



INSURANCE ASSOCIATION OF CONNECTICUT

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STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

March 3, 2015

**HB 6868, AN ACT CONCERNING THE CONNECTICUT
INSURANCE GUARANTY ASSOCIATIONS**

I am Eric George, President of the Insurance Association of Connecticut (IAC). The IAC would like to make the following comments on HB 6868, AN ACT CONCERNING THE CONNECTICUT INSURANCE GUARANTY ASSOCIATIONS.

IAC supports provisions in sections 1, 2 and 3 of the bill requiring that there be a final order of liquidation with a finding of insolvency against the insurer for the Connecticut Insurance Guaranty Association's obligations to be triggered. The current statutory provision requiring a "determination of insolvency" is too ambiguous and can result in Connecticut's guaranty fund's obligations being triggered improperly. The changes proposed in HB 6868 on this issue will reflect the law in most states.

IAC also supports section 4 of HB 6868, which will conform provisions in the Connecticut Life and Health Insurance Guaranty Association to provisions in 37 other states by specifically excluding claims under Medicare Parts C and D policies from Association coverage, thereby properly clarifying the scope of CLHIGA.

However, IAC opposes provisions in section 1 that would redefine the term “covered claim” in the Connecticut Insurance Guaranty Association (CIGA).

CIGA was created to honor the commitments made to policyholders by licensed property casualty companies that have become insolvent. Licensed insurers authorized to write the respective property casualty businesses in the state are members of CIGA. In the event of an insurer insolvency, the guaranty association assesses its solvent member insurers on a basis proportional to the amount of business they have in the state versus all member insurers. The assessments are used to cover the remaining policyowner obligations of the insolvent insurer.

Section 1 of HB 6868 would amend the definition of "covered claim" to include instances where the claim was "assumed" by an insurer that later becomes insolvent when "such obligation was assumed through a merger or an acquisition, pursuant to an acquisition of assets and assumption of liabilities or pursuant to an assumption reinsurance contract." The revised definition would subject CIGA to potential liability for obligations that do not properly belong to the guaranty fund.

For example, HB 6868 would apparently now subject CIGA to liability for obligations incurred by a captive insurer, group self-insurer, or other non-licensed entity that was merged with a licensed insurer before that licensed insurer became insolvent. CIGA's liability for those obligations would attach even though that captive insurer or self-insurer has never paid any assessments into CIGA, as by statute they are prohibited from membership in the Association.

Ultimately, the licensed insurance industry would be made responsible for liabilities created by entities that, by law, are not covered by the fund as separate entities and never contributed to CIGA. IAC believes such a result would be fundamentally unfair and inequitable to licensed property casualty insurers doing business in this state and should be rejected.

IAC also opposes language in section 2 of HB 6868 that would increase the maximum coverage amount for claims under the Connecticut Insurance Guaranty Association from \$400,000 to \$500,000 per claim.

Connecticut's current \$400,000 maximum cap is much higher than the standard for 41 property casualty insurance guaranty associations across the country. In fact, 36 states plus Washington, DC have set their caps at \$300,000. Two states have statutory caps of \$150,000, with two more states at \$100,000. Only nine states have a cap above Connecticut's current \$400,000 level.

IAC believes CIGA's existing \$400,000 maximum recovery is sufficient and proper and would request that it not be increased.

Thank you for the opportunity to express IAC's viewpoint.

