



General Assembly

**Substitute Bill No. 5382**

February Session, 2022



**AN ACT CONCERNING THE INSURANCE HOLDING COMPANY ACT.**

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

1 Section 1. Section 38a-129 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2022*):

3 (a) It shall be the purpose of sections 38a-129 to 38a-140, inclusive, to  
4 safeguard the financial security of Connecticut domestic insurance  
5 companies by empowering the Insurance Commissioner to supervise  
6 the activities of insurance companies doing business within this state  
7 which are affiliated with an insurance holding company system, to  
8 review the acquisition of control over the management of domestic  
9 insurance companies, however effectuated, and to provide standards  
10 for such supervision and review.

11 (b) As used in sections 38a-129 to 38a-140, inclusive, the following  
12 terms shall have the respective meanings hereinafter set forth, unless the  
13 context shall otherwise require:

14 (1) "Affiliate" or "affiliated" has the same meaning as provided in  
15 section 38a-1;

16 (2) "Commissioner" means the Insurance Commissioner and any  
17 assistant to the Insurance Commissioner designated and authorized by

18 the commissioner while acting under such designation;

19 (3) "Control", "controlled by" or "under common control with" has the  
20 same meaning as provided in section 38a-1;

21 (4) "Enterprise risk" means any activity, circumstance, event or series  
22 of events involving one or more affiliates of an insurer that, if not  
23 remedied promptly, is likely to have a material adverse effect upon the  
24 financial condition or liquidity of the insurer or the insurer's insurance  
25 holding company system as a whole, including, but not limited to, any  
26 activity, circumstance, event or series of events that would cause an  
27 insurer's risk-based capital to fall below minimum threshold levels, as  
28 described in subsection (d) of section 38a-72 or, for a health care center,  
29 in subdivision (2) of subsection (a) of section 38a-193, or would cause  
30 the insurer to be in a hazardous financial condition;

31 (5) "Group capital calculation instructions" means the Group Capital  
32 Calculation Instructions and Reporting Template as adopted by the  
33 NAIC and as amended by the NAIC from time to time in accordance  
34 with the procedures adopted by the NAIC;

35 [(5)] (6) "Insurance holding company system" means two or more  
36 affiliated persons, one or more of which is an insurance company;

37 [(6)] (7) "Insurance company" or "insurer" has the same meaning as  
38 provided in section 38a-1, except that it does not include agencies,  
39 authorities or instrumentalities of the United States, its possessions and  
40 territories, the Commonwealth of Puerto Rico, the District of Columbia,  
41 or a state or political subdivision of a state;

42 [(7)] (8) "NAIC" means the National Association of Insurance  
43 Commissioners;

44 (9) "NAIC liquidity stress test framework" means the NAIC Liquidity  
45 Stress Test Framework publication which includes a history of the  
46 NAIC's development of regulatory liquidity stress testing, the scope  
47 criteria applicable for a specific data year, and the liquidity stress test

48 instructions and reporting templates for a specific data year, such scope  
49 criteria, instructions, and reporting template being as adopted by the  
50 NAIC and as amended by the NAIC from time to time in accordance  
51 with the procedures adopted by the NAIC;

52 [(8)] (10) "Person" has the same meaning as provided in section 38a-  
53 1, or any combination of persons so defined acting in concert;

54 (11) "Scope criteria" means the designated exposure bases along with  
55 minimum magnitudes thereof for the specified data year used to  
56 establish a preliminary list of insurers considered scoped into the NAIC  
57 liquidity stress test framework for that data year;

58 [(9)] (12) A "securityholder" of a specified person means one who  
59 owns any security of such person, including common stock, preferred  
60 stock, debt obligations and any other security convertible into or  
61 evidencing the right to acquire any of the foregoing;

62 [(10)] (13) "Subsidiary" has the same meaning as provided in section  
63 38a-1; and

64 [(11)] (14) "Voting security" includes any security convertible into or  
65 evidencing a right to acquire a voting security.

66 (c) The provisions of sections 38a-129 to 38a-140, inclusive, shall  
67 apply to captive insurance companies, as defined in section 38a-91aa, as  
68 specified in section 38a-91oo.

69 Sec. 2. Subsections (g) to (o), inclusive, of section 38a-135 of the  
70 general statutes are repealed and the following is substituted in lieu  
71 thereof (*Effective July 1, 2022*):

72 (g) (1) Except as provided in subdivision (2) of this subsection, the  
73 ultimate controlling person of every insurer subject to registration shall  
74 concurrently file with such registration an annual group capital  
75 calculation not later than June first of each year, with the lead state  
76 commissioner. The report shall be completed in accordance with the

77 NAIC group capital calculation instructions, which may permit the lead  
78 state commissioner to allow a controlling person that is not the ultimate  
79 controlling person to file the group capital calculation. The report shall  
80 be filed with the lead state commissioner of the insurance holding  
81 company system as determined by the lead state commissioner in  
82 accordance with the procedures contained in the Financial Analysis  
83 Handbook adopted by the NAIC.

84 (2) An insurance holding company system shall be exempt from filing  
85 the group capital calculation if it is:

86 (A) An insurance holding company system that has only one insurer  
87 within its holding company structure, that only writes business and is  
88 only licensed in its domestic state and assumes no business from any  
89 other insurer;

90 (B) An insurance holding company system that is subject to the group  
91 capital requirements applicable to an insurance group that owns a  
92 depository institution or institutions by the United States Federal  
93 Reserve Board. The lead state commissioner shall request such group  
94 capital requirements applicable to the insurance group from the United  
95 States Federal Reserve Board under the terms of information sharing  
96 agreements in effect. If the United States Federal Reserve Board cannot  
97 share the calculation with the lead state commissioner, the insurance  
98 holding company system shall not be exempt from the group capital  
99 calculation filing;

100 (C) An insurance holding company system whose non-United States  
101 group-wide supervisor is located within a reciprocal jurisdiction as  
102 described in section 38a-85 that recognizes the United States regulatory  
103 approach to group supervision and group capital; or

104 (D) An insurance holding company system:

105 (i) That provides information to the lead state commissioner that  
106 meets the requirements for accreditation under the NAIC financial  
107 standards and accreditation program, either directly or indirectly

108 through the group-wide supervisor, who has determined such  
109 information is satisfactory to allow the lead state commissioner to  
110 comply with the NAIC group supervision approach, as detailed in the  
111 NAIC Financial Analysis Handbook; and

112 (ii) Whose non-United States group-wide supervisor that is not in a  
113 reciprocal jurisdiction recognizes and accepts, as specified by the lead  
114 state commissioner in regulation, the group capital calculation as the  
115 world-wide group capital assessment for United States insurance  
116 groups who operate in that jurisdiction.

117 (3) Notwithstanding subparagraphs (C) and (D) of subdivision (2) of  
118 this subsection, a lead state commissioner shall require the group capital  
119 calculation for the United States operations of any non-United States  
120 based insurance holding company system where, after any necessary  
121 consultation with other supervisors or officials, it is determined  
122 appropriate by the lead state commissioner for prudential oversight and  
123 solvency monitoring purposes or for ensuring competitiveness of the  
124 insurance marketplace.

125 (4) Notwithstanding subparagraphs (A) and (D) of subdivision (2) of  
126 this subsection, the lead state commissioner shall have the discretion to  
127 exempt the ultimate controlling person from filing the annual group  
128 capital calculation or to accept a limited group capital filing or report in  
129 accordance with criteria as specified by the lead state commissioner in  
130 regulation.

131 (5) If the lead state commissioner determines that an insurance  
132 holding company system no longer meets one or more of the  
133 requirements for an exemption for filing the group capital calculation  
134 under subdivision (2) of this subsection, the insurance holding company  
135 system shall file the group capital calculation at the next annual filing  
136 date unless given an extension by the lead state commissioner based on  
137 reasonable grounds shown.

138 (6) The information reported and provided to the lead state

139 commissioner by an insurance holding company, including an  
140 insurance holding company supervised by the United States Federal  
141 Reserve Board pursuant to this subsection, shall:

142 (A) Be confidential by law and privileged;

143 (B) Not be subject to disclosure under section 1-210;

144 (C) Not be subject to subpoena; and

145 (D) Not be subject to discovery or admissible in any civil action.

146 (7) The group capital calculation and resulting group capital ratio  
147 required pursuant to this subsection are regulatory tools for assessing  
148 group risks and capital adequacy and are not intended as a means to  
149 rank insurers or insurance holding company systems generally.

150 (h) The ultimate controlling person of every insurer subject to  
151 registration and also scoped into the NAIC liquidity stress test  
152 framework shall file the results of a specific year's liquidity stress test to  
153 the lead state insurance commissioner of the insurance holding  
154 company system as determined by procedures within the Financial  
155 Analysis Handbook adopted by the NAIC.

156 (1) The NAIC liquidity stress test framework includes scope criteria  
157 applicable to a specific data year. These scope criteria are reviewed at  
158 least annually by the NAIC Financial Stability Task Force or its  
159 successor. Any change to the NAIC liquidity stress test framework or to  
160 the data year for which the scope criteria are to be measured shall be  
161 effective on January first of the year following the calendar year when  
162 such changes are adopted. Insurers meeting at least one threshold of the  
163 scope criteria shall be considered scoped into the NAIC liquidity stress  
164 test framework for the specified data year unless the lead state  
165 commissioner, in consultation with the NAIC Financial Stability Task  
166 Force or its successor, determines the insurer should not be scoped into  
167 the NAIC liquidity stress test framework for that data year. Insurers that  
168 do not trigger at least one threshold of the scope criteria shall be

169 considered scoped out of the NAIC liquidity stress test framework for  
170 the specified data year, unless the lead state insurance commissioner, in  
171 consultation with the NAIC Financial Stability Task Force or its  
172 successor, determines the insurer should be scoped into the NAIC  
173 liquidity stress test framework for that data year.

174 (2) The performance of, and filing of the results from, a specific year's  
175 liquidity stress test shall comply with the NAIC liquidity stress test  
176 framework's instructions and reporting templates for that year and any  
177 lead state insurance commissioner determinations, in conjunction with  
178 the NAIC Financial Stability Task Force or its successor, provided  
179 within the NAIC liquidity stress test framework.

180 (3) The information reported and provided to the lead state  
181 commissioner by an insurance holding company, including an  
182 insurance holding company supervised by the United States Federal  
183 Reserve Board pursuant to this subsection, shall:

184 (A) Be confidential by law and privileged;

185 (B) Not be subject to disclosure under section 1-210;

186 (C) Not be subject to subpoena; and

187 (D) Not be subject to discovery or admissible in any civil action.

188 (4) The liquidity stress test along with its results and supporting  
189 disclosures required pursuant to this subsection are regulatory tools for  
190 assessing group liquidity risks and are not intended as a means to rank  
191 insurers or insurance holding company systems generally.

192 [(g)] (i) The commissioner shall terminate the registration of any  
193 insurance company that demonstrates that it no longer is a member of  
194 an insurance holding company system.

195 [(h)] (j) The commissioner may require or allow two or more affiliated  
196 insurance companies subject to registration hereunder to file a

197 consolidated registration statement.

198 [(i)] (k) The commissioner may allow an insurance company that is  
199 authorized to do business in this state and is part of an insurance  
200 holding company system to register on behalf of any affiliated insurer  
201 that is required to register under subsection (a) of this section and to file  
202 all information and materials required to be filed under this section.

203 [(j)] (l) Any person may file with the commissioner a disclaimer of  
204 affiliation with any insurance company and any insurance company  
205 may file a disclaimer of affiliation with any other person. The disclaimer  
206 shall fully disclose all material relationships and bases for affiliation  
207 between such person and such insurance company as well as the basis  
208 for disclaiming such affiliation. After a disclaimer has been filed, the  
209 insurance company shall be relieved of any duty to register or report  
210 under this section that may arise out of the insurance company's  
211 relationship with such person unless the commissioner disallows such  
212 disclaimer. The commissioner shall disallow such disclaimer only after  
213 furnishing all parties in interest with notice and an opportunity to be  
214 heard, and after making specific findings of fact to support such  
215 disallowance.

216 [(k)] (m) The failure to file a registration statement or any  
217 amendment, addition thereto or summary or an enterprise risk report  
218 required by this section within the time specified for such filing shall be  
219 a violation of sections 38a-129 to 38a-140, inclusive, as amended by this  
220 act.

221 [(l)] (n) The commissioner may by regulation or order exempt any  
222 insurance company or class of insurance companies from registration  
223 under this section if, in the commissioner's judgment, registration by  
224 such company or class of companies is not necessary to effectuate the  
225 purposes of said sections.

226 [(m)] (o) A foreign or alien insurer shall not be required to register  
227 pursuant to this section if it is (1) subject to disclosure requirements and



228 standards adopted by statute or regulation in the jurisdiction of its  
229 domicile that are substantially similar to those contained in this section  
230 and subsections (a), (b), (f) and (g) of section 38a-136, as amended by  
231 this act, or (2) admitted in the domiciliary jurisdiction of the principal  
232 insurer in its holding company system and in said jurisdiction is subject  
233 to disclosure requirements and standards adopted by statute or  
234 regulation that are substantially similar to those contained in this section  
235 and subsections (a), (b), (f) and (g) of section 38a-136, as amended by  
236 this act. The commissioner may require any authorized insurer that is a  
237 member of a holding company system not subject to registration under  
238 this section to furnish a copy of the registration statement or other  
239 information filed by such insurance company with the insurance  
240 regulatory authority of its domicile or the domicile of the principal  
241 insurer in its holding company system, as the case may be.

242       [(n)] (p) (1) To assess the business strategy, financial, legal or  
243 regulatory position risk exposure, risk management or governance  
244 processes of a domestic insurance company registered under this  
245 section that is part of an insurance holding company system that has  
246 international operations, and as part of the examination pursuant to  
247 section 38a-14a of such insurance company, the commissioner may  
248 initiate, be a member of or participate in a supervisory college, which  
249 shall be a temporary or permanent forum for communication between  
250 and cooperation among state, federal and international regulatory  
251 officials.

252       (2) If the commissioner initiates a supervisory college, the  
253 commissioner shall (A) establish the membership of, and participation  
254 by state, federal or international regulatory officials in, such supervisory  
255 college, (B) establish the functions of the supervisory college and the role  
256 of members and participants, and select a chairperson for such  
257 supervisory college, (C) coordinate the activities of the supervisory  
258 college, including meeting planning and processes for information  
259 sharing that comply with the applicable confidentiality provisions set  
260 forth in section 38a-137, as amended by this act, and (D) establish a crisis

261 management plan for such supervisory college.

262 (3) The commissioner may enter into written agreements with state,  
263 federal or international regulatory officials for the governing of the  
264 activities of a supervisory college. Any such agreements shall maintain  
265 the confidentiality requirements under section 38a-137, as amended by  
266 this act.

267 (4) Each insurance company subject to registration under this section  
268 shall be assessed for and shall pay to the commissioner its share of the  
269 reasonable costs, including reasonable travel expenses, of the  
270 commissioner's participation in a supervisory college. Such payment  
271 shall be in addition to any other taxes, fees and moneys otherwise  
272 payable to the state. The commissioner shall establish the assessment  
273 method for such costs and provide reasonable notice to each insurance  
274 company subject to any such assessment.

275 (5) Nothing in this subsection shall be construed to limit the authority  
276 of the commissioner to regulate an insurance company or its affiliate  
277 under the commissioner's jurisdiction or to delegate any regulatory  
278 authority of the commissioner to a supervisory college.

279 [(o)] (q) (1) As used in this subsection: (A) "Group-wide supervisor"  
280 means the regulatory official (i) authorized by such official's jurisdiction  
281 to conduct and coordinate group-wide supervisory activities, and (ii)  
282 who is determined or acknowledged to be the group-wide supervisor of  
283 an internationally active insurance group pursuant to this subsection;  
284 and (B) "internationally active insurance group" means any insurance  
285 holding company system that (i) includes an insurance company  
286 registered pursuant to this section, and (ii) meets the following criteria:  
287 (I) Premiums are written in at least three countries; (II) the percentage  
288 of gross premiums written, including, for purposes of this subsection,  
289 administrative service fees, associated expenses and claims payments,  
290 without such amounts transacted in the United States is at least ten per  
291 cent of the insurance holding company system's total gross written  
292 premiums; and (III) based on a three-year rolling average, the total

293 assets of the insurance holding company system are at least fifty billion  
294 dollars or the total gross written premiums of the insurance holding  
295 company system are at least ten billion dollars.

296 (2) (A) The commissioner, in cooperation with other state, federal and  
297 international regulatory agencies of the jurisdictions where members of  
298 the internationally active insurance group are domiciled, shall  
299 determine a single group-wide supervisor for an internationally active  
300 insurance group. An insurance holding company system that does not  
301 qualify as an internationally active insurance group may request that  
302 the commissioner make a determination or acknowledgment of a group-  
303 wide supervisor as set forth in this subsection.

304 (B) The commissioner may determine that the commissioner is the  
305 appropriate group-wide supervisor for an internationally active  
306 insurance group that conducts substantial insurance business  
307 operations in this state and may act as a group-wide supervisor for any  
308 internationally active insurance group in accordance with the  
309 provisions of this subsection.

310 (C) The commissioner may acknowledge that the regulatory official  
311 of another jurisdiction is an appropriate group-wide supervisor for an  
312 internationally active insurance group that (i) does not conduct  
313 substantial insurance business operations in the United States, (ii)  
314 conducts substantial insurance business operations in the United States  
315 but not in this state, or (iii) conducts substantial insurance business  
316 operations in the United States and in this state but the commissioner  
317 has determined, pursuant to the factors set forth in subdivision (3) of  
318 this subsection, that the regulatory official of another jurisdiction is the  
319 appropriate group-wide supervisor.

320 (D) When another regulatory official is acting as the group-wide  
321 supervisor of an internationally active insurance group, the  
322 commissioner shall acknowledge such official as the group-wide  
323 supervisor, except that the commissioner shall make a determination or  
324 acknowledgment of a group-wide supervisor for such insurance group

325 if a material change in such insurance group results in (i) the largest  
326 share of such insurance group's premiums, assets or liabilities being  
327 held by member insurance companies domiciled in this state, or (ii) this  
328 state being the place of domicile of the top-tiered insurance company or  
329 companies in such insurance group.

330 (E) A regulatory official determined or acknowledged to be a group-  
331 wide supervisor of an internationally active insurance group may  
332 determine, after considering the factors set forth in subdivision (3) of  
333 this subsection, that it is appropriate to acknowledge another regulatory  
334 official to serve as the group-wide supervisor of such insurance group.  
335 Such acknowledgment shall be made (i) in cooperation with and subject  
336 to the acknowledgment of other regulatory officials of the jurisdictions  
337 where members of such insurance group are domiciled, and (ii) in  
338 consultation with such insurance group.

339 (3) The commissioner shall consider the following factors in making  
340 a determination or acknowledgment under subdivision (2) of this  
341 subsection:

342 (A) The place of domicile of the member insurance companies of the  
343 internationally active insurance group that holds the largest share of  
344 such insurance group's premiums, assets or liabilities;

345 (B) The place of domicile of the top-tiered insurance company or  
346 companies in the internationally active insurance group;

347 (C) The locations of the executive offices or the largest operational  
348 offices of the internationally active insurance group; and

349 (D) Whether (i) a regulatory official of another jurisdiction is acting  
350 or seeking to act as the group-wide supervisor under a regulatory  
351 system the commissioner determines to be substantially similar to that  
352 provided under the laws of this state or is otherwise sufficient in terms  
353 of group-wide supervision, enterprise risk analysis and cooperation  
354 with other regulatory officials, and (ii) such regulatory official acting or  
355 seeking to act as the group-wide supervisor provides the commissioner

356 with reasonably reciprocal recognition and cooperation.

357 (4) The commissioner may collect, pursuant to section 38a-14a, from  
358 any insurance company registered pursuant to this section any  
359 information necessary for the commissioner to determine whether the  
360 commissioner may act as the group-wide supervisor of an  
361 internationally active insurance group of which such company is a  
362 member or whether the commissioner may acknowledge that a  
363 regulatory official of another jurisdiction should act as the group-wide  
364 supervisor of such insurance group.

365 (5) Prior to issuing any determination or acknowledgment under this  
366 subsection, the commissioner shall notify the member insurance  
367 company registered pursuant to this section and the ultimate controlling  
368 person of the internationally active insurance group of such pending  
369 determination or acknowledgment. The commissioner shall provide the  
370 internationally active insurance group at least thirty calendar days to  
371 submit any additional information pertinent to such determination or  
372 acknowledgment that is requested by the commissioner or that such  
373 insurance group chooses to submit. The commissioner shall publish in  
374 the Connecticut Law Journal and post on the Insurance Department's  
375 Internet web site a current list of internationally active insurance groups  
376 that the commissioner has determined are subject to group-wide  
377 supervision by the commissioner.

378 (6) The commissioner may conduct and coordinate the following  
379 group-wide supervision activities for an internationally active insurance  
380 group for which the commissioner is determined to be the group-wide  
381 supervisor:

382 (A) Assess the enterprise risks within the internationally active  
383 insurance group to ensure that material financial conditions of and  
384 liquidity risks to the members of such insurance group that are engaged  
385 in the business of insurance are identified by management and that  
386 reasonable and effective mitigation measures are in place;

387 (B) Request from members of such insurance group information  
388 necessary and appropriate to assess enterprise risk, including, but not  
389 limited to, information about governance, risk assessment and  
390 management, capital adequacy and material intercompany transactions;

391 (C) Coordinate and, through the authority of the regulatory officials  
392 of the jurisdictions where members of the internationally active  
393 insurance group are domiciled, compel the development and  
394 implementation of reasonable measures designed to ensure the  
395 internationally active insurance group is able to timely recognize and  
396 mitigate material enterprise risks to the members of such insurance  
397 group that are engaged in the business of insurance;

398 (D) Communicate with other state, federal and international  
399 regulatory agencies of the jurisdictions where members of the  
400 internationally active insurance group are domiciled and share relevant  
401 information, subject to the confidentiality provisions of section 38a-137,  
402 as amended by this act, through a supervisory college, as set forth in  
403 subsection [(n)] (p) of this section;

404 (E) Enter into agreements with or obtain documentation from any  
405 member insurance company registered under this section, any other  
406 member of the internationally active insurance group and any other  
407 state, federal and international regulatory agencies of the jurisdictions  
408 where members of the internationally active insurance group are  
409 domiciled, to establish or clarify the commissioner's role as group-wide  
410 supervisor and that may include provisions for resolving disputes with  
411 other regulatory officials. No such agreement or documentation shall  
412 serve as evidence that an insurance company or person within an  
413 insurance company holding system that is not domiciled or  
414 incorporated in this state is doing business in this state or is otherwise  
415 subject to the jurisdiction of this state; and

416 (F) Other activities necessary to effectuate the group-wide  
417 supervisory purposes of this section and sections 38a-129 to 38a-140,  
418 inclusive, as amended by this act, and within the authority granted in

419 said sections.

420 (7) If the commissioner acknowledges that a regulatory official of a  
421 jurisdiction not accredited by NAIC is the group-wide supervisor of an  
422 internationally active insurance group, the commissioner shall  
423 reasonably cooperate through a supervisory college or otherwise with  
424 group supervision undertaken by such group-wide supervisor,  
425 provided such cooperation is in compliance with the laws of this state  
426 and such group-wide supervisor recognizes and cooperates with the  
427 commissioner's activities as a group-wide supervisor for other  
428 internationally active insurance groups, where applicable. The  
429 commissioner may refuse to cooperate if the commissioner determines  
430 such recognition and cooperation are not reasonably reciprocated. The  
431 commissioner may enter into agreements with or obtain documentation  
432 from any member insurance company registered pursuant to this  
433 section, any affiliate of such insurance company and any other state,  
434 federal and international regulatory agencies of the jurisdictions where  
435 members of the internationally active insurance group are domiciled, to  
436 establish or clarify such official's role as group-wide supervisor.

437 (8) The commissioner may adopt regulations, in accordance with the  
438 provisions of chapter 54, to carry out the provisions of this subsection.

439 (9) Each insurance company registered pursuant to this section shall  
440 be liable for and shall pay the reasonable expenses of the commissioner's  
441 administration of this subsection, including the engagement of the  
442 services of attorneys, actuaries and other professionals and all  
443 reasonable travel expenses.

444 Sec. 3. Section 38a-136 of the general statutes is repealed and the  
445 following is substituted in lieu thereof (*Effective July 1, 2022*):

446 (a) Transactions within an insurance holding company system to  
447 which an insurance company subject to registration under section 38a-  
448 135, as amended by this act, is a party shall be subject to the following  
449 requirements:

450 (1) The terms shall be fair and reasonable;

451 (2) [charges] Charges or fees for services performed shall be  
452 reasonable;

453 (3) [expenses] Expenses incurred and payment received shall be  
454 allocated to the insurance company in conformity with customary  
455 insurance accounting practices consistently applied;

456 (4) [the] The books, accounts and records of each party shall be so  
457 maintained as to clearly and accurately disclose the precise nature and  
458 details of the transactions, including such accounting information as is  
459 necessary to support the reasonableness of the charges or fees to the  
460 respective parties;

461 (5) [the] The insurance company's surplus shall be reasonable in  
462 relation to such company's outstanding liabilities and adequate to its  
463 financial needs; [and]

464 (6) [agreements] Agreements for cost-sharing services and  
465 management shall include such provisions as may be required by  
466 regulations adopted by the commissioner; [.]

467 (7) If an insurance company subject to sections 38a-129 to 38a-140,  
468 inclusive, as amended by this act, is determined by the commissioner to  
469 be in a hazardous financial condition as set forth in sections 38a-8-101 to  
470 38a-8-104, inclusive, of the regulations of Connecticut state agencies or  
471 a condition that would be grounds for supervision, conservation or a  
472 delinquency proceeding as set forth in chapter 704c, the commissioner  
473 may require the insurance company to secure and maintain either a  
474 deposit, held by the commissioner, or a bond, as determined by the  
475 insurance company at the insurance company's discretion, for the  
476 protection of the insurance company for the duration of the contracts or  
477 agreements, or the existence of the condition for which the  
478 commissioner required the deposit or the bond. In determining whether  
479 the bond is required, the commissioner shall consider whether concerns  
480 exist with respect to affiliates of the insurance company to fulfill the



481 contracts or agreements if the insurance company were to be put into  
482 liquidation. Once the insurance company is determined to be in a  
483 hazardous financial condition or a condition that is grounds for  
484 supervision, conservation or a delinquency proceeding, and a deposit  
485 or bond is necessary, the commissioner may determine the amount of  
486 the deposit or bond, not to exceed the value of the contracts or  
487 agreements in any one year, and whether such deposit or bond shall be  
488 required for a single contract, multiple contracts or a contract only with  
489 a specific affiliate of the insurance company;

490       (8) All records and data of the insurance company held by an affiliate  
491 shall remain the property of the insurance company and shall be subject  
492 to control of the insurance company, identifiable, and segregated or  
493 readily capable of segregation, at no additional cost to the insurance  
494 company, from all other persons' records and data, including, but not  
495 limited to, all records and data that are otherwise the property of the  
496 insurance company, in whatever form maintained, including, but not  
497 limited to, claims and claim files, policyholder lists, application files,  
498 litigation files, premium records, rate books, underwriting manuals,  
499 personnel records, financial records or similar records within the  
500 possession, custody or control of the affiliate. At the request of the  
501 insurance company, the affiliate shall provide that the receiver can  
502 obtain a complete set of all records of any type that pertain to the  
503 insurance company's business; obtain access to the operating systems  
504 on which the data is maintained; obtain the software that runs such  
505 systems either through assumption of licensing agreements or  
506 otherwise; and restrict the use of the data by the affiliate if it is not  
507 operating the insurance company's business. The affiliate shall provide  
508 a waiver of any landlord lien or other encumbrance to give the insurance  
509 company access to all records and data in the event of the affiliate's  
510 default under a lease or other agreement; and

511       (9) Premiums or other funds that belong to the insurance company  
512 that are collected by or held by an affiliate or affiliates are the exclusive  
513 property of the insurance company and shall be subject to the control of

514 the insurance company. Any right of offset of amounts due to or due  
515 from the insurance company and an affiliate or affiliates in the event an  
516 insurance company is placed into receivership shall be subject to chapter  
517 704c.

518 (b) (1) The following transactions involving a domestic insurance  
519 company and any person in its holding company system, including  
520 amendments to or modifications of affiliate agreements previously filed  
521 pursuant to this section and that are subject to any materiality standards  
522 specified in subparagraphs (A) to (G), inclusive, of this subdivision, may  
523 not be entered into unless the insurance company has notified the  
524 commissioner in writing of its intention to enter into such transaction at  
525 least thirty days prior thereto, or such shorter period as the  
526 commissioner may permit, and the commissioner has approved or not  
527 disapproved it within such period. The written notice for such  
528 amendments or modifications shall specify the reasons for the change  
529 and the financial impact on the domestic insurance company. Not later  
530 than thirty days after the termination of a previously filed agreement,  
531 the domestic insurance company shall notify the commissioner of such  
532 termination for the commissioner's determination of what written notice  
533 or filing shall be required, if any:

534 (A) Sales, purchases, exchanges, loans or extensions of credit, or  
535 investments, provided such transactions are equal to or exceed: (i) With  
536 respect to nonlife insurance companies, the lesser of three per cent of the  
537 insurance company's admitted assets or twenty-five per cent of surplus;  
538 or (ii) with respect to life insurance companies, three per cent of the  
539 insurance company's admitted assets; each as of the thirty-first day of  
540 December next preceding;

541 (B) Loans or extensions of credit to any person who is not an affiliate,  
542 where the insurance company makes such loans or extensions of credit  
543 with the agreement or understanding that the proceeds of such  
544 transactions, in whole or in substantial part, are to be used to make loans  
545 or extensions of credit to, to purchase assets of, or to make investments  
546 in, any affiliate of the insurance company making such loans or

547 extensions of credit, provided such transactions are equal to or exceed:  
548 (i) With respect to nonlife insurance companies, the lesser of three per  
549 cent of the insurance company's admitted assets or twenty-five per cent  
550 of surplus; or (ii) with respect to life insurance companies, three per cent  
551 of the insurance company's admitted assets; each as of the thirty-first  
552 day of December next preceding;

553 (C) Reinsurance agreements or modifications thereto, including (i) all  
554 reinsurance pooling agreements, and (ii) agreements in which the  
555 reinsurance premium or a change in the insurance company's liabilities,  
556 or the projected reinsurance premium or a projected change in the  
557 insurance company's liabilities in any of the next three years, equals or  
558 exceeds five per cent of the insurance company's surplus, as of the  
559 thirty-first day of December next preceding, including those agreements  
560 that may require as consideration the transfer of assets from an  
561 insurance company to a nonaffiliate, if an agreement or understanding  
562 exists between the insurance company and nonaffiliate that any portion  
563 of such assets will be transferred to one or more affiliates of the  
564 insurance company;

565 (D) All management agreements, service contracts, tax allocation  
566 agreements and cost-sharing arrangements;

567 (E) Guarantees by a domestic insurance company, except that a  
568 guarantee that is (i) quantifiable as to amount, and (ii) does not exceed  
569 the lesser of one-half of one per cent of the insurance company's  
570 admitted assets or ten per cent of surplus with regard to policyholders,  
571 as of the thirty-first day of December next preceding, shall not be subject  
572 to the notice requirement of this subsection;

573 (F) Direct or indirect acquisitions or investments in a person that  
574 controls the domestic insurance company or in an affiliate of the  
575 insurance company in an amount that, together with the insurance  
576 company's present holdings in such investments, exceeds two and one-  
577 half per cent of the insurance company's surplus with regard to  
578 policyholders. This subsection shall not apply to direct or indirect

579 acquisitions of or investments in (i) subsidiaries acquired pursuant to  
580 section 38a-102d or authorized pursuant to any section of this title other  
581 than sections 38a-129 to 38a-140, inclusive, as amended by this act, or (ii)  
582 nonsubsidiary affiliates that are subject to the provisions of sections 38a-  
583 129 to 38a-140, inclusive, as amended by this act; and

584 (G) Any material transactions, specified by regulation, that the  
585 commissioner determines may adversely affect the interests of the  
586 insurance company's policyholders.

587 (2) Nothing contained in this section shall be deemed to authorize or  
588 permit any transactions that, in the case of an insurance company not a  
589 member of the same insurance holding company system, would be  
590 otherwise contrary to law.

591 (c) A domestic insurance company may not enter into transactions  
592 that are part of a plan or series of like transactions with persons within  
593 the insurance holding company system if the purpose of those separate  
594 transactions is to avoid the statutory threshold amount and thus avoid  
595 the review that would otherwise occur. If the commissioner determines  
596 that such separate transactions were entered into over any twelve-  
597 month period for such purpose, the commissioner may exercise  
598 authority under section 38a-140.

599 (d) The commissioner, in reviewing transactions pursuant to  
600 subsection (b) of this section, shall consider whether the transactions  
601 comply with the standards set forth in subsection (a) of this section and  
602 whether they may adversely affect the interests of policyholders.

603 (e) Except as may be exempted pursuant to regulations adopted, in  
604 accordance with the provisions of chapter 54, by the commissioner or  
605 otherwise waived by the commissioner, the commissioner shall be  
606 notified not later than thirty days after any material investment of the  
607 domestic insurance company in any one corporation if the total  
608 investment in such corporation by such insurance company's insurance  
609 holding company system exceeds ten per cent of such corporation's

610 voting securities.

611 (f) (1) No insurance company subject to registration under section  
612 38a-135, as amended by this act, shall pay any extraordinary dividend  
613 or make any other extraordinary distribution to its stockholders until  
614 the commissioner has approved such payment or until thirty days after  
615 the commissioner has received notice from such company of the  
616 declaration thereof within which period the commissioner has not  
617 disapproved such payment, whichever is sooner. For the purposes of  
618 this subsection, an extraordinary dividend or distribution is any  
619 dividend or distribution of cash or other property, whose fair market  
620 value together with that of other dividends or distributions made within  
621 the preceding twelve months, exceeds the greater of (A) ten per cent of  
622 such insurance company's surplus as of the thirty-first day of December  
623 last preceding, or (B) the net gain from operations of such insurance  
624 company, if such company is a life insurance company, or the net  
625 income, if such company is not a life insurance company, for the twelve-  
626 month period ending the thirty-first day of December last preceding,  
627 but shall not include pro rata distributions of any class of the insurance  
628 company's own securities.

629 (2) Notwithstanding any other provision of law, an insurance  
630 company may declare an extraordinary dividend or distribution that is  
631 conditional upon the commissioner's approval thereof, but such a  
632 declaration shall confer no rights upon stockholders until (A) the  
633 commissioner has approved the payment of such dividend or  
634 distribution, or (B) until thirty days after such declaration thereof within  
635 which period the commissioner has not disapproved such declaration,  
636 whichever is sooner.

637 (g) For purposes of sections 38a-129 to 38a-140, inclusive, as amended  
638 by this act, in determining whether an insurance company's surplus is  
639 reasonable in relation to the insurance company's outstanding liabilities  
640 and adequate to its financial needs, the following factors, in addition to  
641 others, shall be considered: (1) The size of the insurance company as  
642 measured by its assets, capital and surplus, reserves, premium writings,

643 insurance in force and other appropriate criteria; (2) the extent to which  
644 the insurance company's business is diversified among the several lines  
645 of insurance; (3) the number and size of risks insured in each line of  
646 business; (4) the nature of the geographical dispersion of the insurance  
647 company's insured risks; (5) the nature and extent of the insurance  
648 company's reinsurance program; (6) the quality, diversification and  
649 liquidity of the insurance company's investment portfolio; (7) the recent  
650 past and projected future trend in the size of the insurance company's  
651 surplus; (8) the surplus maintained by other comparable insurance  
652 companies; (9) the adequacy of the insurance company's reserves; (10)  
653 the quality of the company's earnings and the extent to which the  
654 reported earnings include extraordinary items; and (11) the quality and  
655 liquidity of investments in affiliates. The commissioner may discount  
656 any such investment or treat any such investment as a disallowed asset  
657 for purposes of determining the adequacy of surplus whenever, in the  
658 commissioner's judgment, such investment warrants.

659 (h) (1) Any domestic insurance company that is affiliated with an  
660 insurance holding company system shall report for informational  
661 purposes to the Insurance Commissioner all dividends and other  
662 distributions to securityholders, not later than five business days after  
663 the declaration and at least ten days, commencing from the date of  
664 receipt by the Insurance Department, prior to payment thereof.

665 (2) No dividend or other distribution may be paid when the surplus  
666 of the insurance company is less than the surplus required by section  
667 38a-72 for the kind or kinds of business authorized to be transacted by  
668 such company, nor when the payment of a dividend or other  
669 distribution would reduce its surplus to less than such amount.

670 (3) Except as otherwise provided by law, no dividend or other  
671 distribution exceeding an amount equal to an insurance company's  
672 earned surplus may be paid without the Insurance Commissioner's  
673 prior approval. For purposes of this subsection, "earned surplus" means  
674 "unassigned funds-surplus", as defined in the annual report of the  
675 insurance company that was most recently submitted pursuant to

676 section 38a-53, reduced by twenty-five per cent of unrealized  
677 appreciation in value or revaluation of assets or unrealized profits on  
678 investments, as defined in such report.

679 (i) (1) The commissioner may require a domestic insurance company  
680 of which control has been acquired pursuant to section 38a-130 to  
681 submit to a financial examination and a market conduct examination  
682 within thirty days after such acquisition in accordance with procedures  
683 set forth by NAIC's examiner's handbook and such regulations as the  
684 commissioner may adopt.

685 (2) No domestic insurance company of which control has been  
686 acquired pursuant to section 38a-130 shall, without the prior approval  
687 of the commissioner: (A) Pay or propose to pay any dividend during the  
688 period of two years from the date of acquisition of control of such  
689 insurance company; (B) acquire or enter into an agreement or  
690 understanding to acquire control, during the period of three years after  
691 the date of acquisition of control of such insurance company, of any  
692 other person or persons whose assets exceed twenty-five million dollars;  
693 (C) provide or propose to provide directly or indirectly, during the  
694 period of three years after the date of acquisition of control of such  
695 insurance company, any loans, advances, guarantees, pledges or other  
696 financial assistance; or (D) engage in any material transaction with any  
697 person during the period of three years after the date of acquisition of  
698 such insurance company. For purposes of this subsection, a "material  
699 transaction" shall include, but not be limited to, any transfer or  
700 encumbrance of assets not in the ordinary course of business that,  
701 together with all other transfers or encumbrances made within the  
702 preceding twelve months, exceeds in value the greater of (i) ten per cent  
703 of such insurance company's surplus as of the December thirty-first last  
704 preceding, or (ii) the net gain from operations of such insurance  
705 company, if such company is a life insurance company, or the net  
706 investment income of such company, if such company is not a life  
707 insurance company, for the twelve-month period ending the December  
708 thirty-first last preceding.

709 (3) The commissioner shall, upon a written request from the  
710 controlled domestic insurance company and, upon public hearing after  
711 notice to all interested parties, determine whether any limitations  
712 contained in subdivision (2) of this subsection shall be continued, or  
713 whether and on what conditions they may be waived. Such  
714 determination shall be predicated on the results of the examinations  
715 under subdivision (1) of this subsection and such further examinations,  
716 if any, the commissioner may require concerning the adequacy of the  
717 insurance company's reserves, the effect any proposed transaction will  
718 have on the insurance company's surplus, its cash flow needs and its  
719 ability to satisfy any reasonably anticipated obligations in the  
720 foreseeable future, and any other effect the proposed transaction would  
721 have on the financial stability or solvency of the insurance company and  
722 the quality and liquidity of its assets. All fees and expenses relating to  
723 such examinations shall be paid by the insurance company.

724 (4) Nothing in this subsection shall be interpreted to prohibit any  
725 transactions between a domestic insurance company and any of its  
726 subsidiaries in the ordinary course of business.

727 (j) (1) Any affiliate that is a party to an agreement or contract with a  
728 domestic insurance company that is subject to subparagraph (D) of  
729 subdivision (1) of subsection (b) of this section shall be subject to the  
730 jurisdiction of any order of rehabilitation or liquidation against the  
731 insurance company and to the authority of any rehabilitator or  
732 liquidator for the insurance company appointed pursuant to chapter  
733 704c, for the purpose of interpreting, enforcing and overseeing the  
734 affiliate's obligations under the agreements or contracts to perform  
735 services for the insurance company that:

736 (A) Are an integral part of the insurance company's operations,  
737 including, but not limited to, management, administration, accounting,  
738 data processing, marketing, underwriting, claims handling, investment  
739 or any other similar functions; or

740 (B) Are essential to the insurance company's ability to fulfill its



741 obligations under insurance policies.

742 (2) The commissioner may require that an agreement or contract  
743 pursuant to subparagraph (D) of subdivision (1) of subsection (b) of this  
744 section for provisions or services set forth in subparagraphs (A) and (B)  
745 of subdivision (1) of this subsection specify that the affiliate consents to  
746 the jurisdiction described in subdivision (1) of this subsection.

747 Sec. 4. Section 38a-137 of the general statutes is repealed and the  
748 following is substituted in lieu thereof (*Effective July 1, 2022*):

749 (a) All information, documents, materials and copies thereof obtained  
750 by or disclosed to the commissioner or any other person in the course of  
751 an examination or investigation made pursuant to section 38a-14a and  
752 all information reported, furnished or filed pursuant to sections 38a-131,  
753 38a-135, as amended by this act, and 38a-136, as amended by this act,  
754 shall (1) be confidential by law and privileged, (2) not be subject to  
755 disclosure under section 1-210, (3) not be subject to subpoena, and (4)  
756 not be subject to discovery or admissible in evidence in any civil action.  
757 The commissioner shall not make such information, documents,  
758 materials or copies public without the prior written consent of the  
759 insurance company to which it pertains unless the commissioner, after  
760 giving the insurance company and its affiliates who would be affected  
761 thereby notice and opportunity to be heard, determines that the interests  
762 of policyholders, securityholders or the public will be served by the  
763 publication thereof, in which event the commissioner may publish all or  
764 any part thereof in such manner as the commissioner may deem  
765 appropriate. The commissioner may use such information, documents,  
766 materials or copies in the furtherance of any regulatory or legal action  
767 brought as part of the commissioner's official duties.

768 (b) Neither the commissioner nor any person who receives  
769 information, documents, materials or copies as set forth in subsection  
770 (a) of this section or with whom such information, documents, materials  
771 or copies are shared, while acting under the authority of the  
772 commissioner, shall testify or be required to testify in any civil action

773 concerning such information, documents, materials or copies.

774 (c) Except as specified in subdivision (2) of subsection (f) of section  
775 38a-135, as amended by this act, to assist the commissioner in the  
776 performance of the commissioner's duties, the commissioner:

777 (1) May share information, documents, materials or copies thereof,  
778 including information, documents, materials or copies deemed  
779 confidential and privileged pursuant to subsection (a) of this section,  
780 with (A) other state, federal and international regulatory officials, (B)  
781 the NAIC [or its affiliate or subsidiaries] and any third-party consultants  
782 designated by the commissioner, (C) the International Association of  
783 Insurance Supervisors, (D) the Bank for International Settlements, (E)  
784 the Federal Insurance Office, (F) state, federal and international law  
785 enforcement authorities, and (G) members or participants of a  
786 supervisory college, as described in subsection [(n)] (p) of section 38a-  
787 135, as amended by this act, of which the commissioner is a member or  
788 a participant, provided the recipient of any such information,  
789 documents, materials or copies agrees, in writing, to maintain the  
790 confidentiality and privileged status of such information, documents,  
791 materials and copies, and has verified, in writing, the recipient's legal  
792 authority to maintain confidentiality;

793 (2) May receive information, documents, materials or copies thereof,  
794 including confidential and privileged information, documents,  
795 materials or copies, from the NAIC [or its affiliates or subsidiaries] and  
796 any third-party consultants designated by the commissioner, the  
797 International Association of Insurance Supervisors, the Bank for  
798 International Settlements, the Federal Insurance Office, or state, federal  
799 and international law enforcement authorities. The commissioner shall  
800 maintain as confidential and privileged any information, documents,  
801 materials or copies received with notice or the understanding that such  
802 information, documents, materials or copies are confidential and  
803 privileged under the laws of the jurisdiction that is the source of such  
804 information, documents, materials or copies; and

805 (3) Shall enter into written agreements consistent with this subsection  
806 with the NAIC and any third-party consultants designated by the  
807 commissioner, and may enter into written agreements consistent with  
808 this subsection with the International Association of Insurance  
809 Supervisors or the Bank for International Settlements, governing the  
810 sharing and use of information, documents, materials or copies thereof  
811 shared or received pursuant to sections 38a-129 to 38a-140, inclusive, as  
812 amended by this act. Any such agreement consistent with this  
813 subsection shall (A) specify the procedures and protocols regarding the  
814 confidentiality and security of information shared (i) with the NAIC [or  
815 its affiliates or subsidiaries] or a third-party consultant designated by  
816 the commissioner, the International Association of Insurance  
817 Supervisors or the Bank for International Settlements pursuant to  
818 sections 38a-129 to 38a-140, inclusive, as amended by this act, and (ii) by  
819 the NAIC [or its affiliates or subsidiaries] or a third-party consultant  
820 designated by the commissioner, the International Association of  
821 Insurance Supervisors or the Bank for International Settlements with  
822 other state, federal or international regulatory officials, (B) provide that  
823 the recipient agrees in writing to maintain the confidentiality and  
824 privileged status of the documents, materials or other information and  
825 has verified in writing the recipient's legal authority to maintain such  
826 confidentiality or privilege, (C) specify that the commissioner shall  
827 retain ownership of such information and that the use of such  
828 information by the NAIC [or its affiliates or subsidiaries] or a third-party  
829 consultant, the International Association of Insurance Supervisors or the  
830 Bank for International Settlements is subject to the commissioner's  
831 discretion, [(C)] (D) excluding documents, material or information  
832 reported pursuant to subsection (h) of section 38a-135, as amended by  
833 this act, prohibit the NAIC or third-party consultant designated by the  
834 commissioner from storing such information shared pursuant to  
835 sections 38a-129 to 38a-140, inclusive, as amended by this act, in a  
836 permanent database after the underlying analysis is completed, (E)  
837 require prompt notice to be given to an insurance company whose  
838 confidential information is in the possession of the NAIC or [its affiliates  
839 or subsidiaries] a third-party consultant designated by the

840 commissioner, the International Association of Insurance Supervisors or  
841 the Bank for International Settlements, if the NAIC or [its affiliates or  
842 subsidiaries] a third-party consultant designated by the commissioner,  
843 the International Association of Insurance Supervisors or the Bank for  
844 International Settlements is subject to a request or subpoena for  
845 disclosure or production of such information, [and (D)] (F) require the  
846 NAIC or [its affiliates or subsidiaries] a third-party consultant  
847 designated by the commissioner, the International Association of  
848 Insurance Supervisors or the Bank for International Settlements, if any  
849 said entity [or such affiliate or subsidiary] is subject to disclosure of an  
850 insurance company's confidential information that has been shared with  
851 said entity, [or such affiliate or subsidiary,] to allow such insurance  
852 company to intervene in any judicial or administrative action regarding  
853 such disclosure or information, and (G) for documents, material or  
854 information reported pursuant to subsection (h) of section 38a-135, as  
855 amended by this act, in the case of an agreement involving a third-party  
856 consultant, provide for notification of the identity of the consultant to  
857 the applicable insurer.

858 (d) No waiver of any applicable privilege or claim of confidentiality  
859 in any information, documents, materials or copies thereof shall occur  
860 as a result of disclosure to the commissioner or of sharing in accordance  
861 with this section. Nothing in this section shall be construed to delegate  
862 any regulatory authority of the commissioner to any person or entity  
863 with which any information, documents, materials or copies thereof  
864 have been shared.

865 (e) Any information, documents, materials or copies thereof in the  
866 possession of the NAIC or [its affiliates or subsidiaries] a third-party  
867 consultant designated by the commissioner, the International  
868 Association of Insurance Supervisors or the Bank for International  
869 Settlements pursuant to this section shall be confidential by law and  
870 privileged and shall not be subject to discovery or admissible in  
871 evidence in any civil action in this state.

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This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022</i>	38a-129
Sec. 2	<i>July 1, 2022</i>	38a-135(g) to (o)
Sec. 3	<i>July 1, 2022</i>	38a-136
Sec. 4	<i>July 1, 2022</i>	38a-137

**INS**      *Joint Favorable Subst.*