PA12-139

HB5484

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CONNECTICUT
GENERAL ASSEMBLY
HOUSE

PROCEEDINGS
2012

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call. All members to the chamber, please. The House of Representative is voting by roll call.

SPEAKER DONOVAN:

Have all the members voted? Have all the members voted? Please check the roll call board to make sure your votes were properly cast. If all the members have voted the machine will be locked and the Clerk will take a tally.

Clerk please announce the tally?

THE CLERK:

House Bill 5056.

Total number voting	141
Necessary for adoption	71
Those voting Yea	141
Those voting Nay	0
Those absent and not voting	10

SPEAKER DONOVAN:

Bill passes.

Will the Clerk please call Calendar Number 213.

THE CLERK:

On page 10, Calendar 213, substitute for House Bill Number 5484, AN ACT CONCERNING CREDIT ALLOWED A DOMESTIC CEDING INSURER FOR REINSURANCE. Favorable report on Committee of Insurance.

SPEAKER DONOVAN:

Chairman of the Insurance Committee, Bob Megna, you have the floor, sir.

REP. MEGNA (97th):

Thank you, Mr. Speaker. Mr. Speaker, I move for acceptance of the Committee's joint favorable report and passage of the Bill.

DEPUTY SPEAKER ALTOBELLO:

Question before the chamber is passage of the Bill. Please proceed, sir.

REP. MEGNA (97th):

Thank you, Mr. Speaker. Mr. Speaker, the reinsurance market here in Connecticut is really an essential element of the regulated market. While most consumers don't see it or see it operating, it really -- it's something that provides backing in terms of capital for the insurance industry here in the state. And, basically the more competitive that reinsurance marketplace is, the more competitive the prices are for consumers here in Connecticut purchasing insurance. Mr. Speaker, this Bill expands that marketplace and at the same time it expands that marketplace, it increases the regulatory authority of the Commission of Insurance to ensure that these additional reinsurers that are already doing business and will now do business in the State of Connecticut or back the insurers doing business here in the State of Connecticut, will have the financial capacity to pay claims in the even they need to pay claims. Mr. Speaker, the Clerk is in possession of LCO 3169. I ask that it be called and I be permitted to summarize.

DEPUTY SPEAKER ALTOBELLO:

Will the Clerk please call LCO 3169 which shall be designated House Amendment Schedule "A".

THE CLERK:

LCO Number 3169, House Amendment "A", offered by Representative Megna and Senator Crisco.

DEPUTY SPEAKER ALTOBELLO:

Without objection the good Representative has asked to summarize. Without objection, please proceed, Representative Megna.

REP. MEGNA (97th):

Thank you, Mr. Speaker. This Amendment essentially just really clarifies one term under the -- on line 45 in the underlying Bill and I move its adoption.

DEPUTY SPEAKER ALTOBELLO:

Question before the chamber is adoption of House

"A".

Representative Cafero, you have the floor, sir.

REP. CAFERO (142nd):

Thank you, Mr. Speaker. With regard to the Amendment, may I pose some questions to the proponent thereof?

DEPUTY SPEAKER ALTOBELLO:

Please proceed, sir.

REP. CAFERO (142nd):

Thank you. Through you, Mr. Speaker, I know it is two lines -- excuse me, the substitution of one word for another, but what is the practical effect on the underlying Bill, making that substitution? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

We were concerned that we wanted these -- we wanted to ensure that they were accredited reinsurers and that's why we substituted the word accreditation with application because the accreditation comes and it's a certification, that these reinsurers do have the financial capacity to do business and back the insurers doing business in our state. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Cafero.

REP. CAFERO (142nd):

Thank you. Through you, Mr. Speaker, it would then read that -- and I'll just start from line 44, "Regard to policy holder of not less than $20,000,000 at the time of accreditation and its accreditation has not been denied." That is the intent of the Amendment, is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Yes, sir, through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Cafero.

REP. CAFERO (142nd):

And, thank you. Through you, Mr. Speaker, I guess my question would be and I understand your intent is to clarify, but two very different words unless the initial reference to application in the underlying Bill meant application for accreditation. Am I to understand that correctly? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Yes, through you, Mr. Speaker, yes and I apologize, it's probably more of a substance change rather than a clarification. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Cafero.

REP. CAFERO (142nd):

And, through you, Mr. Speaker, and not to be picky here, but would it have been better to put -- because I think this is the intent, "... and its application for accreditation has not been denied ..." etc. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I'm not sure about that change, but this is what we had decided on. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Mr. Speaker. The only reason I say this and a lot of times appropriately so, we put in Amendments to clarify language and sometimes unwittingly, we make it more confusing. And, from what I'm just hearing, the intent was to say, "Time of accreditation and its application for accreditation has not been denied". What it's now going to read is, "Time of accreditation and its accreditation ..." etc. In my opinion, it makes it more confusing than actually the original language and that was my concern. And, unless I'm under some misconception, that's why I posed the question, no need for a reply unless there is one, I just wanted to point that out to the chamber. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Cafero.

Representative Hetherington.

REP. HETHERINGTON (125th):

Thank you, Mr. Speaker. If I may, a question to the proponent.

DEPUTY SPEAKER ALTOBELLO:

Please proceed, sir.

REP. HETHERINGTON (125th):

On the Amendment this would suggest a substantive difference in that the applying reinsurer must have the -- met the test of a surplus as stated, that's $20,000,000, that that criteria must be met at the time of application not some period after that at the time of accreditation. Is that correct, through you, Mr. Speaker?

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, could you repeat that question, please.

REP. HETHERINGTON (125th):

Yes, I'm sorry --

DEPUTY SPEAKER ALTOBELLO:

Representative Hetherington.

REP. HETHERINGTON (125th):

Thank you, Mr. Speaker. Through you, Mr. Speaker, yes, perhaps I didn't state it very clearly. But, it seems to me that there's a substantive difference accomplished by the Amendment and that is that if the Amendment is adopted, the financial test, the $20,000,000 must be met by the reinsurer at the time the insurer makes the application rather than later on when the application is granted -- pardon me, when the accreditation is granted so that it move sup the period during which the financial test must be satisfied and therefore is substantive in that regard. Is that true? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker. I'm thinking if you continue reading on to line 46, it may be it clarifies that a little more. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Hetherington.

REP. HETHERINGTON (125th):

Well, yes, through you, Mr. Speaker, consistent with that it would seem to give the applicant 90 days under the earlier -- pardon me, under the new language, the applicant would have 90 days to satisfy the financial criteria rather than having to have it at the beginning of the application period. I just wanted to confirm whether or not that's the case. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

I think that's correct, through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Hetherington.

REP. HETHERINGTON (125th):

Okay. Thank you, Mr. Speaker and I thank the proponent.

DEPUTY SPEAKER ALTOBELLO:

Thank you, sir. Further on House "A"? Further on House "A"? If not I'll try your minds.

All those in favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ALTOBELLO:

Opposed?

The Ayes have it. House "A" is adopted.

Further on the Bill as amended? Further on the Bill as amended?

Representative Smith of the 108th, you have the floor, sir.

REP. SMITH (108th):

Thank you, Mr. Speaker and good afternoon.

DEPUTY SPEAKER ALTOBELLO:

Afternoon, sir.

REP. SMITH (108th):

If I may a few questions to the proponent of the Bill.

DEPUTY SPEAKER ALTOBELLO:

Please proceed, sir.

REP. SMITH (108th):

Unfortunately, I don't have the line numbers, but it talks about an insurance company being qualified if it meets the 20 million threshold of having a surplus and my question is, if a carrier has less than 20 million, are they still eligible to become qualified. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I'm not quite sure of the details of the application process.

DEPUTY SPEAKER ALTOBELLO:

Representative Smith.

REP. SMITH (108th):

So, in other words, if somebody -- if a carrier had 19 million would they be ineligible under this proposed change? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, no.

DEPUTY SPEAKER ALTOBELLO:

Representative Smith.

REP. SMITH (108th):

Thank you, Mr. Speaker. Is there a point then that if the carrier had say one million in surplus, would they still be eligible in some way under this proposed change? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, there is a variety of mechanisms that the Commissioner will use to determine what an appropriate level is.

DEPUTY SPEAKER ALTOBELLO:

Representative Smith.

REP. SMITH (108th):

I apologize, I did not hear the answer.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna, would you care to repeat your answer?

REP. MEGNA (97th):

Yes, Mr. Speaker and I apologize. There's a series of measurements -- appropriate measurements that the Commissioner would use to make that determination.

DEPUTY SPEAKER ALTOBELLO:

Representative Smith.

REP. SMITH (108th):

Thank you, Mr. Speaker. So, is it entirely with the Commissioner's discretion then if there's a surplus of less than 20 million but still a surplus, that the Commissioner would have discretion to approve the insurance carrier? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Thank you, Mr. Speaker, yes. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Smith.

REP. SMITH (108th):

Thank you, Mr. Speaker. Thank you for the answers.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman of the 14th on the Bill as amended.

REP. AMAN (14th):

Thank you, Mr. Speaker. Speaking on the Bill as amended, not being on the Insurance Committee and trying to read through this language, it's obviously a very technical and very difficult for someone like me to follow and I would request that through you, that the proponent of the Bill and the Chairman of the Insurance Committee try to take this Bill and put it into layman's language so someone like myself could determine how to vote on it. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, essentially it expands options for which a U.S. based insurance company could receive a reinsurance credit on their financial statements and it grants state insurance departments authority to evaluate and certify these reinsurance companies of which they're asking for that credit with. There's a movement throughout the NAIC to help out that reinsurance marketplace, make it more competitive so that insurers could get financial backing for -- which essentially is what a reinsurance company does and these set guidelines and rules for these existing reinsurance companies that want to partake in the marketplace. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Yes, I wonder if we could have some examples of companies in Connecticut that are active in this market and the type of -- what they're reinsuring or why they're reinsuring various items. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, off the top of my head I know we have Genre, Swissre -- some of them are fairly major employers, too. I know down in Fairfield there are several reinsurers that occupy a lot of office space in Stamford and right here in Hartford too, in our insurance capital. Some of these new companies may not be domiciled in this state, but they exist and they may be doing business in other states and elsewhere and internationally. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Yes, what type or policy -- what are they actually reinsuring? Are they doing a particular policy on some major cost item or are they doing a collection together of a whole variety of small policies that they lump together? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Thank you, Mr. Speaker, I guess I can reinsure the -- they're literally insurance companies that insure insurance companies, I mean, in catastrophe situations like we saw last year, Hurricane Irene, a lot of the insurers would pay a premium in the event catastrophe claims exceeded a certain amount or maybe a risk that they -- an insurance company wants to take on, they don't have the financial capacity so they may go to the reinsurer to get that capacity in order to ensure that property in the regulated market. I guess reinsurance probably has to do with just about any type of insurance from personal lines to commercial and liability insurance and probably even medical insurance. It's essentially an insurance company insuring an insurance company. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Yes, it probably leads into the next -- what would be the outcome whether this Bill or not or was defeated on a non-insurer and its business company who's actually buying the policy here in Connecticut? What impact would it have on the typical consumer or business that is purchasing insurance? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Well, you know, many insurers -- through you, Mr. Speaker, many insurers may not partake in the reinsurance marketplace. They may take the risk and the exposure on themselves. However, generally speaking for the entire market, reinsurance is really a massive marketplace and it clearly impacts premiums here in our state and the competitive nature of premiums. So, I'm not quite sure, but after hearing testimony in the Committee we're fairly convinced that expansion of that market could lead and would lead to more competitive premiums here in our state. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Yes, and the Bill obviously calls for a review of books and records and submissions and it looks like there is a tremendous amount of work involved in looking at these companies and making an accurate idea whether it protects the consumer, protects the market, etc., who is actually doing the review and how are they funded? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I believe there is an entire department within the Department of Insurance that deals with the financial capabilities of insurers and reinsurers. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Through you, Mr. Speaker, is this department funded directly by the insurance companies or is it funded by the general fund or is a combination of both? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

I think primarily the industry is assessed for the operations of the Department of Insurance and think that that department that does that work is part of that assessment. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Tied into that, through the increase of this Bill, I would presume it's going to increase the workload. Is the number of people in that agency currently adequate to handle any of the new review that's required? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

I'm sorry, Mr. Speaker. Could the gentleman repeat that question again?

DEPUTY SPEAKER ALTOBELLO:

Representative Aman would you care to --

REP. AMAN (14th):

I'll guess I'll rephrase it a little bit. We've had a freeze on hiring over the past year or so, a desire to reduce the number of state employees in as many agencies as possible, so now we're talking about extending the review of these insurance companies in a fairly complicated manner. So, my question is, does the department have enough people to do this work or are they going to have to hire additional people who I would presume would be fairly expensive because this is fairly technical work and if so, where in the budget that money would be coming from? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, we've heard testimony from the Department that there really is going to be no impact. They're already doing this work, reviewing applications and financial ability of reinsurers and it really is not going to change their task at all and there actually is no fiscal note, I believe, on the underlying bill. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

I'd like to thank the Chairman very much for his information on a fairly complicated subject that allows someone like me to be able to read the rest of the reports with a lot better understanding. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Aman.

Representative Shaban, you have the floor, sir.

REP. SHABAN (135th):

Thank you, Mr. Speaker and through you a few questions to the proponent of the Bill, if I may?

DEPUTY SPEAKER ALTOBELLO:

Please proceed, sir.

REP. SHABAN (135th):

Thank you. Through you, I'm trying to -- I'm working through this Bill and the first thing that jumps out at me is the -- at least in the old R report, about the statutory accounting procedure. Through you, the statutory accounting procedure will that affect the underlying insurance companies regular accounting procedures? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I don't know the answer to that question.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

Thank you. My concern is, or I guess my question is, more than my concern, is the underlying insurer going to essentially be keeping two sets of books, i.e., if you know, insurance company X is a public company and has to file 10K's, 10Q's, quarterly reports, that kind of thing, but at the same time there's a statutory accounting treatment in connection with this Bill. How do those two accounting treatments jive? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I imagine there is a uniform method -- methodology that the department uses in assessing companies and their financial capacity. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

Thank you, Mr. Speaker. Well, I guess moving on, the certification and accreditation mechanism that's discussed in this Bill, are reinsurers currently accredited or certified in any way? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, off the top of my head, reinsurers currently are probably treated like an insurer in terms of looking at their financial capability of being able to pay claims. Whether this accreditation process that is set forth in this Bill is new, I am not quite sure or how identical it is, but I would imagine it is substantially similar but yet different than the process that the department currently uses. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

Thank you, Mr. Speaker. Yeah, I see the, I guess the Commissioner is going to be promulgating new regulations at least in connection with this effort. I see that there is also an ability for the Commissioner potentially to revoke or adjust the certification and accreditation with a notice and hearing process. Through you, is that notice and hearing process judicial in nature, is it administrative? What's the anticipation of the drafters of this Bill? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I can't answer that question exactly what the nature of that hearing process is without reviewing the statutes or regulations. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

Fair enough. I guess the regulations will probably pick that up. My -- a question occurred to me while I was reviewing the Bill a little bit ago. With the ability -- it seems to me as I read it, the insurer is going to seed an insurance policy, get a reinsurance policy and if the reinsurer fits a certain set of standards, that the Insurance Commissioner sets, that then the insurer is going to be able to get a credit or treat that palm off, so to speak, or that hand off as an asset on their books. But, there's an ability and I think it's in line 237, it starts in line 237 of the Bill where the Commissioner has the ability to essentially uncertify the reinsurer. Now, with that, through you, Mr. Speaker, my question is can that be done after the fact, i.e., after the underlying insurer is actually applied for and handed off the insurance policy or seeded the policy? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

I don't -- through you, Mr. Speaker, I don't know exactly how that process would happen, but this is there in order to protect policy holders or consumers here in our state. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

All right. I guess another thought in similar connection, does the reinsurance company have to hold on to that policy on its books in order for the underlying insurer to get the statutory accounting treatment, i.e., what happens if the reinsurer reinsures that risk? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I'm not quite sure what the question is. Whether the reinsurer is unaccredited or uncertified at the time it's undertaking the business on, is that the question? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

Thank you, Mr. Speaker. Yeah, my question really goes to what if that underlying risk is insured again. So, insurer reinsures a risk, gets a statutory accounting treatment but then reinsurer reinsures that risk to somebody else. Does that third party need to also be accredited? And, if not, is there a retroactive disallowance of the initial credit to the insurer? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, when the reinsurer is examined, I mean it's examined on its financial capability of being able to cover that insurance company so to speak in the event that capital is needed and I would imagine through that process, the process that the department undertakes, that they assure that that reinsurer has the capital, is not spread thin so to speak, and is capable of paying the claims of those policy holders here in our state. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Shaban.

REP. SHABAN (135th):

Thank you, Mr. Speaker and I thank the gentleman for his answers. Perhaps some of my questions will get teased out if and when regulations get passed. But, I thank the gentleman for his responses and thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Shaban.

Further on the Bill as amended?

Ranking member Sampson of the 80th. Representative, you have the floor.

REP. SAMPSON (80th):

Thank you very much, Mr. Speaker. Good afternoon.

DEPUTY SPEAKER ALTOBELLO:

Good afternoon, sir.

REP. SAMPSON (80th):

I want to thank my colleagues for taking the time to flesh out this Bill. It's a very, very important matter. I'm confident that the language in this Bill is going to allow for greater competition in the reinsurance market which will hopefully translate into more competitive premiums for insurance for regular insurance carriers that are utilizing that reinsurance market and for those reasons I will be supporting the Bill. I just want to say a couple of different things that came up within the debate that this is NAIC model language that has been adopted in several states and that the testimony that we heard in the Insurance Committee was compelling in that it would definitely translate into a better circumstance for insurance competition here in Connecticut. And, for those reasons I am going to support it. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Sampson.

Further on the Bill as amended?

Representative Miller of the 122nd, you have the floor, sir.

REP. MILLER (122nd):

Thank you, Mr. Speaker. A couple of questions to the proponent.

DEPUTY SPEAKER ALTOBELLO:

Please proceed, sir.

REP. MILLER (122nd):

Many of these firms have their offices in, say Bermuda. Does that mean we'll be sending people down there to inspect their books? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

Through you, Mr. Speaker, I don't really know the actual process within the department so, I don't know whether they go down there and look at books, if a company reinsures based in Bermuda or any other country. So, I wouldn't really know the answer to that question. I apologize through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Miller.

REP. MILLER (122nd):

I would volunteer to go down and checks the books, Mr. Speaker, if that were possible. But, anyway, through you, Mr. Speaker, does Connecticut differ from any other state with requirements of how much money they have to have in the bank? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Megna.

REP. MEGNA (97th):

I apologize, Mr. Speaker, could the gentleman please ask the question once again?

DEPUTY SPEAKER ALTOBELLO:

Representative Miller.

REP. MILLER (122nd):

Thank you, Mr. Speaker. We at one time, Mr. Speaker, we did have Transamerica was located in Stamford, Connecticut which was a big reinsurance firm; we have the XL group here, right here in Hartford which is a pretty good sized company and there is a few more here in Connecticut. So, obviously I just want to make sure that we don't do anything that's going to -- I hope what we do here is going to provide more competition in this area. Unfortunately, the way the economy is today, I'm not sure these guys are doing that well because people are watching their nickels and dimes and they're very careful as to how they spend their money. The reinsurance field is a -- it's a big field when it comes to financial type of transactions. I know at one point, I think it was -- it wasn't the Mona Lisa, but some sculpture from Italy came to this country and the insurance on it was, I don't know, $500 million or more and what happened was the insurance company picked up most of the insurance and then gave it out to a third party and that third part was a musician in England, Phil Collins. He picked up $100 million of that particular insurance transaction. And, again, well I guess I'll just end like that. There's a few more questions but I think I've said enough. Thank you for your answers and thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Miller.

Further on the Bill as amended? Further on the

Bill? Further on the Bill as amended?

If not, staff and guests please retire to the well of the house. Members take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. All members to the chamber, please. The House of Representative is voting by roll call.

DEPUTY SPEAKER ALTOBELLO:

Have all the members voted? Have all the members voted? Please check the board to make sure your votes were properly cast. If all the members have voted the machine will be locked..

Will the Clerk please take a tally?

THE CLERK:

House Bill 5484, as amended by House "A".

Total number voting	144
Necessary for adoption	73
Those voting Yea	144
Those voting Nay	0
Those absent and not voting	7

DEPUTY SPEAKER ALTOBELLO:

The Bill as amended passes.

Are there any announcements, points of personal

STANDING COMMITTEE HEARINGS

INSURANCE AND REAL ESTATE PART 3 638 – 984

2012

cetera. There's just -- there's just many, many, many good ideas here. And I just want to thank you for that.

Are there any questions of the Speaker? Thank you very much, Mr. Speaker. Thank you.

I'm just going to go out of line here just for a -- the -- the next person, Commissioner Leonardi on Senate Bill 411 and House Bill 5484.

Welcome, Commissioner.

COMMISSIONER THOMAS LEONARDI: Thank you very much. (Inaudible) or do both and then take questions, whatever your preference.

Okay, Senator Crisco and Representative Megna, Senator Kelly, Representative Sampson and members of the committee, the Insurance Department appreciates the opportunity to submit testimony in support of Raised Bills 5484 and 411.

I am Thomas B. Leonardi, the Insurance Commissioner for the State of Connecticut. And I'd like to thank the committee for raising these initiatives on our behalf.

The two proposals before you today reflect our department's two top legislative initiatives. Both reflect Model Act provisions that have been reviewed, approved and unanimously adopted by the National Association of Insurance Commissioners, the NAIC, whose membership is comprised of all 50 states, the District of Columbia and five U.S. territories.

The first proposal I'd like to address is R.B. 411, the Insurance Holding Company System

Third, the amendment further defines the standards used in determining whether a company acquisition will lessen competition in any line of insurance or create a monopoly.

U.S. regulators and international standing -- standard setting organizations have taken steps to improve the financial services regulatory system and encourage more frequent communication and coordination among financial supervisors, including insurance regulators. Passage of this initiative will give our department the additional regulatory authority needed to protect Connecticut consumers by allowing the Insurance Department to oversee and regulate this complex insurance and financial services sector and retain our strong regulatory reputation, both locally as well as nationally.

I can take questions or I can move to the next, whatever your preference.

Okay, I'll -- okay, so I'll move to the next one.

This is the credit for reinsurance, Raised Bill Number 5484. This proposal updates Connecticut's current statutes concerning credit for reinsurance and reflects the credit for Reinsurance Model Law recently adopted by the National Association of Insurance Commissioners. The proposal has been under discussion at the NAIC for numerous years and was formally adopted unanimously on November 6th, 2011. The intent is to reduce reinsurance collateral requirements for qualified reinsurers as part of a larger effort to modernize reinsurance regulations in the United States.

Both the recent adoption of the revised NAIC Credit for Reinsurance Model Law, the model regulation and Raised Bill 5484 all reflect the longstanding effort to update reinsurance collateral requirements to facilitate cross border reinsurance transactions and enhance competition within the U.S. market while insuring that U.S. insurers and policy holders are adequately protected against the risk of insolvency.

Specifically, the proposal expands the options under which a U.S. based company is allowed to receive a reinsurance credit on their financial statements and authorizes the state insurance departments to evaluate and certify reinsurance companies that are based outside of the United States.

Currently, in order for a U.S. company to receive a reinsurance credit on their financial statements, the insurance company must be either ceded to or the insurance being ceded to a U.S. licensed reinsurer or secured by collateral representing a hundred percent of the U.S. liabilities for which the credit is recorded. This proposal allows U.S. companies a third option, which is to take a credit for reinsurance on their financial statements when risk is ceded to a certified reinsurer.

Under the proposed law, state insurance departments will evaluate the reinsurer that applies for certification and will assign a rating based on that evaluation. The rating assigned by the department will determine the amount of collateral the reinsurance company will be required to maintain. A certified reinsurer will be required to post collateral in an amount that corresponds with its assigned rating, which in turn, will allow a U.S company to take a full credit on their financial statement for the reinsurance they've ceded.

Additional standards include, one, a certified reinsurer must meet a minimal capital standard of at least 250 million dollars and be supervise -- supervised by a qualified jurisdiction. This will make that company eligible to apply for certification along with the potential for meeting collateral -- reduced collateral requirements. These reduced collateral requirements will be determined on a sliding scale, which ranges from secure 1 at zero percent collateral all the way up to vulnerable 6 at a hundred percent collateral required. And it will be based on the financial strengths from at least two rating agencies determined to be acceptable by the commissioner.

And third, each state will have the authority to certify reinsurers or a commissioner has the authority to recognize the certification issued by another NAIC accredited state.

I believe adoption of this bill will result in the following. A lower cost of reinsurance to ceding companies which should result in a lower cost of insurance to our consumers. It will level the playing field and eliminate the potential for trade wars amongst U.S. and foreign jurisdictions, and will give Connecticut based primary companies an even playing field in relation to primary companies domesticated in those states that has passed or will pass the Model Act.

Again, I appreciate your time and attention this afternoon and look for your support of these important regulatory and modernization issues. I'd be happy to answer questions.

REP. MEGNA: There we go.

Thank you, Commissioner. Commissioner, who does the certification of the reinsurer? Who will be doing that?

COMMISSIONER THOMAS B. LEONARDI: (Inaudible).

REP. MEGNA: Oh, okay. All right. Thank you very much.

Representative Sampson.

REP. SAMPSON: Thank you, Mr. Chairman. Thank you for being here, Commissioner. Your testimony was very thorough and it actually leaves me with very few questions.

I just want to confirm for the benefit of the committee that with regard to 5484 that this is, in fact, permissive. You're going to assign a rating based on the criteria that you laid out, but this doesn't mean that every reinsurer is going to have the opportunity to get a reduced collateral amount. It's just -- it's going to be subject to that rating that you provide.

COMMISSIONER THOMAS B. LEONARDI: That's correct. If -- if -- a company would need to reach the highest levels of financial integrity. And in addition, for a foreign reinsurer, it would have to be regulated in its domestic jurisdiction by a highly reputable jurisdiction that's also certified.

REP. SAMPSON: Understood. And regard -- with regard to the other bill, S.B. 411, I notice

IAC requests that -- that such a change be made to this bill. Thank you.

REP. MEGNA: Thank you, Bob. Are there any questions? No. Thank you very much.

ROBERT KEHMNA: Thank you.

REP. MEGNA: We'll move on to House Bill 5484. Matthew Wulf.

MATTHEW WULF: Thank you, Mr. Chairman, members of the committee. My name is Matthew Wulf with the Reinsurance Association of America. The RAA is the trade assoc -- association representing reinsurers who write U.S. risk. And I'm here today to speak in support of House Bill 5484, the credit for reinsurance bill that Commissioner Leonardi laid out so well earlier today that I'm going to keep my comments very brief.

Thank you for bringing this bill up. It's a -- it's a very important bill. I think it's good for Connecticut. I think it's good for insurers and consumers. It's an important piece of legislation, generally. I just want to touch on one point and that is the modernization point that Commissioner Leonardi mentioned.

This bill is particularly important in light of the discussions surrounding regulatory modernization in the insurance realm, both internationally and at the federal level. This is a chance for Connecticut to continue its role as an insurance leader. It's a chance for the states to show that they can address international insurance issues. It's really just -- again, for all the reasons that the Commissioner laid out, we support the bill. We think it's important. The RAA has been involved throughout the debate on it. And I'm -- I'm hap -- available and happy to any questions (sic) you might have on it. Thank you.

REP. MEGNA: Thank you very much. Are there any questions? No. Thank you very much.

Cosette Simon? Swiss Re?

COSETTE SIMON: Representative Megna, ranking member Kelly, Representative Crawford, Representative Schofield, thank you for giving me the opportunity to testify today. My name is Cosette Simon and I'm here representing Swiss Re. I am grateful, also, to Commissioner Leonardi for his leadership and for his comments earlier today. And I'm grateful to this committee especially, for taking this issue up. It's an issue that's extremely important to my company.

HB5484

I agree with Matt. I thought the Commissioner's testimony earlier today was extremely complete. This is the first time that I've had an opportunity to appear before this committee and so maybe I could take just a few minutes to lay out a little bit about Swiss Re since we are domiciled here in the state of Connecticut.

We're the second largest reinsurance company in the world. We've been operating here in the U.S. since the late 1880s. It's a kind of a funny business to be in a lot of people would think because when everyone else is trying to get rid of risk we want to take other people's risk on, for a price, of course. We have been involved and helping American's rebuild after every major catastrophe in the U.S. since the

1906 earthquake. And we were the largest payer when the World Trade Center was bombed -- was brought down by terrorists.

Maybe the most pertinent thing is what I mentioned earlier. Our life business is domiciled here and we have been proudly domiciled here since 1967 and we employ 300 residents in Connecticut. I thought the insurance commissioner laid out the issues well. He talked about the lower cost of reinsurance, leveling the playing field both here in the U.S. and around the world. And the only other thing that I would emphasize is that this, again, is permissive. It's not obligatory. The Commissioner may reduce collateral for highly rated financially strong companies but he is not required to do so. And I'd be happy to answer any questions.

REP. MEGNA: Good timing.

COSETTE SIMON: Wow.

REP. MEGNA: Good timing. Representative Schofield.

REP. SCHOFIELD: Thank you, Chairman Megna.

I'm just interested that you're a domestic company. I didn't realize. If I'm understanding this bill correctly, this makes it a little easier for foreign, not domestic companies to come in and compete. Is that correct?

COSETTE SIMON: Well, Swiss Re of course, is domiciled in Zurich. We can't get away from the name, Swiss Re, Zurich, Switzerland. But our U.S. life insurance headquarters is here in the state of Connecticut.

REP. SCHOFIELD: So does that make you a domestic company or a foreign company?

COSETTE SIMON: Well, we do all of our business through U.S. Tax paying entities so we are a U.S. Domestic taxpaying company headquartered here in Connecticut. Exactly.

REP. SCHOFIELD: And so when you're issuing reinsurance here -- I mean, are you under the current rules, treated as a domestic with those reserving new (inaudible) -

COSETTE SIMON: That's a very good question.

REP. SCHOFIELD: -- as a foreign company?

COSETTE SIMON: Yeah, that's a very good question. So you may say, "Well, if you're a U.S. tax paying company then why does this matter to you?" It matters to us because we centralize our risk in Zurich, Switzerland, like all companies do. You -- you centralize it in your headquarters. And so when we do our own transactions, when we reinsure ourselves for that very purpose, then we have to also post collateral. Under these new rules it would reduce our collateral from a hundred percent to 20 percent because we're a double A rated company.

REP. SCHOFIELD: Okay. And I -- I just want to reiterate my understanding that by -- in the past, these rules were geared to make sure that companies that were not available to be scrutinized by our regulators had to make sure there was enough money there to cover the risk -

COSETTE SIMON: Right.

REP. SCHOFIELD: -- so that consumers wouldn't get left in the cold -

COSETTE SIMON: Right.

REP. SCHOFIELD: -- if a disaster happened.

But something has changed in the environment to enable our insurance department now to be able to look under the hood, so to speak, and make sure that even the foreign companies have enough reserves and enough cash to really make good on their promises so that it's not necessary to put up all that extra collateral. Is that my -

COSETTE SIMON: That's a very -- that's a very good question. There are four states that have already passed this and I -- I use it as an example because New York is one and our property casualty business is domiciled there.

So we've applied under this new regime that you're considering in Connecticut. And the amount of information that the department gets -- and by the way, it gets it yearly. You don't get this forever. You have to come before the Commissioner every year.

It's a very lengthy application process. The -- there's a memo of understanding that's set up with the domicile of the reinsuring entity, in this case, Switzerland. It's -- the application process is about a foot thick. So it's interesting that in this way, the commissioner will actually receive more information about a reinsurance company than he or she ever did in the past. Because we never had these requirements for submitting all of this information.

REP. SCHOFIELD: Okay. So -- so bottom line, there's enough regulatory or as much regulatory protection associated with a foreign company as there is with a domestic company?

COSETTE SIMON: Well, that's right. And as we all know, you know, 20, 30, 40 years ago, it -- the financial services industry wasn't a global one like it is today. So memos of understanding between jurisdictions, the U.S. Regulators -- in fact, Commissioner Leonardi is quite active in the international level. So there's all kinds of dialog and reciprocal treatments that are going on around the world that make it a very different environment than it was 30 years ago.

REP. SCHOFIELD: All right. Thank you.

COSETTE SIMON: Thank you.

REP. MEGNA: Thank you very much. Any other questions? No. Thank -- Senator Kelly.

SENATOR KELLY: Thank you, Mr. Chairman. Getting at those levels of protection.

COSETTE SIMON: Yes, sir.

SENATOR KELLY: What does the reinsurance company have to go through to be credited to fit into this category where you don't have to collateralize your risk?

COSETTE SIMON: Well, there's -- I'll start from the highest and then go down to the smallest. So the first thing that has to happen is that the -- the foreign jurisdiction has to be completely evaluated. So there is -- as I say, a memo of understanding with wherever that is, it could be Germany, it could be another state, it could be Switzerland, it could be anywhere. So that's a very lengthy and involved process because they actually meet and have a dialog, exchange information. And the idea is to make sure that those regulatory regimes are up to the task. Are they as strong as it is here in the U.S.? Is it reciprocal? So that's the first thing, the regulatory regime.

Then you have to look at the financial rating of the reinsurance company. So you have to have -- it's a ratings based sliding scale. If you don't have an official rating from a couple of rating agencies, you wouldn't be qualified. So you have to meet those specific ratings.

Then from there, the amount of information and some of it is, you know, it's annual reports, it's details on all of your financials. It's information about your parent company. You can imagine, it goes on and on and on. I can get you a complete list but it's -- it's a very lengthy analysis.

And I want to emphasize again, the Commissioner's not obligated, obviously, to do anything, and can actually require more than a hundred percent collateral. He could say to a company, "You have to post 150 percent collateral," if he wanted to.

SENATOR KELLY: Right. So our Commissioner has that discretion?

COSETTE SIMON: Complete discretion.

SENATOR KELLY: And isn't this based on an AII -- NAIC model language?

COSETTE SIMON: Yes, it is. And it was a long negotiated -- it was probably 15 years in the making. So this has been studied from about every possible direction you can imagine.

SENATOR KELLY: Now you mentioned other paper and under treaty and other agreements. Let's say the state of Connecticut decided not to do this.

COSETTE SIMON: Yes.

SENATOR KELLY: How would this interplay with the new federal insurance office and those foreign treaties and paper?

COSETTE SIMON: I'm not sure that there would be -- that there's any connection, really, to the federal insurance office. I -- I would only say this. And maybe this is what you're -- you're getting at.

There is a provision -- the -- the federal insurance office, the FIO as it's called, was established by Dodd-Frank, as you know. There is a provision in there that states can be preempted. And it was the idea when Dodd-Frank was -- was originally being discussed that perhaps the FIO would preempt all the states and create one collateral regime across the country.

The FIO is expected to release a report any day. In fact, it's about a month or two late at this point. It's, again, required by Dodd-Frank. We'll get a better idea when that report is issued whether or not the FIO is going to go in that direction. But there's been no action from the FIO to date. And we're happy to be in the state of Connecticut where you all -- and I think it's perfectly appropriate, the insurance capital of the world, that you're considering -- and it --

maybe not in the first tranche, four states have adopted it. But you're front and center in the second tranche, so we appreciate that consideration.

SENATOR KELLY: Thank you.

COSETTE SIMON: Is that -- is that responsive -

SENATOR KELLY: Yes.

COSETTE SIMON: -- to your question?

SENATOR KELLY: Yes, it is. Thank you very much.

REP. MEGNA: Thank you, Senator. And it's curious how come they didn't deal with this issue in the Dodd-Frank -

COSETTE SIMON: Well, that's a complicated political -

REP. MEGNA: Okay.

COSETTE SIMON: -- story to tell. But I would just say that the Congress really doesn't like to preempt states. So rather than automatically preempted, it gave the FIO the power and then left it to them. You look into it, decide whether the state should be preempted.

REP. MEGNA: All right. Okay. Thank you. Thank you very much for your testimony.

COSETTE SIMON: Thank you.

REP. MEGNA: We're going to move on to Senate Bill 409. Doug Card -- Cardoni, from Fortress, yeah. Welcome.

DOUGLAS CARDONI: Thank you.

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Testimony of the American Council of Life Insurers
Before the Committee on Insurance and Real Estate
Tuesday, March13, 2012

House Bill 5484 - AN ACT CONCERNING CREDIT ALLOWED A DOMESTIC CEDING INSURER FOR REINSURANCE

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in support ofHouse Bill 5484 - AN ACT CONCERNING CREDIT ALLOWED A DOMESTIC CEDINGINSURER FOR REINSURANCE. ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 242 ACLI member companies licensed to do business in Connecticut, accounting for 91 percent of the ordinary life insurance in force in the state.

The American Council of Life Insurers respectfully submits the following statement in support of the Connecticut Insurance Department's credit for reinsurance legislation, HB 5484. The proposed bill would grant discretion to the Insurance Commissioner to allow domestic insurers to take credit for reinsurance purchased from reinsurers that the Commissioner determines meet certain eligibility criteria.

The provisions of the legislation are an important and much needed update to Connecticut law and provide incentives to financially sound reinsurers to do business in Connecticut. Further, the legislation is critical to Connecticut's role in the insurance regulatory modernization debate both at the federal level and internationally.

Additionally, the legislation positions Connecticut as a proactive participant in both the federal and international regulatory insurance modernization debate. Both the EU and the U.S. federal government are looking critically at the current insurance regulatory landscape. One issue that is consistently raised in the debate is the application of state collateral requirements. By enacting the Insurance Department's proposed legislation, Connecticut is demonstrating the ability of the state-based insurance regulatory system to address international insurance issues.

Connecticut's adoption of House Bill 5484 will be beneficial to both residents and business in the state. The ACLI encourages members of the legislature to pass this important legislation.

Thank you for your consideration of our position. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202)624-2463 with any questions.

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TESTIMONY OF ROBERT F. DiUBALDO, SENIOR VICE PRESIDENT AND COUNSEL, ACE GROUP, IN SUPPORT OF HB 5484 AN ACT CONCERNING CREIDT ALLOWED A DOMESTIC CEDING INSURER FOR REINSURANCE.

Mr. Chairman and members of the Committee, on behalf of the ACE Group (ACE"), one of the world's largest providers of property and casualty insurance and reinsurance, I offer this testimony in support of HB 5484, which if enacted would help to strengthen Connecticut's insurance and reinsurance markets and reinforce Connecticut's standing as one of the world's leading insurance centers.

With operations in more than 50 countries and business in more than 140, ACE is truly a global enterprise. ACE believes in a free global insurance marketplace where regulation and access to markets is based on sound financial principles free of provisions based on a company's domicile. Though global in scope ACE has a strong stake in Connecticut's economy, with property casualty premiums of nearly $160 million and operations in 5 cities and towns throughout the State. Clearly a healthy insurance market is in ACE's best interests, and access to reinsurance is key to a healthy insurance market.

Reinsurance, simply put, is insurance for insurers. Reinsurance allows the insurer purchasing it, also known as a ceding company, to spread the risk of loss under the policies it writes so that it can free its own capital to write more insurance, provided the ceding company receives "credit" for that reinsurance from its domestic regulator. In a truly global market where coverage is freely available, insurers can spread the risk of loss for Connecticut risks across the globe by ceding coverage to reinsurers in other countries that are not admitted in Connecticut. However, under current law Connecticut domestic insurers cannot receive credit for reinsurance ceded to a non-admitted reinsurer unless the reinsurer posts collateral in a U.S. depository institution in an amount equal to its liabilities, regardless of its financial strength or the quality of the legal and regulatory system in its country of domicile. Moreover, this collateral requirement applies to all non-admitted reinsurers, including those providing reinsurance to affiliated domestic insurers operating in the same holding company system. The net effect of this is to discriminate against financially sound non-admitted reinsurers by unfairly burdening them with regulations that force them to deploy capital inefficiently rather than use it to create additional reinsurance capacity in Connecticut. HB 5484 would end this practice.

HB 5484 adopts a regulatory approach consistent with the increasingly global nature of insurance and reinsurance markets. The bill vests in the Insurance Commissioner the authority to evaluate the financial strengths of a ceding company and non-admitted reinsurer, as well as the quality of the reinsurer's financial regulator, to determine whether the ceding company should receive credit for reinsurance ceded to a non-admitted company that is supported by less than full collateral. If the parties to the transaction fail to meet the financial requirements set forth in the bill or there are questions about the quality of the non-admitted reinsurer's regulatory or legal system, the Commissioner retains the discretion either to deny credit or impose additional collateral requirements. Furthermore, HB 5484 would permit the Commissioner to reduce collateral requirements for reinsurance transactions between domestic insurers and their non-admitted affiliates operating in a holding company system that do nothing more than needlessly tie up capital that could otherwise be used to write more insurance in the Connecticut market. Finally, nothing in HB 5484 prohibits a Connecticut insurer from negotiating its own private collateral agreement with a reinsurer; rather HB 5484 merely gives financially strong non-admitted reinsurers the right to negotiate for less than full collateral with their Connecticut counterparties.

In sum, by eliminating hard and fast collateral rules based on a reinsurer's domicile and looking instead to the financial strength of the parties, HB 5484 adopts a real world approach to the regulation of insurance. The bill recognizes the global nature of the insurance and reinsurance markets and eliminates unnecessary capital requirements; indeed with states such as New York and New Jersey already having adopted similar measures, and many more states proposing them, failure to enact HB 5484 may create a disincentive for non-admitted reinsurers to do business in Connecticut rather than its neighbors to the South. Enacting HB 5484, on the other hand, will encourage financially sound reinsurers to participate in the Connecticut market and help to strengthen its role as America's "Insurance Capital". ACE thus urges the Committee to vote in favor of HB 5484 and move it for a favorable vote in the legislature. On behalf of ACE I want to thank the Committee for the opportunity to offer this testimony.

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Testimony of Swiss Re
Before the Committee on Insurance and Real Estate
Tuesday, March 13, 2012

House Bill 5484 – AN ACT CONCERNING CREDIT ALLOWED A DOMESTIC CEDING INSURER FOR REINSURANCE

Senator Crisco and Representative Megna, committee co-chairs, Senator Kelly and Representative Sampson, ranking members and Members of the Committee, Swiss Re appreciates the opportunity to submit testimony on Raised Bill 5230. My name is Cosette Simon and I am responsible for Swiss Re's government affairs program in the US.

I would first like to thank Connecticut Insurance Commissioner Thomas B. Leonardi for his leadership and support in proposing this important legislation. Raised bill 5484 concerns an industry that people don't often think about very often– reinsurance. It would surprise me if everyone in this room is familiar with reinsurance because most of us never come in contact with this business. Reinsurance is actually insurance for insurance companies. And my company, Swiss Re, is one of the largest reinsurers in the world Our clients include many of the insurers that have major operations here in Hartford – Travelers, Hartford, AETNA and many others.

Swiss Re has been operating in the US since the late 1800s In fact, we have been involved in helping people recover after every US catastrophe since the 1906 San Francisco earthquake. We were also the largest payer when the World Trade Center was destroyed by terrorists. More important for our discussion today is that while we provide reinsurance to insurance companies all over the world, we conduct our business here in the US through US tax-paying companies. And one of those companies, Swiss Re Life Health America Inc , is domiciled here in Connecticut. We currently employ more than 300 Connecticut citizens

So this brings me to the merits of Raised Bill 5484 and why it is so important to Swiss Re and to our employees and operations here in Connecticut As mentioned earlier, reinsurance helps insurers avoid the consequences of catastrophic losses by spreading the risk of these losses to one or more reinsurers around the world. Under current law, non-US reinsurers, unlike their U.S. counterparts, must provide collateral for the reinsurance they write for US-domiciled insurers. The collateral required is an amount equal to 100% of the estimated claim liabilities on that reinsurance.

These current collateral requirements force reinsurers to tie up expensive capital that could be used to write more reinsurance in the US. This makes it more expensive for a Connecticut-domiciled company to sell reinsurance here in the US This legislation would grant the Connecticut Insurance Commissioner the discretion to reduce the amount of collateral certain financially sound non-U.S reinsurers must provide when reinsuring equally sound insurers. It's important to emphasize that the bill gives the Commissioner the discretion to reduce the collateral but a reduction in collateral is not required

This discretion would include an analysis of the financial strength of the reinsurer as well as a number of evaluative factors designed to ensure that only the most financially strong reinsurers from rigorous regulatory jurisdictions receive a reduction in collateral requirements Among the factors the Commissioner must consider are: a reinsurer's financial rating, the regulatory authority in the reinsurer's home country, financial statements and reports of the reinsurer, regulatory cooperation of the reinsurer's home country, the reciprocal treatment of U.S. reinsurers in the reinsurer's home country, enforcement of valid U.S. judgments in the reinsurer's home country, and any other matters deemed relevant to the Commissioner. A reinsurer seeking a collateral reduction for new business will have to apply to the Insurance Department and submit proof that it satisfies all the criteria to the satisfaction of the Commissioner, and must do so each year. Thus, the bill allows the Commissioner to approve collateral relief only after an extremely thorough evaluation of the reinsurer and its regulator. The bill requires that this vigorous review be conducted annually

The National Association of Insurance Commissioners (NAIC) has adopted this proposal for a ratings-based sliding scale for collateral reform. Reform has already been adopted in four states. Another seven states, in addition to CT, will consider the legislation this year. And while we are supportive of all these measures across the country, this action in other states brings more urgency to the issue for Connecticut companies. Action here in Connecticut will ensure that Connecticut-headquartered companies enjoy the same relief from these onerous capital requirements as do companies headquartered in New Jersey, New York, Florida and Indiana. Unless Connecticut acts, reinsurers doing business with Connecticut companies will be at a significant competitive disadvantage.

Raised bill 5484 is good for Connecticut and its consumers for a number of reasons including the following:

- **Enhances the information the Connecticut Insurance Department receives -** This bill does not automatically relieve non-US reinsurers of the obligation to post full collateral. That decision would rest with the Connecticut Insurance Department. Such a decision would be based on an analysis of the financial strength of both the reinsurer and the insurer purchasing the coverage, as well as a number of other objective factors A reinsurer seeking a collateral reduction would have to apply to the Connecticut Commissioner and submit proof that it satisfies, among others, certain financial strength standards established by its domestic regulator as well as certain independent financial strength ratings.

- **Allows Connecticut Commissioner to revoke collateral reductions-** the Connecticut Commissioner would have the authority to revoke a collateral reduction and require the reinsurer to post additional collateral if the circumstances warrant such action. The legislation actually increases the Connecticut Department's ability to influence the activities of non-U S. reinsurers

- **Allows insurers to negotiate with reinsurers for collateral even if granted a collateral waiver-** Insurers will still have the ability to negotiate their own collateral requirements with reinsurers even if that reinsurer is allowed under the bill to put up less than 100% collateral.

- **Encourages reinsurers to write more business in Connecticut-** As noted, current collateral requirements force non-U.S. reinsurers to use their capital inefficiently. Reduced collateral requirements, on the other hand, frees up that capital for reinsurers to write more business. Reinsurers, like other businesses, are attracted to those markets where they can deploy capital most productively. This bill would help create such an environment in Connecticut.

It is Swiss Re's view that Connecticut's adoption of House Bill 5484 will benefit both residents and business in the state. Swiss Re encourages legislators to pass this important legislation. Thank you for giving us this time to share our views

RAA
Reinsurance Association of America

13/10

Insurance & Real Estate Committee
Tuesday, March 13, 2012

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Statement of the Reinsurance Association of America In support of House Bill 5484 -- An Act Concerning Credit Allowed a Domestic Ceding Insurer for Reinsurance

The Reinsurance Association of America respectfully submits the following statement in support of House Bill 5484, which grants discretion to the Insurance Commissioner to allow domestic insurers to take credit for reinsurance purchased from reinsurers that the Commissioner determines meet certain eligibility criteria without the posting of 100% collateral as required under current law. The provisions of the legislation are an important and much needed update to Connecticut law and provide incentives to financially sound reinsurers to do business in Connecticut. Further, the legislation is critical to the U.S. States' role in the insurance regulatory modernization debate both at the federal level and internationally.

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.

Reinsurance is essentially insurance for insurance companies. It is purchased by an insurer as a way protect against unforeseen or extraordinary losses. Reinsurance serves to limit liability on specific risks, to increase individual insurers' capacity to write business, to share liability when losses overwhelm the insurer's resources, and to help insurers stabilize their business in the face of the wide swings in profit and loss margins inherent in the insurance business.

Connecticut's credit for reinsurance law determines the conditions under which an insurer domiciled in Connecticut can take financial statement credit for the reinsurance it purchases either as an asset or as a reduction of liabilities. As such, credit for reinsurance laws are important since there are few instances in which a ceding insurer would be willing to pay out premiums to a reinsurer without being able to reflect a corresponding increase in assets or reduction in its liabilities. Current law dictates that in order for an Connecticut insurer to take credit for reinsurance, it must purchase reinsurance from a reinsurer that is either licensed in Connecticut, accredited by Connecticut (streamlined licensing based on another U.S. state license), or, for other non-admitted (typically non-U.S.) reinsurers, puts up collateral in an amount equal to 100% of its liabilities. There have been many advances in global regulation, cooperation and transparency since the development of this method of regulation in the 1980s.

Current Connecticut collateral requirements force reinsurers to tie up capital that could be used to write more reinsurance in the U.S. This capacity is particularly important for catastrophic risk, such as hurricane risk, and commercial liability, a key component to sound business operation. This legislation gives the Commissioner of the Insurance Department the discretion to take into account the strength of other regulatory regimes as well as the strength of individual reinsurers and in appropriate circumstances, reduce these reinsurance collateral requirements.

Under the bill, collateral reduction is permissive, not automatic. That decision would rest within the sound discretion of the Insurance Department. This decision would include an analysis of the financial strength of the reinsurer as well as a number of evaluative factors designed to ensure that only the most financially strong reinsurers from rigorous regulatory jurisdictions receive a reduction in collateral requirements and that Connecticut insurers and insureds are protected. Among the factors the Commissioner must consider are: a reinsurer's financial rating, the regulatory authority in the reinsurer's home country, financial statements and reports of the reinsurer, regulatory cooperation of the reinsurer's home country, the reciprocal treatment of U.S. reinsurers in the reinsurer's home country, enforcement of valid U.S. judgments in the reinsurer's home country, and any other matters deemed relevant to the Commissioner. A reinsurer seeking a collateral reduction for new business will have to apply to the Insurance Department and submit proof that it satisfies all the criteria to the satisfaction of the Commissioner, and must do so each year. Thus, the bill allows the Commissioner to approve

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collateral relief only after a thorough evaluation of the reinsurer and its regulator and provides an annual review of certified reinsurers. Further, the bill does nothing to change the fact that Connecticut insurers can negotiate the terms of their reinsurance contracts with reinsurers, including collateral. The bill provides only the opportunity for regulatory collateral reduction and allows the parties to address additional collateral if desired.

The bill empowers the Connecticut Insurance Department to require 100% collateral if the circumstances that led to the reduction in collateral, such as the reinsurer failing to honor judgments entered against it by a U.S. Court, or if its financial condition no longer qualifies for a reduction. In this way, the bill actually increases the influence the Insurance Department has over the actions of non-U.S. reinsurers.

The Commissioner's discretion provided by the bill will make Connecticut a more attractive U.S. market for global reinsurers. Current Connecticut collateral requirements force non-U.S. reinsurers to use their capital inefficiently. Reduced collateral requirements, on the other hand, frees up that capital, encouraging reinsurers to write more business. Reinsurers, like other businesses, are attracted to those markets where they can deploy capital most productively. This bill would create such an environment in Connecticut.

Additionally, the legislation positions Connecticut as a proactive participant in both the federal and international regulatory insurance modernization debate. Both the EU and the U.S. federal government are looking critically at the current insurance regulatory landscape. One issue that is consistently raised in the debate is the application of state collateral requirements. By enacting the Insurance Department's proposed legislation, Connecticut is demonstrating the ability of the state-based insurance regulatory system to address international insurance issues.

Connecticut's adoption of **House Bill 5484** will be beneficial to both residents and business in the state. The Reinsurance Association of America encourages members of the Legislature to enact this important legislation. THANK YOU FOR YOUR CONSIDERATION!

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of Insurance Commissioner Thomas B. Leonardi

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Before
The Insurance and Real Estate Committee
March 13, 2012

Raised Bill No. 5484-- An Act Concerning Credit Allowed a Domestic Ceding Insurer for Reinsurance.

Senator Crisco and Representative Megna, committee co-chairs, Senator Kelly and Representative Sampson, ranking members, and Members of the Committee, the Insurance Department appreciates the opportunity to submit testimony in support of Raised Bill 5484. I am Thomas B. Leonardi, Insurance Commissioner of the State of Connecticut, and I would like to thank the Committee for raising this initiative on our behalf.

I am pleased to have this opportunity to testify on Raised Bill 5484--An Act Concerning Credit Allowed a Domestic Ceding Insurer for Reinsurance. This proposal updates Connecticut's current statutes concerning credit for reinsurance and reflects the revisions to the *Credit for Reinsurance Model Law* and *Model Regulation* recently adopted by the National Association of Insurance Commissioners (NAIC). It is the Department's objective to adopt a substantially similar version of the NAIC Credit for Reinsurance Model Law, both in substance and structure, and join the other states of this country in having nearly identical wording of this model law as part of a national system of state-based insurance regulation. This objective is undermined when substantial revisions occur between the language which we submit to the committee and that which is ultimately introduced in bill form.

Background

The credit for reinsurance law specifies an accounting procedure for insurers transferring all or part of their insurance or reinsurance risk written to another insurer/reinsurer. Under this statutory accounting procedure, the insurer is permitted to treat amounts due from reinsurers as assets or reductions from liability based on the status of the reinsurer.

If the reinsurer is not authorized to do business in the state (i.e., it is not licensed or accredited to act as a reinsurer), the reinsurance obtained by the licensed insurer is considered to be unauthorized. A liability is established by the insurer to offset credit taken in various balance sheet accounts for reinsurance ceded to unauthorized reinsurers. Under current law, an insurer is permitted to take reserve credits for reinsurance with unauthorized companies only to the extent the insurer holds security by means of a trust, letter of credit, funds withheld, or other acceptable forms of collateral.

Raised Bill No. 5484

Raised Bill 5484 will expand the options under which a U.S. insurer is allowed to take credit for reinsurance on their financial statements when risk is ceded to a "certified reinsurer". That is, credit will be allowed when the reinsurance is ceded to an assuming insurer that has been certified by the Insurance Commissioner as a reinsurer and secures its reinsurance obligations in

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accordance with the requirements of this legislation (and regulations to be adopted by the Commissioner).

Under the bill, the Insurance Commissioner will evaluate a reinsurer that applies for certification, and will assign a rating based on the evaluation. The rating assigned by the Commissioner will determine the amount of collateral the certified reinsurer will be required to maintain to secure the obligations it assumes from U.S. ceding insurers. A certified reinsurer that secures its obligations at a level consistent with its rating will entitle the domestic ceding insurer to qualify for full financial credit for the reinsurance.

The collateral requirements will be determined on a sliding scale (as specified by regulations to be adopted), with ranges of "Secure -1" at 0% collateral to "Vulnerable-6" at 100% collateralization, and will be based on financial strength ratings from at least two ratings agencies determined to be acceptable by the Commissioner. Each state will have the authority to certify reinsurers, or a commissioner has the authority to recognize the certification issued by another NAIC accredited state. States will have the ability to evaluate a non-U.S. jurisdiction in order to determine if it is a "qualified jurisdiction" or defer to a NAIC list of qualified jurisdictions.

Both the recent adoption of the revised NAIC *Credit for Reinsurance Model Law* and *Model Regulation*, and Raised Bill 5484, reflect the longstanding effort to modernize reinsurance collateral requirements to facilitate cross-border reinsurance transactions and enhance competition within the U.S. market, while ensuring that U.S. insurers and policyholders are adequately protected against the risk of insolvency.

NAIC Accreditation

Contemporaneous with the development of the recent amendments to the NAIC model law and regulation, some states began moving forward with state-based reinsurance collateral reduction reforms. Such states include: Florida, New York, New Jersey and Indiana.

Under current NAIC accreditation standards, a state is not required to reduce its reinsurance collateral requirements. Since Connecticut's current 100% collateral requirements are more conservative than what is specified in the newly revised NAIC model law and regulation, Connecticut is not required at this time to amend its current credit for reinsurance laws. However, if Connecticut moves ahead to join the increasing number of other states that are adopting reinsurance collateral reduction reforms, it will be necessary to do so in conformance with the newly adopted NAIC standards in order for Connecticut to remain accredited. Raised Bill 5484 reflects Connecticut's intent to do so.

Dodd-Frank Act

The enactment of Dodd-Frank in July 2010, includes the Non-admitted and Reinsurance Reform Act (NRRA) which prohibits a state from denying credit for reinsurance if the domiciliary state of the ceding insurer recognizes the credit and is either an NAIC accredited state or has financial solvency requirements substantially similar to the NAIC accreditation requirements. What this means is that cedents will no longer need to comply with the toughest standards among the states in which they are licensed, and need only follow the requirements of the domiciliary state.

We believe one impact of NRRA is to potentially create competitive advantage and disadvantage among cedents based on where they are domiciled in terms of the availability and pricing of reinsurance to the extent unauthorized reinsurers are able to write reinsurance for cedents domiciled in states where less collateral is required of them. It is in this context that the Insurance Department believes that Raised Bill 5484 is in the public interest. This legislation will help to modernize Connecticut's reinsurance collateral requirements in a way that ensures that U.S. insurers and policyholders are adequately protected against the risk of insolvency and it will "level the playing field" with those states that have reduced their collateral requirements so as not to disadvantage Connecticut's domestic insurance industry.

For these reasons, the Insurance Department asks the Insurance and Real Estate Committee to support this initiative.

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THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Calendar page 11, Calendar 389, House Bill 5318. Madam President, move to place this item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Moving to calendar page 13, Calendar 400, House Bill 5515, Madam President, move to place this item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

On calendar page 14, Calendar 407, House Bill 5484, Madam President, move to place that item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

And calendar page 15, Calendar 409, House Bill 5498, move to place this item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

And a final item is on calendar page 25, Calendar 112, Senate Bill 61, move to place that item on the consent calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, if the Clerk would now read the items on the consent calendar, both these just added and the ones placed on it earlier today, and then if we might move to a vote on the consent calendar.

THE CHAIR:

Absolutely.

Mr. Clerk, will you please call the calendar first, the consent calendar.

THE CLERK:

On calendar page 1, Calendar 106, Senate Bill 316; page 3, Calendar 235, House Bill 5030; on page 6, Calendar 315, Senate Bill 367; on page 9, Calendar 363, House Bill 5073; on page 10, Calendar 377, House Bill 5346; on page 11, Calendar 39, House Bill 5318; on page 13, Calendar 400, House Bill 5515; and on page 14, Calendar 407, House Bill 5484.

On page 15, Calendar 409, House Bill 5498; page 25, Calendar 178, Senate Bill 384. On page 25, Calendar 112, Senate Bill 61; page 26, Calendar 202, Senate Bill 383; page 27, Calendar 280, Senate Bill 345. And on page 29, Calendar 352, Senate Bill 353.

THE CHAIR:

Okay. All right.

Mr. Clerk, will you please call for a roll call vote on the consent calendar, and the machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate. Senators please return to the Chamber. Immediate roll call has been ordered in the Senate.

THE CHAIR:

Have all members voted?

If all members voted, the machine will be locked.

Mr. Clerk, will you call the tally.

THE CLERK:

On today's consent calendar.

Total Number voting	36
Necessary for passage	19
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The consent calendar passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

First of all, of the matters referred to committee earlier, would move that those items be immediately

Senate Calendar Number 407, Substitute for House Bill Number 5484, AN ACT CONCERNING CREDIT ALLOWED A DOMESTIC CEDING INSURER FOR REINSURANCE.

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

Yes, thank you, Madam President.

Madam President, so that was acted upon last night on the -- on the Consent Calendar, and would move for reconsideration of that item to bring it back before us and would then move to have it passed, retaining its place on the Calendar.

THE CHAIR:

Seeing any objection? Seeing none, so ordered, sir.

SENATOR LOONEY:

Yes, thank you, Madam President.

With the approval of the Motion to Reconsider, would now move that it be marked PR.

THE CHAIR:

Seeing no objection, PR it is.

SENATOR LOONEY:

Thank you, Madam President.

And now, Madam President, to -- to mark certain items on the Calendar as -- as go, we'll begin.

First, Madam President, the first item will be Calendar Page 27, Calendar 210, Senate Bill Number 360, from the Committee on Banks. That will be our -- our first item.

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Thank you, Madam President.

A couple of additional items to place on the -- on the consent calendar, the first of which is from Senate Agenda Number -- Senate Agenda Number 1, second page for Senate Agenda Number 1, House Bill 5511, Madam President, move to place the item on the consent calendar.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

Good. Thank you, Madam President.

Madam President, also would like to place on the consent calendar, Calendar 407, House Bill 5484.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

And if we might, Madam President, stand at ease for just one moment before calling for a -- a vote on the consent calendar.

THE CHAIR:

The Senate will stand at ease.

(Chamber at ease.)

I'm so sorry, Senator Looney.

SENATOR LOONEY:

Yes, Madam President.

THE CHAIR:

(HB5283)

On page 3, Calendar 240, House Bill 3283; page 3, Calendar 299, House Bill 5437; page 5, Calendar 349, Senate Bill 374; page 6, Calendar 375, House Bill 5440; page 6, 362, House Bill 5011.

On page 7, Calendar 376, House Bill 5279; on page 7, 387, House Bill 5290; on page 8, 394, House Bill 5032; on page 8, 396, House Bill 5230.

Also on page 8, Calendar 398, House Bill 5241; on page 8, Calendar 393, House Bill 5307; on page 9, Calendar 403, House Bill 5087; on page 9, Calendar 406, House Bill 5276; on page 9, 407, House Bill 5484; on page 11, Calendar 424, House Bill 5495; on page 12, Calendar 435, House Bill 5232; on page 13, Calendar 5 -- excuse me Calendar 450, House Bill 5447; on page 14, Calendar 455, House Bill 3 -- I'm sorry -- House Bill 5353.

On page 14, Calendar 453, House Bill 5543; on page 14, Calendar 459, House Bill 5271; on page 15, Calendar 464, House Bill 5344; on page 15, Calendar 465, House Bill 5034; on page 16, Calendar 469, House Bill 5038; on page 17, Calendar 475, House Bill 5550; on page 17, Calendar 474, House Bill 5233; on page 17, Calendar 477, House Bill 5421.

Page 18, 480, House Bill 5258; on page 18, Calendar 479, House Bill 5500; page 18, Calendar 482, House Bill 5106; on page 18, Calendar 483, House Bill 5355; on page 19, Calendar 489, House Bill 5248; on page 19, Calendar 488, House Bill 5321; on page 20, Calendar 496, House Bill 5412.

On page 21, Calendar 504, House Bill 5319; page 21, Calendar 505, House Bill 5328; on page 22, Calendar 508, House Bill 5365; on page 22, Calendar 510, House Bill 5170; on page 23, Calendar 514, House Bill 5540; on page 23, Calendar 517, House Bill 5521.

Page 24, Calendar 521, House Bill 5343; page 24, Calendar 518, House Bill 5298; page 24, Calendar 523, House Bill 5504; page 29, Calendar 355, Senate Bill 418; on page 13, Calendar 444, 5037; and Calendar 507, House Bill 5467.

THE CHAIR:

Senator -- Senator Suzio.

SENATOR SUZIO:

004497-A

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Bills placed on the Consent Calendar on May 9, 2012

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Bills from Senate Agenda Number 3 from the May 9th Senate Session that were placed on the Consent Calendar

HB5304
HB 5342

Good evening, Madam President.

I just want to clarify. I thought I heard the Clerk call House Bill 5034? Is that on the consent calendar?

THE CHAIR:

Do you know what page that is, sir?

SENATOR SUZIO:

No I -- he was reading so fast, Madam, I couldn't get it.

THE CHAIR:
It's -- yes it's 53 -- I don't know.

SENATOR SUZIO:

5034.

THE CHAIR:

5034, yes sir.

SENATOR SUZIO:

I object to that being put on the consent calendar, Madam President.

THE CHAIR:

Okay, that will be removed.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Yes, just seeing that -- ask to remove that item from the consent calendar.

THE CHAIR:

So ordered.

At this time we'll call a roll call vote on the consent calendar.

Mr. Clerk.

THE CLERK:

Immediate roll call has been ordered in the Senate. Senators please return to the Chamber. Immediate roll call has been ordered in the Senate.

THE CHAIR:

Senator Coleman, we need your vote, sir.

Senator Kissel, Senator Kissel. Senator Kissel, will you vote on the consent calendar please?

All members have voted?

If all members have voted, the machine will be closed.

Mr. Clerk, will you call the amendment -- I meant the tally.

THE CLERK:

On today's consent calendar.

Total Number Voting	36
Necessary for Adoption	19
Those Voting Yea	36
Those Voting Nay	0
Those Absent and Not Voting	0

THE CHAIR:

The consent calendar has passed.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, I believe the Clerk is in possession of Senate Agenda Number 6 for today's session.