amended by this act, would not be able to satisfy the requirements for

508 the issuance of a license to write the line or lines of business for which  
509 it is presently licensed;

510 ~~[(B)] (2) (A)~~ The effect of the merger or other acquisition of control  
511 would be to substantially lessen competition of insurance in this state  
512 or tend to create a monopoly herein. The commissioner shall consider  
513 the information required under subdivision (1) of subsection (c) of  
514 section 38a-131, as amended by this act, and the considerations  
515 specified in subdivision (1) of subsection (d) of section 38a-131, as  
516 amended by this act, in evaluating the effect of the merger or other  
517 acquisition of control on competition in this state.

518 (B) The commissioner shall not disapprove the merger or other  
519 acquisition of control on the basis of this subparagraph if the  
520 commissioner finds that a situation as described in subdivision (2) of  
521 subsection (e) of section 38a-131, as amended by this act, exists.

522 (C) The commissioner may condition the approval of the merger or  
523 other acquisition of control on the correction or removal, within a  
524 specified period of time, of the basis of the commissioner's disapproval  
525 under this subparagraph;

526 ~~[(C)] (3)~~ The financial condition of any acquiring party is such as  
527 might jeopardize the financial stability of the insurance company or  
528 prejudice the interests of its policyholders;

529 ~~[(D)] (4)~~ The plans or proposals [which] of the acquiring party [has]  
530 to liquidate the insurance company, sell [its] such insurance company's  
531 assets or consolidate or merge [it] such insurance company with any  
532 person, or to make any other material change in its business or  
533 corporate structure or management, are unfair and unreasonable to  
534 policyholders of the insurance company and not in the public interest;

535 ~~[(E)] (5)~~ The competence, experience and integrity of those persons  
536 who would control the operation of the insurance company are such  
537 that it would not be in the interest of policyholders of the insurance

538 company and of the public to permit the merger or other acquisition of  
539 control; or

540 [(F)] (6) The acquisition is likely to be hazardous or prejudicial to  
541 those buying insurance.

542 [(2) For purposes of this subsection, "other acquisition of control"  
543 includes any offer, request, invitation, agreement, solicitation, or  
544 acquisition subject to section 38a-130.]

545 (b) (1) Any public hearing held by the commissioner pursuant to  
546 subdivision (1) of subsection (a) of this section shall be held not later  
547 than thirty days after the statement required by section 38a-130, as  
548 amended by this act, is filed with the commissioner. The commissioner  
549 shall provide at least twenty days' notice of such hearing to the person  
550 filing the statement. The person filing the statement shall (A) provide  
551 at least seven days' notice of such public hearing to the insurance  
552 company and to such other persons as may be designated by the  
553 commissioner, (B) publish, in a manner prescribed by the  
554 commissioner, notice of such hearing in a newspaper of general  
555 circulation in the city of Hartford and in such other municipality as the  
556 commissioner may direct, and (C) provide notice in such other manner  
557 as the commissioner deems appropriate under the circumstances. If  
558 any amendment to the statement is filed, the commissioner may  
559 postpone the public hearing for a reasonable period not to exceed  
560 thirty days after the filing of such amendment.

561 (2) The person filing the statement, the insurance company, any  
562 person to whom notice of hearing was sent and any other person  
563 whose interest may be affected shall have the right at the hearing to  
564 present evidence, have counsel, examine and cross-examine witnesses  
565 and offer oral and written argument; and in connection therewith shall  
566 be entitled to conduct discovery proceedings in the same manner as is  
567 prescribed by the rules for the Superior Court. All discovery  
568 proceedings shall be concluded not later than three days prior to the  
569 commencement of the public hearing.

570 (3) If a proposed merger or other acquisition of control under  
571 section 38a-130, as amended by this act, requires the approval of any  
572 other insurance regulatory official of another state, a public hearing  
573 may be held on a consolidated basis at the discretion of the  
574 commissioner. Such hearing shall be held within the United States  
575 before the insurance regulatory officials of the states in which the  
576 insurance companies are domiciled, who shall hear and receive  
577 evidence. An insurance regulatory official may attend such hearing in  
578 person or by telecommunication, as defined in section 28-30.

579 (4) The commissioner shall make a determination not later than  
580 thirty days after the conclusion of the hearing whether to approve such  
581 merger or other acquisition of control. If there will be a change of  
582 control of a domestic insurance company, the commissioner shall  
583 additionally make a determination not later than thirty days after the  
584 conclusion of the hearing whether the acquiring party shall be  
585 required to maintain or restore such insurance company's capital to the  
586 level required under title 38a.

587 (c) All expenses incurred by the commissioner in connection with  
588 the proceedings under this section, including expenses for the services  
589 of any attorneys, actuaries, accountants and other experts not  
590 otherwise a part of the commissioner's staff as may be reasonably  
591 necessary to assist the commissioner in reviewing the proposed merger  
592 or other acquisition of control shall be paid by the person filing the  
593 statement required by section 38a-130, as amended by this act.

594 Sec. 5. Section 38a-133 of the general statutes is repealed and the  
595 following is substituted in lieu thereof (*Effective October 1, 2012*):

596 The provisions of sections 38a-130 [, 38a-131,] and 38a-132, as  
597 amended by this act, and subsection (i) of section 38a-136, as amended  
598 by this act, shall not apply to [ : Any] any offer, request, invitation,  
599 agreement or acquisition [which] that the commissioner by order shall  
600 exempt therefrom as [(A)] (1) not having been made or entered into for  
601 the purpose and not having the effect of changing or influencing the

602 control of a domestic insurance company, or [(B) as] (2) otherwise not  
603 comprehended within the purposes of sections 38a-129 to 38a-140,  
604 inclusive, as amended by this act.

605 Sec. 6. Section 38a-135 of the general statutes is repealed and the  
606 following is substituted in lieu thereof (*Effective October 1, 2012*):

607 (a) Every insurance company [which] that is authorized to do  
608 business in this state and [which] is a member of an insurance holding  
609 company system shall register with the commissioner on a form  
610 prescribed by [him] the commissioner. Any insurance company  
611 [which] that is subject to registration under this section shall register  
612 [within] not later than fifteen days after it becomes subject to  
613 registration, and annually thereafter by June first of each year for the  
614 previous calendar year, unless the commissioner, for good cause  
615 shown, extends the time for registration, in which case it shall register  
616 within such extended time.

617 (b) (1) Every insurance company subject to registration shall file a  
618 registration statement [which] that shall contain the following current  
619 information:

620 [(1)] (A) The capital structure, general financial condition,  
621 ownership and management of the insurance company and any person  
622 controlling the insurance company;

623 [(2)] (B) The identity and relationship of every member of the  
624 insurance holding company system;

625 [(3)] (C) The following agreements in force, and transactions  
626 outstanding or [which] that have occurred during the last calendar  
627 year between such insurance company and its affiliates: (i) Loans,  
628 other investments, or purchases, sales or exchanges of securities of the  
629 affiliates by the insurance company or of the insurance company by its  
630 affiliates; (ii) purchases, sales or exchanges of assets; (iii) transactions  
631 not in the ordinary course of business; (iv) guarantees or undertakings

632 for the benefit of an affiliate [which] that result in an actual contingent  
633 exposure of the insurance company's assets to liability, other than  
634 insurance contracts entered into in the ordinary course of the insurance  
635 company's business; (v) management agreements, service contracts  
636 and cost-sharing arrangements; (vi) reinsurance agreements; (vii)  
637 dividends and other distributions to securityholders; and (viii)  
638 consolidated tax allocation agreements;

639 [(4)] (D) Any pledge of the insurance company's stock, including  
640 stock of any subsidiary or controlling affiliate, for a loan made to any  
641 member of the insurance holding company system; [and]

642 (E) If requested by the commissioner, financial statements of or  
643 within an insurance holding company system, including all affiliates.  
644 Such statements may include, but are not limited to, annual audited  
645 financial statements filed with the Securities and Exchange  
646 Commission pursuant to the Securities Act of 1933, as amended from  
647 time to time, or the Securities Exchange Act of 1934, as amended from  
648 time to time. An insurance company required to file financial  
649 statements under this subparagraph may provide the commissioner  
650 with its parent corporation's financial statements that are most recently  
651 filed with said commission;

652 (F) Statements that the insurance company's board of directors  
653 oversees corporate governance and internal controls of such company,  
654 and that such company's officers or senior management have  
655 approved, implemented and continue to maintain such governance  
656 and controls;

657 [(5)] (G) Other matters concerning transactions between registered  
658 insurance companies and any affiliates as may be included from time  
659 to time in any registration forms adopted or approved by the  
660 commissioner; and

661 (H) Any other information required by regulations adopted in  
662 accordance with the provisions of chapter 54.

663 [(c)] (2) All registration statements shall contain a summary  
664 outlining all items in the current registration statement representing  
665 changes from the prior registration statement.

666 [(d)] (c) No information need be disclosed on the registration  
667 statement filed pursuant to subsection (b) of this section if such  
668 information is not material for the purposes of this section. Unless the  
669 commissioner by regulation or order provides otherwise, sales,  
670 purchases, exchanges, loans or extensions of credit, investments, or  
671 guarantees involving one-half of one per cent or less of the insurance  
672 company's admitted assets as of the thirty-first day of December next  
673 preceding shall not be deemed material for purposes of this section.

674 [(e)] (d) Subject to subsection (b) of section 38a-136, as amended by  
675 this act, each registered insurance company shall report to the  
676 commissioner all dividends and other distributions to securityholders  
677 [within] not later than fifteen business days [following] after the  
678 declaration thereof or such other period as the commissioner shall  
679 prescribe by regulation.

680 [(f)] (e) Any person within an insurance holding company system  
681 subject to registration shall be required to provide complete and  
682 accurate information to an insurance company, where such  
683 information is reasonably necessary to enable the insurance company  
684 to comply with the provisions of sections 38a-129 to 38a-140, inclusive,  
685 as amended by this act.

686 (f) (1) The ultimate controlling person of each insurance company  
687 subject to registration under this section shall file an annual enterprise  
688 risk report in a form and manner prescribed by the commissioner.  
689 Such report shall identify, to the best of such person's knowledge and  
690 belief, the material risks within the insurance holding company system  
691 that could pose enterprise risk to the insurance company. The report  
692 shall be filed with the commissioner in accordance with the procedures  
693 in NAIC's applicable financial analysis handbook. Such report shall (A)  
694 be confidential by law and privileged, (B) not be subject to disclosure

695 under section 1-210, (C) not be subject to subpoena, and (D) not be  
696 subject to discovery or admissible in any civil action. The  
697 commissioner shall not make such report public without the prior  
698 written consent of the ultimate controlling person that filed such report  
699 unless the commissioner, after giving the ultimate controlling person  
700 and the insurance company to which such report pertains and its  
701 affiliates within the insurance holding company system who would be  
702 affected thereby notice and opportunity to be heard, determines that  
703 the interests of policyholders, securityholders or the public will be  
704 served by the publication thereof, in which event the commissioner  
705 may publish all or any part thereof in such manner as the  
706 commissioner may deem appropriate. The commissioner may use such  
707 report in the furtherance of any regulatory or legal action brought as  
708 part of the commissioner's official duties.

709 (2) The commissioner may share the enterprise risk report only with  
710 the insurance regulatory official of another state with laws or  
711 regulations substantially similar to subsection (a) of section 38a-137, as  
712 amended by this act, and who has agreed, in writing, to maintain the  
713 confidentiality and privileged status of such report.

714 (g) The commissioner shall terminate the registration of any  
715 insurance company [which] that demonstrates that it no longer is a  
716 member of an insurance holding company system.

717 (h) The commissioner may require or allow two or more affiliated  
718 insurance companies subject to registration hereunder to file a  
719 consolidated registration statement.

720 (i) The commissioner may allow an insurance company [which] that  
721 is authorized to do business in this state and [which] is part of an  
722 insurance holding company system to register on behalf of any  
723 affiliated insurer [which] that is required to register under subsection  
724 (a) of this section and to file all information and materials required to  
725 be filed under this section.

726 (j) Any person may file with the commissioner a disclaimer of  
727 affiliation with any insurance company and any insurance company  
728 may file a disclaimer of affiliation with any other person. The  
729 disclaimer shall fully disclose all material relationships and bases for  
730 affiliation between such person and such insurance company as well as  
731 the basis for disclaiming such affiliation. After a disclaimer has been  
732 filed, the insurance company shall be relieved of any duty to register  
733 or report under this section [which] that may arise out of the insurance  
734 company's relationship with such person unless [and until] the  
735 commissioner disallows such disclaimer. The commissioner shall  
736 disallow such disclaimer only after furnishing all parties in interest  
737 with notice and an opportunity to be heard, and after making specific  
738 findings of fact to support such disallowance.

739 (k) The failure to file a registration statement or any amendment,  
740 [or] addition thereto or summary or an enterprise risk report required  
741 by this section within the time specified for such filing shall be a  
742 violation of sections 38a-129 to 38a-140, inclusive, as amended by this  
743 act.

744 (l) The commissioner may by regulation or order exempt any  
745 insurance company or class of insurance companies from registration  
746 under this section if, in [his] the commissioner's judgment, registration  
747 by such company or class of companies is not necessary to effectuate  
748 the purposes of said sections.

749 (m) A foreign or alien insurer shall not be required to register  
750 pursuant to this section if it is (A) subject to disclosure requirements  
751 and standards adopted by statute or regulation in the jurisdiction of its  
752 domicile [which] that are substantially similar to those contained in  
753 this section and subsections (a), (b), (f) and (g) of section 38a-136, as  
754 amended by this act, or [if it is] (B) admitted in the domiciliary  
755 jurisdiction of the principal insurer in its holding company system and  
756 in said jurisdiction is subject to disclosure requirements and standards  
757 adopted by statute or regulation [which] that are substantially similar

758 to those contained in this section and subsections (a), (b), (f) and (g) of  
759 section 38a-136, as amended by this act. The commissioner may require  
760 any authorized insurer [which] that is a member of a holding company  
761 system [which is] not subject to registration under this section to  
762 furnish a copy of the registration statement or other information filed  
763 by such insurance company with the insurance regulatory authority of  
764 its domicile or the domicile of the principal insurer in its holding  
765 company system, as the case may be.

766 (n) (1) To assess the business strategy, financial, legal or regulatory  
767 position risk exposure, risk management or governance processes of a  
768 domestic insurance company registered under this section that is part  
769 of an insurance holding company system that has international  
770 operations, and as part of the examination pursuant to section 38a-14a,  
771 as amended by this act, of such insurance company, the commissioner  
772 may initiate, be a member of or participate in a supervisory college,  
773 which shall be a temporary or permanent forum for communication  
774 between and cooperation among state, federal and international  
775 regulatory officials.

776 (2) If the commissioner initiates a supervisory college, the  
777 commissioner shall (A) establish the membership of, and participation  
778 by state, federal or international regulatory officials in, such  
779 supervisory college, (B) establish the functions of the supervisory  
780 college and the role of members and participants, and select a  
781 chairperson for such supervisory college, (C) coordinate the activities  
782 of the supervisory college, including meeting planning and processes  
783 for information sharing that comply with the applicable confidentiality  
784 provisions set forth in section 38a-137, as amended by this act, and (D)  
785 establish a crisis management plan for such supervisory college.

786 (3) The commissioner may enter into written agreements with state,  
787 federal or international regulatory officials for the governing of the  
788 activities of a supervisory college. Any such agreements shall maintain  
789 the confidentiality requirements under section 38a-137, as amended by

790 this act.

791 (4) Each insurance company subject to registration under this  
792 section shall be assessed for and shall pay to the commissioner its  
793 share of the reasonable costs, including reasonable travel expenses, of  
794 the commissioner's participation in a supervisory college. Such  
795 payment shall be in addition to any other taxes, fees and moneys  
796 otherwise payable to the state. The commissioner shall establish the  
797 assessment method for such costs and provide reasonable notice to  
798 each insurance company subject to any such assessment.

799 (5) Nothing in this subsection shall be construed to limit the  
800 authority of the commissioner to regulate an insurance company or its  
801 affiliate under the commissioner's jurisdiction or to delegate any  
802 regulatory authority of the commissioner to a supervisory college.

803 Sec. 7. Section 38a-136 of the general statutes is repealed and the  
804 following is substituted in lieu thereof (*Effective October 1, 2012*):

805 (a) Transactions within [a] an insurance holding company system to  
806 which an insurance company subject to registration under section 38a-  
807 135, as amended by this act, is a party shall be subject to the following  
808 requirements: (1) The terms shall be fair and reasonable; (2) charges or  
809 fees for services performed shall be reasonable; (3) expenses incurred  
810 and payment received shall be allocated to the insurance company in  
811 conformity with customary insurance accounting practices consistently  
812 applied; (4) the books, accounts and records of each party shall be so  
813 maintained as to clearly and accurately disclose the precise nature and  
814 details of the transactions, including such accounting information as is  
815 necessary to support the reasonableness of the charges or fees to the  
816 respective parties; [and] (5) the insurance company's surplus shall be  
817 reasonable in relation to such company's outstanding liabilities and  
818 adequate to its financial needs; and (6) agreements for cost-sharing  
819 services and management shall include such provisions as may be  
820 required by regulations adopted by the commissioner.

821 (b) (1) The following transactions involving a domestic insurance  
822 company and any person in its holding company system, including  
823 amendments to or modifications of affiliate agreements previously  
824 filed pursuant to this section and that are subject to any materiality  
825 standards specified in subparagraphs (A) to (G), inclusive, of this  
826 subdivision, may not be entered into unless the insurance company  
827 has notified the commissioner in writing of its intention to enter into  
828 such transaction at least thirty days prior thereto, or such shorter  
829 period as the commissioner may permit, and the commissioner [either]  
830 has approved or not disapproved it within such period. The written  
831 notice for such amendments or modifications shall specify the reasons  
832 for the change and the financial impact on the domestic insurance  
833 company. Not later than thirty days after the termination of a  
834 previously filed agreement, the domestic insurance company shall  
835 notify the commissioner of such termination for the commissioner's  
836 determination of what written notice or filing shall be required, if any:

837 [(1)] (A) Sales, purchases, exchanges, loans or extensions of credit,  
838 [guarantee] or investments, provided such transactions are equal to or  
839 exceed: [(A)] (i) With respect to nonlife insurance companies, the lesser  
840 of three per cent of the insurance company's admitted assets or twenty-  
841 five per cent of surplus; or [(B)] (ii) with respect to life insurance  
842 companies, three per cent of the insurance company's admitted assets;  
843 each as of the thirty-first day of December next preceding;

844 [(2)] (B) Loans or extensions of credit to any person who is not an  
845 affiliate, where the insurance company makes such loans or extensions  
846 of credit with the agreement or understanding that the proceeds of  
847 such transactions, in whole or in substantial part, are to be used to  
848 make loans or extensions of credit to, to purchase assets of, or to make  
849 investments in, any affiliate of the insurance company making such  
850 loans or extensions of credit, provided such transactions are equal to or  
851 exceed: [(A)] (i) With respect to nonlife insurance companies, the lesser  
852 of three per cent of the insurance company's admitted assets or twenty-  
853 five per cent of surplus; or [(B)] (ii) with respect to life insurance

854 companies, three per cent of the insurance company's admitted assets;  
855 each as of the thirty-first day of December next preceding;

856 ~~[(3)]~~ (C) Reinsurance agreements or modifications thereto, including  
857 (i) all reinsurance pooling agreements, and (ii) agreements in which  
858 the reinsurance premium or a change in the insurance company's  
859 liabilities equals or exceeds five per cent of the insurance company's  
860 surplus, as of the thirty-first day of December next preceding,  
861 including those agreements [which] that may require as consideration  
862 the transfer of assets from an insurance company to a nonaffiliate, if an  
863 agreement or understanding exists between the insurance company  
864 and nonaffiliate that any portion of such assets will be transferred to  
865 one or more affiliates of the insurance company;

866 ~~[(4)]~~ (D) All [material] management agreements, service contracts  
867 and cost-sharing arrangements; [and]

868 (E) Guarantees by a domestic insurance company, except that a  
869 guarantee that is (i) quantifiable as to amount, and (ii) does not exceed  
870 the lesser of one-half of one per cent of the insurance company's  
871 admitted assets or ten per cent of surplus with regard to policyholders,  
872 as of the thirty-first day of December next preceding, shall not be  
873 subject to the notice requirement of this subsection;

874 (F) Direct or indirect acquisitions or investments in a person that  
875 controls the domestic insurance company or in an affiliate of the  
876 insurance company in an amount that, together with the insurance  
877 company's present holdings in such investments, exceeds two and one-  
878 half per cent of the insurance company's surplus with regard to  
879 policyholders. This subsection shall not apply to direct or indirect  
880 acquisitions of or investments in (i) subsidiaries acquired pursuant to  
881 section 38a-102d or authorized pursuant to any section of this title  
882 other than sections 38a-129 to 38a-140, inclusive, as amended by this  
883 act, or (ii) nonsubsidiary affiliates that are subject to the provisions of  
884 sections 38a-129 to 38a-140, inclusive, as amended by this act; and

885 [(5)] (G) Any material transactions, specified by regulation, [which]  
886 that the commissioner determines may adversely affect the interests of  
887 the insurance company's policyholders.

888 (2) Nothing contained in this section shall be deemed to authorize or  
889 permit any transactions [which] that, in the case of an insurance  
890 company not a member of the same insurance holding company  
891 system, would be otherwise contrary to law.

892 (c) A domestic insurance company may not enter into transactions  
893 [which] that are part of a plan or series of like transactions with  
894 persons within the insurance holding company system if the purpose  
895 of those separate transactions is to avoid the statutory threshold  
896 amount and thus avoid the review that would otherwise occur. If the  
897 commissioner determines that such separate transactions were entered  
898 into over any twelve-month period for such purpose, the  
899 commissioner may exercise authority under section 38a-140, as  
900 amended by this act.

901 (d) The commissioner, in reviewing transactions pursuant to  
902 subsection (b) of this section, shall consider whether the transactions  
903 comply with the standards set forth in subsection (a) of this section  
904 and whether they may adversely affect the interests of policyholders.

905 (e) Except as may be exempted pursuant to regulations adopted, in  
906 accordance with the provisions of chapter 54, by the commissioner or  
907 otherwise waived by the commissioner, the commissioner shall be  
908 notified [within] not later than thirty days [of] after any material  
909 investment of the domestic insurance company in any one corporation  
910 if the total investment in such corporation by [the] such insurance  
911 [company] company's insurance holding company system exceeds ten  
912 per cent of such corporation's voting securities.

913 (f) (1) No insurance company subject to registration under section  
914 38a-135, as amended by this act, shall pay any extraordinary dividend  
915 or make any other extraordinary distribution to its stockholders until

916 the commissioner has approved such payment or until thirty days after  
917 the commissioner has received notice from such company of the  
918 declaration thereof within which period the commissioner has not  
919 disapproved such payment, whichever is sooner. For the purposes of  
920 this subsection, an extraordinary dividend or distribution is any  
921 dividend or distribution of cash or other property, whose fair market  
922 value together with that of other dividends or distributions made  
923 within the preceding twelve months, exceeds the greater of [(1)] (A)  
924 ten per cent of such insurance company's surplus as of the thirty-first  
925 day of December last preceding, or [(2)] (B) the net gain from  
926 operations of such insurance company, if such company is a life  
927 insurance company, or the net income, if such company is not a life  
928 insurance company, for the twelve-month period ending the thirty-  
929 first day of December last preceding, but shall not include pro rata  
930 distributions of any class of the insurance company's own securities.

931 (2) Notwithstanding any other provision of law, an insurance  
932 company may declare an extraordinary dividend or distribution  
933 [which] that is conditional upon the commissioner's approval thereof,  
934 but such a declaration shall confer no rights upon stockholders until  
935 [(1)] (A) the commissioner has approved the payment of such dividend  
936 or distribution, or [(2) thirty days have elapsed without the  
937 commissioner's disapproval thereof as provided in this subsection,] (B)  
938 until thirty days after such declaration thereof within which period the  
939 commissioner has not disapproved such declaration, whichever is  
940 sooner.

941 (g) For purposes of sections 38a-129 to 38a-140, inclusive, as  
942 amended by this act, in determining whether an insurance company's  
943 surplus is reasonable in relation to the insurance company's  
944 outstanding liabilities and adequate to its financial needs, the  
945 following factors, in addition to others, shall be considered: (1) The  
946 size of the insurance company as measured by its assets, capital and  
947 surplus, reserves, premium writings, insurance in force and other  
948 appropriate criteria; (2) the extent to which the insurance company's

949 business is diversified among the several lines of insurance; (3) the  
950 number and size of risks insured in each line of business; (4) the nature  
951 of the geographical dispersion of the insurance company's insured  
952 risks; (5) the nature and extent of the insurance company's reinsurance  
953 program; (6) the quality, diversification and liquidity of the insurance  
954 company's investment portfolio; (7) the recent past and projected  
955 future trend in the size of the insurance company's surplus; (8) the  
956 surplus maintained by other comparable insurance companies; (9) the  
957 adequacy of the insurance company's reserves; (10) the quality of the  
958 company's earnings and the extent to which the reported earnings  
959 include extraordinary items; and (11) the quality and liquidity of  
960 investments in affiliates. The commissioner may discount any such  
961 investment or treat any such investment as a disallowed asset for  
962 purposes of determining the adequacy of surplus whenever, in the  
963 commissioner's judgment, such investment warrants.

964 (h) (1) Any domestic insurance company [which] that is affiliated  
965 with an insurance holding company system shall report for  
966 informational purposes to the Insurance Commissioner all dividends  
967 and other distributions to securityholders, [within] not later than five  
968 business days [following] after the declaration and at least ten days,  
969 commencing from the date of receipt by the Insurance Department,  
970 prior to payment thereof.

971 (2) No dividend or other distribution may be paid when the surplus  
972 of the insurance company is less than the surplus required by section  
973 38a-72 for the kind or kinds of business authorized to be transacted by  
974 such company, nor when the payment of a dividend or other  
975 distribution would reduce its surplus to less than such amount.

976 (3) Except as otherwise provided by law, no dividend or other  
977 distribution exceeding an amount equal to an insurance company's  
978 earned surplus may be paid without the Insurance Commissioner's  
979 prior approval. For purposes of this subsection, "earned surplus"  
980 means "unassigned funds-surplus", as defined in the annual report of

981 the insurance company [which] that was most recently submitted  
982 pursuant to section 38a-53, reduced by twenty-five per cent of  
983 unrealized appreciation in value or revaluation of assets or unrealized  
984 profits on investments, as defined in such report.

985 (i) (1) [Any] The commissioner may require a domestic insurance  
986 company of which control has been acquired pursuant to section 38a-  
987 130, as amended by this act, [shall be required] to submit to a financial  
988 examination and a market conduct examination within thirty days  
989 after such acquisition in accordance with procedures set forth by [the]  
990 NAIC's examiner's handbook [of the National Association of Insurance  
991 Commissioners] and such regulations as the commissioner may adopt.

992 (2) No domestic insurance company of which control has been  
993 acquired pursuant to section 38a-130, as amended by this act, shall,  
994 without the prior approval of the commissioner: (A) Pay or propose to  
995 pay any dividend during the period of two years from the date of  
996 acquisition of control of such insurance company; (B) acquire or enter  
997 into an agreement or understanding to acquire control, during the  
998 period of three years after the date of acquisition of control of such  
999 insurance company, of any other person or persons whose assets  
1000 exceed twenty-five million dollars; (C) provide or propose to provide  
1001 directly or indirectly, during the period of three years after the date of  
1002 acquisition of control of such insurance company, any loans, advances,  
1003 guarantees, pledges or other financial assistance; or (D) engage in any  
1004 material transaction with any person during the period of three years  
1005 after the date of acquisition of such insurance company. For purposes  
1006 of this subsection, a "material transaction" shall include, but not be  
1007 limited to, any transfer or encumbrance of assets not in the ordinary  
1008 course of business [which] that, together with all other transfers or  
1009 encumbrances made within the preceding twelve months, exceeds in  
1010 value the greater of (i) ten per cent of such insurance company's  
1011 surplus as of the December thirty-first last preceding, or (ii) the net  
1012 gain from operations of such insurance company, if such company is a  
1013 life insurance company, or the net investment income of such

1014 company, if such company is not a life insurance company, for the  
1015 twelve-month period ending the December thirty-first last preceding.

1016 (3) The commissioner shall, upon a written request from the  
1017 controlled domestic insurance company and, upon public hearing after  
1018 notice to all interested parties, determine whether any limitations  
1019 contained in subdivision (2) of this subsection shall be continued, or  
1020 whether and on what conditions they may be waived. Such  
1021 determination shall be predicated on the results of the examinations  
1022 [provided in] under subdivision (1) of this subsection and such further  
1023 examinations, if any, the commissioner may require concerning the  
1024 adequacy of the insurance company's reserves, the effect any proposed  
1025 transaction will have on the insurance company's surplus, its cash flow  
1026 needs and its ability to satisfy any reasonably anticipated obligations  
1027 in the foreseeable future, and any other effect the proposed transaction  
1028 would have on the financial stability or solvency of the insurance  
1029 company and the quality and liquidity of its assets. All fees and  
1030 expenses relating to such examinations shall be paid by the insurance  
1031 company.

1032 (4) Nothing in this subsection shall be interpreted to prohibit any  
1033 transactions between a domestic insurance company and any of its  
1034 subsidiaries in the ordinary course of business.

1035 Sec. 8. Section 38a-137 of the general statutes is repealed and the  
1036 following is substituted in lieu thereof (*Effective October 1, 2012*):

1037 (a) All information, documents, materials and copies thereof  
1038 obtained by or disclosed to the commissioner or any other person in  
1039 the course of an examination or investigation made pursuant to section  
1040 38a-14a, as amended by this act, and all information reported,  
1041 furnished or filed pursuant to sections 38a-135 and 38a-136, as  
1042 amended by this act, shall (1) be [given] confidential [treatment] by  
1043 law and privileged, [shall] (2) not be subject to disclosure under section  
1044 1-210, (3) not be subject to subpoena, and [shall] (4) not be [made  
1045 public by the commissioner, the National Association of Insurance

1046 Commissioners, or any other person, except to insurance departments  
1047 of other states,] subject to discovery or admissible in evidence in any  
1048 civil action. The commissioner shall not make such information,  
1049 documents, materials or copies public without the prior written  
1050 consent of the insurance company to which it pertains unless the  
1051 commissioner, after giving the insurance company and its affiliates  
1052 who would be affected thereby notice and opportunity to be heard,  
1053 determines that the interests of policyholders, securityholders or the  
1054 public will be served by the publication thereof, in which event [he]  
1055 the commissioner may publish all or any part thereof in such manner  
1056 as [he] the commissioner may deem appropriate. The commissioner  
1057 may use such information, documents, materials or copies in the  
1058 furtherance of any regulatory or legal action brought as part of the  
1059 commissioner's official duties.

1060 (b) Neither the commissioner nor any person who receives  
1061 information, documents, materials or copies as set forth in subsection  
1062 (a) of this section or with whom such information, documents,  
1063 materials or copies are shared, while acting under the authority of the  
1064 commissioner, shall testify or be required to testify in any civil action  
1065 concerning such information, documents, materials or copies.

1066 (c) Except as specified in subdivision (2) of subsection (f) of section  
1067 38a-135, as amended by this act, to assist the commissioner in the  
1068 performance of the commissioner's duties, the commissioner may:

1069 (1) Share information, documents, materials or copies thereof,  
1070 including information, documents, materials or copies deemed  
1071 confidential and privileged pursuant to subsection (a) of this section,  
1072 with (A) other state, federal and international regulatory officials, (B)  
1073 NAIC or its affiliate or subsidiaries, (C) the Federal Insurance Office,  
1074 (D) state, federal and international law enforcement authorities, and  
1075 (E) members or participants of a supervisory college, as described in  
1076 subsection (n) of section 38a-135, as amended by this act, of which the  
1077 commissioner is a member or a participant, provided the recipient of

1078 any such information, documents, materials or copies agrees, in  
1079 writing, to maintain the confidentiality and privileged status of such  
1080 information, documents, materials and copies, and has verified, in  
1081 writing, the recipient's legal authority to maintain confidentiality;

1082 (2) Receive information, documents, materials or copies thereof,  
1083 including confidential and privileged information, documents,  
1084 materials or copies, from NAIC or its affiliates or subsidiaries, the  
1085 Federal Insurance Office, or state, federal and international law  
1086 enforcement authorities. The commissioner shall maintain as  
1087 confidential and privileged any information, documents, materials or  
1088 copies received with notice or the understanding that such  
1089 information, documents, materials or copies are confidential and  
1090 privileged under the laws of the jurisdiction that is the source of such  
1091 information, documents, materials or copies; and

1092 (3) Enter into written agreements consistent with this subsection  
1093 with NAIC governing the sharing and use of information, documents,  
1094 materials or copies thereof shared or received pursuant to sections 38a-  
1095 129 to 38a-140, inclusive, as amended by this act. Any such agreement  
1096 shall (A) specify the procedures and protocols regarding the  
1097 confidentiality and security of information shared (i) with NAIC or its  
1098 affiliates or subsidiaries pursuant to sections 38a-129 to 38a-140,  
1099 inclusive, as amended by this act, and (ii) by NAIC or its affiliates or  
1100 subsidiaries with other state, federal or international regulatory  
1101 officials, (B) specify that the commissioner shall retain ownership of  
1102 such information and that the use of such information by NAIC or its  
1103 affiliates or subsidiaries is subject to the commissioner's discretion, (C)  
1104 require prompt notice to be given to an insurance company whose  
1105 confidential information is in NAIC's possession if NAIC is subject to a  
1106 request or subpoena for disclosure or production of such information,  
1107 and (D) require, if NAIC or its affiliates or subsidiaries are subject to  
1108 disclosure of an insurance company's confidential information that has  
1109 been shared with NAIC or its affiliates or subsidiaries, NAIC to allow  
1110 such insurance company to intervene in any judicial or administrative

1111 action regarding such disclosure or information.

1112 (d) No waiver of any applicable privilege or claim of confidentiality  
1113 in any information, documents, materials or copies thereof shall occur  
1114 as a result of disclosure to the commissioner or of sharing in  
1115 accordance with this section. Nothing in this section shall be construed  
1116 to delegate any regulatory authority of the commissioner to any person  
1117 or entity with which any information, documents, materials or copies  
1118 thereof have been shared.

1119 (e) Any information, documents, materials or copies thereof in the  
1120 possession of NAIC or its affiliates or subsidiaries pursuant to this  
1121 section shall be confidential by law and privileged and shall not be  
1122 subject to discovery or admissible in evidence in any civil action in this  
1123 state.

1124 Sec. 9. Section 38a-138 of the general statutes is repealed and the  
1125 following is substituted in lieu thereof (*Effective October 1, 2012*):

1126 The commissioner may, after a public hearing called for the  
1127 purpose, notice of which hearing shall be published in the Connecticut  
1128 Law Journal at least thirty days prior to the date of such hearing,  
1129 promulgate such regulations, in accordance with chapter 54, as shall be  
1130 necessary to carry out the provisions of sections 38a-129 to 38a-140,  
1131 inclusive, as amended by this act.

1132 Sec. 10. Section 38a-140 of the general statutes is repealed and the  
1133 following is substituted in lieu thereof (*Effective October 1, 2012*):

1134 (a) (1) Whenever it appears to the commissioner that any insurance  
1135 company or any director, officer, employee or agent thereof has  
1136 committed or is about to commit a violation of sections 38a-129 to 38a-  
1137 140, inclusive, as amended by this act, or of any regulation or order  
1138 issued by the commissioner hereunder, the commissioner may apply  
1139 to the superior court or any judge thereof for the judicial district in  
1140 which the principal office of the insurance company is located or, if

1141 such insurance company has no such office in this state, to the superior  
1142 court or any judge thereof for the judicial district of Hartford, for an  
1143 order enjoining such insurance company or such director, officer,  
1144 employee or agent thereof from violating or continuing to violate said  
1145 sections or any such regulation or order, and for such other equitable  
1146 relief as the nature of the case and the interests of the insurance  
1147 company's policyholders, creditors and securityholders or the public  
1148 may require.

1149 (2) No security [which] that is the subject of any agreement or  
1150 arrangement regarding acquisition, or [which] that is acquired or to be  
1151 acquired, in contravention of the provisions of sections 38a-129 to 38a-  
1152 140, inclusive, as amended by this act, or of any regulation or order  
1153 issued by the commissioner hereunder may be voted at any  
1154 shareholders' meeting, or may be counted for quorum purposes, and  
1155 any action of shareholders requiring the affirmative vote of a  
1156 percentage of shares may be taken as though such securities were not  
1157 issued and outstanding; but no action taken at any such meeting shall  
1158 be invalidated by the voting of such securities, unless the action would  
1159 materially affect control of the insurer or unless the courts of this state  
1160 have so ordered. If an insurer or the commissioner has reason to  
1161 believe that any security of the insurer has been or is about to be  
1162 acquired in contravention of the provisions of sections 38a-129 to 38a-  
1163 140, inclusive, as amended by this act, or of any regulation or order  
1164 issued by the commissioner hereunder, the insurer or the  
1165 commissioner may apply to the superior court or any judge thereof for  
1166 the judicial district of Hartford, to enjoin any offer, request, invitation,  
1167 agreement or acquisition made in contravention of sections 38a-129 to  
1168 38a-140, inclusive, as amended by this act, or any regulation or order  
1169 issued by the commissioner thereunder to enjoin the voting of any  
1170 security so acquired, to void any vote of such security already cast at  
1171 any meeting of shareholders and for such other equitable relief as the  
1172 nature of the case and the interest of the insurer's policyholders,  
1173 creditors and shareholders or the public may require.

1174 (3) In any case where a person has acquired or is proposing to  
1175 acquire any voting securities in violation of sections 38a-129 to 38a-140,  
1176 inclusive, as amended by this act, or any regulation or order issued by  
1177 the commissioner hereunder, the superior court for the judicial district  
1178 of Hartford, on notice as the court deems appropriate, upon  
1179 application of the insurer or the commissioner, may seize or sequester  
1180 any voting securities of the insurer owned directly or indirectly by the  
1181 person, and issue the order with respect thereto as may be appropriate  
1182 to effectuate the purposes of sections 38a-129 to 38a-140, inclusive, as  
1183 amended by this act.

1184 (4) Notwithstanding any other provisions of law, for the purposes of  
1185 sections 38a-129 to 38a-140, inclusive, as amended by this act, the situs  
1186 of the ownership of the securities of domestic insurers shall be deemed  
1187 to be in this state.

1188 (b) Whenever it appears to the commissioner that any person has  
1189 committed a violation of sections 38a-129 to 38a-140, inclusive, as  
1190 amended by this act, [which] that so impairs the financial condition of  
1191 a domestic insurance company as to threaten insolvency or make the  
1192 further transaction of business by it hazardous to its policyholders,  
1193 creditors, securityholders or the public, the commissioner may proceed  
1194 as provided in section 38a-18 to take possession of the property of such  
1195 domestic insurance company and to conduct the business thereof.

1196 (c) (1) Whenever it appears to the commissioner that any insurance  
1197 company or any director, officer, employee or agent thereof has  
1198 committed a wilful violation of sections 38a-129 to 38a-140, inclusive,  
1199 as amended by this act, the commissioner may cause criminal  
1200 proceedings to be instituted by the state's attorney for the judicial  
1201 district in which the principal office of the insurance company is  
1202 located or, if such insurance company has no such office in the state,  
1203 by the state's attorney for the judicial district of Hartford against such  
1204 insurance company or the responsible director, officer, employee or  
1205 agent thereof. Any insurance company that wilfully violates said

1206 sections shall be fined not more than fifty thousand dollars. Any  
1207 individual who wilfully violates said sections shall be fined not more  
1208 than fifteen thousand dollars or, if such wilful violation involves the  
1209 deliberate perpetration of a fraud upon the commissioner, shall be  
1210 imprisoned not more than two years or so fined or both.

1211 (2) Any officer, director or employee of an insurance holding  
1212 company system who wilfully and knowingly subscribes to or makes  
1213 or causes to be made any false statement or false report or false filing  
1214 with the intent to deceive the commissioner in the performance of his  
1215 or her duties under sections 38a-129 to 38a-140, inclusive, as amended  
1216 by this act, upon conviction thereof, shall be imprisoned not more than  
1217 five years or fined not more than fifty thousand dollars or both. Any  
1218 fines imposed shall be paid by the officer, director or employee in his  
1219 or her individual capacity.

1220 (d) (1) Whenever it appears to the commissioner that any person has  
1221 committed a violation of sections 38a-129 to 38a-140, inclusive, as  
1222 amended by this act, that makes the continued operation of an  
1223 insurance company contrary to the interests of its policyholders or the  
1224 public, the commissioner may, after giving notice and an opportunity  
1225 to be heard, suspend, revoke or refuse to renew such insurance  
1226 company's license or authority to do business in this state for such  
1227 period as [he] the commissioner finds is required for the protection of  
1228 its policyholders or the public.

1229 (2) Whenever it appears to the commissioner that any person has  
1230 committed a violation of sections 38a-129 to 38a-140, inclusive, as  
1231 amended by this act, that prevents an insurer's insurance holding  
1232 company system or the affiliates of the insurer to understand fully the  
1233 enterprise risk of such insurer, the commissioner may disapprove  
1234 dividends and other distributions and place such insurer under  
1235 administrative supervision in accordance with sections 38a-962 to 38a-  
1236 962j, inclusive.

1237 (e) Any insurance company failing, without just cause, to file any

1238 registration statement as required in section 38a-135, as amended by  
1239 this act, shall be [required] fined, after notice and hearing, [to pay a  
1240 penalty of] one hundred fifty dollars for each day's delay, to be  
1241 [recovered by the commissioner, and the penalty so recovered shall be]  
1242 paid into the Insurance Fund established under section 38a-52a. The  
1243 maximum penalty under this section shall be fifteen thousand dollars.  
1244 The commissioner may reduce the penalty if the insurance company  
1245 demonstrates to the commissioner that the imposition of the penalty  
1246 would constitute a hardship to the insurance company.

1247 (f) Each director or officer of any insurance holding company  
1248 system who wilfully and knowingly violates, participates in, or assents  
1249 to, or who wilfully and knowingly permits any of the officers or agents  
1250 of the insurance company to engage in transactions or make  
1251 investments that have not been properly reported or submitted  
1252 pursuant to section 38a-135 or 38a-136, as amended by this act, or that  
1253 violate sections 38a-129 to 38a-140, inclusive, as amended by this act,  
1254 shall pay, in their individual capacity, a civil forfeiture of not more  
1255 than seven thousand five hundred dollars per violation, after notice  
1256 and hearing before the commissioner. Any civil forfeiture so recovered  
1257 shall be paid into the Insurance Fund as established under section 38a-  
1258 52a. In determining the amount of the civil forfeiture, the  
1259 commissioner shall take into account the appropriateness of the  
1260 forfeiture with respect to the gravity of the violation, the history of  
1261 previous violations, and such other matters as the commissioner  
1262 deems necessary.

1263 (g) Whenever it appears to the commissioner that any insurance  
1264 company subject to sections 38a-129 to 38a-140, inclusive, as amended  
1265 by this act, or any director, officer, employee or agent thereof has  
1266 engaged in any transaction or entered into a contract [which] that is  
1267 subject to section 38a-136, as amended by this act, and [which] that  
1268 would not have been approved had such approval been requested, the  
1269 commissioner may order the insurance company to cease and desist  
1270 immediately any further activity under [that] such transaction or

1271 contract. After notice and hearing, the commissioner may also order  
1272 the insurance company to void any such contracts and restore the  
1273 status quo if such action is in the best interests of the policyholders,  
1274 creditors or the public.

1275 (h) If any person required to file an information statement under  
1276 subsection [(c)] (b) of section 38a-130, as amended by this act, or any  
1277 required amendment thereto has (1) failed to do so within the  
1278 prescribed time, [or] (2) files a false or misleading information  
1279 statement or amendment thereto, [or] (3) obstructed the conduct of any  
1280 hearing required by the commissioner, or (4) consummated a change  
1281 of control of the domestic insurance company in the absence of a  
1282 determination by the commissioner that such change of control would  
1283 not be prejudicial to the interest of its policyholders, the commissioner  
1284 [,] and any interested party, including the domestic insurance  
1285 company, may apply to the superior court for the judicial district of  
1286 Hartford or to the superior court for the judicial district in which the  
1287 domestic insurance company has its principal place of business, or to  
1288 any judge thereof, for any injunctive or other relief necessary to  
1289 remedy any such act or failure to act. Such relief may include an  
1290 injunction prohibiting any consummation of the change of control  
1291 until such act or failure to act is remedied. In addition, the  
1292 commissioner may proceed under section 38a-912 for an order  
1293 permitting [him] the commissioner to take possession and control of  
1294 the property and affairs of the domestic insurance company in  
1295 accordance with the provisions of said section 38a-912.

1296 Sec. 11. Section 38a-14a of the general statutes is repealed and the  
1297 following is substituted in lieu thereof (*Effective October 1, 2012*):

1298 (a) [Subject] With regard to any insurance company registered  
1299 under section 38a-135, as amended by this act, subject to the limitation  
1300 contained in this section and in addition to the powers [which] that the  
1301 Insurance Commissioner has under sections 38a-14 and 38a-15 relating  
1302 to the examination of insurance companies, the commissioner shall

1303 have the power to: [order any insurance company registered under  
1304 section 38a-135]

1305 (1) Examine such company or its affiliates to ascertain the financial  
1306 condition of the company, including the enterprise risk of such  
1307 company by (A) the company's ultimate controlling person, (B) any  
1308 member or combination of members within its insurance holding  
1309 company system, or (C) its insurance holding company system on a  
1310 consolidated basis; and

1311 (2) (A) Order such company to produce such records, books or other  
1312 information in the possession of the insurance company or its affiliates  
1313 as are reasonably necessary to [ascertain the financial condition of such  
1314 insurance company or to] determine compliance with sections 38a-129  
1315 to 38a-140, inclusive, as amended by this act. In the event such  
1316 insurance company fails to comply with such order, the commissioner  
1317 shall have the power to examine any such affiliate to obtain such  
1318 information.

1319 (B) The commissioner may order the registered insurance company  
1320 to produce records, books or other information not in its possession if  
1321 the company can obtain access to such records, books or other  
1322 information pursuant to a contractual agreement, a statutory  
1323 obligation or other method. If the insurance company can not obtain  
1324 access to such records, books or other information, the company shall  
1325 provide to the commissioner a detailed explanation of the reason the  
1326 company can not obtain the requested records, books or other  
1327 information, and the identity of the holder of such records, books or  
1328 other information. If the commissioner deems the explanation to be  
1329 without merit, the delay in producing the requested records, books or  
1330 other information under this subparagraph shall be grounds for  
1331 administrative action in accordance with subsection (c) of section 38a-  
1332 41.

1333 (b) The commissioner may engage the services of attorneys,  
1334 actuaries, accountants and other experts not otherwise a part of the

1335 commissioner's staff, at the registered insurance company's expense, as  
1336 shall be reasonably necessary to assist in the conduct of the  
1337 examination under subsection (a) of this section. All persons so  
1338 engaged shall be under the direction and control of the commissioner  
1339 and shall act in a purely advisory capacity.

1340 (c) Each registered insurance company producing for examination  
1341 records, books and papers pursuant to subsection (a) of this section  
1342 shall be liable for and shall pay the expense of such examination in  
1343 accordance with sections 38a-14 and 38a-15.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2012</i>	38a-129
Sec. 2	<i>October 1, 2012</i>	38a-130
Sec. 3	<i>October 1, 2012</i>	38a-131
Sec. 4	<i>October 1, 2012</i>	38a-132
Sec. 5	<i>October 1, 2012</i>	38a-133
Sec. 6	<i>October 1, 2012</i>	38a-135
Sec. 7	<i>October 1, 2012</i>	38a-136
Sec. 8	<i>October 1, 2012</i>	38a-137
Sec. 9	<i>October 1, 2012</i>	38a-138
Sec. 10	<i>October 1, 2012</i>	38a-140
Sec. 11	<i>October 1, 2012</i>	38a-14a

**Statement of Purpose:**

To update the insurance statutes concerning insurance holding company systems to enhance the Insurance Department's financial surveillance and oversight of insurance companies.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*