

Legislative History for Connecticut Act

PA 14-123

HB5053

House	1062-1082	21
Senate	3489-3490	2
<u>Insurance</u>	<u>217-221, 245-246, 286-287</u>	<u>9</u>

32

H - 1184

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
PART 4
1027 - 1360**

pat/gbr
HOUSE OF REPRESENTATIVES

58
April 16, 2014

please check the board to determine if your vote has been properly cast.

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

THE CLERK:

House Bill 5070.

Total number voting	143
Necessary for passage	72
Those voting Yea	142
Those voting Nay	1
Those absent and not voting	7

DEPUTY SPEAKER SAYERS:

The bill passes. Will the Clerk please call
Calendar Number 124.

THE CLERK:

On Page 10, House Calendar 124, Favorable Report
of the Joint Standing Committee on Insurance and Real
Estate, Substitute House Bill 5053 AN ACT

STRENGTHENING CONNECTICUT'S INSURANCE INDUSTRY

COMPETITIVENESS.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

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

DEPUTY SPEAKER SAYERS:

The question is acceptance of the Joint Committee's Favorable Report and passage of the bill. Representative Megna, you have the floor, sir.

REP. MEGNA (97th):.

Thank you, Madam Speaker. Madam Speaker, this is a good business bill that had come out of our Committee unanimously.

It allows us as a Legislature to capitalize on this wonderful insurance infrastructure we have here in Connecticut. We often hear that phrase that Connecticut is the insurance capital of the world, and it's not far from the truth.

This bill here today will help us make that even a better place for the people of the state in terms of the infrastructure and capitalizing on it.

So, Madam Speaker, the bill essentially does two things. It allows the domestic mutual insurance company to reorganize into a stock company held by a mutual holding company, and then it further goes on

and allows that mutual holding company to reorganize into a stock holding company.

There is a whole process in place that actually protects the members' rights. It gives them equity rights in the restructuring, calls for a public hearing, requires approval by the Commissioner of Insurance to make sure it's fair for the members and a democratic voting process where it's got to be approved I believe, by two-thirds of the board of directors as well as two-thirds of the voting members of that domestic mutual insurance company.

The second part of the bill, which really is Section 16 through 26 allows an alien insurance company, I believe we call it an alien insurance company, which is one from another country that wishes to domicile here in Connecticut and operate its business throughout the United States from our state.

Those sections create a streamlined process for that company to situate itself here as a port of entry and to operate within Connecticut and operate throughout the entire United States.

That process really essentially just streamlines what a normal insurance company would have to do to create an entity and establish itself in terms of

pat/gbr
HOUSE OF REPRESENTATIVES

61
April 16, 2014

capital, et cetera, et cetera, however, in a much less costly and streamlined effect.

And there are safeguards put in there by the, that will allow the assurance that the capital is there with these alien insurance companies to be able to meet their financial obligations just as any domestic company located here would have to do.

Madam Speaker, the Clerk is in possession of LCO 3246. I'd ask that it be called and I be permitted to summarize.

DEPUTY SPEAKER SAYERS:

Will the Clerk please call LCO Number 3246, which will be designated House Amendment Schedule "A".

THE CLERK:

House Amendment "A", LCO 3246 introduced by Representative Megna.

DEPUTY SPEAKER SAYERS:

The Representative seeks leave of the Chamber to summarize the Amendment. Is there any objection to summarization? Is there any objection? Hearing none, Representative Megna, you may proceed with summarization.

REP. MEGNA (97th):

Thank you, Madam Speaker. Madam Speaker, what this Amendment does is it changes a portion of the sections of the bill that allow the restructuring of a domestic mutual insurance company and the costs involved in that.

Initially, the costs of the Department of Insurance were going to be passed off to that restructuring company. What this does is, it makes it even more business friendly, removes that piece and just empowers the Commissioner if need be, to hire consultants to help them move through that restructuring process.

Like I said earlier, Madam Speaker, we do have this wonderful insurance infrastructure in the state and this is a real wonderful way to capitalize on it.

With that, I'd move adoption of the Amendment, Madam Speaker.

DEPUTY SPEAKER SAYERS:

The question before the Chamber is adoption of House Amendment Schedule "A". Will you remark on the Amendment? Representative Megna? No. Okay. Representative Sampson of the 80th. Representative Alberts of the 50th.

REP. ALBERTS (50th):

Thank you, Madam Speaker. If I may, a question or two to the proponent of the Amendment.

DEPUTY SPEAKER SAYERS:

Representative Megna, please prepare yourself.

Proceed, Representative.

REP. ALBERTS (50th):

Thank you, Madam Speaker. In looking at the Amendment that's before us, I'm looking to understand how this actually would go into effect.

Would the Commissioner be required to go out and get competitive bids for this service? Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, I don't know the exact process and I assume that the Commissioner has vendors or consultants that they do use in this process and I would imagine it would be a competitive process when the Commissioner does engage those consultants.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Alberts.

pat/gbr
HOUSE OF REPRESENTATIVES

64
April 16, 2014

REP. ALBERTS (50th):

Thank you, Madam Speaker, and I understand that the proponents of looking for potential reorganization would be the domestic mutual insurers so they would have a, perhaps a vested interest in wanting this to move forward.

But what type of cost constraints are there here? It appears that there's no limitation in here in terms of the expense, which would be borne by the domestic mutual insurer in Line 6 and then in Line 13, 14 and then in Line 20 as well. It seems that there's really no protection for the domestic mutual insurer, and I guess I'm having a hard time reconciling that in light of the proponent's favorable remarks about the insurance industry.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Well, Madam Speaker, through you, Madam Speaker, I mean the whole intent of this process is to attract businesses and I would imagine that is only in the best interest of the Commissioner of Insurance to, if need be, engage in consultants, which I'm sure that

are consultants that are retained for a process like this, especially the more complex it may be, that those consultants will be obtained at a competitive price in that process.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker. So for the purpose of legislative intent, do I understand then that this Amendment that's before us would require a competitive bidding process that the Commissioner would engage in, in order to obtain the services that he or she thinks is necessary? Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, I would suspect so. I would suspect it would be a type of, maybe an RFP or something like that, but some competitive process.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Madam Speaker, and I do thank the proponent for his answer. I am in broad support of the underlying bill. This Amendment took me by surprise because it appears to go in a different direction than I would have envisioned, so I do appreciate the proponent's remarks that we are, indeed, willing to entertain a competitive process for the bidding of this.

So thank you, Madam Speaker, and I thank the proponent.

DEPUTY SPEAKER SAYERS:

Representative Sawyer of the 80th, the 55th.

REP. SAWYER (55th):

Thank you, Madam Speaker. A question through you, to the proponent of the Amendment.

DEPUTY SPEAKER SAYERS:

Representative Megna, please prepare yourself.

REP. SAWYER (55th):

In looking at the Amendment it says that the Commissioner may engage the services of private consultants, which has been the discussion that Representative Alberts started.

In the underlying bill it says that the Commissioner may engage the services of the Insurance Department personnel and private consultants.

Through you, Madam Speaker to the proponent, the deletion of the department personnel in this particular Amendment has an interesting impact because what does the Commissioner do if the Commissioner, because it says may, if the Commissioner does not use the services of private consultants, may he still use the Department personnel?

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Yeah, through you, Madam Speaker. I think the intent was not to, originally they wanted to quantify the cost of the personnel in the Department of Insurance and pass that off to the business that was looking to restructure.

I think it was found that that kind of really wasn't business friendly, so to speak, because you already have that staff there. They have a task to do and it didn't seem necessary to pass that cost off to

them when they're doing something that may be beneficial to our state.

But needless to say, I believe there is a need to engage consultants in a restructuring like this, so we believed it was important that we at least permit the department to retain consultants.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Sawyer.

REP. SAWYER (55th):

Thank you, Madam Speaker. I certainly understand your comments because I could see this is quite a specialty area when they're going to do something of this mass change and for legislative intent, it would be your expectation that the Commissioner can certainly call on department personnel to assist in whatever capacity as department personnel?

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Yes, that's true, Madam Speaker. We, like I said earlier, we do have, quite frankly, a magnificent infrastructure here in the state and the more business

pat/gbr
HOUSE OF REPRESENTATIVES

69
April 16, 2014

friendly we can be and attract more under that infrastructure. That's what brought us here with this Amendment, you know.

You know, it wasn't until, really until the last four years or so since I've been the Chairman, Madam Speaker, that I realized there are tremendous resources here in this state that maybe sometimes we forget about that are available to the insurance industry, and whatever we can do to make this home for them, the better it is for the people of this state. Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Sawyer.

REP. SAWYER (55th):

Thank you, Madam Speaker. I would like to thank the Chairman for his answers. With that, I will be in support of this Amendment because it does have an impact of also including the department personnel, but not charging the business for their services. Thank you, Madam.

DEPUTY SPEAKER SAYERS:

Thank you, Representative. Representative Sampson of the 80th.

REP. SAMPSON (80th):

Thank you, Madam Speaker. I just wanted to jump in as the Ranking Member of the Insurance and Real Estate Committee to say that indeed, this is a clarification Amendment and I would urge my colleagues to support it.

Thank you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Thank you, Representative. Will you remark further on the Amendment that is before us? Will you remark further? Will you remark further on the Amendment that is before us?

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you, Madam Speaker. A question to the proponent of the Amendment, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Please prepare yourself, sir.

REP. YACCARINO (87th):

Thank you, Madam Speaker. Reading the Amendment, as far as the consultants, will the Commissioner have a list of consultants ahead of time? I don't know if I heard the response earlier. Who would pay for the consultants?

Through you, Madam Speaker.

pat/gbr
HOUSE OF REPRESENTATIVES

71
April 16, 2014

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker. Could you please repeat the question, Representative?

REP. YACCARINO (87th):

Sure.

DEPUTY SPEAKER SAYERS:

Representative Yaccarino, if you wouldn't mind repeating your question.

REP. YACCARINO (87th):

Thank you, Madam Speaker. We have the Commissioner of Insurance, so now they want to look as far as consultants, hiring outside consultants for either negotiation or arbitration. How would you determine who those consultants would be and who would pay for that?

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, I believe the, who the consultants would be? Probably a team of attorneys, insurance specialty people, it may be

varied different types of consultants that they may retain to do such a restructuring and that cost, through you, Madam Speaker, would be borne by the restructuring company.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you for the answer. I voted for the bill in the Insurance. This is a little concerning to me. I would think it would be more favorable to the insurer and the Department of Insurance to have an arbitrary board, a group of three or four members, volunteer members retired from the insurance agency or whatever field it might be, I would think the insurance agency.

I don't understand the need for this Amendment. It was a good bill and this seems to complicate it. I think it will be more trouble than the intent, the good intent that it was intended to be. Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Madam Speaker, through you. I believe there's possibly 30 or 33 states that already permit this type of restructuring of domestic mutual insurance companies and I believe that this process, this involving consultants and passing them off to, the cost passing them off to the demutualizing insurer is the practice that goes on in those other states.

I don't think there's anything that we're doing that's not as business friendly as those other 33 or so states that already permit this restructuring.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you for that answer. My concern is, and I think it's your concern also is keeping the cost of insurance care down, no matter it be personal, auto or health, whatever. I'm just concerned that this might bring the cost up.

I've always, it seems like the insurance, the Department of Insurance is never favorable, I believe to the consumer, and I would hope it's a consumer friendly bill. I'm just concerned that it's going to make it convoluted. Through you, Madam Speaker.

pat/gbr
HOUSE OF REPRESENTATIVES

74
April 16, 2014

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Yes, Madam Speaker. I know, that was a concern of ours with the initial bill, hence the Amendment, and hence toning it down to just leave it consultants by the department, if, if in fact the department needs them. As we pointed out there's a may in there, in that Amendment and maybe the cost will be minimal, if any, for these consultants. Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you very much, Madam Speaker. One last question, Representative Megna. When these 33 other states initiated this, has the cost of insurance gone down? Has it made the process more efficient for the consumer and for the insurance company, and for the industry?

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, I'm not quite sure what the effect has been. I know that there has been interest shown in one or more companies either locating here or demutualizing here, hence the presence of this bill before us and this bill if it becomes law will enable these companies to generate a lot more capital than they can do now as a mutual and allow them to expand and grow and hopefully make Connecticut their home.

Through you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you, Madam Speaker, and thank you for those answers. Obviously, my concern, I think all of our concern is for a cost-effective insurance for our consumers, our fellow consumers, and for all of us and I hope this would do that.

I'm always leery of the outside consultants because you don't know what the rates are going to be, who's going to bear the cost and I know in the bill it says the mutual.

But I would like to see, many industries have a board of arbiters. That's just my opinion and I'd

pat/gbr
HOUSE OF REPRESENTATIVES

76
April 16, 2014

like to thank the good Chair of Insurance for his answers, and thank you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Will you remark further? Will your remark further on the Amendment that is before us?

If not, I will try your minds. All those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SAYERS:

Those opposed, nay? The ayes have it. The Amendment passes. Will you remark further on the bill as amended? Will you remark further on the bill as amended? Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker. Madam Speaker, this is a bill that we all can rally around. It came out of the Committee unanimously and helps to build on that wonderful infrastructure that we have and I'd urge all my colleagues to support it. Thank you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Representative Sampson.

REP. SAMPSON (80th):

Thank you, Madam Speaker. I want to thank the Chairman of the Insurance Committee for the very detailed explanation that he started with in describing the language of this bill and I want to echo his support of this because I think this is an initiative that will create a more enticing environment for insurance companies to do business in Connecticut and could therefore lead to jobs and capital growth here in our state and I'm wholeheartedly in support of this bill, and I would urge my colleagues to support it as well. Thank you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

Will you remark further on the bill as amended?
Will you remark further on the bill as amended? If not, will staff and guests please come to the Well of the House. Members please take your seats and the machine will be opened.

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 SAYERS:

pat/gbr
HOUSE OF REPRESENTATIVES

78
April 16, 2014

Have all the members voted? Have all the members voted? Please check the board to see that your vote has been properly cast.

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

THE CLERK:

House Bill 5053 as amended by House "A".

Total number voting	143
Necessary for passage	72
Those voting Yea	143
Those voting Nay	0
Those absent and not voting	7

DEPUTY SPEAKER SAYERS:

The bill as amended passes. Will the Clerk please call Calendar Number 21.

THE CLERK:

On Page 5, Calendar Number 21, Favorable Report of the Joint Standing Committee on Insurance and Real Estate, House Bill 5023 AN ACT CONCERNING PORTABLE ELECTRONICS INSURANCE.

DEPUTY SPEAKER SAYERS:

Representative Wright.

REP. WRIGHT (77th):

**S - 679
CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
2014**

**VETO
SESSION**

**VOL. 57
PART 11
3246 – 3508**

pat/gbr
SENATE

304
May 7, 2014

And also, Madam President, Calendar Page 5, Calendar 332, House Bill 5254, move to place on the Consent Calendar.

THE CHAIR:

So ordered.

SENATOR LOONEY:

And Calendar Page 11, Calendar 427, House Bill 5053, place on the Consent Calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

And also wanted to just verify one other item. I believe that Calendar Page 15, Calendar 465 had been on earlier Consent Calendar.

THE CHAIR:

Yes, sir.

SENATOR LOONEY:

It is? Thank you. If we might call the Consent Calendar, Madam President.

THE CHAIR:

Mr. Clerk, will you call for a Roll Call Vote on the Consent Calendar. The machine will be opened.

THE CLERK:

Immediate Roll Call has been ordered in the Senate.
Immediate Roll Call on Consent Calendar Number 3 has been ordered in the Senate.

THE CHAIR:

Senator Meyer. Senator Meyer. Senator Meyer, will you vote please. Thank you. The machine will be closed.

pat/gbr
SENATE

305
May 7, 2014

All members have voted. Mr. Clerk, will you call for the tally.

THE CLERK:

On Consent Calendar Number 3.

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 passes. Senator Fasano.

SENATOR FASANO:

Thank you, Madam President, while we have a few seconds before we close Session, as people have honored their aides that they've had from the colleges from before, I would like to have Kathleen Timmons come on up. Kathleen has been an aide with me. She has a fantastic resume out of Trinity.

She's the captain of her varsity lacrosse team. She's on the women's basketball team. She's just one very good athlete. She's a very good student. I didn't see much of her because she came and did her work, went to practice, came back. She was a great person to have around the office. She did a great job. I just want to have the Senate just thank her for what she did this session. Thank you, Kathleen.

(Applause.)

THE CHAIR:

At this time I have one more point of personal privilege for Senator Fonfara. Senator Fonfara.

SENATOR FONFARA:

Thank you, Madam President. I'd like the Chamber to recognize my intern from Trinity College, Amanda

**JOINT
STANDING
COMMITTEE
HEARINGS**

**INSURANCE AND
REAL ESTATE
PART 1
1 – 434**

**2014
INDEX**

With that, we'll commence the public hearing. First up will be Legislators, agency heads, then the municipalities.

And I would like to welcome Commissioner Leonardi, and you have the floor, sir.

HB 5053

COMMISSIONER THOMAS B. LEONARDI:

SB 199

Thank you, so much.

SB 189

SB 188

Senator Crisco and Representative Megna, members of the committee, thank you. It's always a pleasure to be here.

SB 185

SB 194

HB 5254

We have a number of bills to be heard this morning or this afternoon, I guess it is now. What I wanted to do was to talk about some of them but not necessarily all of them. I was going to not go beyond our written testimony on the third-party administrators, the bail bonds, and the guaranty association. But I would like to touch on, in some cases, briefly; in other cases, a little bit more in detail, on the other bills in the order that -- that you have them listed.

And if it's okay with the committee, what I'd like to do is maybe talk about each bill separately and leave time for questions at the end of each and then move on. So the first one I'd like to -- and -- and, again, I'm not going to be reading a speech and I'm not going to be rehashing the written; you've already got that. And I'm obviously happy to take any questions to clarify.

Some of these are obviously somewhat complicated, even for people in the insurance industry, so if there, if there are any questions for clarification, please let me

3
mhr/gbr INSURANCE AND REAL ESTATE COMMITTEE
February 25, 2014
1:00 P.M.

know.

The first one is the mutual holding company act that we're proposing, and -- and this, along with the port of entry, these first two are in some ways -- I'm not sure economic development-related is the, is the right way to phrase it -- but they're intended to improve and streamline the process for companies doing business in the state. And again, we recognize how important the insurance industry is to the economy, as a driver of the economy and job growth, and -- and both of these in their own way do that.

HB5053

The -- the first one would allow a mutual company -- and I think you all know there's a difference between a mutual company and a stock company. A stock company is owned by stockholders; a mutual company is owned by the policy holders. And what this would do, it would allow the creation of a mutual holding company, which in turn could create a stock company downstream. And that would allow the stock company to access the public markets by selling stock as a stock company.

The key things to keep in mind here are that it is still owned by the policy holders. Any transaction under this would require a policy holder approval, and it would also require approval of the insurance commissioner. So -- so that's one part of it.

There are many states that have this. There's a model law in the NAIC, and there's many states that have adopted it; we have not. And -- and I -- this was brought to my attention, as was the port of entry, by industry in the last six months or so. And I thought this is something we -- we definitely should have.

There's another part to this, and that is under Gramm-Leach-Bliley, which is the federal legislation that was passed back in 1999; it streamlines the ability for a mutual company to redomesticate. And Connecticut, of course, regulates the largest life insurance industry in the country. We have a regulatory authority and environment that I think is well regarded by both consumers and the industry, and we're an attractive alternative for companies that may be looking to relocate. And this statute would help to foster that and make it easier for those companies.

So that's all I was going to say about that, and I'd be happy to take questions on that, before moving on.

REP. MEGNA: Thank you, Commissioner.

The, and the first bill you're talking about was 5053.

COMMISSIONER THOMAS B. LEONARDI: That's correct.

REP. MEGNA: Yeah; okay. You mentioned that many other states have -- have similar legislation?

COMMISSIONER THOMAS B. LEONARDI: I think there are about 19 or --

REP. MEGNA: Yeah.

COMMISSIONER THOMAS B. LEONARDI: -- 20, at the last count.

REP. MEGNA: Okay. Thank you very --

COMMISSIONER THOMAS B. LEONARDI: New York just passed similar legislation, last year I

believe, but they limited it to companies with \$10 billion in assets or lower; I'm not sure what the rationale was there. They obviously have some very large mutuals in New York State, but I'm not sure there's any purpose to, to that limitation.

REP. MEGNA: Okay; thank you, very much.

Are there any questions? No.

COMMISSIONER THOMAS B. LEONARDI: Okay; well, thank you.

I'll -- I'll move on to the port of entry. This is another proposal that was brought to my attention by a senior officer of a foreign reinsurance company that was looking -- and I believe is still looking -- to create a branch within the United States. The difference between a branch and a subsidiary, a subsidiary is a corporation formed in the U.S. under a state law. The branch would be basically what it sounds like, a branch of the parent company in the other country.

We still regulate and look at the financial solvency and everything else about the branch, but it's a different legal entity. Apparently, in the United States under NAIC law, you cannot have credit for -- for reinsurance working with a branch unless the branch is located in a port-of-entry state. And there is a -- believe it or not -- a model law for port of entry, which was brought to my attention, again, in the same conversation. So because we have a terrific reputation as both a regulator and as an industry site with lots of talented and experienced professionals, Connecticut becomes a very highly desirable market for companies to consider moving a -- a branch.

And this company brought it to our attention, because they said, you know, we were looking at Connecticut and particularly with all of the reinsurance expertise you have, and we realized you don't have this port-of-entry statute. So I'm suggesting that this would be, again, from an economic development standpoint as well as an insurance standpoint, because if a company were to create a branch here in these lines of businesses -- these are high-paying jobs and they would probably have a very low impact for us to attract some companies to create their branches here because of everything we've got going for us.

REP. MEGNA: Thank you, Commissioner.

What bill was that?

COMMISSIONER THOMAS B. LEONARDI: That was part of --

REP. MEGNA: Yeah, that was --

COMMISSIONER THOMAS B. LEONARDI: -- 5053; that was the second part of it. There was the model holding company and the port of entry.

REP. MEGNA: Thank you.

Are there any questions of the Commissioner?
No.

You can continue, Commissioner.

COMMISSIONER THOMAS B. LEONARDI: Thank you.

REP. MEGNA: You can just go through --

COMMISSIONER THOMAS B. LEONARDI: Okay.

twice.

Representative Altobello.

REP. ALTOBELLO: Yes. Thank you, Mr. Chairman.

You have quite a few bills and they all seem very important, and I don't think they're going to garner a lot of -- I think they'll garner a lot of support -- let me put it in a positive. Being a short session and having been shut out at the gate several times myself, and I'm sure you have, and so to speak, to use a horse-racing term, I mean a betting term, any objection if we combine some of these together?

COMMISSIONER THOMAS B. LEONARDI: I don't think so; right?

A VOICE: No, not at all.

COMMISSIONER THOMAS B. LEONARDI: If you tell me you'll pass it, we can combine them all into one bill.

REP. ALTOBELLO: I can tell you that, but then you're betting that my word is good, sir.

COMMISSIONER THOMAS B. LEONARDI: Actually, I'm sure it is.

REP. ALTOBELLO: Thank you.

Thank you, Mr. Chairman.

REP. MEGNA: Representative Altobello, actually, I got the word "implementer" written down here. All right?

Are there, are there any other questions of the commissioner? No?

31
mhr/gbr INSURANCE AND REAL ESTATE COMMITTEE
February 25, 2014
1:00 P.M.

Well, thank you, very much, Commissioner.

COMMISSIONER THOMAS B. LEONARDI: Well, I want to thank you and the committee for your time and attention and -- and for your support for us at the department. It's very much appreciated.

Thank you.

REP. MEGNA: Okay; we're going to continue on to the public portion of the public hearing.

Nobody signed up for 5053, so we'll move on to 199.

Bob Kehmna.

ROBERT A. KEHMNA: Thank you, Mr. Chairman, members of the committee.

For the record, by name is Bob Kehmna, from the Insurance Association of Connecticut. I'm here to offer some comments today on Senate Bill 199, AN ACT CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATE INCREASES.

This committee has looked over the past couple years at the issue of the size of recent, some recent filings, rate filings concerning long-term rate insurance and expressed some concern about them. Ultimately, the Legislature has rejected legislative initiatives that would have compromised the actuarial basis of that review. We argue and continue to argue that the process should be actuarial in its basis and not be subjected to subjective information that would be counterproductive to the fair and complete review of the filing.

We don't believe any change is necessarily due



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

February 25, 2014

Governor's Bill No. 5053 - An Act Strengthening Connecticut's Insurance Industry Competitiveness.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department is pleased to testify in support of Governor's Bill No. 5053, An Act Strengthening Connecticut's Insurance Industry.

This proposal seeks to promote Connecticut's economy in the financial services insurance sector by enacting statutes to allow domestic mutual insurers to reorganize as mutual holding companies and to permit Connecticut to serve as a port of entry for non-U.S. insurers.

Sections 1 through 18 of Governor's Bill No. 5053, will amend the insurance statutes, as most states have, to authorize a domestic mutual insurance company to be reorganized as a domestic stock insurer, owned, directly or indirectly, by a mutual holding company. Under such restructuring, the mutual policyholders' ownership rights (primarily the right to vote for directors and to share in surplus in liquidation) are transferred to the mutual holding company. When effectuated with the approval of the policyholders and the Insurance Commissioner, this corporate structure will give the domestic insurer more options to raise capital to support its business, through the issuance of stock. This legislation will also permit Connecticut to obtain the benefit of the provisions of Subtitle B of Title III of the Gramm-Leach-Bliley Act [15 U.S.C. §§ 6731 to 6735] which authorize a mutual insurer organized under the laws of one state to transfer its domicile or redomesticate to a state which has a law authorizing mutual holding companies.

Sections 19 through 27 of Governor's Bill No. 5053, will promote Connecticut's economy in the financial services insurance sector by authorizing non-U.S. insurers to enter the U.S. and to transact the business of insurance through the establishment of a U.S. branch in Connecticut.

Currently, non-U.S. insurers can enter through another U.S. state with a law authorizing the establishment of a U.S. branch and subsequently be licensed as an

insurer just as any other domestic insurer from that port of entry state. Because Connecticut does not currently have a branch law, the only way for Connecticut to serve as the state of entry in the United States of a non-U.S. insurer is for the alien insurer to separately incorporate an insurance subsidiary in the state.

This part of the Governor's bill is based on the State of Entry Model Law adopted by the National Association of Insurance Commissioners. It contains mandatory requirements that the non-U.S. insurer must comply with prior to establishing a U.S. branch to ensure that the policyholders will be protected and to prevent the U.S. branch from operating in a hazardous financial condition.

These two proposals – mutual holding companies and state of entry for non-U.S. insurers - are part of a continuous effort by the Governor to make Connecticut a desirable location to establish and grow an insurance business.

The Legislative Commissioners' Office is working on modifications to this legislation to improve clarity and consistency with the General Statutes.

The Insurance Department respects the good work of the LCO and asks that the Insurance and Real Estate Committee act favorably on Governor's House Bill No. 5053.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.