
OLR Bill Analysis

sHB 5229 (as amended by House "A")*

AN ACT EXEMPTING CERTAIN ASSOCIATIONS FROM THE INSURANCE STATUTES.

SUMMARY:

This bill exempts Internal Revenue Code § 501(c)(23) tax-exempt organizations (those that primarily provide insurance to veterans and their dependents) from most Connecticut insurance laws. The bill requires such organizations to file financial statements with the insurance commissioner annually by May 1 and pay a \$10 filing fee for each. The commissioner, when he deems necessary, may require the organizations to file statements quarterly or more frequently.

Under the bill, if the commissioner determines that such an organization has not maintained qualified assets sufficient to meet its liabilities and minimum capital and surplus requirements as determined by the commissioner, he may order the organization to increase its capital and surplus. If the organization is unable to do so, the commissioner may order it to stop assuming any additional liabilities in Connecticut until the time when it can meet the capital and surplus requirements.

By law, fraternal benefit societies must file financial statements with the insurance commissioner annually by March 1. The bill increases, from \$100 to \$175 per day, the fee a society must pay if it fails to timely file a complete statement. The bill allows the commissioner to waive the late filing fee if (1) the society cannot file on time because the governor of its domiciliary (home) state proclaims a state of emergency that prevents the society from filing the statement or (2) the society's domiciliary state's insurance regulator has allowed it to file the statement late.

The bill also makes technical changes.

*House Amendment "A" removes a sunset provision; adds exceptions to the insurance law exemption for Internal Revenue Code § 501(c)(23) organizations; increases, from \$100 to \$175 per day, the late filing fee for fraternal benefit societies' annual financial statements; and allows the insurance commissioner to waive the late filing fee in specified circumstances.

EFFECTIVE DATE: July 1, 2012

BACKGROUND

501(c) (23) Organizations

To be tax-exempt under Internal Revenue Code § 501(c)(23), an organization must:

1. have a principal purpose of providing insurance and other benefits to veterans or their dependents,
2. have more than 75% of its members be past or present members of the U.S. armed forces, and
3. be an association organized before 1880.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/15/2012)