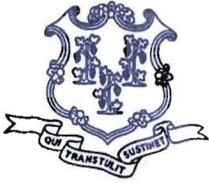


SECTION 7: SUMMARY OF ALL PUBLIC COMMENTS



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

SUMMARY OF PUBLIC COMMENTS

Comments were received from Aetna and joint comments from the IAC and ACLI.

Aetna Comments:

Aetna requested changes to the D-1 form (delete the requirement to have the form executed by an executive officer) and to limit the Form F form (reporting of enterprise risks) to adverse risks only. The Insurance Department agreed to the requested change to the D-1 form to establish parity with the rest of the forms; the Department did not agree to the change for the Form F since the intent of Form F reporting to advise the Department of all potential risks and to initiate a conversation as to how those risks are being managed with the intent to minimize adverse risks.

IAC/ACLI Comments:

The joint IAC/ACLI comments requested changes to multiple forms, with the emphasis on a request to delete in full the D-1 reporting requirement and form (reporting relating to Prior Notice of Dividends of Common Stock). This form, which was adopted from a form used by the Illinois Insurance Department, standardizes reporting that is currently in place in the Department pursuant to Conn. Gen. Stat. §38a-136(h)(1). The IAC/ACLI questioned the Department's statutory authority to require such a form and claimed such a deviation from the NAIC Model Regulations was a burden their companies should not have to undertake. The Department responded to all comments in a detailed letter citing both the authority to promulgate the requirement to this form as well as why this is not considered a deviation to the Model Regulations. After the public comment period had closed, the IAC/ACLI submitted a second set of comments continuing to object to the D-1 form and continuing to advise that we had no authority to require this form. On January 11, 2013, the General Counsel of the Insurance Department, the Director of Financial Regulation and other legal and financial staff had a teleconference with representatives from the IAC and ACLI in which the General Counsel explained the IAC's historical involvement in establishing the very reporting to which they were currently urging rejection; the General Counsel clarified the statutory authority for this reporting and why the use of the Illinois form is considered an acceptable NAIC Model Regulation variation. The Director of Financial Regulation also advised that domestic companies are already providing the requested information; the introduction of the D-1 form simply provides a specific structure for that reporting. Following the call, the Department received

additional communication from the IAC/ACLI expressing their thanks for the explanations but that they continue to have concerns with the title of the form. The Department has made no change to the title.

Copies of all comments and responses are provided.

Cook, Beth

From: SusanGiacalone@aol.com
Sent: Friday, January 18, 2013 8:56 AM
To: Arsenault, Jon; Belfi, Kathy; Cook, Beth; katekiernan@acli.com
Cc: pam.booth@cga.ct.gov
Subject: Holding Company proposed regulation

Beth, John and Kathy

Thank you for talking with Kate and I regarding the department's proposed Holding Company regulation.

In regards to Form D-1 we still have concerns with the title used on the form, "Prior Notice of Dividends of Common Stock." We believe the form title should be consistent with the language in the controlling statute and the language in the regulation which provide for an informational filing. As currently titled "Prior Notice of Dividends of Common Stock", is somewhat misleading giving the impression that the notice must be filed prior to the payment of the dividend whereas the provisions of the Holding Company Act and Regulation require merely that notice is given to provide information that such payment will or has been made. As such we would recommend that the title be changed to "Notice of Dividends of Common Stock."

Again thank you for the attention you have given this proposed regulation.

Susan D. Giacalone, Counsel
Insurance Association of Connecticut
21 Oak Street, Suite 607
Hartford, CT 06106

(860) 547-0610
(860) 547-0615 (Fax)

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December 21, 2012

Beth Cook, Counsel
Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

Re: Regulation Concerning Insurance Company Holding Act

Dear Attorney Cook:

Thank you for your response to the IAC and ACLI's November 21, 2012 joint comment letter regarding the Department's proposed revisions to the Holding Company Act regulations. We appreciate the changes the department made in relation to some of the issues we raised.

The Department's stated purpose for seeking the changes to the Holding Company Act regulations is to conform to the Holding Company Act as amended by Public Act 12-103 and sections 126 and 127 of Public Act 12-2 of the June 12 Special Session. Public Act 12-103 adopted the National Association of Insurance Commissioner's (NAIC) Holding Company Model Act. Likewise, these proposed regulations seek to conform Connecticut's current regulations to the NAIC's holding company model regulation. As noted in the IAC/ACLI November 21, 2012 letter, and in your response, the vast majority of the proposed regulation follows the NAIC model. Insurance company holding systems are designed to maximize efficiencies and to streamline operations between insurers and their affiliates. Our goal is the same as the Department's, to reduce the challenges faced by regulators overseeing complex holding company operations. We believe that the NAIC amendments to the holding company model law and regulations continue the momentum toward building a seamless national system of regulatory oversight over insurers and affiliates in a holding company system. We believe that uniform enactment of the model regulations is necessary to achieve these goals.

However, we remain concerned with the position the Department has taken regarding a few of the deviations contained in the proposed regulation, most notably, the addition of the Form D-1. As we noted in our previous comment letter such a form does not currently exist in Connecticut regulation or law nor is it part of the NAIC model regulation. The Department justifies the inclusion of this new form based on another state's law, Illinois. Although the NAIC may have deemed Illinois's use as acceptable, as Illinois already had the law on the book, its inclusion in Connecticut's regulation is not as seamless. Only those companies domesticated in Illinois are subject to the requirements of this deviation from the model. Connecticut's domestic insurers are not currently subject to that requirement; therefore, inclusion of this provision is exposing Connecticut's domestics to a new and potentially burdensome deviation from the model. We renew our objection to the inclusion of this nonconforming provision and respectfully request that the department reconsider its position.

Beth Cook, Counsel
December 21, 2012
Page 2

We support the adoption of regulations in conformance with the recently adopted Holding Company Act, but for the above stated reasons, we remain concerned with deviations included in the proposed Holding Company Act regulation. We would welcome the opportunity to discuss our objections at your convenience.

Sincerely,



Susan Giacalone
IAC
Counsel



Kate Kiernan
ACLI
Regional Vice President

cc: Regulation & Review Committee



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

(via email - SusanGiacalone@aol.com; katekiernan@acli.com)

December 5, 2012

Susan D. Giacalone, Esq.
Counsel
Insurance Association of Connecticut
21 Oak Street, Suite 607
Hartford, CT 06106

Kate Kiernan, Esq.
Regional Vice President
American Council of Life Insurers
101 Constitution Avenue, NW
Washington, D.C. 20001-2133

Dear Attorneys Giacalone and Kiernan:

Thank you for your comments on behalf of your respective organizations. The staff of the Connecticut Insurance Department has reviewed your input and requested changes and provides the following response:

You have identified an area of concern with the deviation in the proposed section 38a-138-14(a) of the Regulations of Connecticut State Agencies. You have identified particular concerns with the addition of the Form D-1 which is not found in the NAIC Model. Further, you indicate that you believe the requirement for an executive officer to execute the certification exceeds the law and that this provision creates an extraordinary burden on Connecticut companies above and beyond the requirements in the NAIC Model and in other states. You may not be aware that the provisions of the proposed RCSA §38a-138-14(a) are based on Illinois holding company regulations which are considered an acceptable deviation to the NAIC Model for accreditation purposes. The Illinois regulations, which can be found at 50 Ill. Adm. Code 854.30 *et seq.* have been in place for close to 20 years and have been adopted by a number of other states. As you point out, Conn. Gen. Stat. §38a-136(h)(1) requires companies to provide an informational report to the Commissioner relating to all dividends and other distributions to securityholders; this regulation simply establishes the form of that notice. We believe that since the statute authorizes such notice to be made, and section 38a-138 of the Connecticut General Statutes clearly establishes the authority of the Commissioner to promulgate regulations necessary to carry out the provisions of sections 38a-129 to 38a-140, inclusive of the Connecticut State Statutes, we respectfully disagree with your assertion that these requirements exceed the law. The Illinois form does provide for executive certification and we simply adopted this form. Therefore, while we disagree with your statement that we lack the authority to require this, as well as your claim that this is an extraordinary burden since companies in multiple jurisdictions have been

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required to complete this form, we will however agree to remove the requirement for an executive officer to sign the D-1 certification for parity with the other Connecticut forms which do not include the executive to execute the certifications.

You have also requested deletion of proposed section 38a-138-14(b)(6)(ii). As above, this provision is based on the Illinois holding company regulations, specifically 50 Ill. Adm. Code 855.30. As above, we do not agree to your request for removal of this requirement.

You have asked for deletion of proposed section 38a-138-7a of the RCSA entitled Confidential Notification of Proposed Divestiture. We refer you to section 2 of Public Act No. 12-103 which amended section 38a-130(a) of the Connecticut General Statutes by adding subsection (3) which provides:

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

As you can see, this statute, which adopts this language as provided in section 3 of the NAIC Model Insurance Holding Company System Regulatory, mandates such a requirement. You have argued that the acquiring party is in a better position to file notice of acquisition by filing a Form A than the target company would be to file the notice as required in the proposed section 38a-138-7a of the RCSA. We agree and the proposed regulation provides that if a Form A has been filed, this filing under proposed section 38a-138-7a of the RCSA is not required.

You have also identified that proposed section 38a-138-7a of the RCSA creates significant compliance difficulties. You should be aware that this requirement in the Model Law is based on a similar requirement in Pennsylvania which has been in place for a number of years and was recently adopted by the NAIC for inclusion in the Model Law as a failsafe mechanism if a proposed entity seeking to acquire a Connecticut domestic does not file a Form A. We expect this situation to be rare, but believe this is an important backstop. With respect to lack of clarity as to who the controlling person is in each situation, the terms "person" and "control" are quite clearly defined in the law. We will not agree to the requested deletion.

You have indicated that there are a number of NAIC Model sections which appear to be missing from the proposed regulation, including:

- Section 6 of the NAIC Model regarding information which is unknown or unavailable and an extension of the time to furnish does not appear to be referenced in the proposed amendments.
- Section 9 regarding subsidiaries of domestic companies.
- Section 16 of the Model regarding Form B amendments.
- Section 18 of the Model regarding disclaimers and terminations.

You have asked that we revise the proposed regulations to incorporate these missing sections. These sections are in fact not missing. Sections 6, 16 and 18 of the Model currently are reflected respectively as sections 38a-138-3, 38a-138-10, and 38a-138-12 of the existing Regulations of Connecticut State Agencies. Since we proposed no changes to these regulations, we did not include them in the proposed changes to be considered for approval by the Legislative Regulation Review Committee. Section 9 of the Model has never been adopted by the Insurance Department and we felt no need to do so now. We refer you to Conn. Gen. Stat. §38a-102 *et seq.* which addresses this issue.

You have indicated that the proposed regulation contains a certification for submission of acquisition of control that does not appear to be in the Model (38a-138-6). We appreciate your pointing this out to us; this certification form was misplaced in this location. We have deleted this language and have simply included the certification language in Forms E & F. While the Model does not reflect a certification requirement for either of those forms, we believe both should contain such a requirement to be consistent with Forms A through D.

Your comments point to what you claim are the following deviations in the Forms:

Form A – Item 3: language in subsection (f) has been modified to include injunctions from “actual or potential” violations of law. We agree that this language does not appear in the Model; this language was added at the direction of the Office of the Governor and we believe it is an appropriate addition to raise the standards with respect to the individuals who are seeking to acquire domestic companies.

Form A - Item 13: the reference to Form B should be deleted and changed to Form F. We agree and appreciate your pointing this out to us. This change has been made.

Form A – Item 13 – Other Information. We agree that this language does not appear in the Model, however, it has been in our regulations and we believe it is appropriate to maintain this language.

Form C – You have asked to have the title changes to “Summary of Changes to Registration Statement” to conform to the Model. We agree and have made that change.

Form D – Item 5 does not include the phrase “or the projected reinsurance premium or change in the insurer’s liabilities in any of the next three years”. We have inserted this language and appreciate your pointing out the oversight in including it.

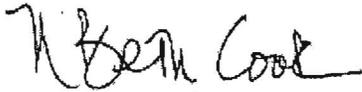
Ford D-1 – Item 6(c) requires that an extraordinary dividend filing must include a calculation of the insurer’s risk-based capital levels as of the most recently filed statement, quarterly or annually, adjusted to show the effect of the proposed dividend.

You have objected to this requirements based on your understanding that RBC is calculated only on an annual basis. This requirement is consistent with the Illinois requirements which we are adopting in these revisions (see page one discussion). Many insurance departments, including Connecticut, already require this and this amendment merely reflects a codification of what is occurring. We will not agree to your requested change.

We note that your letter indicates that you had other typographical errors and deviations which were not noted in your letter. That is unfortunate that you chose not to exercise your right to comment to the fullest extent during the notice and comment period to include all your comments and concerns. Attorney Giacalone did attend the November 16, 2012 public hearing on these regulations but did not comment orally; no representatives from IAC or ACLI attended the November 26, 2012 public hearing on these regulations. We believe you had ample opportunity to provide any additional comment and therefore, we will proceed in the regulation making process.

Attached for your information is a copy of the regulation reflecting your requested and agreed to changes. Thank you for your review and comments.

Sincerely,

A handwritten signature in black ink that reads "N. Beth Cook". The signature is written in a cursive, slightly slanted style.

N. Beth Cook
Counsel

Cc: K. Belfi
J. Arsenault
L. Hein
J. Nakano



**INSURANCE ASSOCIATION OF
CONNECTICUT**

November 21, 2012

Beth Cook, Counsel
Connecticut Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

Dear Attorney Cook:

The Insurance Association of Connecticut ("IAC") and the American Council of Life Insurers ("ACLI") would like to thank you for promulgating proposed revisions to the Holding Company Act Regulations. Our members supported the National Association of Insurance Commissioner's ("NAIC") efforts to update the holding company statutes and regulations which augment the ability of regulators to supervise insurance holding company systems, while also providing enhanced confidentiality protections for information the companies share with regulators. One vital aspect of the update of the holding company regulatory structure, and for the solvency modernization effort overall, is uniform adoption in the states. We noted some deviations and typographical errors. To that end, we submit the following comments regarding some of the deviations in the proposed Connecticut regulation from the NAIC Insurance Holding Company System Model Regulation (Model #450).

Our first area of concern is the deviation in Section 38a-138-14(a) (Ordinary Dividends; Extraordinary dividends and other distributions). This section amends the notice requirements for ordinary dividends. While there are requirements in the existing regulation and law, this section now refers to a new Form D-1 (found in Appendix D) that is not contained in the NAIC Model. Conn. Gen. Stat. Sec. 38a-136(h)(1) requires the insurer to "report for informational purposes" dividends and other distributions. We believe that the proposed regulation exceeds the law by requiring a certification signed by an "executive officer." This provision places an extraordinary burden on Connecticut companies above and beyond the requirements contained in the NAIC Model and in other states. We respectfully request that this aberrational addition to the proposed regulation be deleted.

Similarly, subsection 38a-138-14(b)(6)(ii) provides that Connecticut may require supplemental information in addition to that required by new Form D-1. Such supplemental information may include a litany of enumerated items, such as a "statement of operations", a "statement in schedule form of risk-based capital requirements" and a "statement of significant trends in reinsurance programs, premium volume and/or mix, losses, benefits and general expenses". The scope and meaning of these terms is vague and unclear. Again, this section deviates significantly from the NAIC Model Regulation and we request its deletion.

We are also concerned with the addition of Section 38a-138-7a, Confidential Notification of Proposed Divestiture. This new section would impose an additional administrative burden on the target domestic insurer or its parent. Existing Connecticut statute Conn. Gen. Stat. Sec. 38a-130 requires that any person who seeks to acquire control of a domestic insurer must submit a "Form A" filing. We respectfully submit that the acquiring party is in a better position than the target insurer or its parent to provide such notice and, therefore, that this new section should be deleted.

In addition, proposed Section 38a-138-7a contains language that would present significant compliance difficulties. Specifically, at what point would a domestic insurer or its parent be deemed to be "seeking to divest in any manner"? How firm would a proposal have to be to trigger the notice requirement?

Further, the first sentence of Section 38a-138-7a subsection (a) defines a domestic insurance company to include any person controlling a domestic insurance company. This creates circularity and confusion throughout the rest of the section because it is not clear at various points whether "domestic insurance company" is referring to the target insurer or its parent.

There are a number of NAIC Model sections which appear to be missing from the proposed regulation, including:

- Section 6 of the NAIC Model regarding information which is unknown or unavailable and an extension of the time to furnish does not appear to be referenced in the proposed amendments.
- Section 9 regarding subsidiaries of domestic companies.
- Section 16 of the Model regarding Form B amendments.
- Section 18 of the Model regarding disclaimers and terminations.

We respectfully submit that the proposed regulation should be revised to incorporate Section 6, 9, 16 and 18 of the NAIC Model.

The proposed regulation contains a certification for submission of acquisition of control that does not appear to be in the model (38a-138-6). We do not necessarily oppose this deviation, but would like to understand why the additional certification is needed. If it is not necessary, perhaps it could be eliminated to further uniformity with national standards.

Of a more technical nature, there appears to be a mistake in 38a-138-9. The last sentence should be deleted which will then conform the paragraph to Section 15 of the NAIC Model Regulation.

Deviations in the Forms:

Form A - Item 3 contains deviant language that is troubling to our companies. Paragraph (f) of the existing Connecticut Form A calls for information about persons associated with the applicant, including whether such persons have been enjoined by a court from violating certain applicable law. The proposed regulations would modify the reference to a violation of law in this context to include injunctions from "actual or potential" violations of law. It is unclear what a potential violation of law means in this context and the additional terms are not contained in the NAIC Model Regulation. Accordingly, we respectfully submit that the reference to "actual or potential" should be deleted.

Item 6 has additional language requiring certification for the acquisition of voting securities. We would ask that the NAIC Model language be used.

Item 13 is incorrect. The reference to Form B should be deleted and Form F should be cited.

The additional section on Other Information does not conform to the NAIC Model Regulation.

Form C - Title should be "Summary of Changes to Registration Statement".

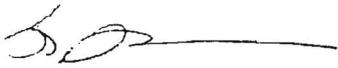
Form D - Item 5 does not include the reference to "or the projected reinsurance premium or charge in the insurer's liabilities in any of the next three years" in the carve-out from the notice requirement for reinsurance agreements or modifications thereto involving less than 5% of surplus. Actual reinsurance

premium or change in the insurer's liabilities may not always be available at the time of execution of a reinsurance agreement. We respectfully submit that the NAIC Model language contemplating projections should be inserted.

Form D-1 - Item 6(c) requires that an extraordinary dividend filing must include a calculation of the insurer's risk-based capital ("RBC") levels as of the most recently filed statement, quarterly or annually, adjusted to show the effect of the proposed dividend. RBC is calculated on an annual basis only. Accordingly, we respectfully submit that this item should be revised to refer to RBC "as of the most recently filed annual financial statement".

Finally, as noted at the beginning of the letter there are other typographical errors and deviations not noted in this letter. We welcome the opportunity to continue discussion on the proposed regulation.

Sincerely,



Susan Giacalone
IAC
Counsel



Kate Kiernan
ACLI
Regional Vice President

Cook, Beth

To: Meyer, Timothy B
Subject: RE: Aetna Comments to 2012 proposed Holding Company Act Regulations

Thank you for your comments.

We have agreed to remove the requirement for an executive to complete the D-1 certification. This form was adopted from one used in Illinois and we neglected to remove the executive certification requirement.

We will not agree to your request to limit the Form F information to only adverse events. That would not be consistent with the Model and it would frustrate the intent of the Enterprise Risk Management ("ERM") reporting. The purpose of ERM is to identify all potential risks and initiate a communication with your regulator relating to how those risks are being managed. It would be our hope that through this process some risks would never become adverse events.

We did receive comments from other sources and I have attached a copy of the revised proposed regulation for your information. Again, thank you for your comments.

Beth Cook

Counsel | State of Connecticut Insurance Department

Mail address: P.O. Box 816 | Hartford, CT 06142-0816

Location and Overnite Address: 153 Market Street, 7th Floor | Hartford, CT 06103

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From: Meyer, Timothy B [<mailto:MeyerT@AETNA.com>]
Sent: Monday, November 26, 2012 10:48 AM
To: Cook, Beth
Subject: Aetna Comments to 2012 proposed Holding Company Act Regulations

Beth, thank you for the opportunity to comment on the proposed Holding Company Act Regulations. We have only two specific comments to the proposed regulations.

First on Page 29

Form D 1

Signature Signature and Certification.

For purposes of filing the Form D-1, the signature and certification required by this section shall be signed by an executive officer of the insurer.

Delete "executive" from executive officer as it imposes higher standard than other forms. Forms other than D-1 only require signature of an office, unsure why D-1 needs to be signed by an executive officer.

Second on Page 34

Form F Item 1

The Registrant/Applicant, to the best of its knowledge and belief, shall provide information regarding the following areas that could produce enterprise risk as defined in section 38a-129(B)(4) of the Connecticut

General Statutes provided such information is not disclosed in the Insurance Holding Company System Annual Registration Statement filed on behalf of itself or another insurer for which it is the ultimate controlling person:

- (a) Any *adverse* material developments regarding strategy, internal audit findings, compliance or risk management affecting the insurance holding company system;
- (b) Acquisition or disposal of insurance entities and reallocating of existing financial or insurance entities within the insurance holding company system;
- (c) Any changes of shareholders of the insurance holding company system exceeding ten percent (10%) or more of voting securities;
- (d) *Adverse* developments in various investigations, regulatory activities or litigation that may have a significant bearing or impact on the insurance holding company system;

Given this is a report on enterprise risk, the word "adverse" should be added above to limit the disclosure of unnecessary information that do not pertain to enterprise risk.

Again, thank you Beth...Tim

Tim Meyer | Vice President | State Government Affairs | Northeast Region | Aetna, Inc. | (860) 273-1713 [office] | (860) 335-1785 [cell]
This e-mail may contain confidential or privileged information. If you think you have received this e-mail in error, please advise the sender by reply e-mail and then delete this e-mail immediately. Thank you. Aetna