

PA13-147

HB6547

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2013**

**VOL.56
PART 4
1026 - 1360**

mhr/gbr
HOUSE OF REPRESENTATIVES

94
April 10, 2013

Necessary for Passage	72
Those voting Yea	142
Those voting Nay	0
Absent, -not voting	9

DEPUTY SPEAKER BERGER:

The bill passes. The bill passes.

Will the Clerk please call Calendar Number 213.

THE CLERK:

Mr. Speaker -- wrong one -- Calendar 213. Thank you.

Calendar Number 213, on Page 25, House Bill
Number 6547, AN ACT CONCERNING ENTERPRISE RISK
REPORTS, a Favorable Report of the joint standing
Committee on Insurance and Real Estate.

DEPUTY SPEAKER BERGER:

The Chamber recognizes Representative Megna, the
esteemed Chair of Insurance and Real Estate Committee.

REP. MEGNA (97th):

Thank you, Mr. Speaker. Mr. Speaker, good to see
you up there.

DEPUTY SPEAKER BERGER:

Thank you, sir.

REP. MEGNA (97th):

The other Speaker might have been prettier, but I

think you're a good-looking guy.

DEPUTY SPEAKER BERGER:

I thank you.

REP. MEGNA (97th):

Mr. Speaker, I move acceptance of the joint committee's Favorable Report and passage of the bill.

DEPUTY SPEAKER BERGER:

The question before the Chamber is on acceptance of the joint committee's Favorable Report and passage of the bill. Will you, will you comment, further, Representative?

REP. MEGNA (97th):

Yes, Mr. Speaker.

This bill delays from June 1, 2013, to June 1, 2014, the date when affiliate insurers must file their first Enterprise Risk Report.

Last year, Mr. Speaker, this Assembly passed pretty expensive legislation which increased the Commissioner of Insurance's power to oversee, regulate or impact and gather information from affiliate companies of, holding companies of insurance companies. This was all in -- in the wake of the financial crisis that had happened, several years prior.

Since the passage of that bill, Mr. Speaker, there has been the requirement of the implementation of several regulations by the Department of Insurance. And the Department of Insurance had come in front of our committee and felt that we allow the affiliate companies an additional year to be able to conform to the regulations and provide these Enterprise Risk Reports.

With that, Mr. Speaker, I'd ask that the Chamber vote favorably for this bill.

DEPUTY SPEAKER BERGER:

Thank you, Mr. Chairman.

Will you remark further on the bill? Would you remark further on the bill?

Representative Sampson, of the 80th.

REP. SAMPSON (80th):

Thank you, Mr. Speaker.

I don't have a lot to add to the -- the Chairman's remarks regarding this bill. It's a very simple bill. It just changes the date that certain reports that insurers are required to file, for Enterprise Risk Reports, from 2013 to 2014, and I would encourage my colleagues to vote in favor of it.

Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, Representative.

Will you remark further on the bill? Will you remark further on the bill?

If not, will staff and guests please come to the Well of the House. Will the members please take your seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please return to the Chamber, immediately.

DEPUTY SPEAKER BERGER:

Have all the members voted? Have all the members voted? Will the members please check the board to determine if their vote is properly cast?

If all members have voted, the machine will be locked, and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Bill Number 6547.

Total Number Voting 142

Necessary for Passage 72

Those voting Yea 142

Those voting Nay 0

mhr/gbr
HOUSE OF REPRESENTATIVES

98
April 10, 2013

Absent and not voting 9

DEPUTY SPEAKER BERGER:

The bill passes.

Will the Clerk please announce Calendar Number
208.

THE CLERK:

On Page 24, House Calendar 208, Favorable Report
of the joint standing Committee on Energy and
Technology, Substitute House Bill 6472, AN ACT
CONCERNING THE COMMERCIAL PROPERTY ASSESSED CLEAN
ENERGY PROGRAM.

DEPUTY SPEAKER BERGER:

The question before the Chamber is acceptance of
the joint committee's Favorable Report and passage of
the bill.

Where is Representative Reed? Representative
Reed.

REP. REED (102nd):

Good afternoon, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Good afternoon --

REP. REED (102nd):

Whoops.

DEPUTY SPEAKER BERGER:

**STANDING
COMMITTEE
HEARINGS**

**INSURANCE AND
REAL ESTATE
PART 4
925 - 1225**

2013

5
tmd/gbr INSURANCE AND REAL ESTATE
COMMITTEE

March 7, 2013
1:00 P.M.

health situations.

Section four would prohibit any health insurance policy from containing language that "reserves discretion to such an insurer to interpret the terms of the policy." Because of the (inaudible) of prohibition, this could actually prevent, in the case of a long-term care or disability income, the ability of the insurer to use discretion in the -- in deciding whether to pay a claim or not.

Everything is not black and white. When comparing the facts of the claim to the specifics of the contract, some discretion is inevitably necessary. So we would question whether this bill in its current form is overly broad. And actually could cause some problems that are unintended. Welcome any questions.

SENATOR CRISCO: Thank you.

Any questions of Mr. Kehmna?

No. Proceed to the next one.

BOB KEHMNA: Okay.

Thank you, Senator Crisco, Representative Megna and members of the Committee. Bob Kehmna from the Insurance Association. Here today to support House Bill 6547, An Act Concerning Enterprise Risk Reports. Last year you folks passed amendments to the Insurance Holding Company Act, updating the statutes -- I probably should have spelled it out.

There goes my three minutes when I support something.

You were updating state statutes regarding the

tmd/gbr INSURANCE AND REAL ESTATE
COMMITTEE

1:00 P.M.

NAC Model Act on holding companies. Part of that requirement established a -- a provision that allows for annual enterprise risk reports as a way to supplement the Insurance Commission as oversight over insurance companies. That -- that model act contemplates a cooperation between the states, other states that have passed this model act, have started the enterprise risk report in 2014 -- to cover the 2013 calendar year.

This bill clarifies that that in fact was the intent of the 2012 Act, which I believe it was. That that requirement would first start in 2014, next year, to cover this calendar year as to the data covered. So we support -- support the bill. And ask for it's passage.

SENATOR CRISCO: Thank you.

Any questions of Mr. Kehmna? Any questions?

Why don't you speak on 1028, since you're already listed for that. Which you support any way. Right?

BOB KEHMNA: 1028?

For the record, I'm Bob Kehmna from the Insurance Association of Connecticut to speak on 1028, Department Examinations of Market Conduct Activity. Would like to express the following concerns, this bill would permit the Insurance Department to hire various professionals and specialists outside the Department to assist the Department in conducting market conduct exams.

As written, this would allow the Department to cede any and all work associated with market conduct -- market conduct examinations to outside consultants. There is no limit to the

**STANDING
COMMITTEE
HEARINGS**

**INSURANCE AND
REAL ESTATE
PART 5
1226 - 1532**

2013



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

March 5, 2013

H.B. No. 6547 (Raised) AN ACT CONCERNING ENTERPRISE RISK REPORTS.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising, H.B. 6547 An Act Concerning Enterprise Risk Reports, at the Department's request and appreciate the opportunity to provide testimony. H.B. 6547 will change the date for filing Enterprise Risk Reports with the Insurance Department.

Last year, at the request of the Department, the General Assembly made comprehensive amendments to the Insurance Holding Company System Regulatory Act (Public Act No. 12-103), including a requirement that Enterprise Risk Reports were to be filed with the Department not prior to June 1, 2013. This effective date delay was to give the companies sufficient time to put in place the new procedures necessary for them to comply with this reporting requirement.

The Insurance Department, though pleased with this legislation, requested that the effective date for the provisions governing supervisory colleges be changed from October 1, 2012 to July 1, 2012. The General Assembly granted this request, but in doing so, the legislation changed provisions governing Enterprise Risk Reports to require that Enterprise Risk Reports shall be filed on June 1, 2013 and annually thereafter. (Public Act 12-2, § 127, June 12 Special Session). An amendment to reinstate the language of PA 12-103 was prepared (LCO No. 5818) but was never called. However, Senate leadership assured the Department that they would fix this issue early in 2013 Regular Session.

H.B. 6547 resolves this matter to require that Enterprise Risk Reports shall be filed with the Department beginning June 1, 2014 and annually thereafter.

The Department again, thanks the Committee for raising this bill and encourages the Committee's support of this initiative.

NAMIC

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**Statement of the National Association of Mutual Insurance Companies to the
 Insurance and Real Estate Committee
HB-6547, "An Act Concerning Enterprise Risk Reports"
 John Murphy, Northeast State Affairs Manager
 March 7, 2013**

On behalf of the National Association of Mutual Insurance Companies (NAMIC), I appreciate the opportunity to offer our perspective regarding HB-6547, "An Act Concerning Enterprise Risk Reports." NAMIC has over 1,400 property/casualty insurance company members serving more than 135 million auto, home, and business policyholders. NAMIC supports HB 6547 but encourages the Committee to amend the bill to assist smaller holding companies.

In 2010 the National Association of Insurance Commissioners (NAIC) revised its model Holding Company Act and included a requirement that all insurers in a holding company system file an annual Enterprise Risk Report. The new report was added in response to the 2008 financial crisis in order to provide regulators with more information about *large and complex* holding companies that can create risk to the economy or the insurance affiliates in the holding company. Unfortunately, the impact of this requirement on small company groups was not considered when the model was debated at the NAIC and these groups were swept into its reach.

NAMIC respectfully requests that you exempt small holding companies with less than \$500 million in direct written premium-should be exempted from the Enterprise Risk Report (Form I) filing requirement under the holding company statute. This small holding company exemption mirrors the exemptions in NAIC's model Audit Rule and the Risk Management Own Risk and Solvency Assessment (ORSA) model act. The ORSA legislation before your committee, HB 655, includes an exemption for companies with less than \$500 million in premium. The attached mark up of HB 6547 shows NAMIC's suggested amendment.

In 2011, Texas enacted its holding company act revisions and included an exemption from the enterprise risk report for companies with less than \$300 million in direct written premiums. Similar measures are under consideration in other states. The Kansas House recently passed holding company legislation with a similar exemption for companies with less than \$300 million in premium. While NAMIC would prefer to see the eligibility threshold to be at \$500 million for consistency with the other NAIC models, we would be open to a lesser threshold.

Completion of the annual Enterprise Risk Report (Form I) will be costly and time-consuming for small companies while adding little, if any benefit for the regulators. Small company filings will not help regulators identify systemic risks and could actually dilute regulatory attention and divert regulatory resources. Should regulators have concerns about a specific company, they can use their current regulatory authority to discuss any possible enterprise risk.

NAMIC looks forward to working with the Committee and the Insurance Department on this issue.



General Assembly
January Session, 2013

Raised Bill No. 6547

LCO No. 3295

03295 _____ INS

Referred to Committee on INSURANCE AND REAL ESTATE

Introduced by
(INS)

AN ACT CONCERNING ENTERPRISE RISK REPORTS.

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

Section 1 Subdivision (1) of subsection (f) of section 38a-135 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(f) (1) [On June 1, 2013, and annually thereafter, the] The ultimate controlling person of each insurance company subject to registration under this section, **THAT HAS ANNUAL DIRECT WRITTEN AND ASSUMED PREMIUMS OF \$500,000,000 OR MORE (EXCLUDING PREMIUMS REINSURED WITH THE FEDERAL CROP INSURANCE CORPORATION AND FEDERAL FLOOD PROGRAM)**, shall file an annual enterprise risk report in a form and manner prescribed by the commissioner. [Such] Beginning in 2014 and annually thereafter, the report shall be filed by June first for the previous calendar year. The annual enterprise risk report shall identify, to the best of such person's knowledge and belief, the material risks within the insurance holding company system that could pose enterprise risk to the insurance company. The report shall be filed with the lead state commissioner as determined by the procedures in NAIC's applicable financial analysis handbook. **NOTWITHSTANDING THE PREMIUM LIMITATION STATED ABOVE, THE COMMISSIONER MAY REQUIRE THAT ANY INSURER FILE AN ENTERPRISE RISK REPORT IF THE INSURER HAS RISK BASED CAPITAL FOR COMPANY ACTION LEVEL EVENT, OR MEETS ONE OR MORE OF THE STANDARDS OF AN INSURER DEEMED TO BE IN A HAZARDOUS FINANCIAL CONDITION.** Such report shall (A) be confidential by law and privileged, (B) not be subject to disclosure under section 1-210, (C) not be subject to subpoena, and (D) not be subject to discovery or admissible in any civil action. The commissioner shall not make such report public without the prior

written consent of the ultimate controlling person that filed such report unless the commissioner, after giving the ultimate controlling person and the insurance company to which such report pertains and its affiliates within the insurance holding company system who would be affected thereby notice and opportunity to be heard, determines that the interests of policyholders, securityholders or the public will be served by the publication thereof, in which event the commissioner may publish all or any part thereof in such manner as the commissioner may deem appropriate. The commissioner may use such report in the furtherance of any regulatory or legal action brought as part of the commissioner's official duties.

This act shall take effect as follows and shall amend the following sections

Section 1 *from passage* 38a-135(t)(1)

Statement of Purpose:

To specify that beginning in 2014, the enterprise risk report shall be filed annually by June first

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

NAMIC SUGGESTED CHANGES ARE INDICATED BY UNDERLINE, BOLD AND ALL CAPITAL LETTERS.

Statement**Insurance Association of Connecticut**

Insurance and Real Estate Committee

March 7, 2013

HB 6547, An Act Concerning Enterprise Risk Reports

The Insurance Association of Connecticut supports HB 6547, An Act Concerning Enterprise Risk Reports.

In 2012 the General Assembly amended the Insurance Holding Company Act, updating state statutes to conform to NAIC Model Act provisions.

Part of that legislation established a requirement concerning annual enterprise risk reports with the Insurance Commissioner in certain cases, in order to strengthen the oversight authority of the Commissioner.

The Model Act contemplates extensive cooperation between the states regarding such matters. Other states that have passed the new NAIC Model Holding Company Act have provided that the first enterprise risk reports would be due in 2014, covering the 2013 calendar year.

HB 6547 would clarify that Connecticut's enterprise risk report requirement similarly begins in 2014, which we believe was the original intent of the 2012 legislation and which will facilitate regulatory cooperation between Connecticut and other states.

IAC urges passage of HB 6547.

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GENERAL ASSEMBLY
SENATE**

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THE CHAIR:

Seeing no objection, so ordered, sir.

Mr. Clerk.

THE CLERK:

Also on page 5, Calendar 347, House Bill Number 6547,
AN ACT CONCERNING ENTERPRISE RISK REPORTS. Favorite
report of the Committee on Insurance and Real Estate.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President.

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

THE CHAIR:

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

SENATOR CRISCO:

Yes, Madam President.

Basically this bill will change the date for filing
what's known as enterprise risk reports with the
insurance department, beginning June 2nd, 2014 and
annually thereafter. It has become necessary in order
to get a set date where the companies will have more
than adequate time to comply with the requirement.

THE CHAIR:

Will you remark?

Senator Kelly.

SENATOR KELLY:

Thank you, Madam President.

I rise in support of this bill. It is a technical fix to legislation that we passed last session, and I would urge its adoption.

THE CHAIR:

Will you remark further? Will you remark further? If not -- Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President.

I thank Senator Kelly for his support. If there's no objection, I ask that it be placed on the Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered, sir.

Mr. Clerk.

THE CLERK:

On page 14 Calendar 524, substitute for House Bill Number 6380, AN ACT CONCERNING PROPERTY AND CASUALTY INSURANCE POLICIES AND PUBLIC ADJUSTER CONTRACTS. Favorable report of the Committee on Insurance and Real Estate.

QUESTION:

Senator Crisco.

SENATOR CRISCO:

Thank you, Madam President.

Madam President, could I just ask that the Senate stand at ease for a second while I get the file?

THE CHAIR:

The Senate will stand at ease.

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GENERAL ASSEMBLY
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Calendar page 29, Calendar 653, substitute for House Bill Number 6699. And, finally, Madam President, on Calendar page 31, Calendar 664, substitute for House Bill Number 6689.

I would like to add those items to our Consent Calendar and, and now call for a, I would ask the Clerk to list all of the items on the Consent Calendar and then proceed to a vote on that first Consent Calendar.

Thank you, Madam President.

THE CHAIR:

Thank you.

Mr. Clerk.

THE CLERK:

Today's first Consent Calendar, on page 5, Calendar 341, House Bill 6364; Calendar 343, House Bill 5425; Calendar 346, House Bill 6322; Calendar 347, House Bill 6547; and on page 6, Calendar 349, House Bill 5513; page 9, Calendar 450, Senate Bill 921; on page 13, Calendar 506, House Bill 6491; Calendar 515, House Bill 6235.

On page 14, Calendar 524, House Bill 6380; on page 16, Calendar 559, House Bill 6508; page 17, Calendar 563, House Bill 5617; Calendar 569, House Bill 6485; and on page 19, Calendar 588, House Bill 6549; on page 23, Calendar 614, House Bill 6587; Calendar 616, House Bill 6678; page 25, Calendar 629, House Bill 6662; on page 26, Calendar 633, House Bill 6576; and on page 27, Calendar 640, House Bill 6550; on page 28, Calendar 650, House Bill 6659.

And on Page 29, Calendar 653, House Bill 6699; Calendar 655, House Bill 6339; page 31, Calendar 664, House Bill 6689; Calendar 665, House Bill 6355; page 34, Calendar 201, Senate Bill 911; and on page 40, Calendar 514, House Bill 5725.

THE CHAIR:

Mr. Clerk, will you call for a roll call vote on the first 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 in the Senate on the first Consent Calendar of the day.

THE CHAIR:

Yeah, thank you. Good. There we go.

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

Mr. Clerk, will you please call the tally.

THE CLERK:

On the first Consent Calendar,

Total Number Voting 34

Necessary for Adoption 18

Those voting Yea 34

Those voting Nay 0

Those absent and not voting 2

THE CHAIR:

Consent Calendar passes.

Senator Looney.

SENATOR LOONEY:

Madam President.

THE CHAIR:

Senator Looney.