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STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

February 25, 2014

Raised Bill No. 5253 (Raised) An Act Concerning the Connecticut Insurance Guaranty Association and the Connecticut Life and Health Insurance Guaranty Association.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising Raised Bill No. 5253 concerning Connecticut's two insurance guaranty associations. The Connecticut Insurance Guaranty Association (CIGA) and the Connecticut Life and Health Insurance Guaranty Association (CLHIGA) were created by the legislature in 1971 and 1972, respectively, to serve as a safety net for consumers of insolvent insurers licensed in Connecticut.

Raised Bill 5253 amends the laws governing CIGA and CLHIGA in the following ways:

Sec. 1. Amends the definition of "insolvent insurer" to specify an insurer that is subject to a final order of liquidation with a finding of insolvency from the insurer's state of domicile. The current law defines an insolvent insurer in terms of an insurer determined to be insolvent by a court of competent jurisdiction, which may include instances when an insurer is placed into rehabilitation proceedings. The guaranty association statutes in most states define an insolvent insurer in terms of a final order of liquidation with a finding of insolvency. The Department proposes this change to the CIGA Act to avoid a situation in which an insurer is placed into rehabilitation proceedings with a court order that declares the insurer to be insolvent which would trigger CIGA to be activated prematurely to handle the insolvency at a time when the receiver of the insurer may not have access to the claim files and basic policyholder information to timely transmit the information to CIGA. Changing the definition of insolvent insurer as proposed will align Connecticut with most other states and thereby avoid unnecessary costs to CIGA and the receivership estates.

Sec. 2. Amends the CIGA Act section 38a-838: (1) To provide coverage of covered claims existing prior to the order of liquidation and arising within 60 days after such order, instead of the current 30 days. This will give consumers more time to replace policies and CIGA will have more time to notify claimants of an insolvency of a

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member insurer, the applicable guaranty association coverage and the need to replace policies if necessary.

(2) To increase the maximum coverage for claims (other than for workers' compensation) from \$400,000 to \$500,000 for insurers placed into liquidation under a final order of liquidation with a finding of insolvency on or after October 1, 2014. Raising the limit of guaranty association coverage to \$500,000 will offer additional protection to Connecticut residents and will be consistent with the National Association of Insurance Commissioners Property and Casualty Insurance Guaranty Association Model Act level of coverage.

Sec. 3. makes two minor technical changes to section 38a-843.

Sec. 4. Amends the CLHIGA Act section 38a-860(f): (1) To make several minor technical changes; and (2) to expressly exclude CLHIGA coverage for contracts offering hospital, medical, prescription drugs or other health care benefits pursuant to the federal Medicare Part C or D. This amendment will conform the CLHIGA Act to the NAIC Life and Health Insurance Guaranty Association Model Act exclusion for Medicare Parts C and D which has been adopted in 37 states.

The Insurance Department appreciated the opportunity to provide this testimony and asks that the Insurance and Real Estate Committee act favorably on raised House Bill 5253.

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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