



General Assembly

February Session, 2014

Raised Bill No. 395

LCO No. 1809



Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by:
(INS)

AN ACT AUTHORIZING DOMESTIC SURPLUS LINES INSURERS AND THE INSURANCE DEPARTMENT'S FINANCIAL REGULATORY OVERSIGHT OF INSURANCE COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-1 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2014*):

3 Terms used in this title, unless it appears from the context to the
4 contrary, shall have a scope and meaning as set forth in this section.

5 (1) "Affiliate" or "affiliated" means a person that directly, or
6 indirectly through one or more intermediaries, controls, is controlled
7 by or is under common control with another person.

8 (2) "Alien insurer" [is defined in subparagraph (A) of subdivision
9 (11) of this section] means any insurer that has been chartered by or
10 organized or constituted within or under the laws of any jurisdiction
11 or country without the United States.

12 (3) "Annuities" means all agreements to make periodical payments

13 where the making or continuance of all or some of the series of the
14 payments, or the amount of the payment, is dependent upon the
15 continuance of human life or is for a specified term of years. This
16 definition does not apply to payments made under a policy of life
17 insurance.

18 (4) "Commissioner" means the Insurance Commissioner.

19 (5) "Control", "controlled by" or "under common control with"
20 means the possession, direct or indirect, of the power to direct or cause
21 the direction of the management and policies of a person, whether
22 through the ownership of voting securities, by contract other than a
23 commercial contract for goods or nonmanagement services, or
24 otherwise, unless the power is the result of an official position with the
25 person.

26 (6) "Domestic insurer" [is defined in subparagraph (B) of
27 subdivision (11) of this section] means any insurer that has been
28 chartered by, incorporated, organized or constituted within or under
29 the laws of this state.

30 (7) "Domestic surplus insurer" means any domestic insurer that has
31 been authorized to be an eligible surplus lines insurer by the
32 commissioner.

33 [(7)] (8) "Foreign country" means any jurisdiction not in any state,
34 district or territory of the United States.

35 [(8)] (9) "Foreign insurer" [is defined in subparagraph (C) of
36 subdivision (11) of this section] means any insurer that has been
37 chartered by or organized or constituted within or under the laws of
38 another state or a territory of the United States.

39 [(9)] (10) "Insolvency" or "insolvent" means, for any insurer, that it is
40 unable to pay its obligations when they are due, or when its admitted
41 assets do not exceed its liabilities plus the greater of: (A) Capital and

42 surplus required by law for its organization and continued operation;
43 or (B) the total par or stated value of its authorized and issued capital
44 stock. For purposes of this subdivision "liabilities" shall include but not
45 be limited to reserves required by statute or by regulations adopted by
46 the commissioner in accordance with the provisions of chapter 54 or
47 specific requirements imposed by the commissioner upon a subject
48 company at the time of admission or subsequent thereto.

49 [(10)] (11) "Insurance" means any agreement to pay a sum of money,
50 provide services or any other thing of value on the happening of a
51 particular event or contingency or to provide indemnity for loss in
52 respect to a specified subject by specified perils in return for a
53 consideration. In any contract of insurance, an insured shall have an
54 interest which is subject to a risk of loss through destruction or
55 impairment of that interest, which risk is assumed by the insurer and
56 such assumption shall be part of a general scheme to distribute losses
57 among a large group of persons bearing similar risks in return for a
58 ratable contribution or other consideration.

59 [(11)] (12) "Insurer" or "insurance company" includes any person or
60 combination of persons doing any kind or form of insurance business
61 other than a fraternal benefit society, and shall include a receiver of
62 any insurer when the context reasonably permits. [When modified as
63 follows, the term has the following meanings:

64 (A) "Alien insurer" means any insurer that has been chartered by or
65 organized or constituted within or under the laws of any state or
66 country without the United States.

67 (B) "Domestic insurer" means any insurer that has been chartered
68 by, incorporated, organized or constituted within or under the laws of
69 this state.

70 (C) "Foreign insurer" means any insurer that has been chartered by
71 or organized or constituted within or under the laws of another state
72 or a territory of the United States.

73 (D) "Mutual insurer" means any insurance company without capital
74 stock, the managing directors or officers of which are elected by its
75 members.

76 (E) "Unauthorized insurer" or "nonadmitted insurer" means an
77 insurer that has not been granted a certificate of authority by the
78 commissioner to transact the business of insurance in this state or an
79 insurer transacting business not authorized by a valid certificate.]

80 [(12)] (13) "Insured" means a person to whom or for whose benefit
81 an insurer makes a promise in an insurance policy. The term includes
82 policyholders, subscribers, members and beneficiaries. This definition
83 applies only to the provisions of this title and does not define the
84 meaning of this word as used in insurance policies or certificates.

85 [(13)] (14) "Life insurance" means insurance on human lives and
86 insurances pertaining to or connected with human life. The business of
87 life insurance includes granting endowment benefits, granting
88 additional benefits in the event of death by accident or accidental
89 means, granting additional benefits in the event of the total and
90 permanent disability of the insured, and providing optional methods
91 of settlement of proceeds. Life insurance includes burial contracts to
92 the extent provided by section 38a-464.

93 (15) "Mutual insurer" means any insurance company without capital
94 stock, the managing directors or officers of which are elected by its
95 members.

96 [(14)] (16) "Person" means an individual, a corporation, a
97 partnership, a limited liability company, an association, a joint stock
98 company, a business trust, an unincorporated organization or other
99 legal entity.

100 [(15)] (17) "Policy" means any document, including attached
101 endorsements and riders, purporting to be an enforceable contract,
102 which memorializes in writing some or all of the terms of an insurance

103 contract.

104 [(16)] (18) "State" means any state, district, or territory of the United
105 States.

106 [(17)] (19) "Subsidiary" of a specified person means an affiliate
107 controlled by the person directly, or indirectly through one or more
108 intermediaries.

109 [(18)] (20) "Unauthorized insurer" [is defined in subparagraph (E) of
110 subdivision (11) of this section] or "nonadmitted insurer" means an
111 insurer that has not been granted a certificate of authority by the
112 commissioner to transact the business of insurance in this state or an
113 insurer transacting business not authorized by a valid certificate.

114 [(19)] (21) "United States" means the United States of America, its
115 territories and possessions, the Commonwealth of Puerto Rico and the
116 District of Columbia.

117 Sec. 2. (NEW) (*Effective July 1, 2014*) (a) (1) A domestic insurer may
118 issue surplus lines insurance policies in this state, provided such
119 insurer has been authorized to write such policies by the
120 commissioner.

121 (2) A domestic surplus lines insurer may issue insurance policies
122 against any loss from any contingency as provided under the
123 insurance laws of this state, except for any coverage that may be
124 placed through a residual market mechanism, as defined in section
125 38a-976 of the general statutes.

126 (b) Unless otherwise provided, no provision of this title shall apply
127 to a domestic surplus lines insurer except for the following: Sections
128 38a-11, 38a-41, 38a-663 to 38a-691, inclusive, 38a-695, 38a-741 to 38a-
129 743, as amended by this act, 38a-745 and 38a-836 to 38a-902, inclusive,
130 of the general statutes, except that this subsection shall not exempt a
131 domestic insurer authorized to write other lines of insurance in this

132 state from provisions in this title applicable to domestic insurers.

133 Sec. 3. Section 38a-740 of the general statutes is repealed and the
134 following is substituted in lieu thereof (*Effective July 1, 2014*):

135 The commissioner may by regulation adopted in accordance with
136 the provisions of chapter 54: (1) Establish such proper standards as
137 [he] the commissioner may deem necessary to guide surplus lines
138 brokers procuring any such policy of insurance, as is permitted under
139 subsection (a) of section 38a-794, as amended by this act, from any
140 such [unauthorized] nonadmitted insurer; (2) require any
141 [unauthorized] nonadmitted insurer from which any surplus lines
142 broker has procured or intends to procure any policy of insurance, as
143 is permitted under subsection (a) of section 38a-794, as amended by
144 this act, to file with [him] the commissioner such evidence and in such
145 form as [he may prescribe so as] the commissioner prescribes to enable
146 [him] the commissioner to establish the financial stability,
147 qualifications and general suitability of such [unauthorized]
148 nonadmitted insurer to issue any policy of insurance through any
149 surplus lines broker, under section 38a-794, as amended by this act;
150 and (3) establish such reasonable filing fees as may be necessary to
151 defray the cost [to him] of examining evidence filed with [him by an
152 unauthorized] the commissioner by a nonadmitted insurer either
153 voluntarily or pursuant to the provisions of this section.

154 Sec. 4. Section 38a-741 of the 2014 supplement to the general statutes
155 is repealed and the following is substituted in lieu thereof (*Effective July*
156 *1, 2014*):

157 (a) The commissioner shall maintain on a current basis a list of those
158 lines of insurance or their components for which coverages are
159 believed by the commissioner to be generally unavailable from
160 licensed insurers. The commissioner shall republish the list and make
161 it available to all licensees every six months. Any person may request
162 in writing that the commissioner add or remove a line of insurance or

163 its component from the current list at the next publication of the list.
164 The commissioner's determinations of lines of insurance or their
165 components to be added to or removed from the list shall not be
166 subject to chapter 54 provided prior to making determinations, the
167 commissioner shall provide opportunity for comments from interested
168 persons.

169 (b) (1) When any policy of insurance is procured or renewed under
170 the authority of such license providing a line of insurance or its
171 component that does not, on the effective date of coverage, appear on
172 the current published list, both the licensee and the insured shall write
173 signed statements setting forth facts showing that such licensee and
174 such insured were unable after diligent effort to procure, from any
175 authorized insurer or insurers, the full amount of insurance required to
176 protect the interest of such insured, and further showing (A) that the
177 amount of insurance procured from [an unauthorized] a nonadmitted
178 or domestic surplus lines insurer or insurers is only the excess over the
179 amount so procurable from authorized insurers, (B) the type of policy,
180 and (C) if such policy is for real property, the location of such
181 property. Such licensee shall file such signed statements in electronic
182 format with the commissioner on February fifteenth, May fifteenth,
183 August fifteenth and November fifteenth of each year.

184 (2) The provisions of subdivision (1) of this subsection shall not
185 apply to any policy of insurance procured under the authority of such
186 license for an insured that is an exempt commercial purchaser, as
187 defined in Section 527 of the Dodd-Frank Wall Street Reform and
188 Consumer Protection Act, P.L. 111-203, as amended from time to time,
189 provided (A) the surplus lines broker has disclosed to such exempt
190 commercial purchaser that such insurance may or may not be available
191 from an authorized insurer, that may provide greater protection with
192 more regulatory oversight, and (B) such exempt commercial purchaser
193 has subsequently requested such broker, in writing, to procure such
194 policy from [an unauthorized] a nonadmitted or domestic surplus lines
195 insurer.

196 Sec. 5. Section 38a-742 of the general statutes is repealed and the
197 following is substituted in lieu thereof (*Effective July 1, 2014*):

198 The licensee shall keep a complete and separate record of all surplus
199 lines insurance policies procured from [~~unauthorized~~] nonadmitted or
200 domestic insurers under such license. Such records shall be open to the
201 examination of the commissioner at all reasonable times and shall
202 show: (1) The exact amount of each kind of insurance permitted under
203 sections 38a-741 to 38a-744, inclusive, as amended by this act, and 38a-
204 794, as amended by this act, that has been procured for each insured;
205 (2) the gross premiums charged by the insurers for each kind of
206 insurance permitted under section 38a-794, as amended by this act; (3)
207 the amount of each kind of premiums of insurance permitted by
208 section 38a-794, [~~which~~] as amended by this act, that were returned to
209 each insured; (4) the name of the insurer or insurers [~~which~~] that
210 issued each of such policies; (5) the effective dates of such policies; and
211 (6) the terms for which they were issued.

212 Sec. 6. Section 38a-743 of the general statutes is repealed and the
213 following is repealed and the following is substituted in lieu thereof
214 (*Effective July 1, 2014*):

215 (a) Every person, firm, association or corporation licensed pursuant
216 to the provisions of sections 38a-741 to 38a-744, as amended by this act,
217 inclusive, and 38a-794, as amended by this act, shall pay to the
218 commissioner on May first of each year a sum equal to four per cent of
219 the gross premiums charged the insureds by the insurers during the
220 period from January first to March thirty-first of that year, and on
221 August first of each year a sum equal to four per cent of the gross
222 premiums charged the insured by the insurers during the period from
223 April first to June thirtieth of that year, on November first of each year
224 a sum equal to four per cent of the gross premiums charged the
225 insureds by the insurers during the period from July first to September
226 thirtieth of that year and on February first of each year a sum equal to
227 four per cent of the gross premiums charged the insureds by the

228 insurers during the period from October first to December thirty-first
229 of the preceding year, for insurance procured by such licensee
230 pursuant to such license, less the amount of such premiums returned
231 to such insureds, except that the premium tax shall not apply to any
232 policy issued to the state of Connecticut or any agency of the state or to
233 any policy issued to any town, or agency of such town or special
234 taxing district when such town, agency or department thereof or
235 special taxing district appears in the policy as the named insured and
236 as such is responsible for the payment of premiums shown on such
237 policy. Each licensee shall also file on May first, August first,
238 November first, and February first a return, in the form described by
239 the commissioner, showing such information as the commissioner
240 deems necessary. The provisions of this subsection shall not apply to
241 nonadmitted insurance, as defined in subsection (b) of this section, that
242 is procured, continued or renewed on or after July 1, 2011.

243 (b) For purposes of this subsection and subsections (c) to (g),
244 inclusive, of this section:

245 (1) "Home state" means home state, as defined in Section 527 of the
246 Nonadmitted and Reinsurance Reform Act of 2010;

247 (2) "Licensee" means a person, firm, association or corporation that
248 is licensed pursuant to the provisions of sections 38a-741 to 38a-744, as
249 amended by this act, inclusive, and 38a-794, as amended by this act,
250 and that is a surplus lines broker, as defined in Section 527 of the
251 Nonadmitted and Reinsurance Reform Act of 2010;

252 (3) "Nonadmitted and Reinsurance Reform Act of 2010" means
253 Sections 511 to 542, inclusive, of the Dodd-Frank Wall Street Reform
254 and Consumer Protection Act, P.L. 111-203, as amended from time to
255 time;

256 (4) "Nonadmitted insurance" means nonadmitted insurance, as
257 defined in Section 527 of the Nonadmitted and Reinsurance Reform
258 Act of 2010; and

259 (5) "Nonadmitted insurer" means a nonadmitted insurer, as defined
260 in Section 527 of the Nonadmitted and Reinsurance Reform Act of
261 2010.

262 (c) (1) With respect to nonadmitted insurance, where such coverage
263 is procured, continued or renewed for an insured by a licensee on or
264 after July 1, 2011, and where this state is an insured's home state, such
265 licensee shall pay a tax equal to the sum of four per cent of the gross
266 premiums charged such insureds by nonadmitted insurers,
267 irrespective of the fact that the insurance policy may cover properties,
268 risks or exposures located or to be performed both within and without
269 this state.

270 (2) (A) For the period beginning on July 1, 2011, and ending
271 September 30, 2011, each licensee shall pay to the Insurance
272 Commissioner, on or before November 15, 2011, in accordance with
273 procedures established and on forms provided by said commissioner,
274 a tax on nonadmitted insurance equal to the sum of four per cent of the
275 gross premiums charged insureds by nonadmitted insurers during
276 such period.

277 (B) For the period beginning on October 1, 2011, and ending
278 December 31, 2011, each licensee shall pay to the Insurance
279 Commissioner, on or before February 15, 2012, in accordance with
280 procedures established and on forms provided by said commissioner,
281 a tax on nonadmitted insurance equal to the sum of four per cent of the
282 gross premiums charged insureds by nonadmitted insurers during
283 such period.

284 (3) For calendar years beginning on or after January 1, 2012, each
285 licensee shall pay to the Insurance Commissioner, in accordance with
286 procedures established and on forms provided by said commissioner,
287 (A) on or before May fifteenth of each year in which nonadmitted
288 insurance was procured, continued or renewed, a tax on such
289 insurance equal to the sum of four per cent of the gross premiums

290 charged insureds by nonadmitted insurers during the period from
291 January first to March thirty-first of that year; (B) on or before August
292 fifteenth of each year in which nonadmitted insurance was procured,
293 continued or renewed, a tax on such insurance equal to the sum of four
294 per cent of the gross premiums charged insureds by nonadmitted
295 insurers during the period from April first to June thirtieth of that year;
296 (C) on or before November fifteenth of each year in which
297 nonadmitted insurance was procured, continued or renewed, a tax on
298 such insurance equal to the sum of four per cent of the gross premiums
299 charged insureds by nonadmitted insurers during the period from July
300 first to September thirtieth of that year; and (D) on or before February
301 fifteenth of each year succeeding a year in which nonadmitted
302 insurance was procured, continued or renewed, a tax on such
303 insurance equal to the sum of four per cent of the gross premiums
304 charged insureds by nonadmitted insurers during the period from
305 October first to December thirty-first of the preceding year.

306 (4) In the event of cancellation and rewriting of any nonadmitted
307 insurance contract, the premium for purposes of this subsection shall
308 be the premium in excess of the unearned premium of the cancelled
309 insurance contract.

310 (5) If, pursuant to subsection (g) of this section, the Insurance
311 Commissioner enters into a cooperative or reciprocal agreement with
312 another state or states, and if the provisions set forth in such
313 agreement are different from provisions prescribed by this subsection,
314 then the provisions set forth in such agreement shall prevail.

315 (d) Upon failure of any person to pay the premium tax due the
316 commissioner on its due date, there shall be added thereto a penalty
317 and interest, which interest shall be at the rate of one per cent per
318 month or fraction of a month which elapses from the due date of such
319 premium tax to the date of payment, and which penalty shall be in the
320 amount of ten per cent of the whole or such part of the principal of the
321 premium tax as is unpaid.

322 (e) This section shall be construed in such a manner as to avoid
323 preemption under the Nonadmitted and Reinsurance Reform Act of
324 2010.

325 (f) This section shall not apply to any policy issued to the state of
326 Connecticut or any agency of the state, or to any policy issued to any
327 Connecticut town, or agency of such town or special taxing district
328 when such town, agency or department thereof or special taxing
329 district appears in the policy as the named insured and as such is
330 responsible for the payment of premiums shown on such policy.

331 (g) (1) The Insurance Commissioner may enter into a cooperative or
332 reciprocal agreement with another state or states to allocate among the
333 states the nonadmitted insurance premiums taxes paid to an insured's
334 home state, as provided by Section 521 of the Nonadmitted and
335 Reinsurance Reform Act of 2010.

336 (2) The agreement that the Insurance Commissioner is authorized to
337 enter into under this subsection shall include, but shall not be limited
338 to, the National Association of Insurance Commissioners'
339 Nonadmitted Insurance Multistate Agreement.

340 (3) The agreement that the Insurance Commissioner is authorized to
341 enter into under this subsection may provide that, where this state is
342 an insured's home state and where the nonadmitted insurance covers
343 properties, risks or exposures located or to be performed both within
344 and without this state, (A) the sum payable by a licensee to this state
345 under this section shall be computed based on that portion of the gross
346 premiums allocated to this state, based on a standardized premium
347 allocation adopted by the states under such agreement, multiplied by
348 four per cent, (B) the sum payable by the licensee to another state shall
349 be computed based on that portion of the gross premiums allocated to
350 such state, based on a standardized premium allocation adopted by
351 the states under such agreement, multiplied by such state's tax rate,
352 and (C) to the extent that another state where properties, risks or

353 exposures are located has failed to enter into an agreement with this
354 state, the portion of the gross premiums otherwise allocable to such
355 other state shall be allocated to this state.

356 (4) The agreement that the Insurance Commissioner is authorized to
357 enter into under this subsection may provide for (A) record-keeping
358 requirements, (B) audit procedures, (C) exchange of information, (D)
359 collection of taxes not paid by licensees within the time required under
360 subsection (c) of this section, (E) disbursements of funds to other states
361 that are parties to such agreement, and (F) any additional provisions
362 that will facilitate the administration of the agreement.

363 (5) Notwithstanding any provision of section 12-15, the Insurance
364 Commissioner may, under the terms of the agreement entered into
365 under this subsection, disclose information relating to surplus lines
366 brokers or nonadmitted insurance permitted to be placed through
367 surplus lines brokers to any official of another state that is a party to
368 such agreement whose official duties require such disclosure.

369 (6) The Insurance Commissioner may enter into cooperative
370 agreements with processing entities located in this state or other states
371 related to the capturing and processing of nonadmitted insurance
372 premiums and nonadmitted insurance premiums tax data.
373 Notwithstanding any provision of section 12-15, the Insurance
374 Commissioner may, under the terms of any such cooperative
375 agreement, disclose information relating to surplus lines brokers or
376 nonadmitted insurance permitted to be placed through surplus lines
377 brokers to any official of the processing entity whose duties require
378 such disclosure.

379 (h) With respect to surplus lines insurance written by a domestic
380 surplus lines insurer where such coverage is procured, continued or
381 renewed for an insured by a licensee on or after July 1, 2014, and
382 where this state is an insured's home state, the provisions of
383 subdivisions (1), (3) and (4) of subsection (c) of this section and

384 subsections (d) and (e) of this section shall apply to such insurance and
385 licensee.

386 Sec. 7. Subsection (a) of section 38a-794 of the general statutes is
387 repealed and the following is substituted in lieu thereof (*Effective July*
388 *1, 2014*):

389 (a) Any applicant for a surplus lines broker's license shall be a
390 person, firm, association or corporation who or which is domiciled and
391 maintains an office in this state or a nonresident who or which desires
392 to act within this state, and is licensed as an insurance producer. A
393 surplus lines broker's license shall authorize the licensee to procure,
394 from insurers not [authorized] admitted to transact business in this
395 state, subject to the restrictions herein provided, policies of insurance
396 against loss from any contingency as provided by the insurance laws
397 of this state, except any insurance coverage [which] that can be placed
398 through a residual market mechanism, as defined in [subsection (x) of]
399 section 38a-976.

400 Sec. 8. Subsection (e) of section 38a-14 of the 2014 supplement to the
401 general statutes is repealed and the following is substituted in lieu
402 thereof (*Effective July 1, 2014*):

403 (e) (1) Nothing contained in this section shall be construed to limit
404 the commissioner's authority to terminate or suspend any examination
405 in order to pursue legal or regulatory action pursuant to the insurance
406 laws of this state. Findings of fact and conclusions made pursuant to
407 any examination shall be prima facie evidence in any legal or
408 regulatory action.

409 (2) Nothing contained in this section shall be construed to limit the
410 commissioner's authority in such legal or regulatory action to use and,
411 if appropriate, to make public any final or preliminary examination
412 report, any examiner or company workpapers or other documents, or
413 any other information discovered or developed during the course of
414 any examination.

415 (3) Not later than sixty days following completion of the
416 examination, the examiner in charge shall file, under oath, with the
417 Insurance Department a verified written report of examination. Upon
418 receipt of the verified report, the Insurance Department shall transmit
419 the report to the entity examined, together with a notice that shall
420 afford the entity examined a reasonable opportunity, not to exceed
421 thirty days, to make a written submission or rebuttal with respect to
422 any matters contained in the examination report. Not later than thirty
423 days after the period allowed for the receipt of written submissions or
424 rebuttals, the commissioner shall fully consider and review the report,
425 together with any written submissions or rebuttals and any relevant
426 portions of the examiner's workpapers and enter an order: (A)
427 Adopting the examination report as filed or with modification or
428 corrections. If the examination report reveals that the entity is
429 operating in violation of any law, regulation or prior order of the
430 commissioner, the commissioner may order the company to take any
431 action the commissioner considers necessary and appropriate to cure
432 such violation; (B) rejecting the examination report with directions to
433 the examiners to reopen the examination for purposes of obtaining
434 additional data, documentation or information, and refileing pursuant
435 to this subdivision; or (C) calling for an investigatory hearing with not
436 less than twenty days' notice to the company for purposes of obtaining
437 additional documentation, data, information and testimony.

438 (4) (A) The commissioner shall transmit the examination report
439 adopted pursuant to subparagraph (A) of subdivision (3) of this
440 subsection or a summary thereof to the entity examined, together with
441 any recommendations or written statements from the commissioner or
442 the examiner. The secretary of the board of directors or similar
443 governing body of the entity shall provide a copy of the report or
444 summary to each director and shall certify to the commissioner, in
445 writing, that a copy of the report or summary has been provided to
446 each director.

447 (B) Not later than one hundred twenty days after receiving the

448 report or summary, the chief executive officer or the chief financial
449 officer of the entity examined shall present the report or summary to
450 the entity's board of directors or similar governing body at a regular or
451 special meeting.

452 Sec. 9. Subsection (e) of section 38a-53 of the 2014 supplement to the
453 general statutes is repealed and the following is substituted in lieu
454 thereof (*Effective July 1, 2014*):

455 (e) Any insurance company or health care center doing business in
456 this state that fails to file any report or statement required under this
457 section shall pay a late filing fee of one hundred seventy-five dollars
458 per day for each day from the due date of such report or statement to
459 the date of filing. The commissioner may waive the late filing fee if (1)
460 the insurance company or health care center cannot file such report or
461 statement because the governor of such company's or center's state of
462 domicile has proclaimed a state of emergency in such state and such
463 state of emergency impairs the company's or center's ability to file the
464 report or statement, or (2) the insurance regulatory official of the state
465 of domicile of a foreign insurance company has permitted such
466 company, or the commissioner has permitted a domestic insurance
467 company or health care center, to file such report or statement late.

468 Sec. 10. Subparagraph (A) of subdivision (3) of subsection (e) of
469 section 38a-85 of the general statutes is repealed and the following is
470 substituted in lieu thereof (*Effective July 1, 2014*):

471 (3) (A) (i) In the case of a single assuming insurer, the trust shall
472 consist of a trusteed account with funds in an amount not less than the
473 assuming insurer's liabilities attributable to reinsurance ceded by
474 domestic and foreign ceding insurers and, unless otherwise provided
475 in subparagraph (A)(ii) of this subdivision, the assuming insurer shall
476 maintain a trusteed surplus of not less than twenty million dollars.

477 (ii) (I) The insurance regulatory official with principal oversight of
478 the trust may authorize a reduction in the required trusteed surplus.

479 [(ii)] (II) For a trust over which the commissioner has principal
480 regulatory oversight, at any time after the assuming insurer has
481 permanently discontinued for at least three full years underwriting
482 new business secured by the trust, the commissioner may authorize a
483 reduction in the required trusted surplus. Such reduction shall be
484 made only after the commissioner finds, based on a risk assessment,
485 that the reduced surplus level is adequate to protect domestic and
486 foreign policyholders and ceding insurers and claimants in light of
487 reasonably foreseeable adverse loss development. The risk assessment
488 may involve an actuarial review, including an independent analysis of
489 reserves and cash flows, and shall consider all material risk factors,
490 including, when applicable, the lines of business involved, the stability
491 of the incurred loss estimates and the effect of the surplus
492 requirements on the assuming insurer's liquidity or solvency. The
493 minimum required surplus shall not be reduced to an amount less
494 than thirty per cent of the assuming insurer's liabilities attributable to
495 reinsurance ceded by domestic and foreign ceding insurers covered by
496 the trust.

497 Sec. 11. Subsection (b) of section 38a-136 of the general statutes is
498 repealed and the following is substituted in lieu thereof (*Effective July*
499 *1, 2014*):

500 (b) (1) The following transactions involving a domestic insurance
501 company and any person in its holding company system, including
502 amendments to or modifications of affiliate agreements previously
503 filed pursuant to this section and that are subject to any materiality
504 standards specified in subparagraphs (A) to (G), inclusive, of this
505 subdivision, may not be entered into unless the insurance company
506 has notified the commissioner in writing of its intention to enter into
507 such transaction at least thirty days prior thereto, or such shorter
508 period as the commissioner may permit, and the commissioner has
509 approved or not disapproved it within such period. The written notice
510 for such amendments or modifications shall specify the reasons for the
511 change and the financial impact on the domestic insurance company.

512 Not later than thirty days after the termination of a previously filed
513 agreement, the domestic insurance company shall notify the
514 commissioner of such termination for the commissioner's
515 determination of what written notice or filing shall be required, if any:

516 (A) Sales, purchases, exchanges, loans or extensions of credit, or
517 investments, provided such transactions are equal to or exceed: (i)
518 With respect to nonlife insurance companies, the lesser of three per
519 cent of the insurance company's admitted assets or twenty-five per
520 cent of surplus; or (ii) with respect to life insurance companies, three
521 per cent of the insurance company's admitted assets; each as of the
522 thirty-first day of December next preceding;

523 (B) Loans or extensions of credit to any person who is not an
524 affiliate, where the insurance company makes such loans or extensions
525 of credit with the agreement or understanding that the proceeds of
526 such transactions, in whole or in substantial part, are to be used to
527 make loans or extensions of credit to, to purchase assets of, or to make
528 investments in, any affiliate of the insurance company making such
529 loans or extensions of credit, provided such transactions are equal to or
530 exceed: (i) With respect to nonlife insurance companies, the lesser of
531 three per cent of the insurance company's admitted assets or twenty-
532 five per cent of surplus; or (ii) with respect to life insurance companies,
533 three per cent of the insurance company's admitted assets; each as of
534 the thirty-first day of December next preceding;

535 (C) Reinsurance agreements or modifications thereto, including (i)
536 all reinsurance pooling agreements, and (ii) agreements in which the
537 reinsurance premium or a change in the insurance company's
538 liabilities, or the projected reinsurance premium or a projected change
539 in the insurance company's liabilities in any of the next three years,
540 equals or exceeds five per cent of the insurance company's surplus, as
541 of the thirty-first day of December next preceding, including those
542 agreements that may require as consideration the transfer of assets
543 from an insurance company to a nonaffiliate, if an agreement or

544 understanding exists between the insurance company and nonaffiliate
545 that any portion of such assets will be transferred to one or more
546 affiliates of the insurance company;

547 (D) All management agreements, service contracts, tax allocation
548 agreements and cost-sharing arrangements;

549 (E) Guarantees by a domestic insurance company, except that a
550 guarantee that is (i) quantifiable as to amount, and (ii) does not exceed
551 the lesser of one-half of one per cent of the insurance company's
552 admitted assets or ten per cent of surplus with regard to policyholders,
553 as of the thirty-first day of December next preceding, shall not be
554 subject to the notice requirement of this subsection;

555 (F) Direct or indirect acquisitions or investments in a person that
556 controls the domestic insurance company or in an affiliate of the
557 insurance company in an amount that, together with the insurance
558 company's present holdings in such investments, exceeds two and one-
559 half per cent of the insurance company's surplus with regard to
560 policyholders. This subsection shall not apply to direct or indirect
561 acquisitions of or investments in (i) subsidiaries acquired pursuant to
562 section 38a-102d or authorized pursuant to any section of this title
563 other than sections 38a-129 to 38a-140, inclusive, or (ii) nonsubsidiary
564 affiliates that are subject to the provisions of sections 38a-129 to 38a-
565 140, inclusive; and

566 (G) Any material transactions, specified by regulation, that the
567 commissioner determines may adversely affect the interests of the
568 insurance company's policyholders.

569 (2) Nothing contained in this section shall be deemed to authorize or
570 permit any transactions that, in the case of an insurance company not a
571 member of the same insurance holding company system, would be
572 otherwise contrary to law.

573 Sec. 12. Subsection (a) of section 38a-188 of the general statutes is

574 repealed and the following is substituted in lieu thereof (*Effective July*
575 *1, 2014*):

576 Each health care center governed by sections 38a-175 to 38a-192,
577 inclusive, shall be exempt from the provisions of the general statutes
578 relating to insurance in the conduct of its operations under said
579 sections and in such other activities as do constitute the business of
580 insurance, unless expressly included therein, and except for the
581 following: Sections 38a-11, as amended by this act, 38a-14a, 38a-17,
582 38a-51, 38a-52, 38a-56, 38a-57, 38a-129 to 38a-140, inclusive, 38a-147
583 and 38a-815 to 38a-819, inclusive, provided a health care center shall
584 not be deemed in violation of sections 38a-815 to 38a-819, inclusive,
585 solely by virtue of such center selectively contracting with certain
586 providers in one or more specialties, and sections 38a-80, 38a-492b,
587 38a-518b, 38a-543, 38a-702j, 38a-703 to 38a-718, inclusive, 38a-731 to
588 38a-735, inclusive, 38a-741 to 38a-745, inclusive, as amended by this
589 act, 38a-769, 38a-770, 38a-772 to 38a-776, inclusive, 38a-786, 38a-790,
590 38a-792 and 38a-794, as amended by this act, provided a health care
591 center organized as a nonprofit, nonstock corporation shall be exempt
592 from sections 38a-146, 38a-702j, 38a-703 to 38a-718, inclusive, 38a-731
593 to 38a-735, inclusive, 38a-741 to 38a-745, inclusive, as amended by this
594 act, 38a-769, 38a-770, 38a-772 to 38a-776, inclusive, 38a-786, 38a-790,
595 38a-792 and 38a-794, as amended by this act. If a health care center is
596 operated as a line of business, the foregoing provisions shall, where
597 possible, be applied only to that line of business and not to the
598 organization as a whole. The commissioner may adopt regulations, in
599 accordance with chapter 54, stating the circumstances under which the
600 resources of a person which controls a health care center, or operates a
601 health care center as a line of business will be considered in evaluating
602 the financial condition of a health care center. Such regulations, if
603 adopted, shall require as a condition to the consideration of the
604 resources of such person which controls a health care center, or
605 operates a health care center as a line of business to provide
606 satisfactory assurances to the commissioner that such person will

607 assume the financial obligations of the health care center. During the
 608 period prior to the effective date of regulations issued under this
 609 section, the commissioner shall, upon request, consider the resources
 610 of a person which controls a health care center, or operates a health
 611 care center as a line of business, if the commissioner receives
 612 satisfactory assurances from such person that it will assume the
 613 financial obligations of the health care center and determines that such
 614 person meets such other requirements as the commissioner determines
 615 are necessary. A health care center organized as a nonprofit, nonstock
 616 corporation shall be exempt from the sales and use tax and all property
 617 of each such corporation shall be exempt from state, district and
 618 municipal taxes. Each corporation governed by sections 38a-175 to 38a-
 619 192, inclusive, shall be subject to the provisions of sections 38a-903 to
 620 38a-961, inclusive. Nothing in this section shall be construed to
 621 override contractual and delivery system arrangements governing a
 622 health care center's provider relationships.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	38a-1
Sec. 2	<i>July 1, 2014</i>	New section
Sec. 3	<i>July 1, 2014</i>	38a-740
Sec. 4	<i>July 1, 2014</i>	38a-741
Sec. 5	<i>July 1, 2014</i>	38a-742
Sec. 6	<i>July 1, 2014</i>	38a-743
Sec. 7	<i>July 1, 2014</i>	38a-794(a)
Sec. 8	<i>July 1, 2014</i>	38a-14(e)
Sec. 9	<i>July 1, 2014</i>	38a-53(e)
Sec. 10	<i>July 1, 2014</i>	38a-85(e)(3)(A)
Sec. 11	<i>July 1, 2014</i>	38a-136(b)
Sec. 12	<i>July 1, 2014</i>	38a-188(a)

Statement of Purpose:

To permit a domestic insurer to write surplus lines insurance policies in this state and to expand the Insurance Department's financial regulatory oversight authority over insurance companies.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]