

## Legislative History for Connecticut Act

### PA 15-166

HB6771

House	1239-1250	11
Senate	3024-3025, 3141-3143	5
Insurance & Real Estate	1386-1387	2
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Transcripts from the Joint Standing Committee Public  
Hearing(s) and/or Senate and House of Representatives  
Proceedings

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**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2015**

**VOL.58  
PART 4  
1035 – 1385**

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HOUSE OF REPRESENTATIVES

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April 22, 2015

CLERK:

House Bill 6772

Total Number Voting	143
Necessary for Passage	72
Those voting Yea	143
Those voting Nay	0
Absent and not voting	8

SPEAKER SHARKEY:

The bill passes. [gavel] Will the Clerk please call Calendar 121?

CLERK:

On Page 8, Calendar No. 121, Favorable Report of the Joint Standing Committee on Insurance and Real Estate. House Bill No. 6771, AN ACT AUTHORIZING NONADMITTED INSURERS TO OPEN AN OFFICE IN THIS STATE.

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97<sup>th</sup>):

Thank you, Mr. Speaker. Mr. Speaker, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

SPEAKER SHARKEY:

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Question is on acceptance of the Joint  
Committee's Favorable Report and passage of the  
bill. Will you remark, sir.

REP. MEGNA (97<sup>th</sup>):

Thank you, Mr. Speaker. Mr. Speaker, this is a  
good small business, could be a big business bill  
which some argue it clarifies, others say permits a  
nonadmitted unauthorized surplus lines insurer to  
open an office in the state. We have, all of our  
neighboring states have these companies with  
offices in their states. Same regulatory framework  
as we have in this state. None of that changes, and  
this would permit them to open an office in the  
state.

We thought that it would be a good way to  
capitalize on our insurance industry infrastructure  
and would be a good business bill. With that, I'd  
ask my colleagues to support the bill. Thank you,  
Mr. Speaker.

SPEAKER SHARKEY:

Thank you, sir. Would you care to remark  
further on the bill that's before us?  
Representative Sampson.

REP. SAMPSON (80<sup>th</sup>):

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Thank you, Mr. Speaker. I'm wondering if I could ask a question to the proponent of the bill through you, Mr. Speaker.

SPEAKER SHARKEY:

Please proceed, sir.

REP. SAMPSON (80<sup>th</sup>):

I guess my first question would be more for the benefit of the Chamber and anybody who might be watching, if the good Chairman of the Insurance Committee could tell us what a nonadmitted insurer is. Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97<sup>th</sup>):

Thank you. Through you, Mr. Speaker, the statutory designation, our nonadmitted, surplus line, unauthorized insurer, the quintessential insurance company that most people will identify with is the Lloyd's of London. They've very little regulation behind these insurers. There's 163 of 'em, I think, licensed in the state and doing business currently in the state. Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Sampson.

REP. SAMPSON (80<sup>th</sup>):

Thank you, Mr. Speaker, and thanks to the Chairman for his answer. So if I understand this correctly, and I've got some experience in this industry myself, but I've gotta tell you that lookin' at this bill, it's a short bill. It's one of those ones that's, you know, five lines long, and sometimes those are the ones that make the most impact.

And I'm certainly in favor of this bill, and we'll get to that in a minute. I just, I thought for the sake of clarification purposes we oughta really go over and set up some legislative intent, and that is that I'd like to clarify how a surplus lines insurer differs from a nonadmitted insurer, if it does. Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97<sup>th</sup>):

Through you, Mr. Speaker, as I heard the good representative correctly, how a surplus lines insurer differs from a nonadmitted. If you ask the Department of Insurance, they'll tell you that

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surplus lines, nonadmitted, and unauthorized are one and the same. And so the question on nonadmitted differing from surplus lines? Or surplus lines from a regulated, or an admitted?

SPEAKER SHARKEY:

Representative Sampson, before I recognize you, let me just quiet the Chamber a bit. [gavel]

Ladies and gentleman, we're tryin' to finish up our business for the evening, so if we can kinda keep this down to a dull roar so the two proponents of the bill can communicate, that would be appreciated.

Representative Sampson, you have the floor.

REP. SAMPSON (80<sup>th</sup>):

Thank you, Mr. Speaker. And I appreciate the definition that we heard, and I guess I will rephrase as a statement and if there's any clarification needed, I'll let the Chairman let me know what that is.

But my understanding here is that a nonadmitted insurer is one that has not been granted a certificate by the Insurance Department to be able to trac - transact business in the state. But there is an exception for surplus lines

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insurers, which would be a nonadmitted insurer who is granted permission to sell certain types of policies. And that's what we're talking about in this bill, and I just want to verify that that is indeed correct. Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97<sup>th</sup>):

Through you, Mr. Speaker. Nonadmitted, surplus lines, unauthorized insurers, they're licensed to operate in this state. They receive a license. There's a whole regulatory framework around them to operate in this state, but I think just by virtue of the statutory definition, maybe none of'm ever came here and opened up an office in our state, but New York, Vermont, Massachusetts have many of them located there, and they have an identical regulatory framework more or less as we do. Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Sampson.

REP. SAMPSON (80<sup>th</sup>):

Thank you, Mr. Speaker, and thanks again to the chairman. I will just let you know that I was



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referring to the OLR summary that is made part of the bill, and it says precisely that a nonadmitted insurer is an insurer that does not have a certificate to grant - is not granted authority to transact business, but then there is the exception for the surplus lines.

But again, Mr. Speaker and Mr. Chairman, I'm not lookin' to stir up a hornet's nest. I was just trying to, for the sake of the people in the room, explain a little bit about who we're talking about.

Because my concern with this bill, and it's not a significant concern, but I would like to set it up for legislative intent. We are basically going to say that it is okay for some insurance company that is not allowed to transact business in our state, except for the exception of surplus lines, to allow them to open an office location here. And I can understand the economic development implications of that. I'm very much in favor of seeing office space in our state used, the potential for jobs, all of this sounds great to me.

And as far as I can tell from going down the rabbit hole of trying to read through all of the statutory language, I think the way the bill is

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written, it doesn't really affect the current law. I think they can do it under current law, but this might be just a clarification that allows this to happen.

My only concern, and what I'd really like to get on the record from the chairman is that this is not going in any way to interfere with the current system by which surplus lines insurance is sold, which is by virtue of something called managing general agents that sell the product on behalf of the surplus lines insurers that are not admitted in the state. I guess what I'm trying to say is, does this change anything where we may lose managing general agents and the current way business is done? Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97<sup>th</sup>):

Thank you. Through you, Mr. Speaker, this does not change the process by which brokers, general managing agents do business. It does not change the way you place business as an agent into the surplus lines market and all the restrictions around it, so it does not change that at all. It just simply

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says, if you want to open an office here, we welcome you. If you want to employ people, you want to use some of our wonderful infrastructure and all the different types of employees and people workin' in the insurance industry here in Connecticut, underwriters and claims people, you can do so.

And once again, it does not change the process. It does not loosen the regulatory process with these companies nor does it change the broker process or the general managing agent process here in the state. Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Sampson.

REP. SAMPSON (80<sup>th</sup>):

Thank you, Mr. Speaker, and I sincerely appreciate that answer. That was the only concern I had about this bill that's before us. It's why I voted no in the Committee, merely to flag the bill to make sure that we looked into this further and that we did have it on the record that there is no intent here to disrupt the current business activity that happens for surplus lines policies and managing general agents.

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I will just ask one final question, through you, Mr. Speaker, and that is, will these nonadmitted carriers that can now open an office within the State of Connecticut be able to sell policies out their front door directly to consumers? Through you, Mr. Speaker.

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97<sup>th</sup>):

Through you, Mr. Speaker, no. Absolutely not.

SPEAKER SHARKEY:

Representative Sampson.

REP. SAMPSON (80<sup>th</sup>):

Thank you very much, and I appreciate that answer also. I'm through with my questions. I'm satisfied that this is a positive move forward for the State of Connecticut. I see that there is a potential here to maybe even create jobs, allow some vacant retail office space or commercial office space, rather, to get used up, and I'm very much in favor. I would urge my colleagues to vote in favor of the bill before us. Thank you to the Chairman again, and thank you, Mr. Speaker.

SPEAKER SHARKEY:

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Thank you, sir. Would you care to remark further on the bill before us? If not, staff and guests to the Well of the House. Members take your seats. The machine will be opened.

CLERK:

[bell ringing] The House of Representatives is voting by roll. The House of Representatives is voting by roll. Will members please report to the Chamber immediately.

[pause]

SPEAKER SHARKEY:

Have all the members voted? Have all the members voted?

[pause] Will the members please check the board to make sure your vote is properly cast? If all the members have voted, the machine will be locked, and the Clerk will take a tally.

Will the Clerk please announce the tally.

CLERK:

House Bill 6771

Total Number Voting 142

Necessary for Passage 72

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Those voting Yea	142
Those voting Nay	0
Absent and not voting	9

SPEAKER SHARKEY:

The bill passes. [gavel] Will the Clerk please  
call Calendar 387.

CLERK:

House Calendar 387, Favorable Report of the  
Joint Standing Committee on Education House Bill  
7018, AN ACT CONCERNING ALTERNATIVE EDUCATION.

SPEAKER SHARKEY:

The distinguished Chairman of the Education  
Committee, Representative Fleischmann. You have the  
floor, sir.

REP. FLEISCHMANN (18<sup>th</sup>):

Thank you, Mr. Speaker. I move acceptance of  
the Joint Committee's Favorable Report and passage  
of the bill.

SPEAKER SHARKEY:

Question is on acceptance of the Joint  
Committee's Favorable Report and passage of the  
bill. Will you remark, sir?

REP. FLEISCHMANN (18<sup>th</sup>):

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CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

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So a couple of studies in this bill, which I think make sense, and the good Chairman mentioned those - virtual net metering amongst one. But a proposal to allow the technical change for agriculture users in virtual netmeeting, I think, is a big boon to our farmers in the State of Connecticut, and I think they'll be happy as a result of that. Opportunities for towns who invest by abating property taxes to allow natural gas facilities to move their product through. So I think this is a terrific a bill.

Again the test bed, which I think is allowing the opportunities for new technology to be considered, which may be a part of programs going forward and then provisions regarding electrical vehicles, which we all know is becoming more and more important and proficient in the State of Connecticut. So I rise in support of this bill. I urge my colleagues to support this bill as well. And again I wanna thank the good Chairman and the Committee for bringing this forward as this is a wonderful opportunity for consumers. Thank you, Madam President.

THE CHAIR:

Thank you. Will you remark further on Senate "A?" Will you remark further? If not, I'll try your minds. All those in favor of Senate "A," please say aye. Opposed? Senate "A" passes. Will you remark further on the bill? Will you remark further on the bill? Senator Doyle.

SENATOR DOYLE:

Thank you, Madam President. If there's no objection, I move it to the Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered, sir. Mr. Clerk.

THE CLERK:

On Page 5, Calendar 437, House Bill No. 6771, AN ACT AUTHORIZING NONADMITTED INSURERS TO OPEN AN OFFICE IN THIS STATE. Favorable Report of the Committee on Insurance and Real Estate, and there are amendments.



THE CHAIR:

Senator Crisco. Good evening, sir.

SENATOR CRISCO:

Good evening, Madam President. I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

THE CHAIR:

Motion's on acceptance and passage. Will you remark, sir?

SENATOR CRISCO:

Yes, Madam President. Madam President, this bill amends Connecticut's Unauthorized Insurers Act by adding a new subsection (d) in 38a-271 that provides that nothing in that act shall be construed to prohibit a non-admitted insurer from establishing an office in the state for the lawful transaction of surplus lines insurance.

THE CHAIR:

Will you remark further on the bill? Will you remark further on the bill? If not, Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President. If there's no objection, I request it to be placed on the Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered, sir. Mr. Clerk.

THE CLERK:

On Page 5, Calendar 438, substitute for Senate Bill No. 6772, AN ACT EXTENDING CREDITOR PROTECTION TO AMOUNTS PAYABLE TO A PARTICIPANT OF OR BENEFICIARY UNDER AN ANNUITY PURCHASED TO FUND EMPLOYEE OR RETIREE RETIREMENT BENEFITS. Favorable Report of the

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THE CLERK:

House Bill 6915. Page 4, Calendar 383 -

THE CHAIR:

Hold on a minute. Mr. Clerk, you're gonna have to use your microphone so we can hear you, please. I apologize. Thank you.

THE CLERK:

Page 4, Calendar 382, House Bill 6915. Page 4, Calendar 383, House Bill 6723. Page 5, Calendar 390, House Bill 6317. Page 5, Calendar 437, House Bill 6771. Page 5, 438, House Bill 6772. On Page 6, Calendar 439, House Bill 6259. On Page 8, Calendar 480, House Bill 6910.

On Page 8 also, Calendar 481, House Bill 6978, and on Page 9, Calendar 500, House Bill 6579. On Page 10, Calendar 502, House Bill 6868. Page 11, Calendar 511, House Bill 6937. Also on Page 11, Calendar 513, House Bill 6986, and on Page 12, Calendar 515, House Bill 6902.

Also on Page 12, Calendar 521, House Bill 6971. On Page 12 again, Calendar 522, House Bill 6834. Page 12, Calendar 518, House Bill 6770. On Page 13, Calendar 524, House Bill 6997. Also on Page 13, Calendar 525, House Bill 6984, and on Page 14, Calendar 530, House Bill 6977.

Also on Page 14, Calendar 531, House Bill 6994. Page 15, Calendar 535, House Bill 6730. Page 17, Calendar 552, House Bill 6884. Page 17, Calendar 557, House Bill 6155. On Page 18, Calendar 564, House Bill 7000. Page 18 again, 566, House Bill 6138. Also on Page 18, Calendar 571, House Bill 5092, and on Page 19, Calendar 577, House Bill 6853.

On Page 20, Calendar 585, House Bill 6571. Page 20, Calendar 578, House Bill 6852. On Page 23, Calendar 606, House Bill 5660, and on Page 24, Calendar 609, House Bill 5257. Page 24, Calendar 611, House Bill 7060. Page 24, Calendar 610, House Bill 7050. On Page 25, Calendar 617, House Bill 6020.

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On Page 26, Calendar 619, House Bill 6750. Also on Page 26, Calendar 620, House Bill 6745. Page 27, Calendar 627, House Bill 5101. Page 29, Calendar 635, House Bill 5110. Also on Page 29, Calendar 641, House Bill 6967. On Page 30, Calendar 645, House Bill 6943, and also on Page 30, Calendar 642, 6707.

THE CHAIR:

Thank you, Mr. Clerk. We're adding - we have to add one more. Hold on for one second, please.

[pause]

THE CLERK:

On - and the last item is on Page 19, Calendar 576, House Bill 6976.

THE CHAIR:

Mr. Clerk, will you call - hold on a minute. There's a question. Senator Kelly, you have a question? Senator Kelly.

SENATOR KELLY:

Thank you, Madam President. That last item on Page 19, the Clerk called 576, House Bill 6976. Was it supposed to be 57 - Calendar No. 575, 6975?

THE CHAIR:

Senator Duff.

SENATOR DUFF:

Thank you, Madam President. And thanks to Senator Kelly for the - catching that. Yes, it is Calendar 575, House Bill 6975.

THE CHAIR:

6975.

THE CLERK:

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And that is Page 19, Calendar 575, House Bill 6975.

THE CHAIR:

Are there any other corrections anybody has? If not, at this time, Mr. Clerk, will you please call for a roll call vote on the Consent Calendar. The machine is open.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Immediate roll call on today's Consent Calendar has been ordered in the Senate.

[pause]

THE CHAIR:

If all members have voted, all members have voted. The machine will be closed. Mr. Clerk, please call a tally. You wanna call on the Consent Calendar? Yes, it's closed. It's closed on the machine here.

THE CLERK:

On today's Consent Calendar

Total Number Voting	36
Necessary for Passage	19
Those voting Yea	36
Those voting Nay	0
Absent/not voting	0

THE CHAIR:

The Consent Calendar passes. [gavel] Senator Duff.

SENATOR DUFF:

Thank you, Madam President. Before we adjourn, I'd like to yield for any points or announcements.

THE CHAIR:

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**INSURANCE AND  
REAL ESTATE  
PART 3  
965 – 1400**

**2015**



NORTHEAST REGION

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**HB 6771 - An Act Authorizing Nonadmitted Insurers to Open an Office in this State**

**February 26, 2015**

The American Insurance Association is a leading national trade association representing over 300 major property and casualty insurance companies that collectively underwrite more than \$100 billion in direct property and casualty premiums nationwide. Our members range in size from small companies to the largest insurers with global operations and include insurance companies that write coverage on a nonadmitted basis. These insurers are often referred to as surplus lines or nonadmitted insurers. We have reviewed HB 6771 and greatly appreciate this opportunity to share our thoughts regarding the legislation.

HB 6771 amends Connecticut's Unauthorized Insurers Act by adding a new subsection (d) in 38a-271 that provides that nothing in that act "shall be construed to prohibit a nonadmitted insurer from establishing an office in this state for the lawful transaction of surplus lines insurance." The Unauthorized Insurers Act defines the "acts of doing an insurance business" and sets out the exceptions in 38a-271. The Act also in later sections (i) sets out the prohibited acts of an insurance business; (ii) makes provision for the appointment of the Secretary of State as agent for the service of process against an unauthorized person or insurer doing insurance business; (iii) sets forth the penalty for any unauthorized insurer who does any act of an insurance business, and more.

One notable exception to the defined "acts of doing an insurance business" in 38a-271 is "the lawful transaction of surplus lines insurance." AIA reads the "lawful transaction of surplus lines insurance" in this section as referring to the laws governing the placement of surplus lines insurance in Connecticut. Thus, AIA's understanding of HB 6771, to put it simply, is that the "lawful transaction of surplus lines insurance" exception under the Unauthorized Insurers Act is not affected by the establishment of an office in Connecticut by a surplus lines insurer. In short, it cannot be construed that a surplus lines insurer with an office in Connecticut is subject to the requirements, prohibitions and penalties of the Unauthorized Insurers Act by reason of that office. This interpretation of the bill indicates a protective clarification.

On its face, language indicating that a surplus lines insurer is permitted to have an office in the state of Connecticut for various purposes would be helpful; however, there are some concerns relative to how this would be legally viewed by others.

This legislation has also raised additional questions within the surplus lines community. Specifically, what is its interplay with other Connecticut code sections, such as 38a-794 that addresses brokers procuring coverage from insurers not authorized to transact business in this state? Generally, it would be helpful to have more details as to what the intended purpose of the bill is and why it is needed. Is something being corrected and are there consequences? As the bill is short in content, we respectfully submit that further clarification and background is needed to make our best informed decision about a position with respect to the bill. We hope, therefore, there are opportunities beyond this hearing to examine the bill's intent and implications. AIA gladly extends its willingness to participate in further discussions on the bill in the future.

Alison Cooper  
Regional Vice President, Northeast Region