

Legislative History for Connecticut Act

PA 14-235

HB5254

| | | |
|-----------|---------------------------------------|-----------|
| House | 626-629 | 4 |
| Senate | 3489-3490 | 2 |
| Insurance | 217, 240, 242-244, 245- <u>246</u> | 7 |
| | | 13 |

H – 1182

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
PART 2
357 – 684**

mhr
HOUSE OF REPRESENTATIVES

4
April 9, 2014

THE CLERK:

Favorable Reports, House bills.

Representative Morin.

REP. MORIN (28th):

Thank you, Mr. Speaker.

I move that we waive the reading of the House
Favorable Reports and the bills be tabled for the
Calendar and printing.

SPEAKER SHARKEY:

No objection?

So ordered.

THE CLERK:

The daily Calendar is on the, on the Clerk's
desk, Mr. -- Mr. Speaker, for Wednesday, April 9th.

SPEAKER SHARKEY:

And we'll begin our business.

Mr. Clerk, will you please call Calendar 35.

THE CLERK:

Yes, Mr. Speaker.

Favorable Report of the joint standing Committee
on Insurance and Real Estate, Substitute House Bill
5254, AN ACT CONCERNING THE LEGISLATIVE COMMISSIONERS'
RECOMMENDATIONS FOR TECHNICAL AND MINOR CHANGES TO THE
INSURANCE STATUTES.

mhr
HOUSE OF REPRESENTATIVES

5
April 9, 2014

SPEAKER SHARKEY:

Representative Megna.

REP. MEGNA (97th):

Thank you, Mr. Speaker, and good morning.

SPEAKER SHARKEY:

Good morning, sir.

REP. MEGNA (97th):

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

SPEAKER SHARKEY:

The question is on acceptance of the joint committee's Favorable Report and passage of the bill. Will you remark, sir?

REP. MEGNA (97th):

Yes, Mr. Speaker. Mr. Speaker, this is the annual LCO tech reviser bill; it contains 66 sections of technical and conforming changes to the insurance statutes in the public hearing, and there was no opposition. It -- it seems clear to the committee that everything is technical and conforming, and with that, I would recommend my colleagues vote favorably of this bill.

Thank you, Mr. Speaker.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark? Would you care to remark further on the bill that's before us?

Representative Sampson.

REP. SAMPSON (80th):

Good morning, Mr. Speaker.

SPEAKER SHARKEY:

Good morning, sir.

REP. SAMPSON (80th):

And thank you. I want to thank my colleague and the distinguished Chairman of the Insurance and Real Estate Committee for his comments.

The bill is a technical bill. There is no policy changes or anything of that nature, and I would urge my colleagues to vote in the affirmative.

Thank you, Mr. Speaker.

SPEAKER SHARKEY:

Thank you, sir.

Would you care to remark? Would you care to remark further on the bill that's before us?

If not, staff and guests 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.

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

SPEAKER SHARKEY:

Have all the members voted? If all members voted, will the members please check the board to make sure your vote is properly cast?

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

Will the Clerk, please announce the tally.

THE CLERK:

Mr. Speaker, on Bill 5254.

| | |
|-----------------------|-----|
| Total number voting | 137 |
| Necessary for passage | 69 |
| Those voting Yea | 137 |
| Absent not voting | 12 |

SPEAKER SHARKEY:

The bill passes.

Are there any announcements or introductions?

Representative Morin.

REP. MORIN (28th):

Good morning, Mr. Speaker.

Yes, I have, for the purpose of an introduction.

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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

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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
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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

point, after all of those years I think suggests that there's a, there's a lot here that, that's good to talk about.

REP. MEGNA: Okay; thank you.

Any questions? No?

Continue on, Commissioner, please.

COMMISSIONER THOMAS B. LEONARDI: Thank you.

The next two, I think they're the last two I'm going to speak about, so I'll be very brief. One is ORSA and the other is group-wide supervision, which is kind of a, an amendment to the model Holding Company Act that you passed a couple years ago. The ORSA stands for Own Risk Solvency Assessment, and basically it's, both of these bills come out of the outcome of dealing with the financial crisis.

SB194
HB 5254

SB194

And -- and AIG is a very different company today than it was back in 2008, so I -- I hate to use it as an example because the company is doing some very good things today, but back in 2008, as we all know, they had a financial products group in London that wasn't regulated by any insurance regulator here or in the UK. The Office of Thrift Supervision, a federal entity, was regulating it or not regulating it, as the case may be, and it created all of these credit default swaps that ultimately helped to bring the company down.

So group-wide supervision and ORSA are two ways of getting to how do you see a full picture of this conglomerate and make sure you're watching all the different parts that are going on or at least some regulator is watching all those pieces and that the regulators are

And there's another pilot this year, and I believe a couple of other Connecticut-based companies will be participating in that. So there's been a lot of support. And again, this is one of those bills that has a lot of input from the department, from the industry, from the LCO, and I think that we're -- and hopefully that it's in good shape and you'll find that it's in good shape to move forward on.

There's, as I mentioned, a key confidentiality provision that's similar to the model act for the reasons, the kind of data that you have here. And we also will look on their, on their computer models to see under different stress scenarios what would happen in the event of a, you know, 50 percent drop in the stock market or a 500 basis point increase in -- in the bond market and the different kinds of things, what happen if their loss ratio, if there was five Hurricane Katrinas in the same calendar year. You know, those are the kinds of shocks you can look at and see what the implications are to a company, and, again, trying to get a feel for this entire risk.

The other piece of this is the separate bill -- which is the last one I'm going to talk about, which is 5254 -- this is the model Holding Company Act. We were, we had revisions to the model Holding Company Act at the NAIC, and those were passed here in 2012. This act goes a little bit, this, these revisions, proposed revisions go a little bit farther, in terms of delineating specifically what the group supervisor can do as the group supervisor. And Pennsylvania is the only state that passed the language in this format; nobody has followed.

Just by way of background, there's an awful lot

of regulatory developments going on internationally, at the International Association of Insurance Supervisors. And one of the criticisms that we get -- and I think our system is not well understood, despite of all the attempts that many of us make to help get the Europeans, in particular, to understand it -- because it certainly has worked very well for a hundred and fifty years.

But there is a, there is a sense that we don't have direct supervision of the insurance holding company, and we operate differently. We work very closely with our colleagues and supervisory colleges, which is a -- a group of regulators that regulate different parts of an entity that get together to share information, talk with the company, understand its global and enterprise risk.

So for whatever reason, the Europeans and some of the Asian countries believe that the Pennsylvania model does it but our basic model holding company with the prior revisions doesn't. And so this is an act that may not get us all the way there; we may be back in a year or two with additional suggestions.

But I think the take-away on this is that it doesn't hurt to do this. I think the language -- and I've talked with industry -- and I think we need to, we need to clarify and make more certain some of the language, and you'll probably hear that from some other folks today. And we're committed to doing that, and I think industry is as well.

But we'd like to be in a position where we can help lead the other states through the NAIC to adopt the Pennsylvania model. There is a lot of support from some very large states as well

to do this, and I think it is, once again, it's, it may not be something that's felt by constituents here in Connecticut and even understood, but it has a significant impact internationally and -- and our, on our leadership nationally and internationally.

And ultimately all of these things are going to impact consumers as well as every company, not just the big internationally active companies, because they're all going to impact solvency and liquidity and capital and returns on equity, and -- and so that the, while it may seem somewhat out there, it's, it is a very important detail. And I -- I would ask that the committee strongly consider that as well.

REP. MEGNA: Thank you, Commissioner.

Commissioner, on the ORSA, aren't, are you empowered now to request the information from the insurers?

SB194

COMMISSIONER THOMAS B. LEONARDI: I believe we are under the model Holding Company Act, but under the ORSA provision of the NAIC model act, states are required to have that in the, something similar or equivalent of the model act to keep their accreditation. So this would be --

REP. MEGNA: Oh, okay.

COMMISSIONER THOMAS B. LEONARDI: -- a specific accreditation requirement.

REP. MEGNA: All right; thank you.

Are there any questions of the commissioner on probably any of the bills before us? They're all department bills. No? Going once, going

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?

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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