



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony Commerce Committee February 23, 2017

#### **Senate Bill No. 128 An Act Exempting New Businesses from State Regulations.**

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Commerce Committee, the Insurance Department appreciates the opportunity to submit written testimony in opposition to **Senate Bill No. 128 An Act Exempting New Businesses from State Regulations**. Generally, this bill would exempt Connecticut-based start-up companies from state regulations for their first two years of operations.

The Insurance Department's mission is to protect consumers and this bill has the potential to jeopardize that mission. Exempting new insurance business from regulations for their first two years would leave Connecticut's insurance customers with no safeguards in the very products that are designed to protect their home, health and financial future.

State insurance regulations are in place to make certain that insurance companies, agents, brokers and other licensees – across all lines of insurance – receive effective financial scrutiny, market approved products and deliver on their promises to their customers.

Title 38a empowers the Insurance Commissioner and her staff to protect consumers by enforcing the laws that promote competitive markets, ensure policyholders are treated fairly and have access to insurance offered by financially sound insurance institutions. It is in the public's best interest to *require* a new start-up insurance company or HMO to meet those same financial standards that are imposed on long-established insurance institutions.

The Department also believes this proposal would adversely affect our domestic insurance market, whose impact on our state economy cannot be understated. Connecticut companies would be at a direct disadvantage to compete across state lines. It is unlikely that another state would permit an unregulated entity from conducting business in that state because it may not meet certain minimum financial and other requirements.

Finally, this legislation also could jeopardize the Department's accreditation with the National Association of Insurance Commissioners (NAIC) because it would have an impact on required minimum financial and market standards which are important consumer protections.

The Department thanks the members of the Commerce Committee for the opportunity to submit testimony on S.B. 128.

**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. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.