

Senate, March 23, 1998. The Committee on Insurance and Real Estate reported through SEN. BOZEK, 6th DIST., Chairman of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE FINANCIAL REQUIREMENTS FOR LICENSING INSURANCE COMPANIES.

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

1 Section 1. Subsection (a) of section 38a-72
2 of the general statutes is repealed and the
3 following is substituted in lieu thereof:

4 (a) No property or casualty insurance company
5 and no life insurance company shall be licensed
6 initially to do business in this state unless the
7 company complies with the following minimum
8 capital and minimum surplus requirements to write
9 these specified lines of insurance:

10 Stock Insurance Companies

11		Capital	Surplus
12 Health	\$	500,000	\$ 500,000
13 Life		1,000,000	2,000,000
14 Liability		500,000	500,000
15 Fidelity and Surety		500,000	500,000
16 Financial Guaranty		15,000,000	60,000,000
17 Marine		500,000	250,000
18 Mortgage Guaranty		2,000,000	2,000,000

19	Property	500,000	250,000
20	Workers' Compensation	500,000	500,000
21	Title	500,000	500,000
22	RESIDUAL VALUE	<u>2,000,000</u>	<u>1,000,000</u>
23	REINSURANCE		
24	(PROPERTY AND CASUALTY)	<u>2,000,000</u>	<u>2,000,000</u>
25	REINSURANCE (LIFE)	<u>1,000,000</u>	<u>2,000,000</u>

26 Mutual Insurance Companies

27 Surplus

28	Health	\$ 1,000,000	
29	Life	3,000,000	
30	Liability	1,000,000	
31	Fidelity and Surety	1,000,000	
32	Financial Guaranty	75,000,000	
33	Marine	750,000	
34	Mortgage Guaranty	4,000,000	
35	Property	750,000	
36	Workers' Compensation	1,000,000	
37	Title	1,000,000	
38	RESIDUAL VALUE	<u>3,000,000</u>	
39	REINSURANCE		
40	(PROPERTY AND CASUALTY)	<u>4,000,000</u>	
41	REINSURANCE (LIFE)	<u>3,000,000</u>	

42 Sec. 2. Section 38a-76 of the general
43 statutes is repealed and the following is
44 substituted in lieu thereof:

45 (a) Each insurance company transacting
46 business in this state shall, at all times,
47 maintain reserves equal in amount to its liability
48 under all its policy contracts, as the same are
49 computed in accordance with the provisions of the
50 statutes or with the requirements of the
51 commissioner adopted upon reasonable consideration
52 of ascertained experience for the purpose of
53 adequately protecting the insured or securing the
54 solvency of such company.

55 (b) A DOMESTIC INSURER TRANSACTING INSURANCE
56 ONLY IN A FOREIGN COUNTRY MAY CALCULATE ITS
57 RESERVES ON INSURANCE WRITTEN IN THAT FOREIGN
58 COUNTRY IN ACCORDANCE WITH THE RESERVE STANDARDS
59 REQUIRED OR OTHERWISE APPROVED BY SUCH FOREIGN
60 COUNTRY. FOR PURPOSES OF THIS SECTION AND SECTIONS
61 38a-77 AND 38a-102c, AS AMENDED BY THIS ACT, (1) A
62 DOMESTIC INSURER SHALL BE DEEMED TO "TRANSACT

63 INSURANCE" OR "DO BUSINESS" IN A STATE, DISTRICT
64 OR TERRITORY OF THE UNITED STATES IF, WITHIN ANY
65 STATE, DISTRICT OR TERRITORY OF THE UNITED STATES,
66 THAT INSURER SELLS OR ISSUES ANY POLICY CONTRACT
67 OR OTHERWISE MAKES ANY SOLICITATION OR INDUCEMENT
68 OR ENGAGES IN ANY NEGOTIATIONS WITH RESPECT TO THE
69 SAME; BUT (2) AN INSURER SHALL NOT BE DEEMED TO
70 TRANSACT INSURANCE OR DO BUSINESS IN A STATE,
71 DISTRICT OR TERRITORY OF THE UNITED STATES BY
72 REASON OF THE FACT THAT SUCH INSURER (A) HOLDS A
73 LICENSE TO TRANSACT INSURANCE IN A STATE, DISTRICT
74 OR TERRITORY OF THE UNITED STATES; (B) HAS ISSUED
75 INSURANCE POLICIES OR CONTRACTS TO RESIDENTS OF A
76 FOREIGN COUNTRY WHO SUBSEQUENTLY RESIDE IN A
77 STATE, DISTRICT OR TERRITORY OF THE UNITED STATES;
78 OR (C) PERFORMS ADMINISTRATIVE OR OVERSIGHT
79 FUNCTIONS IN A STATE, DISTRICT OR TERRITORY OF THE
80 UNITED STATES. A DOMESTIC INSURER TRANSACTING
81 INSURANCE ONLY IN A FOREIGN COUNTRY MAY INVEST ITS
82 FUNDS IN A MANNER CONSISTENT WITH THE LAWS,
83 REGULATIONS AND ADMINISTRATIVE PRACTICES OF THE
84 FOREIGN COUNTRY IN WHICH IT TRANSACTS INSURANCE
85 WITHOUT LIMITATIONS UNDER SECTIONS 38a-102 TO
86 38a-102h, INCLUSIVE, AS AMENDED BY THIS ACT.

87 Sec. 3. Subsection (a) of section 38a-77 of
88 the general statutes is repealed and the following
89 is substituted in lieu thereof:

90 (a) The commissioner, upon receipt of the
91 annual report of each domestic, foreign and alien
92 life insurance company doing business in this
93 state, AS DETERMINED UNDER SUBSECTION (b) OF
94 SECTION 38a-76, AS AMENDED BY THIS ACT, shall make
95 a valuation of all its outstanding policies,
96 additions thereto, unpaid dividends and other
97 obligations. The provisions of this section shall
98 not apply to policies or certificates in which the
99 amount of insurance or benefit is determined by an
100 assessment collected from the surviving and
101 associated holders of like policies or
102 certificates, and not by a guaranty or pledge of
103 insurance irrespective of the amount thus
104 collected; provided any amount collected upon such
105 assessments, until expended for the purpose for
106 which it was collected, shall be charged as a
107 liability against the company or association
108 holding the same.

109 Sec. 4. Subsection (d) of section 38a-102c of

110 the general statutes is repealed and the following
111 is substituted in lieu thereof:

112 (d) A domestic insurer may invest in foreign
113 obligations and investments (1) up to ten per cent
114 of admitted assets in any exempted country, and
115 (2) up to two per cent of admitted assets in any
116 other foreign country and up to fifteen per cent
117 of admitted assets in the aggregate in all such
118 other foreign countries. The aggregate foreign
119 obligations and investments shall not exceed
120 thirty per cent of admitted assets. All such
121 foreign obligations and investments made within
122 the limitation of this subsection shall also be
123 subject to the percentage limitations prescribed
124 by subsections (a), (b), (c), (e) and (f) of this
125 section as applicable to such investment class,
126 but this subsection shall not apply to investments
127 which otherwise constitute an ownership interest
128 in a subsidiary or affiliate of the domestic
129 insurer. In addition to the foregoing, a domestic
130 insurer transacting insurance, AS DETERMINED UNDER
131 SUBSECTION (b) OF SECTION 38a-76, AS AMENDED BY
132 THIS ACT, in a foreign country or countries may
133 invest funds necessary to meet its obligations in
134 connection with such foreign insurance business
135 without limitations under sections 38a-102 to
136 38a-102h, inclusive.

137 STATEMENT OF LEGISLATIVE COMMISSIONERS: In
138 subdivision (b)(1) of section 2, "or do business"
139 was inserted after "transact insurance" for
140 consistency within the section and with the cited
141 sections, and sections 3 and 4 were added for
142 accuracy of reference.

143 INS COMMITTEE VOTE: YEA 16 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER sSB 409

STATE IMPACT None, see explanation below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Insurance

EXPLANATION OF ESTIMATES:

There is no fiscal impact on the Department of Insurance as a result of the passage of this bill.

The bill specifies the capital and surplus requirements necessary to be licensed as property-casualty insurer on a life insurer in the State of Connecticut. It has no impact on the workload of the Department of Insurance.

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OLR BILL ANALYSIS

sSB 409

AN ACT CONCERNING THE FINANCIAL REQUIREMENTS FOR LICENSING INSURANCE COMPANIES

SUMMARY: This bill exempts Connecticut insurers that transact business only in foreign countries from the state's reserve requirements and investment restrictions. These insurers may determine their reserves on foreign business in accordance with the standards approved in the foreign country and invest their funds consistent with the laws, regulations, and administrative practices of the foreign country.

The bill also set minimum capital and surplus requirements for residual value and property and casualty and life reinsurance companies to qualify for a license.

EFFECTIVE DATE: October 1, 1998

FURTHER EXPLANATION

Exempt Insurers

The bill deems any domestic insurer to be transacting insurance domestically if, within any state, district, or territory of the United States it sells or issues a policy or otherwise solicits, induces or engages in negotiations related to such sale or policy issuance.

The bill specifies that an insurer is not be deemed to be transacting insurance or doing business domestically solely because it (1) holds a license to transact insurance in any state, district or territory; (2) issued policies or contracts to resident of a foreign country who later reside in one of those jurisdictions; or (3) performs administrative or oversight functions in one.

Minimum Capital and Surplus

The bill sets the following minimum capital and surplus requirements. Stock companies offering residual value insurance must have \$2,000,000 in capital and \$1,000,000 in surplus. Property and casualty risk reinsurers must have \$2,000,000 each in both capital and surplus. Stock life reinsurers must have \$1,000,000 in capital and \$2,000,000 in surplus.

Mutual residual value companies must have \$3,000,000 in surplus. Those that reinsure property and casualty risk must have \$4,000,000 in surplus. Mutuals that reinsure life risk must have \$3,000,000 in surplus.

BACKGROUND

Reserves and Investments

Domestic insurers must maintain reserves equal to their liability under all policies at all times to adequately protect insureds or secure the company's solvency.

They may make or acquire investments that are prudent with respect to their line of business and diversification considerations.

Residual Value Insurance

Residual value insurance is insurance issued in connection with a lease or contract that has a specific termination value at the end of the lease or contract term. The insurance protects against the loss of economic value of tangible personal property or real property or improvements. It does not insure against loss due to property damage.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 16 Nay 0