



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee March 6, 2018

Senate Bill No. 377 An Act Authorizing Agency Captive Insurance Companies.

Committee Chairs, Vice Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit testimony in support of **Senate Bill No. 377 An Act Authorizing Agency Captive Insurance Companies.**

Since the passage of its captive law in 2008, Connecticut has become the domicile of choice for companies of all disciplines that desire innovative, creative and business-friendly solutions. All of that has been made possible by the General Assembly's willingness to update our captive laws as necessary so that Connecticut can continue to compete for this growing industry.

Agency captives are entities owned by groups of insurance agents, agencies or brokers so that they can reinsure or insure a large number of their clients. An agency captive, like all captives the Department licenses, would be a well-regulated, well-capitalized sustainable entity to help promote growth of Connecticut businesses and provide them with an additional tool to manage their costs and liabilities.

The addition of agency captive insurance companies will allow Connecticut to vigorously compete with other states for the licensing of captive insurers and enable our state to continue to grow as a favorable jurisdiction for captive insurers, while maintaining the same level of consumer protections. Currently, three states have similar provisions – Vermont, Tennessee and Delaware.

Providing more tools for the state to attract well-managed and well-capitalized captives is a goal the Department supports. The Connecticut Captive Division brings together the captive industry and expertise of commercial insurers to help businesses manage their risks. Connecticut is known as a place that fosters innovative ideas in insurance coverage, risk management, captive management, reinsurance and related services. Connecticut competes with dozens of offshore and onshore domiciles as a home for captive insurers. Many of these domiciles have in recent years expanded their statutes to permit the formation of agency captive insurance companies.

The Department has some technical recommendations and respectfully requests the substitute language attached following this testimony be incorporated into substitute language.

The Department thanks the Insurance and Real Estate Committee Chairs and members for the opportunity to submit comments on Senate Bill No. 377.

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. In 2017, the Department recovered almost \$7 million 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 more than \$5.00 to the state in revenues. In 2017, the Department returned about \$125 million in assessments, fees and penalties to the state's General Fund.



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Requested Technical Amendments:

Senate Bill No. 377 An Act Authorizing Agency Captive Insurance Companies.

Section 2:

- In line 8 delete both instances of the word “insurance”
- In line 10 before the word “company” insert “agency captive insurance”
- In line 13 before the word “company” insert “agency captive insurance”
- In line 14 delete the word “the”
- In line 19 before the word “company” insert “agency captive insurance”
- In line 20 before the word “company” insert “agency captive insurance”
- In line 23 before the word “company” insert “agency captive insurance”
- In line 26 delete the words “or reinsured”
- In line 26 before the word “company” insert “agency captive insurance”
- In line 27 delete the word “or”
- In line 28 delete the words “reinsurance company”
- In line 28 delete the words “the commissioner to conduct” and replace with “any state for”
- In line 29 delete the words “business or reinsurance business in this state”
- In line 30 delete the words “or reinsurance”
- In line 31 delete the words “licensed to” and replace with “authorized or approved”
- In line 40 after the words “A trust” insert “or Letter of Credit”
- In line 41 delete the words “subparagraph (C) of”

Section 3:

- In line 92 after the words “insurance captive insurance company,” insert “agency captive insurance company.”

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