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Testimony of the American Council of Life Insurers
Before the Joint Committee on Insurance & Real Estate
Thursday, March 7, 2013

House Bill 6551 - An Act Concerning Own Risk and Solvency Assessments for Domestic Insurers

Senator Crisco, Representative Megna, and members of the Joint Committee on Insurance & Real Estate, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments on **House Bill 6551 - An Act Concerning Own Risk and Solvency Assessments for Domestic Insurers**. The ACLI offers support to the efforts of the Connecticut Insurance Department in proposing the legislation before the committee. We align our conditional support with the comments of the Insurance Association of Connecticut with regard to drafting questions. We support the faithful and uniform adoption of the National Association of Insurance Commissioners (NAIC) Risk Management and Own Risk and Solvency Assessment ("ORSA") Model.

The ORSA Model was developed by the NAIC to monitor the adequacy of insurers risk management activities. The requirements in House Bill 6551 will enable the Connecticut Insurance Department to assess current and likely future solvency of an insurer through the self-assessment and disclosure of reasonably foreseeable and relevant material risks. An insurer that is subject to the ORSA requirement will be expected to have a risk management framework, to regularly assess the adequacy of that risk management framework and current prospective solvency position, to internally document the process and results, and to provide an annual high-level summary report to the lead state regulator. The insurance industry worked diligently with the NAIC during the development of both the Guidance Manual and Model Law to ensure rigorous and effective requirements for the assessment of insurers risk management programs.

The ORSA summary report required under HB 6551 Section 1(c) is compiled from highly confidential internal records which are proprietary in nature. Because of the sensitivity of the insurer's work papers, the confidentiality provisions in Sec. 1(h) are vitally important. Without these protections, there is a high risk of immediate harm that would occur if a company's multi-year future business plans, capital assessments, internal risk assessments, proprietary internal modeling approaches and mitigation strategies were made available to competitors and other non-regulators.

The ACLI also supports an effective date of January 1, 2015 which will permit all states to trigger the model's requirements simultaneously and uniformly.

Thank you for your consideration of our comments. Please contact John Larkin at (860) 508-9924 or Kate Kiernan 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 233 ACLI member companies licensed to do business in Connecticut, accounting for 90 percent of the ordinary life insurance in force in the state.