



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

February 25, 2014

Governor's Bill No. 5053 - An Act Strengthening Connecticut's Insurance Industry Competitiveness.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department is pleased to testify in support of Governor's Bill No. 5053, An Act Strengthening Connecticut's Insurance Industry.

This proposal seeks to promote Connecticut's economy in the financial services insurance sector by enacting statutes to allow domestic mutual insurers to reorganize as mutual holding companies and to permit Connecticut to serve as a port of entry for non-U.S. insurers.

Sections 1 through 18 of Governor's Bill No. 5053, will amend the insurance statutes, as most states have, to authorize a domestic mutual insurance company to be reorganized as a domestic stock insurer, owned, directly or indirectly, by a mutual holding company. Under such restructuring, the mutual policyholders' ownership rights (primarily the right to vote for directors and to share in surplus in liquidation) are transferred to the mutual holding company. When effectuated with the approval of the policyholders and the Insurance Commissioner, this corporate structure will give the domestic insurer more options to raise capital to support its business, through the issuance of stock. This legislation will also permit Connecticut to obtain the benefit of the provisions of Subtitle B of Title III of the Gramm-Leach-Bliley Act [15 U.S.C. §§ 6731 to 6735] which authorize a mutual insurer organized under the laws of one state to transfer its domicile or redomesticate to a state which has a law authorizing mutual holding companies.

Sections 19 through 27 of Governor's Bill No. 5053, will promote Connecticut's economy in the financial services insurance sector by authorizing non-U.S. insurers to enter the U.S. and to transact the business of insurance through the establishment of a U.S. branch in Connecticut.

Currently, non-U.S. insurers can enter through another U.S. state with a law authorizing the establishment of a U.S. branch and subsequently be licensed as an

insurer just as any other domestic insurer from that port of entry state. Because Connecticut does not currently have a branch law, the only way for Connecticut to serve as the state of entry in the United States of a non-U.S. insurer is for the alien insurer to separately incorporate an insurance subsidiary in the state.

This part of the Governor's bill is based on the State of Entry Model Law adopted by the National Association of Insurance Commissioners. It contains mandatory requirements that the non-U.S. insurer must comply with prior to establishing a U.S. branch to ensure that the policyholders will be protected and to prevent the U.S. branch from operating in a hazardous financial condition.

These two proposals – mutual holding companies and state of entry for non-U.S. insurers - are part of a continuous effort by the Governor to make Connecticut a desirable location to establish and grow an insurance business.

The Legislative Commissioners' Office is working on modifications to this legislation to improve clarity and consistency with the General Statutes.

The Insurance Department respects the good work of the LCO and asks that the Insurance and Real Estate Committee act favorably on Governor's House Bill No. 5053.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.

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