

Legislative History for Connecticut Act

PA 14-6

SB188

House	2888-2908	21
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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
PART 9
2693 - 3043**

Will the Clerk please call Calendar Number 417.

THE CLERK:

On page 26, House Calendar 417, favorable report of the joint standing committee on Insurance and Real Estate, Substitute Senate Bill 188, AN ACT CONCERNING CAPTIVE INSURANCE COMPANIES.

DEPUTY SPEAKER MILLER:

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 in concurrence with the Senate.

DEPUTY SPEAKER MILLER:

The question before the chamber is on acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

Representative Megna, you have the floor, sir.

REP. MEGNA (97th):

Thank you, Madam Speaker.

Madam Speaker, this bill has to do with what we refer to as captive insurance companies. A few years ago -- or it might have been last year, we passed a whole section of law surrounding the regulation and

establishment of captive insurance companies. We sort of did so in the hopes of capitalizing and we are capitalizing on our insurance infrastructure here in the state. Now, what a captive insurance company is, Madam Speaker, this is essentially an insurance company usually composed of essentially either one company or many companies with one particular special interest in mind. What we -- what we found with captive insurance companies, mostly are Fortune 500, your large corporations essentially have their own insurance company. It was discovered that by establishing their own insurance company, they were kind of able to kind of reduce risk, reduce the cost of insurance, eliminate the profits that insurance companies make by having their own insurance company and eliminating commissions and fees that are paid. So a captive insurance company is for -- most captive insurance companies are probably just individually owned by major corporations. By establishing a captive, they also are able to reduce -- or not pay for the bad risk. You know, when you go out publicly buying insurance, that premium is based on those who have claims, as well as those who don't. So companies that start captives are very conscious of that and

they're able to do it and the cost of insurance is found to be less and there are more tax benefits for these companies as opposed to being self-insured.

We hear this word "self-insured," establishing a captive is a better way, a better, more efficient way for many to manage their risk. So what this bill does, Madam Speaker, the eight sections of the bill, it does some clarifying information to the statutes we passed a few years ago. It creates a new category of captives and makes some minor and clarifying changes to the statutes that we've passed a few years ago. I know some people had -- had concerns about captive insurance companies, should we -- how far should we go with allowing captive insurance companies to undertake risk and I think we more or less define like under Section 1 we say that personal risk insurance cannot be -- cannot go to captive insurance companies. We want to keep that market healthy and competitive and vibrant. But we find on the commercial end that there is a real need for these. There is a real need for captive insurance companies.

There are several thousand, maybe 3,000 or so captive insurance companies out there in the world. I think there are many that are located offshore. The

state of Vermont has become what we know the captive insurance company capital of the United States with about 800 or so captive insurance companies domiciled in that state. We come to realize that we do have the infrastructure. We've got the employees. We've got the knowhow. We've got the technology to -- to provide for captive insurance companies and hence our sections of statutes surrounding captive insurance companies.

With that, Madam Speaker, I would urge my colleagues to support this bill as we move forward and help support and embrace our insurance industry here in Connecticut. Thank you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Thank you, sir.

Will you remark further on this bill? Will you remark further on this bill?

Representative Sampson.

REP. SAMPSON (80th):

Thank you, Madam Speaker.

And thanks to the Chairman of the Insurance Committee for the description of the bill, but I have a couple of questions, through you, Madam Speaker, if I could.

DEPUTY SPEAKER MILLER:

Representative Megna, would you please prepare yourself to respond, sir.

REP. SAMPSON (80th):

Thank you, Madam Speaker.

Specifically, with the Section 1 and lines 4 through 6, there is some discussion in the language of the bill about limitations about captive insurance companies offering personal risk insurance. I'm wondering if the chairman could tell me what the changes to current law and maybe an understanding for those of us not as well versed in the area of captive insurance why there might be a prohibition on personal risk insurance, through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

In personal risk -- through you, Madam Speaker, in personal risk, you have a fairly competitive marketplace here in Connecticut. I think there are about 75 or homeowner companies and 75 or so personal auto companies that relatively on a good level competitively price the market and keep it going and keep everybody in a sense participating in that

marketplace. You know, some would argue that some captives -- most captives are -- actually, all captives are commercial, but the captive insurer, you know, when they pull out of the competitive commercial marketplace, you know, some may argue that hey, what's left are people -- businesses that have more claims and so on and so forth. So you don't really want them to -- a captive insurer to come into the personal marketplace.

I know we spoke about commercial auto and how a captive insurer could be in commercial auto and I thought of a couple of really wonderful examples and I think of companies like maybe Hertz or some of the big car companies or rental car companies or companies that have massive fleets of vehicles. You know, they may find the public marketplace is not the place to go. They may find that creating their own captive or joining an existing captive that caters to companies such as their company with fleets is more attractive from a business standpoint. As I said earlier, captive insurers when they're involving single commercial companies can often control costs, costs of insurance, costs of having claims, commissions paid out, so on and so forth. And I believe the IRS

provides some favorable ways to deal with this taxes to set up reserves the way they set up reserves is different than if they were a self-insured company and so there -- it's much more attractive to large corporations or I've seen captives. I know a few years ago here in Connecticut we had -- we had issues with medical malpractice liability insurance.

And at the time, I believe there was a mutual -- a mutual held by a lot of the doctors and there was complaint about their premium and I know since then that many of them have moved over into a captive model, an offshore captive for their medical malpractice and they saw a drop in the cost of their insurance while at the same time there are regulations in place with the Department of Insurance to assure that they will have their financial obligations met when the claims come along. Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Sampson.

REP. SAMPSON (80th):

Thank you, Madam Speaker, and thanks to the chairman for his very detailed response to my question. Just a follow-up question on the same

section and some thoughts with regard to the changes that are notated on lines 4 and 5. From my understanding, this is essentially expanding the ability of captive insurance companies to write commercial auto insurance policies where once there was a prohibition on all types automobile and homeowners insurance and I gather from the chairman's remarks, it's because we're trying to create a broader marketplace and give captive writers an opportunity to do more lines of business in our state, which I think is a beneficial aspect of this bill and something I do indeed support.

I have a question about the next section, though, which has to do with branch captives and this is a topic that has to do with whether or not a captive insurance is actually domiciled within the state of Connecticut and I'm wondering if the chairman can explain to me what this bill changes with regard to those requirements, through you, Madam Speaker.

MS:

Representative Megna.

REP. MEGNA (97th):

Well, through you, Madam Speaker, it requires that the branch captive be located, the principal

place of business be in this state and -- which essentially probably is the whole captive insurance movement here in Connecticut in a nutshell. You know, we're trying to attract those companies to our state that domicile here. What's interesting -- I think the first captive insurance company may go back to like 1942 or something like that, but aside from that, probably like in the last 20 years or so, they've just popped up all over the place, all over the place, and you know, some could say that, hey, we're better late than never. You know, we came up with our sections of captive insurance statutes a few years ago.

I don't know -- you would think that the state of Connecticut with such a vibrant insurance company community that we would have been -- we would have taken the title as the captive insurance state away or have it before Vermont ever got it, but we haven't -- but essentially, we want them to domicile here. We want them to domicile here as they do in other states, through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Sampson.

REP. SAMPSON (80th):

Thank you, Madam Speaker.

And thanks again to the chairman for his answer. One last question regarding this proposal and just something that I want to make perfectly clear is -- and I'm hoping the chairman can give me as thorough an answer on this one, and that is are captive insurance companies that are going to be operating in Connecticut under these new regulations subject to the same requirements that regular insurance companies would be required to follow? I'm referring to the Connecticut State Insurance Department and their requirements to do business in Connecticut. Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, the -- well, one of the ideas of the captive is each one is individually looked at and they're not really selling insurance to the public per se. It's their own self-insured or it's a particular group with a common interest. And so when they're looked at, they do go through a regulatory process to make sure they're properly licensed, that they do everything in a general sense that most other insurance companies do, but you have a

uniqueness of that risk, which may permit the department to require -- to have different financial requirements on these captive insurance companies, maybe less capital requirements as you would with a company that's offering insurance to the public and need greater reserves to assure that -- that their obligations could be met.

So in the sense, they do -- they do follow a regulatory scheme. They have to have the financial wherewithal to establish themselves as captives. Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Sampson.

REP. SAMPSON (80th):

Thank you, Madam Speaker.

And thank you, Chairman Megna, for his answers. I'll tell you personally I've been an insurance agent for maybe 20 years, maybe more than that and I've got to you coming to become a state Representative and serve in this chamber and serve on the insurance committee has been an education. And this is one area where despite my years in the insurance industry, virtually no contact with the captive insurance industry and no knowledge of it and really a pretty

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steep learning curve to understand all that goes into the many types of insurance products that exist and the ones that we, you know, have right here in our own state.

So these provisions that are contained in this bill seem to be good commonsense measures that will allow more captive insurance to be written within the confines of Connecticut and therefore I think a smart move and may help our business climate and I would urge adoption of the bill based on those facts. Thank you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Thank you, sir.

Will you remark further? Will you remark further?

Representative Perillo.

REP. PERILLO (113th):

Good evening, Madam Speaker. Thank you very much.

DEPUTY SPEAKER MILLER:

Good afternoon, sir.

REP. PERILLO (113th):

If I could please, through you, a few questions to the proponent of the bill.

DEPUTY SPEAKER MILLER:

Representative Megna, would you please prepare yourself to respond, sir.

REP. PERILLO (113th):

Thank you, Madam Speaker.

As I try to understand all the different kinds of captives that we're discussing here, I would refer to the chair of the committee to line 14 which discusses branch captive insurance companies. If I could get some clarity as to what exactly a branch captive insurance company is because as I read this, it seems as though they may be treated slightly separately than others. Through you.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, I believe a branch captive insurance company would be one that involves different organization, different entities aside from a holding company with a bunch of affiliates like what I mentioned before, there is a captive insurance company that did solely medical malpractice insurance for different doctors across the state, I believe I

would classify that as a branch captive insurance company. Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Perillo.

REP. PERILLO (113th):

Thank you, Madam Speaker.

And I thank the gentleman for the answer to that question. So to further clarify, you know, there are other types of captives listed in here. I'll go through them very, very briefly. We have pure captive insurance companies, association captives, industrial captives, risk retention groups, sponsor captives. Is a branch captive yet another type of captive that is different as those or is a branch captive sort of overlay all of them and all of them industry, et cetera, could -- could have a branch captive component just so I can understand the differences.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, actually, I stand corrected. The branch captive would be just the fact that it's domiciled here in the state. It could be any one of those captives, through you, Madam Speaker.

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DEPUTY SPEAKER MILLER:

Representative Perillo.

REP. MEGNA (97th):

Thank you, Madam Speaker.

And I thank the gentleman for the answer to the question. I would refer the gentleman to lines 105 through 108 towards the end of the bill and it states that the terms "licensed insurer" or "insurer" do not include any captive insurers in this new language except for a risk retention group. I am wondering why we are excluding risk retention groups from other types of captives in this case. Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, a risk retention group is a -- essentially a self-insured and it's -- there is a different classification under the section of the statute for risk retention. You could actually argue that some captives are risk retention groups, but really just a different license. Risk retention group is just -- essentially self-insured, as well as -- I mean, captive in a sense as a self-insured, too.

But a risk retention group has a different designation under this statute and a different treatment, through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Perillo.

REP. PERILLO (113th):

Thank you very much, Madam Speaker.

And again, I thank the gentleman for his answers to my questions. I recall us passing legislation and the gentleman alluded to it before designed to drive captives to having their principle business here in the state of Connecticut and that obviously has tremendous benefits economically in terms of job creation. You know, we do have an active group of businesses, varying businesses that would seek -- seek insurance through a captive so obviously bringing them here makes a lot of sense.

I'm wondering, though, you know, with all that good that was done in previous bills, how does this -- or quite frankly, does this further enhance those economic benefits. What is the general goal behind this? How are we furthering the efforts that we've put forth in previous years? Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, what this does is it helps make us as competitive -- as competitive, if not maybe a little bit more competitive than the other states in which captive insurance companies have domiciled and we all always point to the state of Vermont because there are 800 or so domiciled there. I believe more so than any other state in the United States. And essentially what we're trying to do is just make it a more attractive place for them. There are tremendous benefits for them financially and as I mentioned earlier, we are -- we are the insurance state. We have the infrastructure here and through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Perillo.

REP. PERILLO (113th):

Thank you, Madam Speaker.

And again, I thank the gentleman for his answers to the questions. You know, we took great steps in a previous session to enhance the economy as it pertains to captives and if this bill is something that takes

that one step further and further strengthens our captives here in Connecticut, that's very worthwhile. It's very worthy of our support and I would urge my colleagues to do just that. Thank you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Thank you, sir.

Will you remark further? Will you remark further?

Representative Yaccarino of the 87th.

REP. YACCARINO (87th):

Thank you, Madam Speaker. And you did pronounce it correctly. Thank you.

One question to the good chair of the insurance committee, through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Megna, please prepare yourself to respond.

You have the floor, Representative.

REP. YACCARINO (87th):

Thank you, Madam Speaker.

Listening to the debate, a collateral insurance company, is there a certain criteria or collateral of amount of assets they have to maintain year and year out. Through you, Madam Speaker.

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DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, absolutely. There are -- there are guidelines that the department has that companies have to meet financially with regard to reinsurance and whatever else they use to show that they have the financial wherewithal to handle any of the claims and -- through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you, Madam Speaker.

So I would think every year the state would either do -- do an audit or a financial audit on these companies to make sure they're maintaining their financials like any other company, through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Megna.

REP. MEGNA (97th):

Through you, Madam Speaker, I'm not quite sure how often it goes on or how the department whether it's at the initial licensing of the company that they

-- they have them provide all that financial information or whether it's done on a -- on a year to year basis but they do do that. They do do that. Through you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Representative Yaccarino.

REP. YACCARINO (87th):

Thank you for your answers and thank you, Madam Speaker. And thank you to the good chair of the insurance committee. Thank you.

DEPUTY SPEAKER MILLER:

Thank you, sir.

Will you remark further? Will you remark further on this 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 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 MILLER:

Have all members voted? Have all members voted?
Will the members please check the board to determine
if your 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:

Senate Bill 188.

Total number voting	143
Necessary for passage	72
Those voting Yea	143
Those voting Nay	0
Those absent and not voting	8

DEPUTY SPEAKER MILLER:

The bill is passes in concurrence with the
Senate.

Would the Clerk please call Calendar Number 290.

THE CLERK:

On page 13, House Calendar 290, favorable report
of the joint standing committee on Finance, Revenue
and Bonding, House Bill 5471, AN ACT CONCERNING THE
LEGISLATIVE COMMISSIONERS' RECOMMENDATIONS FOR
TECHNICAL AND MINOR CHANGES TO TAXATION AND RELATED
STATUTES.

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THE CLERK:

On page 8, Calendar 80, Substitute for Senate Bill
Number 188, AN ACT CONCERNING CAPTIVE INSURANCE
COMPANIES; Favorable Report of the Committee on
Insurance and Real Estate.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

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

THE CHAIR:

Acting on acceptance and approval of the bill, will
you remark further?

SENATOR CRISCO:

Yes, Mr. President.

THE CHAIR:

Senator.

SENATOR CRISCO:

Mr. President, this body should be commended for its
far-reaching vision in regards of retaining
Connecticut as the number one insurance state in the
country. A few years ago this body took action on
getting Connecticut into the captive insurance
business. We were not even in the business, even
though we were the number one insurance state in
Connecticut.

Since that time, we along with the insurance cluster,
the Department of Economic Development and the Captive
Insurance Association and our Insurance Committee have
made remarkable strides in regards to the captive
insurance industry.

And some people may not quite remember what we mean by "captive insurance company," but a captive is an insurance company or entity that is formed to insure or reinsure the risks of its owners. And we had a -- a situation in Connecticut when many entities would go offshore to a place like Bermuda to create their own captives. Since our action a couple years ago and along with the action hopefully taken today, we are making great strides for Connecticut, particularly our reputation as being the number one insurance state in the country.

Captives are a powerful tool for businesses of all sizes and -- and orientations to shape the future of their business owners. And there are times, Mr. President and members of the Circle, Connecticut sometimes is criticized for its attitudes toward business. I -- I say to all if people will look at many of the items that we do in regards to helping the business sector, they would have a different opinion, so this is an extremely important piece of legislation.

And I want to thank my Co-Chair, Representative Megna and our Ranking Members Senator Kelly and Representative Sampson, also for their leadership in this very important legislation. It doesn't seem as exciting as some other issues, but it has far-reaching implications for the economic well-being, not only of the State of Connecticut but also for the insurance industry.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator Crisco.

Will you remark further?

Senator Kelly.

SENATOR KELLY:

Thank you, Mr. President.

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I also rise in support of this bill and to thank Senator Crisco for his leadership in the area of captive insurance. He is absolutely right that if Connecticut wants to be at the forefront and a leader as an insurance capital of the world, we have to engage in certain areas such as captive insurance to keep us there. We do have the talent in Connecticut to deal with this issue, and once again, I thank Senator Crisco for his efforts in not only bringing this in the, in the instant case or in the initial case to bring captive insurance to Connecticut but also in pushing forward this bill. And I certainly appreciate that and support it fully.

THE CHAIR:

Thank you, Senator Kelly.

Will you remark further?

Senator Welch.

SENATOR WELCH: .

Thank you, Mr. President.

I think this is a good idea but I think it also underscores some fundamental problems we have here in the state of Connecticut. We're passing a law to allow captives to come and have their headquarters here, but we're not doing anything else that would encourage them to actually make that decision, to take advantage of this good law that we're putting forward today.

Great idea, I'm going to vote for it; let's do it. But to the rest of the body, there's so much more we need to do to encourage businesses to reside here in this state, to hire the people that live here in this state.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

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Will you remark further?

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

If there's no objection, I ask it be placed on the
Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered.

Mr. Clerk, would you return to the call of the
Calendar, please.

THE CLERK:

On page 8, Calendar 83, Substitute for Senate Bill
Number 199, AN ACT CONCERNING LONG-TERM CARE INSURANCE
PREMIUM RATE INCREASES; Favorable Report of the
Committee on Insurance and Real Estate, and we have
amendments.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

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

THE CHAIR:

Acting on approval and acceptance of the bill, will
you remark further, Senator?

SENATOR CRISCO:

Yes, Mr. President. I believe the Clerk has an
amendment, LCO 3124. I request that it be called and
I be given permission to summarize.

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Page 8, Calendar 74, Senate Bill Number 95; also on page 8, Calendar 80, Senate Bill 188.

On Calendar page 9 -- I'm sorry -- on page, yeah, page 9, Calendar 110, Senate Bill 125; Calendar 112, Senate Bill 255; Calendar 113, Senate Bill Number 256; Calendar 122, Senate Bill 260.

On page 11, Calendar 163, Senate Bill 280; Calendar 177, Senate Bill 271.

On page 13, Calendar 207, Senate Bill Number 193.

On page 14, Calendar 225, Senate Bill Number 281.

On page 15, Calendar 244, Senate Bill 283.

Page 17, Calendar 255, Senate Bill 477.

On page 23, Calendar 288, Senate Bill 413; Calendar 290, Senate Bill 418.

And on page 25, Calendar 303, Senate Bill Number 217.

THE CHAIR:

I'm sorry. At this time, Mr. Clerk, will you call for a roll call vote, and the machine will be open on the second Consent Calendar.

THE CLERK:

Immediate roll call has been ordered in the Senate on the second Consent Calendar of the day. Immediate roll call has been ordered in the Senate.

THE CHAIR:

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

Mr. Clerk, will you please call the tally.

THE CLERK:

On the second Consent Calendar for today.

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Total Number Voting	35
Those voting Yea	35
Those voting Nay	0
Absent, not voting	1

THE CHAIR:

The Consent Calendar passes.

Mr. Clerk -- oh, I'm sorry -- Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, if we might go back to the item that was removed from Consent and ask for a roll call vote on that item. That was Calendar page 8, Calendar 78, Senate Bill 186.

THE CHAIR:

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

THE CLERK:

Immediate roll call has been ordered in the Senate.
Immediate roll call has been ordered in the Senate.
Immediate roll call ordered in the Senate. An
immediate roll call has been ordered in the Senate.

THE CHAIR:

Have all members voted; all members voted? The machine will be closed.

Mr. Clerk, will you please call the tally.

THE CLERK:

Senate Bill Number 186.

Total Number Voting	33
Those voting Yea	23
Those voting Nay	10
Absent, not voting	3

**JOINT
STANDING
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HEARINGS**

**INSURANCE AND
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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

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

SB 188

SB 185

SB 194

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

HB 5254

REP. MEGNA: Thank you.

Any other questions on the market conduct?

And you can continue --

COMMISSIONER THOMAS B. LEONARDI: Okay.

REP. MEGNA: -- Commissioner. You have --

COMMISSIONER THOMAS B. LEONARDI: Thank you --

REP. MEGNA: -- the floor.

COMMISSIONER THOMAS B. LEONARDI: -- very much.

The next one is Senate Bill 188, and this is captives. If I could provide a little bit of history here, Senator Crisco is not here, but he had a letter on my desk my first day -- I'm in my fourth year now as Commissioner -- and my very first day there was a letter from Senator Crisco urging me to pursue the captives as a, as a potential for the State of Connecticut. And the Governor, of course, was very supportive of that as well.

As you'll recall, back in 2008, the Legislature passed a captive bill, and it was tailored based on Vermont, which -- which, as you'll hear me say a couple times here is the, kind of the gold standard. They have over a thousand captives in Vermont, and there are probably ten or twelve other states that -- that are fairly active in captive creation. But from 2008, there was no funding, either at DECD or at the Insurance Department, no staffing, and not surprisingly, not a single captive was formed. While many captives were formed throughout the country, there wasn't a single one in

Connecticut under our law.

In 2012, with the strong support of this committee and the Legislature and the Governor, the captive bill, I believe, was unanimously passed and signed into law. Now, we also have funding for it at the Insurance Department. John Thomson, who is here behind me in the pink today --

A VOICE: Yup.

COMMISSIONER THOMAS B. LEONARDI: -- is the head of our Captive Division. John is one of the most respected and experienced individuals in the captive market. He has now a staff, including himself, of four -- four people devoted to this area.

We had with the help of the insurance market, the -- the Insurance and Financial Services Cluster; we have this cluster -- I think Susan is here -- we held a symposium in 2012, and partnered with over 250 attendees, which showed a tremendous amount of interest in -- in Connecticut as a captive domicile. And then we did another one in Stamford, last fall, and that was a huge success. The Governor spoke at it and made the keynote address.

As I think you all know, captives are -- are an alternative risk mechanism, and because we are the insurance capital, we're widely recognized as a leader in risk and insurance. We have a strong regulatory reputation, a highly skilled and experienced workforce, so perspective captive managers who are setting these things up are looking at Connecticut as a very attractive place for captive formation.

We have in the last 18 months or so created and

-- and approved four new captives. There are some pretty household names: Stanley Black & Decker; Thomson-Reuters; Big Apple, which is the holding company for Gristedes' Supermarkets; and, Frontier Communications, which just announced that it intends to buy AT&T's land lines here in the state.

There are three actual redomestications within these captives, and they are, interestingly enough, from Vermont, Bermuda, and Delaware, which are three of the most highly regarded captive domiciles. So we have companies moving from well-regarded -- and as I said, Vermont being the -- the gold standard, Bermuda being well out in front, doing this for many, many years, and I think it reflects on the strength of our people, our leadership with John, with the fact that the Legislature and the Governor are very supportive of this.

But one of this things -- and this is really my take-away on this; it's something that I had mentioned when we first talked about the bill when it was passed -- is that what Vermont does very, very well, and other states too -- is that they are in front of their Legislature every year with tweaks to the legislation. This is in a market sector that evolves very rapidly and it requires changes. And if a state is going to be a major competitor, it has to let the industry know that this is something that everybody, Governor, Legislature, the Insurance Department are very, very much behind.

And we had a bill last year; the committee passed it unanimously. I believe it passed one of the houses unanimously; it didn't actually get done, and I -- I don't know, I don't know why. You -- you folks know the legislative

process much better than I do, but I get my message is that we -- we cannot as a state afford to do that, because we've already seen some questioning in the marketplace that, jeez, how could that not get done? Everybody supported it and yet it didn't get done.

And so it's up again and the world of the captive world is -- is watching us. So I think it's really, really important that we -- we fulfill that. This -- this bill, by the way, is nearly identical to the one that was passed unanimously last year.

Shall I go on?

REP. MEGNA: Continue on, please.

COMMISSIONER THOMAS B. LEONARDI: Thank you.

The next one is, could make your eyes glaze over, if I, if I went to a more technical thing, but I'm going to try not to do that. This is the, this is -- let's see, it's Act No., Senate Bill No. 185, and it's referred to as "standard valuation, nonforfeiture, and the use of the NAIC's Valuation Manual."

I'm trying to put some perspective on this. The industry, the NAIC, the National Association of Insurance Commissioners a couple years ago passed by 42 votes -- a supermajority, which was required -- this -- this valuation manual. And it is the intent to implement Principle Based Reserving or PBR. And PBR is kind of what it sounds like; it's principle-based, based on a company's actual performance, using the financial model, among other things, as opposed to what's currently in place, which are referred to as "stochastic tables or actuarial tables" of -- of actuarial

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?

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

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COMMITTEE

REP. MEGNA: Thank you, Bob.

Are there any questions of Mr. Kehmna?

Representative Wright, you have the floor.

REP. C. WRIGHT: Thank you, Mr. Chairman.

Just one question: Are -- are there other states that -- that do this same thing, allow people to reduce benefits as a way to -- to hold the -- the premiums down?

ROBERT A. KEHMNA: Yes, I believe so.

REP. C. WRIGHT: Okay; thank you.

REP. MEGNA: Thank you, Representative.

Are there any other questions? No?

Thank you, very much, Bob.

ROBERT A. KEHMNA: Thank you, all.

REP. MEGNA: You -- you may want to sit there. Do we have you or no?

If there's anybody -- there's nobody signed up on Bill 189, but if anybody wants to speak on 189, they can wave their hand or come on up. No?

Bill 188; Tom Hodson.

THOMAS F.X. HODSON: I have to start by complimenting Commissioner Leonardi for being able to speak off notes so eloquently. I, on the other hand, am going to read some testimony that I prepared.

Good afternoon. My name is Tom Hodson. I serve as President of the Connecticut Captive Insurance Association, a not-for-profit trade organization whose mission is to support the growth of the captive insurance industry in the state of Connecticut.

Chairman Megna, and the members of the Insurance and Real Estate Committee, thank you for the opportunity to speak in support of Senate Bill 188, a bill that would keep Connecticut at the forefront of the captive insurance market.

What was once referred to as "alternative risk transfer," captive insurance is now accepted as a mainstream risk management tool for companies both large and small. In addition to being an effective means for companies to better utilize their capital, captive insurance often fills a risk financing need that the commercial market is unable or unwilling to provide. Worldwide, captive insurance now insures over 30 percent of the commercial insurance market, representing over \$95 billion in premium and more than 6,700 captives, managing risk for their owners.

In the United States, there are over 2000 captives writing more than \$43 billion in premium. Clearly, captive insurance has become an important means to managing business risk for companies across the globe and across the state of Connecticut.

Captive insurance is very important to the economies of the states that host the industry as a domicile. In addition to tax revenue, the captive insurance industry provides high-paying jobs across a number of professions. One of the benefits of captive insurance is the

unbundled nature of the operation of captives, meaning that a captive's owner often outsources the services necessary to manage their captive insurance program. This requires the employment of key service providers, like underwriters, actuaries, auditors, tax advisors, lawyers, claims professionals, and investment managers, as well as the scores of support staff necessary to facilitate the operation of a captive.

The captive industry is also responsible for bringing tourism dollars to the state that host it as a domicile. Connecticut's captive insurance law requires that captives hold at least one board of directors meeting in the state each year. In addition, the Connecticut Captive Insurance Association in conjunction with the state and the Connecticut IFS hosts an annual educational and networking symposium, which last year attracted hundreds of people from across the United States, Bermuda, and the United Kingdom.

In 2011, this committee and the General Assembly as a whole took an important step in establishment of Connecticut as the domicile of choice for captive insurance with the passage of key amendments to our state's captive insurance law. Senate Bill 188 represents the next important step in the development of Connecticut as a captive domicile.

One of the hallmarks of top captive domiciles across the globe, including Vermont and Bermuda, is innovation in the strategies those domiciles offer to companies for managing their business risk. There are more than 35 states that now have captive insurance laws, 12 to 15 of which actively attract the market and half a dozen that are considered key captive

domiciles. Those half-dozen domiciles stand out for their progressive approach to the market, regularly updating their laws to provide new, innovative features for effectively and securely managing business risk.

Connecticut has always been at the leading edge of insurance innovation, from the establishment of our nation's first property and casualty insurance company in 1810, and the first life insurance company in 1846, to the development of the first third-party automobile liability policy in 1897.

The list of innovations developed first in Connecticut goes on and on. It is time to add captive insurance to that list. Swift passage of S.B. 188 will further demonstrate to the captive insurance market that Connecticut is an innovator; that Connecticut is a domicile of choice for captive insurance companies; that Connecticut is the insurance capital of the United States.

Are there any questions?

REP. MEGNA: And thank you, sir.

Are there any?

Senator Crisco.

SENATOR CRISCO: I thank -- thank you for all your help and in guiding us through the process and trying to be a player.

I note that I don't believe any of the hospitals in Connecticut are doing business in Connecticut; I think they're offshore and I (inaudible) correct it. If not, is -- is it,

is there enough volume there for us to consider it? And if there is, how do we attract them to Connecticut?

THOMAS F.X. HODSON: Senator, first thank you for all your support of the captive industry and the development of a captive industry here in Connecticut. That's a very good question.

Hospitals, Hartford Hospital has at least three captives, I believe. Stamford Hospital has a captive. Unfortunately, all those captives have been established off-shore. They've been in existence for many years.

One of the things that S.B. 188 does is it streamlines the process for redomestication of captives, making it easier for the hospitals to bring their captives back onshore and to their home state of Connecticut.

Medical, obviously medical professional liability is an important issue for the hospitals. It is often a very difficult and very expensive coverage to place in the traditional market. And as a result, the hospitals have turned to captives as an effective means for -- for managing that risk.

SENATOR CRISCO: But is there any more? I mean, you think one, you know the Senate bill will help attract some of the hospitals into our captive insurance market?

THOMAS F.X. HODSON: I do. I --

SENATOR CRISCO: Yeah?

THOMAS F.X. HODSON: -- think it will attract companies, make it easier for them to redomesticate.

But in addition, I met, in fact just yesterday, with a chairman of the board of a -- a large hospital in Connecticut who had heard that some of the other hospitals in Connecticut did have captives writing their medical malpractice coverage and is very interested in establishing a captive in Connecticut. So there is, there is some momentum for that. I think S.B. 188 will just help increase that momentum.

REP. MEGNA: Thank you, Senator.

Are there any questions of Mr. Hodson? No.

Thank you, very much.

THOMAS F.X. HODSON: Thank you, for the opportunity.

REP. MEGNA: You're welcome.

We're going to move on to 185.

Susan Giacalone.

SUSAN D. GIACALONE: Good afternoon, Representative Megna, Senator Crisco, and members of the Real Estate Insurance -- Insurance and Real Estate Committee.

For the record, my name is Susan Giacalone; I'm here on behalf of the Insurance Association of Connecticut, and I'm actually here in a role supporting a bill. We're supporting Senate Bill 185, and no, it's not snowing out today.

I, first the industry would appreciate the Insurance Department and also its hard work on this bill. This is a bill you did see last year, and there's a lot of hard work put into this bill to prepare it for this session. And

Aetna

AIX Group, a member of
Hanover Insurance GroupAnthem Blue Cross/Blue
Shield of CT

Bank of America

Catlin, Inc.

ConnectiCare

Conning

First Niagara Financial
GroupThe Hartford Financial
Services GroupHartford Steam Boiler
Inspection & Insurance
Company/Munich RE

ING U.S.

Insurity

KPMG

Lincoln Financial Group

Massachusetts Mutual Life
Insurance Company

Northwestern Mutual

Nutmeg State Federal
Credit Union

People's United Bank

The Phoenix Companies

PwC

Prudential Retirement

Robinson & Cole, LLP

Travelers Companies

UnitedHealthcare

United Illuminating

Vantis Life Insurance
Company

Webster Bank

XL Group plc

**Statement of Support on Behalf of
Connecticut Insurance and Financial Services Cluster**

Regarding

SB 188: AAC Captive Insurance Companies

Insurance & Real Estate Committee
February 25, 2014

The Connecticut Insurance and Financial Services Cluster [CT IFS], as part of the MetroHartford Alliance, supports legislation that strengthens and advances Connecticut's insurance and financial services industry.

We seek to protect the jobs that contribute 9% of the state's gross state product and to grow employment by creating an economic environment that is predictable and strong. There are currently over 100,000 people employed in the Insurance Capital working in property casualty, life/retirement and health care sectors. Adding to Connecticut's repertoire, and to its diversification, is captive insurance.

SB 188 is a proposal to update Connecticut's current captive insurance law by adopting certain modernization standards based upon Vermont's captive insurance practice. The Connecticut General Assembly should consider that states such as Vermont which update their captive laws frequently create a business-friendly advantage over other states that do not. Modernizing our current law provides the best possible advantage to capture new jobs and build upon Connecticut's title as the Insurance Capital of the U.S.

Connecticut's competitive strength remains in its rich infrastructure of thousands of highly-trained and educated actuaries, underwriters, accountants and finance professionals. We remain committed to support the passage of SB 188 so that Connecticut can continue to attract domestic and off-shore domiciles that will sustain and grow these jobs that are so important to the Connecticut economy.

Thank you for your consideration.

Susan C. Winkler

Susan Winkler
Executive Director
Connecticut Insurance & Financial Services Cluster



Testimony

Insurance and Real Estate Committee

February 25, 2014

Senate Bill No. 188 (Raised) An Act Concerning Captive Insurance Companies

Good afternoon. My name is Tom Hodson and I serve as President of the Connecticut Captive Insurance Association, a not-for-profit trade organization whose mission is to support the growth of the captive insurance industry in the state of Connecticut.

Chairman Crisco, Chairman Megna and the members of the Insurance and Real Estate Committee, thank you for the opportunity to speak in support of SB 188, a bill that would keep Connecticut at the forefront of the captive insurance market.

What was once referred to as "alternative risk transfer", captive insurance is now accepted as a mainstream risk management tool for companies both large and small. In addition to being an effective means for companies to better utilize their capital, captive insurance often fills a risk financing need that the commercial market is unable or unwilling to provide. Worldwide, captive insurance now insures over 30-percent of the commercial insurance market, representing over \$95 billion in premium and more than 6,700 captives managing risk for their owners. In the United States, there are over 2000 captives writing more than \$43 billion in premium. Clearly, captive insurance has become an important means to managing business risk for companies across the globe, and across the state of Connecticut.



Captive insurance is very important to the economies of the states that host the industry as a domicile. In addition to tax revenue, the captive insurance industry provides high paying jobs across a number of professions. One of the benefits of captive insurance is the “unbundled” nature of the operation of captives, meaning that a captive’s owner often outsources the services necessary to manage their captive insurance program. This requires the employment of key service providers like underwriters, actuaries, auditors, tax advisors, lawyers, claims professionals and investment managers, as well as the scores of support staff necessary to facilitate the operation of the captive.

The captive industry is also responsible for bringing important “tourism” dollars to states that host it as a domicile. Connecticut’s captive insurance law requires that captives hold at least one board of director meeting in the state. In addition, the Connecticut Captive Insurance Association hosts an annual educational and networking symposium, which last year attracted hundreds of people from across the United States, Bermuda and the United Kingdom.

In 2011, this Committee, and the General Assembly as a whole, took an important step in the establishment of Connecticut as a “domicile of choice” for captive insurance companies with the passage of key amendments to our state’s captive insurance law. Senate Bill 188 represents the next important step in the development of Connecticut as a captive domicile. One of the hallmarks of the top captive domiciles across the globe is innovation in the strategies those domiciles offer to companies for managing their business risk. There are more than 35 states that now have captive insurance laws, 12 to 15 of which actively attract the market and a half dozen that are considered key captive domiciles.



Those half dozen domiciles stand out for their progressive approach to the market, regularly updating their laws to provide new and innovative features for effectively and securely managing business risk.

Connecticut has always been at the leading edge of insurance innovation, from the establishment of our nation's first property and casualty insurance company in 1810 and the first life insurance company in 1846, to the development of the first third-party automobile liability policy in 1897. The list of innovations developed first in Connecticut goes on and on. It is time to add captive insurance to that list. Swift passage of SB 188 will further demonstrate to the captive insurance market that Connecticut is an innovator; that Connecticut is a "domicile of choice" for captive insurance companies; that Connecticut is the "Insurance Capital of the United States."

Are there any questions?

Thank you.



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of Thomas B. Leonardi, Insurance Commissioner To Insurance and Real Estate Committee

February 25, 2014

SB 188 - An Act Concerning Captive Insurance Companies

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising Senate Bill 188: An Act Concerning Captive Insurance Companies, at the Department's request and appreciates the opportunity to provide the following testimony.

For those that may not know, a captive is an insurance company or entity that is formed to insure or reinsure the risks of its owner(s). With the formation of a captive insurance company, its owners are "entering into the business of insurance." A captive is the formal use by a company of its own financial capital (or access to capital) to retain and "self-finance" its risks. Many of the world's largest organizations use captives, with over 5,000 captive insurance entities existing worldwide. Variations in structure and design are rapidly emerging, offering creative risk solutions to address evolving risk exposures and capital issues.

Captive insurance companies function as an important complement or alternative to the traditional insurance market. They often fill a risk financing need that the commercial insurance market is unable or unwilling to provide. Without risk financing, certain businesses are unable to function effectively and adverse economic consequences may evolve. Examples of commercial insurance market difficulties include:

- Medical Professional Liability (cost & availability)
- Catastrophic Risk Protection – flood, windstorm (cost & availability)
- Products Liability (cost & availability)
- Workers Compensation (cost)
- Healthcare Benefits (cost & availability)

Captives are a powerful tool for businesses of all sizes and orientations, to shape the future of their owners. Captives not only help manage operating costs, but can also optimize operating returns and improve decision making processes. Even more importantly, captives are a vehicle for leading transformational change. They have generated both economic and strategic value through optimizing risk management decisions, as well as optimizing the utilization and deployment of capital. Captives are

risk management solutions that not only support corporate strategies, but contribute to the organization's bottom line.

In 2011, with the Governor's leadership and the hard work of the Chairs and members of this committee, the legislature passed enabling legislation for the formation and operation of captive insurance companies in this state. By its efforts, this legislative body made a commitment to an important and growing business segment. These efforts resulted in four captive companies domesticating in Connecticut (**total annual written premium of \$54M; total assets of \$118M**) and many more applying for entry.

The 2011 enabling legislation was the starting point to making Connecticut a domicile of choice for captives, **SB 188** will build upon that good work. Its passage will reverberate throughout the industry and signal that Connecticut is nimble and responsive to the needs of this ever evolving industry.

SB 188 contains updates to our existing Captive Statutes that include:

- Clarification of definition private passenger motor vehicle insurance provided by a captive insurance company,
- Provisions and process for transfer of domicile (re-domestication) for captive insurance companies,
- Discretionary authority for evaluating credit for existing reinsurance placements, made by re-domiciling captive insurance companies,
- Establishment and purpose of a branch captive insurance company, and
- Clarification of applicability of holding company legislation to captive insurance companies.

This year, the Connecticut Insurance Department is asking that the State Legislature to consider a few statutory modifications that will enhance the captive insurance capabilities in Connecticut, ease the re-domestication process and expand capability in a rapidly evolving market place. These statutory modifications are essential to continue the development of the captive insurance industry in Connecticut, as part of a rapidly evolving and significant business sector in this state.

There is a strong linkage between Connecticut's captive insurance industry and the economic health of the state. Maintaining Connecticut as a viable captive insurance domicile adds significant value and a competitive advantage to this state as the *Insurance Capital of the Nation*. Vermont, the primary competitive domicile in New England, has built a solid reputation. To maintain its leadership position, it has demonstrated its ability to appropriately modify its statutes and respond to the needs of an evolving industry. Other domiciles in the US have recently entered the captive insurance market, passed legislation to modernize or streamline their statutes, and have made significant new resource and service commitments. Captive insurance company owners have a choice in where they will domicile their insurance subsidiary. The industry has and continues to carefully observe how states with captive statutes are maintaining and improving their statutes to evolve with a quick moving and innovative market place.

The strategic importance of captive insurance to Connecticut business is clear and reinforces our need to update our General Statutes to enable the State of Connecticut to support the needs of its businesses and residents. Connecticut has the recognized leadership and experience in risk and insurance. In addition, the State is an integral part of the Tri-State Region, along with New York, providing easy access to both traditional and alternative capital markets.

There is also the potential to utilize captives to solve risk problems facing various constituent groups in our state. The Connecticut Insurance Department and the Department of Energy and Environmental Protection are collaborating and exploring alternatives to address the "insurance" issues facing businesses and residents of the Connecticut shore line. Contractions in the public and private insurance facilities have caused significant premium increases for flood and windstorm insurance following Super Storm Sandy. Captive insurance companies can access traditional and alternative capital markets to provide a more stable risk protection solution for the catastrophic risk exposures of commercial and residential properties.

Captive insurance entities can be important tools for the implementation of the strategic objectives of its owners. One of the most recent captive companies licensed in Connecticut was able to stabilize the costs of its human capital costs through the use of their newly established captive subsidiary. This in turn allowed the owner to launch a program to employ veterans and long term unemployed workers here in Connecticut. Hence, the captive helped facilitate the implementation of its owner's strategic objectives.

The captive insurance environment in Connecticut is indeed growing, vibrant and responsive. More importantly, business and organizations who manage their strategies and capital through captive insurance vehicles, can attract and maintain a qualified and productive workforce, they can add jobs as they grow. This is the real impact and contribution to the Connecticut economy.

The Connecticut Insurance Department respectfully recommends substitute language for **SB 188** (*please see the attached document*), which will allow for the alignment of the Connecticut General Statutes with NAIC model acts, relating specifically to risk retention groups (RRG's) domiciling in Connecticut. RRG's are typically formed as captive insurance companies and organized under the laws of this state pursuant to the federal Liability Risk Retention Act of 1986. The first amendment relates to the application of the Risk Based Capital model act to risk retention groups, and the second amendment relates to the Producer Controlled Property/Casualty Insurer model act. Both of these amendments will provide additional consumer-oriented regulatory requirements/scrutiny to risk retention groups forming and licensed prospectively in Connecticut.

The Department again, thanks the Committee for raising **SB 188** and encourages the Committee's support. Thank you.

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.

Recommended Substitute Language

1. The first technical amendment for drafting:

Sec. 38a-91oo (2): Add the following**Sec 38a-72(d) and Sec. 38a-73, which shall apply only to captive insurance companies formed as risk retention groups, as defined in section 38a-91aa.**

2. The second technical amendment for drafting:

Sec 38a-91 (6): Add the following wording at the end of the "licensed insurer" wording.... **other than a risk retention group defined in section 38a-91aa.**