STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the Insurance Department
To
Insurance and Real Estate Committee

March 13, 2014

Raised S.B. No. 395 AN ACT AUTHORIZING DOMESTIC SURPLUS LINES INSURERS ANDTHE INSURANCE DEPARTMENT'S FINANCIAL REGULATORY OVERSIGHT OF INSURANCE COMPANIES

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising Senate Bill 395: An Act Authorizing Domestic Surplus Lines Insurers and the Insurance Department's Financial Regulatory Oversight Of Insurance Companies, at the Department's request and appreciates the opportunity to provide written testimony.

This bill modifies various insurance statutes to strengthen the Department's ability to regulate the industry and protect consumers.

The more substantive changes include:

- Enacting a law to establish license requirements for Connecticut domestic surplus lines insurers. Currently, Connecticut has no statute permitting domestic surplus lines insurers, unlike a growing number of states; surplus lines carriers must be licensed in their domiciliary jurisdiction and the lawful transaction of surplus lines insurance is exempted from the Unauthorized Insurers Act enabling surplus lines insurers to operate in Connecticut as a non-admitted carrier. Under this structure, surplus lines carriers cannot write multi-state risks in their own domicile state. This proposal would enable a domestic surplus lines carrier to write surplus lines insurance in any jurisdiction in which it is eligible, including Connecticut. Anecdotally, the Department has been told by a former domestic company that it had left this state because Connecticut lacked this provision in our statutes; we also believe that other companies would be interested in domesticating here should this provision be enacted. This bill has the potential to have a very strong economic impact that could result in revenue and new job growth for Connecticut.

- Amending the financial examination statute to require the Board of Directors of examined companies to receive and review exam reports and provide documentation of that review for their corporate files.

- Including health care centers under the Commissioner's authority to order health care center holding companies and affiliates to produce any books, records and other information in the possession of the holding company or affiliates as are reasonably necessary to ascertain the financial condition of the health care center or to determine compliance with Connecticut's insurance holding company system statutes. Although most, if not all, health care centers comply with this requirement, the statutory authority needs to be explicit.

- Providing the Commissioner discretion to waive a late filing fee for quarterly and annual financial statements when (1) governor of a company's state of domicile has proclaimed a state of emergency and state of emergency impairs the company's ability to file the statement, or (2) the insurance regulator of the home state of the insurer has authorized a delay for filing requirements. Also increases the late fee on fraternal entities to be on par with insurers and health care centers.

- Amending the Credit for Reinsurance statute to align with the NAIC Credit for Reinsurance Model Law relating to which commissioner has principal authority over an assuming insurers trust to permit reductions in trusteed assets under the credit for reinsurance statute

- Amending the Insurance Holding Company Statute to mirror the NAIC Insurance Holding System Regulatory Act with respect to reinsurance agreements. This provision is needed to be in place by January 2016 to satisfy NAIC accreditation requirements.

- Amending the general licensing provision applicable to persons who intend to engage in an insurance occupation in our state for which a license is required, to clarify that such provision also applies to persons who seek a license to act as insurance producers, as such was the intent of the Insurance Department when the referenced provision was amended pursuant to a Department proposal that was enacted as Public Act 02-19.

The Department again thanks the Committee for raising this bill and encourages the Committee's support of this initiative. We would be happy to answer any questions you may have.

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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