

STATEMENT

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INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

February 25, 2014

**SB 196, An Act Concerning Group-Wide Supervision
For Internationally Active Insurance Groups**

The Insurance Association of Connecticut has concerns with SB 196, An Act Concerning Group-Wide Supervision For Internationally Active Insurance Groups. SB 196 would give the Insurance Commissioner the authority to act as the group-wide supervisor of internationally active insurance groups. While we understand and appreciate the general purpose of the proposed legislation, certain language contained in the proposal would introduce a number of undefined terms and concepts with the potential to create inconsistency and conflict among both domestic and foreign insurance supervisors.

For example, the broad definition of “internationally active insurance group” in SB 196 is inconsistent with the criteria used by the International Association of Insurance Supervisors to define that same term and could result in differing classifications. In addition, the commissioner can declare himself to be a “group-wide supervisor” under SB 196 if the group or its subsidiaries “conduct substantial insurance business operations in the state.” The phrase is unclear and does not take into account whether those “substantial” insurance business operations are substantial to the group as a whole.

In determining whether this state’s commissioner or other chief insurance regulatory official is the appropriate group-wide supervisor, SB 196 provides that the commissioner should consider certain relevant factors and “the relative scale of each.” It is not clear what is meant by the phrase, but it does seem to add a subjective element

and an uncertainty to the basis required to be used by the commissioner in making such a determination.

SB 196 does not appear to establish a process for resolving disputes between regulators in multiple jurisdictions where each believes it should be the group-wide supervisor of a particular insurance group. The resulting conflict would put insurers in a position of uncertainty and at risk of being out of compliance with one or more jurisdictions when regulators disagree. This would be detrimental to the regulatory process and the parties involved.

Section 2 appears to expand the scope of the Insurance Department's financial examination statute to include the examination of non-insurance affiliates. It is unclear why this expansion of regulatory authority is required in light of the considerable authority already accorded the Department under existing law.

IAC would welcome the opportunity to work with the Insurance and Real Estate Committee and the Insurance Department to address industry concerns with SB 196.