



Testimony of the American Council of Life Insurers
to the Program Review and Investigation Committee
Tuesday, September 25, 2012

Program Review and Investigation Study regarding the Assessment Methodology and Process to Fund the Connecticut Insurance Department

Senator Fonfara, Representative Rowe, and members of the Program Review and Investigation Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments to the **Program Review and Investigation Study regarding the Assessment Methodology and Process to Fund the Connecticut Insurance Department**.

The insurance industry is a key component of Connecticut's economy. Insurers in Connecticut employ 40,000 people and support 57,000 non-insurance jobs in the state. As part of the overall framework of national regulation of the insurance industry, we believe that Connecticut's current methodology and assessment process is fair and balanced. We urge great caution in considering any deviations from the assessment methodology, as certain changes could negatively impact insurers domiciled in Connecticut by exposing them to retaliatory taxes in other states.

Potential Harm to Connecticut Companies

Currently, domestic insurance companies are assessed to pay for the administrative costs of the Insurance Department. While spreading the cost among all insurers sounds fair, it is actually detrimental to Connecticut domestic companies by exposing them to additional taxation as a result of retaliatory laws in other states.

Background on Retaliatory Taxes

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

Conclusion

Adding additional taxes on out-of-state companies would actually have the counterproductive effect of harming Connecticut insurers and their ability to compete for business in other states. For these reasons, we believe that the current method of funding the Connecticut Insurance Department should remain unchanged.

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

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

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