
OLR Bill Analysis

sHB 5206

AN ACT CONCERNING INSURANCE ISSUES.

SUMMARY

This bill makes numerous unrelated changes to the insurance statutes. Specifically, it:

1. allows the insurance commissioner to require a person to file documents with the department electronically, unless granted an exception (§ 1);
2. requires a non-domestic insurer to obtain the commissioner's approval to transfer its domicile to Connecticut (§ 2);
3. requires fraternal benefit societies to comply with the National Association of Insurance Commissioners' (NAIC) valuation manual, which sets solvency standards (§ 3);
4. exempts contingent deferred annuities from the law's nonforfeiture requirements and authorizes the commissioner to prescribe nonforfeiture requirements for them by regulation (§§ 4 & 5);
5. removes an inconsistency in statute regarding the filing fee for a fraternal benefit society's annual statement by providing that it is \$20 (§§ 6-8);
6. expressly requires "present or former" officers, managers, directors, trustees, owners, employees, or agents of an insurer to cooperate with the commissioner during a receivership proceeding (§ 9); and
7. makes technical changes in, and removes obsolete provisions from, the receivership statutes (§§ 10 & 11).

EFFECTIVE DATE: October 1, 2018, except the section on electronic filings is effective upon passage and the section on insurer redomestication is effective July 1, 2018.

§ 1 — ELECTRONIC FILINGS

The bill authorizes the insurance commissioner to require any person who must file or submit documents to her to do so electronically. A person may request an exception to the requirement and the commissioner must grant it if she determines that good cause exists or filing electronically is impractical or would cause undue hardship for the person.

§ 2 — INSURER REDOMESTICATION

Under the bill, a non-domestic insurer (i.e., one organized under the laws of another state) that is admitted to do business in Connecticut may become a domestic insurer only with the insurance commissioner's approval. Currently, an insurer may redomesticate by complying with applicable Connecticut laws and designating a principal place of business in the state.

The bill requires an insurer who, with the commissioner's approval, redomesticates to Connecticut to (1) comply with all applicable Connecticut laws, (2) designate a principal place of business in the state, and (3) provide the commissioner with any documents or information she may reasonably require.

If the commissioner is satisfied that the insurer will be in compliance with state laws and its business is consistent with prospective insureds' and the public's interests, she may issue a new license to the insurer to reflect the change in domicile. At that point, the insurer will be subject to the state's authority and jurisdiction and may amend its articles of incorporation accordingly.

§ 3 — NAIC VALUATION MANUAL

The bill requires fraternal benefit societies to comply with the NAIC valuation manual. Currently, a fraternal benefit society is exempt from the requirement, unless it chooses to abide by it.

By law, accident and health and life insurers and those that write or have authority to write deposit-type contracts must use the NAIC valuation manual for determining the value of their reserves.

§§ 4 & 5 — CONTINGENT DEFERRED ANNUITIES

The bill exempts contingent deferred annuities (CDAs) from the current nonforfeiture requirements to be consistent with the NAIC's *Standard Nonforfeiture Law for Individual and Deferred Annuities*. It authorizes the commissioner to prescribe nonforfeiture requirements for CDAs by regulation that, in her opinion, are equitable to the annuity holders; appropriate given the risks insured; and, to the extent possible, consistent with the general intent of the standard nonforfeiture law.

A CDA is a new annuity product designed to offer longevity risk protection, for which the policyholder, instead of the insurer, chooses the underlying investment vehicle.

A nonforfeiture benefit is generally the benefit that accrues to an insured or annuity contract holder when a policy or annuity lapses from nonpayment of premium or other consideration.

§§ 6-8 — FRATERNAL BENEFIT SOCIETY ANNUAL STATEMENT FILING FEE

Current statutes conflict with respect to the filing fee a fraternal benefit society must pay when filing its annual statement with the insurance commissioner. The bill removes the inconsistency and provides that the fee is \$20, not \$10. In practice, the department collects a \$20 fee.

§ 9 — COOPERATION OF OFFICERS DURING RECEIVERSHIP

By law, officers, managers, directors, trustees, owners, employees, or agents of an insurer and other people with authority over the insurer's affairs must cooperate with the commissioner during a receivership proceeding or related preliminary proceeding. The bill expressly provides that people who presently or formerly held such positions must cooperate.

The law defines cooperation as replying promptly in writing to the commissioner's inquiry and making available any books, accounts, documents, or other information or records pertaining to the insurer that are in the person's possession.

By law, anyone who does not cooperate as required may be fined up to \$10,000, imprisoned up to one year, or both. Also, after a hearing, a person who does not cooperate may be subject to a civil penalty of up to \$25,000 and the revocation or suspension of any insurance licenses issued by the commissioner.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/20/2018)