

Legislative History for Connecticut Act

PA 17-59

SB809

House	5699-5704	6
Senate	1533-1536, 1576-1577	6
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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
2017**

**VOL.60
PART 13
5329 - 5768**

/she
HOUSE OF REPRESENTATIVES

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June 1, 2017

Will the Clerk please call Calendar No. 596.

CLERK:

On page 40, Calendar 596, Substitute Senate
Bill No. 809, AN ACT ENABLING THE INSURANCE
COMMISSIONER TO ADOPT REGULATIONS CONCERNING CREDITS
FOR REINSURANCE AND MAKING MINOR CONFORMING CHANGES
TO STATUTES CONSIDERING REINSURANCE. Favorable
report of the Joint Standing Committee on Insurance
and Real Estate.

DEPUTY SPEAKER MORIN (28TH):

Representative Scanlon.

REP. SCANLON (98TH):

Good afternoon, Mr. Speaker. I move for the
acceptance of the Joint Committee's favorable report
and passage of the bill in concurrence with the
Senate.

DEPUTY SPEAKER MORIN (28TH):

The question is acceptance of the Joint
Committee's favorable report and passage of the bill
in concurrence. Representative Scanlon, you have
the floor, Sir.

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REP. SCANLON (98TH):

Thank you, Mr. Speaker. This bill -- I have an amendment here, and I'm going to ask my good friend, the Ranking Member, to just proceed as usual we do with the amendment, and then we can talk about the subject of the bill. The amendment is technical in nature. This bill did pass the Senate, and with that said, Mr. Speaker, I ask the Clerk, who has an amendment before him, LCO 6120, I would ask the Clerk to please call the amendment and that I be granted leave of the Chamber to summarize.

DEPUTY SPEAKER MORIN (28TH):

Will the Clerk please call LCO 6120, which will be designated Senate Amendment "A".

CLERK:

Senate Amendment "A", LCO No. 6120, offered by Senator Looney, Senator Duff, et al.

DEPUTY SPEAKER MORIN (28TH):

The Representative seeks leave of the Chamber to summarize the amendment. Is there objection to summarization? Is there objection? Hearing none,

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Representative Scanlon, you may proceed with summarization.

REP. SCANLON (98TH):

Through you, Mr. Speaker, again, this bill is very -- the amendment, rather, is very technical in nature. It did pass the Senate, and I move adoption.

DEPUTY SPEAKER MORIN (28TH):

The question before the Chamber is adoption of House Amendment -- or rather Senate Amendment Schedule "A". Will you remark further on the amendment? Representative Sampson of the 80th District, you have the floor, Sir.

REP. SAMPSON (80TH):

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER MORIN (28TH):

Good afternoon.

REP. SAMPSON (80TH):

I concur with my good friend, the esteemed Chairman of the Insurance Committee, that this is a technical amendment only, and I encourage my

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colleagues to vote in favor. Thank you, Mr.
Speaker.

DEPUTY SPEAKER MORIN (28TH):

Thank you, Representative Sampson. Will you
remark further? Will you remark further on the
amendment before us? If not, I will try your minds.
All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER MORIN (28TH):

All those opposed, nay. The ayes have it. The
amendment is adopted. (Gavel)

Will you remark further on the bill as amended?
No? Will you remark further on the bill as amended?
If not, will staff and guests please come -- oh, I
didn't see a name. I apologize. Representative
Sampson, please proceed, Sir.

REP. SAMPSON (80TH):

Thank you very much, Mr. Speaker. And forgive
me, I had expected the Chairman to make some
comments about the bill, but I will just say that

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this is a very, very positive step forward again for the insurance industry in our state. This essentially is kind of a technical bill, but it creates a situation that -- or rather fixes something in our current law that would prohibit certain types of reinsurance companies for getting credit on their bottom line essentially for reinsurance from non-admitted carriers where they receive that benefit in some places, but in other parts of our law they do not. This puts us in line with other states. It is beneficial to the industry, and I urge adoption. I think it's a great bill. Thank you, Mr. Speaker.

DEPUTY SPEAKER MORIN (28TH):

Thank you, Sir. I apologize for the quick call. Will you remark further? Will you remark further on the bill as amended? If not, will staff and guests please come to the well of the House. Will the members please take your seats, and the machine will be open. (Ringing)

CLERK:

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The House of Representatives is voting by roll.
Members to Chamber. The House of Representatives is
voting by roll. Members to Chamber.

DEPUTY SPEAKER MORIN (28TH):

Have all the members voted? Have all the
members voted? If all members have voted, the
machine will be locked, and the Clerk will take a
tally. Will the Clerk please announce the tally.

CLERK:

Senate Bill 809 as amended by Senate "A" in
concurrence with the Senate:

Total Number Voting	149
Necessary for Adoption	75
Those Voting Yea	146
Those Voting Nay	3
Absent and Not Voting	2

DEPUTY SPEAKER MORIN (28TH):

The bill as amended in concurrence with Senate
passes. (Gavel)

Are there any announcements or introductions?
Announcements or introductions? Representative

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**CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
2017**

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pjf
Senate

May 24, 2017

Please proceed, sir.

SENATOR DUFF (25TH):

Thank you, Madam President. On Calendar page 9, Calendar 117, Senate Bill No. 809, go. On Calendar page 16, Calendar 213, Senate Bill No. 998, go. On Calendar page 56, Calendar 295, Senate Bill No. 445, go. On Calendar page 22, Calendar 271, Senate Bill No. 1001, go. On Calendar page 19, Calendar 243, Senate Bill 271, go. On Calendar page 17, Calendar 221, Senate Bill 76, go. On Calendar page 17, Calendar 219, Senate Bill 945, go. On Calendar page 13, Calendar 175, Senate Bill 849, go. And if the clerk will please call those in that order, please.

THE CHAIR:

Thank you. Mr. Clerk.

CLERK:

On page 9, Calendar 117, Senate Bill No. 809, AN ACT ENABLING THE INSURANCE COMMISSIONER TO ADOPT REGULATIONS CONCERNING CREDITS FOR REINSURANCE AND MAKING MINOR CONFORMING CHANGES TO STATUTES CONCERNING REINSURANCE.

THE CHAIR:

Senator Kelly, good afternoon, sir.

SENATOR KELLY (21ST):

Good afternoon, Madam President. I move for acceptance of the Committee's joint favorable report and passage of the bill.

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THE CHAIR:

The motion is on acceptance and passage. Will you remark, sir?

SENATOR KELLY (21ST):

Thank you very much, Madam President. This bill makes technical changes to statutes and provides the insurance commissioner with the authority to adopt new regulations regarding reinsurance. These regulations are based upon updated guidelines and actuarial data from January 2016 by the National Association of Insurance Commissioners. This bill was not only supported in committee by the Commissioner, but also by the reinsurance industry here in Connecticut. This is a very important bill for our reinsurance industry as well as for jobs in the state of Connecticut to keep us on the forefront in the reinsurance industry. Madam President, the clerk has an amendment, LCO 6120, will the clerk please call the amendment.

THE CHAIR:

Mr. Clerk.

CLERK:

LCO Number 6120, Senate "A", offered by Senators,
Looney, Duff, et al.

THE CHAIR:

Senator Kelly.

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SENATOR KELLY (21ST):

Thank you Madam President. Basically, these are very --

THE CHAIR:

For adoption, sir?

SENATOR KELLY (21ST):

Yes, Madam President. I move adoption and seek leave to summarize.

THE CHAIR:

Motion is on adoption. Will you remark, sir.

SENATOR KELLY (21ST):

Thank you very much, Madam President. This amendment makes very minor changes, very technical in nature to the underlying bill and I would urge its approval.

THE CHAIR:

Will you remark further on the amendment, will you remark further on the amendment? Seeing none. All those in favor, we will have a voice vote. All those in favor, please say Aye.

SENATORS:

Aye.

THE CHAIR:

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Opposed? Amendment "A" has been adopted. Senator Kelly.

SENATOR KELLY (21ST):

Thank you, Madam President. Returning to the bill as amended, like I said, it's a very good bill for the reinsurance industry, so Madam President, if there is no objection, I would ask that this bill be placed on our Consent Calendar.

THE CHAIR:

Seeing no objections, so ordered, sir.

SENATOR KELLY (21ST):

Thank you.

THE CHAIR:

Mr. Clerk.

CLERK:

On page 16, Calendar 213, Senate Bill No. 998, AN ACT CONCERNING THE SOLICITATION OF HIGH-PRIORITY REGULATORY CONCERNS BY THE COMMISSIONER OF ENERGY AND ENVIRONMENTAL PROTECTION FROM A STATE-WIDE BUSINESS ORGANIZATION. There are amendments.

THE CHAIR:

Senator Kennedy.

SENATOR KENNEDY (12TH):

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THE CHAIR:

Wait, Senator Looney. Stand at ease please the Senate. Senator Duff.

SENATOR DUFF (25TH):

Thank you, Madam President, before we adjourn, why don't we have a vote on our consent counter please?

THE CHAIR:

That's a great idea. Mr. Clerk, can you please call the bills that are on our Consent Calendar, so that we can then vote on it?

CLERK:

On page 9, Calendar 117, Senate Bill No. 809. On page 16, Calendar 213, Senate Bill No. 998. On page 56, Calendar 295, Senate Bill No. 445.

THE CHAIR:

Mr. Clerk, will you call for a roll call vote on the Consent Calendar? The machine is going to be open.

CLERK:

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

THE CHAIR:

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If all members have voted, all members have voted,
the machine will be closed. Mr. Clerk, will you
call the tally.

CLERK:

On today's Consent Calendar.

Total number of Voting	36
Those Voting Yea	36
Those Voting Nay	0
Absent not Voting	0

THE CHAIR:

The Consent Calendar has passed. [gavel] Are there
any announcements or points of personal privilege?
Senator Duff.

SENATOR DUFF (25TH):

Thank you, Madam President. Madam President, is the
clerk in possession of Senate Agenda No. 3?

THE CHAIR:

Mr. Clerk.

CLERK:

Is in possession of Senate Agenda No. 3 also dated
Wednesday, May 24, 2017.

THE CHAIR:

Senator Duff.

**JOINT
STANDING
COMMITTEE
HEARINGS**

**INSURANCE AND
REAL ESTATE
PART 3
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2017

JIM WADLEIGH: We take that away, your office doesn't need to reach out, we will send it to you.

SENATOR KELLY (3RD): Thank you very much, I appreciate it.

SENATOR LARSON (21ST): Thank as well, could you provide that same information to the Committee if you wouldn't mind?

JIM WADLEIGH: Sure.

SENATOR LARSON (21ST): Thanks a lot. Any further questions? Thank you for your testimony. Next up we have Commissioner Wade from the Connecticut Insurance Department. Good afternoon Commissioner.

KATIE WADE: I'm Katie Wade, the Connecticut Insurance Commissioner. Committee Chairs, Co-Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee. Thank you for your time today. I appreciate to have the opportunity to provide testimony on five bills today. House Bill 7023, contains a number of consumer protections that would help foster the primary mission of consumer protection. This Bill provides more consumer choice, provides more health insurance coverage options, provides ample notification of changes to a homeowner's policy, and ensures sufficient regulatory protection if an insurance company becomes insolvent. Section one expands the availability of short-term care insurance policies so that employers can offer them to their employees. Last year through Public Act 16-23, short-term care policies were made available to the individual market. Short-term care is an insurance policy that provides certain health benefits for 300 or fewer days for the treatment of an injury or illness that

HB7013

HB7003

SB809

HB7042

SB544

Senate Bill 809, updates the Connecticut statutes to reflect the January 2016, revisions to credit for reinsurance models adopted by the National Association of Insurance commissioners, and to authorize the adoption of new regulations to establish uniformed national standards governing reserved financing arrangements involving reinsurance of certain types of life insurance policies. These bill also makes technical change in a statute to reference the credit for reinsurance laws and the Insurance Department anticipates that the adoption of the new changes seen here as along with regulations will become an accreditation standard. Passage of this bill is important to our Connecticut domestic reinsurers to continue to bring Connecticut in line with national and international standards.

Then, going onto to House Bill 7003, which enhances the Department's oversight of the surety bail bonds licenses. The Department licenses and regulates approximately 200,000 agents, brokers, claims adjusters, and surety bail bondsmen. This bill would bring the more than 300 licensed surety bail bonds agents to a level of regulation without other licensees by the Department. This bill would allow the Department to strength enforcement of the biannual fee deadlines. The assessment fee of \$450 changing the sweet date on remaining outstanding fee funds from the end of the fiscal year to line it up with the calendar year so that we can conduct audits of the bail bond agents throughout the year and regulate continuing education requirements for the industry. Last year this bill passed the House unanimously and did not make it through the progress on the Senate sides. We had agreement from the

They have case management and they have accountable care organizations trying to improve the quality of care and lower healthcare costs to get people to be treated earlier in the process and help them manage product conditions. They have a number of initiatives underway and are looking for opportunities to influence and help their population.

REP. JOHNSON (49TH): Thank you so much for that. What about the changes in the reinsurance clause and could you go into a little bit of detail on that?

SB 809

KATIE WADE: So, yes. The reinsurance is a pretty arcane accounting practice and it is allowing companies that have seeded some of their risk to a reinsurer to be able to take that liability off of their books, because they will get, in the event that they have to file a claim with the reinsurer, they will get money back and they would be able to take credit for it.

REP. JOHNSON (49TH): In terms of the transfer, what kind of analysis has been done with respect to how well it is capitalized?

KATIE WADE: So, our Financial Regulation Unit spends an enormous amount of energy and effort making sure that companies are well capitalized. We are reviewing their financials on a quarterly basis. We are, the process that we have is pretty robust.

REP. JOHNSON (49TH): So, if they are capitalized, would they just be in the State of Connecticut or would they be under some other state?

KATIE WADE: It would depend on who they use as a reinsurer and where they are licensed, but they are all regulated.

REP. JOHNSON (49TH): What about conflict of laws, what law would apply if there was a conflict? Would it be the State of Connecticut or would it be the state in which the insurance company is located in?

KATIE WADE: I'm looking to the director of our legal division, John Arsenal, so if you can indulge me to allow him to come up and answer questions.

REP. JOHNSON (49TH): Thank you.

JOHN ARSENAL: If there is a dispute between the seeding company and the reinsurance company, the reinsurance contract will usually specify what would be the law of the forum that would be interpreting the contract and so if the contract were issued by reinsurance company in Hartford, Connecticut, I would like to think it would have the law of Connecticut, but I'm not sure. They usually have disputes subject to arbitration.

REP. JOHNSON (49TH): So, perhaps it might help to specify and reinstruct that if another company is used out of the state then it would be the place of, the law of Connecticut would apply. Maybe, we need to make sure that the law of Connecticut applies so that there wouldn't be some difficulty with respect to later on whether a change in capitalization say occurs or a new company, the money is transferred to a new company in terms of reinsurance, so I'm very concerned with how it is capitalized with the futures of that and I know that Florida for example uses the state of Florida for all of these laws in terms of the place the dispute would be addressed.

JOHN ARSENAL: Representative Johnson, to my knowledge, I do not think that the issue of the law of the form states which law applies has been a real

issue. As Commissioner Wade had noted, the Connecticut Insurance Department administers standards and the statutes and regulation that are intended to protect the insurance company that wants to insure itself with obtaining reinsurance. There are a number of forms of security that the insurance company can negotiate and have to protect its interests in the event the reinsurance company does not pay in accordance with the contract and often times there are funds withheld or there are letters of credit, things of that nature, so I don't believe you need to specify particular law that would apply, but having said that, the reinsurance statues and regulations concerning the credit that the insurance company would be able to take on their financial statements, whether as an asset or reduction of liabilities, that is rather uniform throughout the United States in terms of the statutes and regulations and that is because each jurisdiction in the US has this as a standard for maintaining its accreditation by the National Association of Insurance Commissioners. So, uniformity is in existence right now and the legislation today is attempting to maintain the uniformity to reflect the change in the model statute that was enacted, well not enacted, but adopted by the membership of the NAIC in January of last year.

REP. JOHNSON (49TH): Thank you so much for those answers. Thank you Mr. Chair.

SENATOR KELLY (3RD): Thank you so much Representative. Any further questions?
Representative Pavalock-D'Amato.



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee February 23, 2017

Senate Bill No. 809 An Act Enabling the Insurance Commissioner to Adopt Regulations Concerning Credits for Reinsurance and Making Minor Conforming Changes to the Statutes Concerning Reinsurance.

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony on **Senate Bill No. 809 An Act Enabling the Insurance Commissioner to Adopt Regulations Concerning Credits for Reinsurance and Making Minor Conforming Changes to the Statutes Concerning Reinsurance.** The Department thanks the Committee for raising this bill and hearing it on the Department's behalf.

S.B. 809 will update Connecticut's statutes to reflect the January 2016 revisions to the *Credit for Reinsurance Model Law* adopted by the National Association of Insurance Commissioners (NAIC), to authorize adoption of new regulations to establish uniform, national standards governing reserve financing arrangements involving reinsurance of certain types of life insurance policies, and it will make a technical change in a statute to reference the credit for reinsurance laws. The Insurance Department anticipates that adoption of the new changes to the NAIC Model Law and new Model Regulations will become an Accreditation Standard. S.B. 809 also makes a technical change to an existing statute.

Sections 1 through 3: New Authority to Adopt Regulations:

Connecticut and all other states have laws and regulations concerning credit for reinsurance which specifies an accounting procedure for insurers transferring all or part of their insurance or reinsurance risk written to another insurer/reinsurer. Under this accounting procedure, the insurer can treat amounts due from reinsurers as assets or reductions from liability based on the status of the reinsurer. S.B. 809 gives the Insurance Commissioner authority to adopt regulations that address:

- The valuation of assets or reserve credits
- The amount and forms of security supporting reinsurance arrangements
- The circumstances by which credit will be reduced or eliminated

These Connecticut regulations will be based on new NAIC model regulations that establish uniform, national standards governing reserve financing arrangements of certain life insurance policies and would replace outdated actuarial guidelines.

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.



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Section 4: Amendment to C.G.S. § 38a-73:

Section 4 of the bill will make a technical revisions to Conn. Gen. Stat. § 38a-73 concerning the 10 percent maximum (net) exposure to any one risk as it relates to calculation of the threshold and the reduction for portions of risk reinsured. The words "authorized to do business in this state" will be replaced with "that meets the requirements of section 38a-85 or section 38a-86." This will align the statute regarding the kinds of reinsurance, and reinsurers that may properly reduce a company's maximum exposure to any one risk with Connecticut's credit for reinsurance statutes. Those statutes permit insurers to buy reinsurance from a variety of financially sound reinsurers and to take credit in their financial statement for such reinsurance regardless of whether they are licensed in Connecticut if the reinsurance arrangement meets the criteria specified in the credit for reinsurance law.

The Department thanks the members of the Insurance and Real Estate Committee for the opportunity to submit testimony on S.B. 809.

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.



Reinsurance Association of America

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**Connecticut Joint Committee
on Insurance and Real Estate
Thursday, February 23, 2017
Senate Bill 809**

**Contact: Matthew Wulf
Reinsurance Association of America
202/783-8381
wulf@reinsurance.org**

**STATEMENT OF THE REINSURANCE ASSOCIATION OF AMERICA
IN SUPPORT OF SB 809 --**

***AN ACT ENABLING THE INSURANCE COMMISSIONER TO ADOPT REGULATIONS
CONCERNING CREDITS FOR REINSURANCE AND MAKING MINOR CONFORMING
CHANGES TO STATUTES CONCERNING REINSURANCE.***

The Reinsurance Association of America respectfully submits the following statement in support of Senate Bill 809 which, in part, aligns Connecticut's requirements regarding the kinds of reinsurance, and reinsurers, that may properly reduce a company's maximum exposure to any one risk with the rest of Connecticut's reinsurance law and the insurance laws of other states.

The Reinsurance Association of America is the leading trade association of property and casualty and life reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.

Connecticut's current maximum net exposure law only allows reinsurance provided by admitted reinsurers (licensed in Connecticut) to reduce a company's exposure to its largest risk. The limitation to admitted reinsurers was put in place in 1949, long before key developments in reinsurance regulation. This limitation is now wholly inconsistent with how the rest of Connecticut insurance law treats reinsurance. Connecticut insurers are able to take full financial statement credit for reinsurance obtained from a wide variety of reinsurers which satisfy statutory requirements in Sections 38a-85 or 38a-86. These requirements, as well as others in accounting and capital management rules, recognize the value and credit worthiness of non-admitted reinsurers meeting certain criteria.

Aligning Connecticut's current maximum net exposure law with the credit for reinsurance law is good public policy because the credit for reinsurance law in Connecticut represents the current



Reinsurance Association of America

and best thinking on the subject of how reinsurance should be reflected by a Connecticut insurer on its financial statements and related analysis. Under current law a Connecticut insurer could properly list reinsurance from a non-admitted reinsurer as an asset (subject to the credit for reinsurance law) on its balance sheet and yet be prohibited from using the same reinsurance to reduce its net exposure to any one risk on its annual statement. Such treatment could require the insurer to then buy additional, redundant reinsurance in order to satisfy Connecticut law. Additional costs within the insurance transaction could ultimately disadvantage Connecticut insurance consumers. Allowing Connecticut insurers to use the same reinsurance standards for credit for reinsurance and calculation of maximum net exposure to any one risk provides a clear policy on reinsurance and avoids undue any financial hardship that could result from the differing requirements.

Finally, a majority of other states have already aligned these provisions in their laws and retaining the current limitation in the maximum net exposure law will unnecessarily keep Connecticut as an outlier.

Additionally, the RAA supports the authority provided to the Commissioner in the bill to adopt regulations regarding credit for reinsurance and certain life and annuity products. The provisions proposed in the legislation were developed at the NAIC and provide further modernization to Connecticut's reinsurance laws.

The RAA encourages the legislature to **support and adopt Senate Bill 809**.



Statement

*Insurance Association of Connecticut
Insurance and Real Estate Committee*

February 23, 2017

SB 809, An Act Enabling the Insurance Commissioner to Adopt Regulations Concerning
Credits for Reinsurance and Making Minor Conforming Changes to Statutes Concerning
Reinsurance

I am Eric George, President of the Insurance Association of Connecticut (IAC).
IAC supports SB 809.

SB 809 goes a long way towards bringing Connecticut's reinsurance law in better alignment with the insurance laws of other states.

Connecticut's current maximum net exposure law only allows reinsurance provided by admitted reinsurers to reduce a company's exposure to its largest risk. The limitation to admitted reinsurers was put in place in 1949, long before key developments in reinsurance regulation occurred. This limitation is now inconsistent with how the rest of Connecticut insurance law treats reinsurance.

Connecticut insurers are able to take full financial statement credit for reinsurance obtained from a wide variety of reinsurers, which satisfy statutory requirements in Connecticut General Statutes Sections 38a-85 or 38a-86. These requirements, as well as others in accounting and capital management rules, recognize the value and credit worthiness of non-admitted reinsurers meeting certain criteria.

Aligning Connecticut's current maximum net exposure law with the credit for reinsurance law is good public policy because the credit for reinsurance law in Connecticut represents the current and best thinking on the subject of how reinsurance

should be reflected by a Connecticut insurer on its financial statements and related analysis.

Under current law, a Connecticut insurer could properly list reinsurance from a non-admitted reinsurer as an asset (subject to the credit for reinsurance law) on its balance sheet and yet be prohibited from using the same reinsurance to reduce its net exposure to any one risk on its annual statement. Such treatment could require the insurer to then buy additional, redundant reinsurance in order to satisfy Connecticut law.

Additional costs within the insurance transaction could ultimately disadvantage Connecticut insurance consumers. Allowing Connecticut insurers to use the same reinsurance standards for credit for reinsurance and calculation of maximum net exposure to any one risk provides a clear policy on reinsurance and avoids undue any financial hardship that could result from the differing requirements.

Finally, a majority of other states have already aligned these provisions in their laws. Without the passage of SB 809, Connecticut will continue to be an outlier nationally.

Additionally, the IAC supports the authority provided to the Commissioner of the Department of Insurance in SB 809 to adopt regulations regarding credit for reinsurance and certain life and annuity products. The provisions proposed in SB 809 were developed at the NAIC and provide further modernization to Connecticut's reinsurance laws.

The IAC thanks this committee for considering SB 809 and asks you to support SB 809.