



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the Connecticut Insurance Department

Before the
Insurance and Real Estate Committee

Thursday, March 8, 2012

Raised Bill No. 5386 — An Act Concerning Revisions to the Insurance Statutes

Senator Crisco and Representative Megna, committee-co-chairs, Senator Kelly and Representative Sampson, ranking members, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony in support of HB 5386, An Act Concerning Revisions to the Insurance Statutes.

HB 5386 has been introduced at the request of the Connecticut Insurance Department. The Department would like to thank the Committee for introducing this initiative on our behalf. This bill modifies various insurance statutes to strengthen the Department's ability to regulate the industry and protect consumers.

The more substantive changes include:

- Allowing the Commissioner to share and receive confidential information with the Federal Insurance Office and the Bank for International Settlements, an international organization which fosters international monetary and financial cooperation and serves as a bank for central banks. This will enhance the Department's ability to handle international data calls/requests by facilitating working with federal agencies and international organizations and ensuring confidentiality of the data.
- Amending the financial examination statute to require the Board of Directors of examined companies to receive and review exam reports and provide documentation of that review for their corporate files. This provision also requires Financial Regulation staff to distribute the report to the examined company's Board members in an effort to engage the governing body of the company that has been examined.
- Allowing consumers 30 days to return a replacement life insurance policy for cancellation. Current statute allows a 10 day "look back" period to allow for cancellation of a life insurance policy by a consumer. This provision applies to the renewal of a policy, and will provide consumers greater safeguards against churning of life policies and will be consistent with the NAIC Model Replacement Regulation. The current 10 day look back period will still apply for new policies.
- Changing the timing of when funds held in "surety bail bond agent's examination account" can be transferred to the General Fund. The current timing allows for the use of the funds for only 5 months each year while the Department needs to access the funds for the whole year to pay for the bail bond account audits.

- Changing the submission date and format of surplus lines affidavit filings by requiring brokers to file electronically on a quarterly basis. Eliminates an unnecessary and time-consuming paper filing requirement by replacing it with a quarterly electronic submission.

Other changes include:

- Requiring a filing fee of \$2500 when submitting applications for change of control of a domestic insurer by merger or acquisition. These filings require considerable staff resources and are sometimes withdrawn or rescinded by the applicant. This filing fee is intended to reflect the costs of the review and current law does not impose any filing fee.
- Including health care centers under the Commissioner's authority in section 38a-14a to order health care center holding companies and health care center affiliates to produce such records, books or other information in the possession of the insurance company or its affiliates as are reasonably necessary to ascertain the financial condition of the health care center or to determine compliance with Connecticut's insurance holding company system statutes. Although most, if not all, health care centers comply with this requirement, the statutory authority needs to be explicit.
- Providing the Commissioner discretion to waive a late filing fee for quarterly and annual financial statements when the insurance regulator of the home state of the insurer has waived or approved a delay for filing requirements. Also increases the late fee on fraternal entities to be on par with insurers and health care centers.
- Increasing license fees for Premium Finance Companies which bring the license fee in line with general business corporation licenses in the state.
- Eliminating a statute related to the Insurance Commissioner's authority to approve all rescissions which is now in conflict with the federal Patient Protections and Affordable Care Act (PPACA). Current state law conflicts with the federal requirement and the statute should be repealed to avoid confusion and conflict.

The Department again, thanks the Committee for raising this bill and encourages the Committee's support of this initiative. We would be happy to answer any questions you may have.