



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### **NOTICE OF INTENT TO AMEND A REGULATION**

In accordance with section 4-168(a) of the Connecticut General Statutes, notice is hereby given that the Insurance Commissioner, pursuant to the authority of sections 38a-8, 38a-71 and 38a-614 of the Connecticut General Statutes, proposes to adopt amended regulations concerning Risk Based Capital for Insurers.

Statement of purpose: This regulation establishes the standards for risk-based capital requirements for life insurers. The proposed amendment is to conform the Connecticut regulation to the NAIC Model by revising the trend test calculation and to expressly reference fraternal benefit societies offering life insurance in Connecticut. Fraternal benefit societies currently comply with the existing risk-based capital reporting provisions pursuant to the authority of Conn. Gen. Stat. §38a-614.

All interested persons are invited to submit written data, views or arguments in connection with the proposed action within thirty days following publication of this notice on the Secretary of State's regulations webpage to the State of Connecticut, Insurance Department, Attention: N. Beth Cook, P.O. Box 816, Hartford, CT 06142-0816.

A copy of the proposed regulation is available for public inspection during regular business hours at the Insurance Department at 153 Market Street, 7<sup>th</sup> floor, Hartford, CT 06103. An electronic copy of this Notice, the proposed regulation, the fiscal note and small business impact statement are available for public inspection on the Insurance Department website at [www.ct.gov/cid](http://www.ct.gov/cid). (Laws and Regulations/List of Proposed Regulations/Notice of Intent to Amend Risk Based Capital for Insurers).

The Insurance Department does not discriminate on the basis of disability in admission to, access to, or operation of its programs, services or activities, in accordance with Title II of the Americans with Disabilities Act of 1990. Individuals requiring auxiliary aids for communication or other accommodation are invited to make their needs known to Patty Tiberio at (860) 297-3932.

A handwritten signature in blue ink, reading 'Thomas B. Leonardi'.

Thomas B. Leonardi  
Insurance Commissioner

**IMPORTANT:** Read instructions on back of last page (Certification Page) before completing this form. Failure to comply with instructions may cause disapproval of proposed Regulations

## State of Connecticut REGULATION of

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NAME OF AGENCY

Insurance Department

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### Concerning

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SUBJECT MATTER OF REGULATION

Risk Based Capital for Insurers

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### Section 1

Section 38a-72-1 to 38a-72-3, inclusive, of the Regulations of Connecticut State Agencies are amended to read as follows:

#### **Sec. 38a-72-1. Definitions**

As used in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies:

- (a) “Adjusted RBC Report” means an RBC Report which has been adjusted by the commissioner in accordance with section 38a-72-2(e) of the Regulations of Connecticut State Agencies;
- (b) “Commissioner” means the Insurance Commissioner of the State of Connecticut;
- (c) “Corrective Order” means an order issued by the [commissioner]Commissioner specifying corrective actions which the [commissioner]Commissioner has determined are required;
- (d) “Domestic insurer” means any insurance company domiciled in Connecticut;
- (e) “Foreign insurer” means any insurance company that is licensed to do business in Connecticut under section 38a-41(a) of the Connecticut General Statutes but is not domiciled in Connecticut;
- (f) “NAIC” means the National Association of Insurance Commissioners;
- (g) “Life and/or health insurer” means any insurance company licensed under section 38a-41 of the Connecticut General Statutes, or a licensed property and casualty insurer writing only accident and health insurance;
- (h) “Property and casualty insurer” means any insurance company licensed under section 38a-41 of the Connecticut General Statutes but shall not include monoline mortgage guaranty insurers, financial guaranty insurers and title insurers;
- (i) “Negative Trend” means, with respect to a life and/or health insurer, a negative trend over a period of time, as determined in accordance with the “Trend Test Calculation” included in the Life RBC Instructions;
- (j) “RBC” means risk based capital;
- (k) “RBC Instructions” means the RBC Report including risk-based capital instructions adopted by the NAIC, as such RBC Instructions may be amended by the NAIC from time to time in accordance with the procedures adopted by the NAIC;
- (l) “RBC Level” means an insurer's Company Action Level RBC, Regulatory Action Level RBC, Authorized Control Level RBC, or Mandatory Control Level RBC where:
  - (1) “Company Action Level RBC” means, with respect to any insurer, the product of 2.0 and its Authorized Control Level RBC;

(2) “Regulatory Action Level RBC” means the product of 1.5 and its Authorized Control Level RBC;

(3) “Authorized Control Level RBC” means the number determined under the risk-based capital formula in accordance with the RBC Instructions; and

(4) “Mandatory Control Level RBC” means the product of .70 and the Authorized Control Level RBC;

(m) “RBC Plan” means a comprehensive financial plan containing the elements specified in section 38a-72-3(b) of the Regulations of Connecticut State Agencies. If the commissioner rejects the RBC Plan, and it is revised by the insurer, with or without the commissioner's recommendation, the plan shall be called the “Revised RBC Plan”;

(n) “RBC Report” means the report required in section 38a-72-2 of the Regulations of Connecticut State Agencies; and

(o) “Total Adjusted Capital” means the sum of: an insurer's statutory capital and surplus; and such other items, if any, as the RBC Instructions may provide]. “Fraternal benefit society” means any insurance company licensed under section 38a-601 of the Connecticut General Statutes;

(g) “Life or health insurer” means any insurance company licensed under section 38a-41 of the Connecticut General Statutes, or a licensed property and casualty insurer writing only accident and health insurance;

(h) “NAIC” means the National Association of Insurance Commissioners;

(i) “Negative Trend” means, with respect to a life or health insurer, a negative trend over a period of time, as determined in accordance with the “Trend Test Calculation” included in the Life RBC Instructions;

(j) “Property and casualty insurer” means any insurance company licensed under section 38a-41 of the Connecticut General Statutes but shall not include monoline mortgage guaranty insurers, financial guaranty insurers and title insurers;

(k) “RBC” means risk-based capital;

(l) “RBC Instructions” means the RBC Report including risk-based capital instructions adopted by the NAIC, as such RBC Instructions may be amended by the NAIC from time to time in accordance with the procedures adopted by the NAIC;

(m) “RBC Level” means an insurer's Company Action Level RBC, Regulatory Action Level RBC, Authorized Control Level RBC, or Mandatory Control Level RBC where:

(1) “Company Action Level RBC” means, with respect to any insurer, the product of 2.0 and its Authorized Control Level RBC;

(2) “Regulatory Action Level RBC” means the product of 1.5 and its Authorized Control Level RBC;

(3) “Authorized Control Level RBC” means the number determined under the risk-based capital formula in accordance with the RBC Instructions; and

(4) “Mandatory Control Level RBC” means the product of .70 and the Authorized Control Level RBC;

(n) “RBC Plan” means a comprehensive financial plan containing the elements specified in section 38a-72-3(b) of the Regulations of Connecticut State Agencies. If the Commissioner rejects the RBC Plan, and it is revised by the insurer, with or without the Commissioner's recommendation, the plan shall be called the “Revised RBC Plan”;

(o) “RBC Report” means the report required in section 38a-72-2 of the Regulations of Connecticut State Agencies; and

(p) “Total Adjusted Capital” means the sum of: an insurer's statutory capital and surplus; and such other items, if any, as the RBC Instructions may provide.

## **Sec. 38a-72-2. RBC reports**

(a) Every domestic insurer shall, on or prior to each March 1 (the “filing date”), prepare and submit to the [commissioner]Commissioner a report of its RBC Levels as of the end of the calendar year just ended, in a form and containing such information as is required by the RBC Instructions. In addition, every domestic insurer shall file its RBC Report:

(1) With the NAIC in accordance with the RBC Instructions; and

(2) With the insurance commissioner in any state in which the insurer is authorized to do business, if the insurance commissioner has notified the insurer of its request in writing, in which case the insurer shall file its RBC Report not later than the later of: fifteen (15) days from the receipt of notice to file its RBC Report with that state; or the filing date.

(b) A life [and/or]or health insurer's or fraternal benefit society's RBC shall be determined in accordance with the formula set forth in the RBC Instructions. The formula shall take into account [(]and may adjust for the covariance between[)]:

(1) The risk with respect to the insurer's assets;

(2) The risk of adverse insurance experience with respect to the insurer's liabilities and obligations;

(3) The interest rate risk with respect to the insurer's business; and

(4) All other business risks and such other relevant risks as are set forth in the RBC instructions; determined in each case by applying the factors in the manner set forth in the RBC Instructions.

(c) A property and casualty insurer's RBC shall be determined in accordance with the formula set forth in the RBC Instructions. The formula shall take into account [(]and may adjust for the covariance between[)]:

(1) Asset risk;

(2) Credit risk;

(3) Underwriting risk; and

(4) All other risks and such other relevant risks as are set forth in the RBC Instructions; determined in each case by applying the factors in the manner set forth in the RBC Instructions.

(d) An excess of capital over the amount produced by the risk-based capital requirements contained in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies and the formulas, schedules and instructions referenced in said sections is desirable in the business of insurance. Accordingly, insurers should seek to maintain capital above the RBC levels required by sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies. Additional capital is used and is useful in the insurance business and helps to secure an insurer against various risks inherent in, or affecting, the business of insurance and not accounted for or only partially measured by the risk-based capital requirements contained in sections 38a-72-1 to 38a-72-13, inclusive, of the Regulations of Connecticut State Agencies.

(e) If a domestic insurer files an RBC Report which in the judgment of the [commissioner]Commissioner is inaccurate, then the [commissioner]Commissioner shall adjust the RBC Report to correct the inaccuracy and shall notify the insurer of the adjustment. The notice shall contain a statement of the reason for the adjustment. An RBC Report as so adjusted is referred to as an “Adjusted RBC Report.”

### **Sec. 38a-72-3. Company action level event**

(a) “Company Action Level Event” means any of the following events:

(1) The filing of an RBC Report by an insurer which indicates that:

(A) The insurer's Total Adjusted Capital is greater than or equal to its Regulatory Action Level RBC but less than its Company Action Level RBC;

(B) If a life [and/]or health insurer, or a fraternal benefit society, the insurer or society has Total Adjusted Capital which is greater than or equal to its Company Action Level RBC but less than the product of its Authorized Control Level RBC and [2.5]3.0 and has a Negative Trend; or

(C) If a property and casualty insurer, the insurer has Total Adjusted Capital which is greater than or equal to its Company Action Level RBC but less than the product of its Authorized Control Level RBC and 3.0 and triggers the trend test determined in accordance with the "Trend Test Calculation" included in the Property and Casualty RBC instructions:

(2) The notification by the [commissioner]Commissioner to the insurer of an Adjusted RBC Report that indicates the event in subdivision (1) of this subsection, provided the insurer does not challenge the Adjusted RBC Report under section 38a-72-7 of the Regulations of Connecticut State Agencies; or

(3) If, pursuant to section 38a-72-7 of the Regulations of Connecticut State Agencies, an insurer challenges an Adjusted RBC Report that indicates the event in subdivision (1) of this subsection, the notification by the [commissioner]Commissioner to the insurer that the [commissioner]Commissioner has, after a hearing, rejected the insurer's challenge.

(b) In the event of a Company Action Level Event, the insurer shall prepare and submit to the commissioner an RBC Plan which shall:

(1) Identify the conditions that contribute to the Company Action Level Event;

(2) Contain proposals of corrective actions that the insurer intends to take and would be expected to result in the elimination of the Company Action Level Event;

(3) Provide projections of the insurer's financial results in the current year and at least the four (4) succeeding years, both in the absence of proposed corrective actions and giving effect to the proposed corrective actions, including projections of statutory operating income, net income, capital [and/]or surplus. (The projections for both new and renewal business might include separate projections for each major line of business and separately identify each significant income, expense and benefit component);

(4) Identify the key assumptions impacting the insurer's projections and the sensitivity of the projections to the assumptions; and

(5) Identify the quality of, and problems associated with, the insurer's business, including but not limited to its assets, anticipated business growth and associated surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

(c) The RBC Plan shall be submitted within forty-five (45) days of the Company Action Level Event; or if the insurer challenges an Adjusted RBC Report pursuant to section 38a-72-7 of the Regulations of Connecticut State Agencies, within forty-five (45) days after notification to the insurer that the [commissioner]Commissioner has, after a hearing, rejected the insurer's challenge.

(d) Within sixty (60) days after the submission by an insurer of an RBC Plan to the [commissioner]Commissioner, the [commissioner]Commissioner shall notify the insurer whether the RBC plan shall be implemented or is, in the judgment of the commissioner, unsatisfactory. If the [commissioner]Commissioner determines that the RBC Plan is unsatisfactory, the notification to the insurer shall set forth the reasons for the determination, and may set forth proposed revisions that will render the RBC Plan satisfactory, in the judgment of the [commissioner]Commissioner. Upon notification from the [commissioner]Commissioner, the insurer shall prepare a Revised RBC Plan, which may incorporate by reference any revisions proposed by the [commissioner]Commissioner, and shall submit the Revised RBC Plan to the [commissioner]Commissioner within forty-five (45) days after the notification from the [commissioner]Commissioner; or if the insurer challenges an Adjusted RBC Report pursuant to section 38a-72-7 of the Regulations of Connecticut State Agencies, within forty-five (45) days after notification to the insurer that the [commissioner]Commissioner has, after a hearing, rejected the insurer's challenge.

(e) In the event of a notification by the [commissioner]Commissioner to an insurer that the insurer's RBC Plan or Revised RBC Plan is unsatisfactory, the [commissioner]Commissioner may at the [commissioner]Commissioner's discretion, subject to the insurer's right to a hearing under section 38a-72-7 of the Regulations of Connecticut State Agencies, specify in the notification that the notification constitutes a Regulatory Action Level Event.

(f) Every domestic insurer that files an RBC Plan or Revised RBC Plan with the [commissioner]Commissioner shall file a copy of the RBC Plan or Revised RBC Plan with the insurance commissioner in any state in which the insurer is authorized to do business if:

(1) Such state has an RBC provision substantially similar to section 38a-72-8(a) of the Regulations of Connecticut State Agencies; and

(2) The insurance commissioner of that state has notified the insurer of its request for the filing in writing, in which case the insurer shall file a copy of the RBC Plan or Revised RBC Plan in that state no later than the later of:

(A) Fifteen (15) days after the receipt of notice to file a copy of its RBC Plan or Revised Plan with the state; or

(B) The date on which the RBC Plan or Revised RBC Plan is filed under subsections (c) and (d) of section 38a-72-3 of the Regulations of Connecticut State Agencies.

## **Section 2**

The Regulations of Connecticut State agencies are amended by adding section 38a-72-6 as follows:

### **Sec. 38a-72-6. Mandatory control level event**

(a) "Mandatory Control Level Event" means any of the following events:

(1) The filing of an RBC Report which indicates that the insurer's Total Adjusted Capital is less than its Mandatory Control Level RBC;

(2) Notification by the [commissioner]Commissioner to the insurer of an Adjusted RBC Report that indicates the event in subdivision (1) of this subsection, provided the insurer does not challenge the Adjusted RBC Report under section 38a-72-7 of the Regulations of Connecticut State Agencies; or

(3) If, pursuant to section 38a-72-7 of the Regulations of Connecticut State Agencies, the insurer challenges an Adjusted RBC Report that indicates the event in subdivision (1) of this subsection, notification by the [commissioner]Commissioner to the insurer that the [commissioner]Commissioner has, after a hearing, rejected the insurer's challenge.

(b) In the event of a Mandatory Control Level Event:

(1) With respect to a life [and/]or health insurer, or fraternal benefit society, the [commissioner]Commissioner shall take actions as are necessary to place the insurer under regulatory control under Chapter 704c of the General Statutes. In that event, the Mandatory Control Level Event shall be deemed sufficient grounds for the [commissioner]Commissioner to take action under Chapter 704c of the General Statutes, and the [commissioner]Commissioner shall have the rights, powers and duties with respect to the insurer as are set forth in Chapter 704c of the Connecticut General Statutes. In the event the [commissioner]Commissioner takes actions pursuant to an Adjusted RBC Report, the insurer shall be entitled to the protections of the provisions of Chapter 704c of the Connecticut General Statutes pertaining to summary proceedings. Notwithstanding any of the foregoing, the [commissioner]Commissioner may forego action for up to ninety (90) days after the Mandatory Control Level Event if the [commissioner]Commissioner finds there is a reasonable expectation that the Mandatory Control Level Event may be eliminated within the ninety (90) day period.

(2) With respect to a property and casualty insurer, the [commissioner]Commissioner shall take such actions as are necessary to place the insurer under regulatory control under Chapter 704c of the General Statutes, or, in the case of an insurer which is writing no business and which is running-off its existing business, may allow the insurer to continue its run-off under the supervision of the [commissioner]Commissioner. In either event, the Mandatory Control Event shall be deemed sufficient grounds for the [commissioner]Commissioner to take action under Chapter 704c of the Connecticut General Statutes and the [commissioner]Commissioner shall have the rights, powers and duties with respect to the insurer as are set forth in Chapter 704c of the Connecticut General Statutes.

If the [commissioner]Commissioner takes actions pursuant to an Adjusted RBC Report, the insurer shall be entitled to the protections of the provisions of Chapter 704c of the Connecticut General Statutes pertaining to summary proceedings. Notwithstanding any of the foregoing, the [commissioner]Commissioner may forego action for up to ninety (90) days after the Mandatory Control Level Event if the [commissioner]Commissioner finds there is a reasonable expectation that the Mandatory Control Level Event may be eliminated within the ninety (90) day period.

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## **Statement of Purpose**

*Pursuant to CGS Section 4-170(b)(3), "Each proposed regulation shall have a statement of its purpose following the final section of the regulation." Enter the statement here.*

The purpose of the requested revisions are to conform our current regulation to the updated NAIC Model.

### **A. The problems, issues or circumstances that the regulation proposes to address.**

This regulation establishes the standards for risk-based capital requirements for life insurers. The proposed amendment is to conform the Connecticut regulation to the NAIC Model by revising the trend test calculation and to expressly reference fraternal benefit societies offering life insurance in Connecticut. Fraternal benefit societies currently comply with the existing risk-based capital reporting provisions pursuant to the authority of Conn. Gen. Stat. §38a-614.

### **B. A summary of the main provisions of the regulation.**

The amendment provides for a trend test trigger for Company Action Level Events and expressly references fraternal benefit societies offering life insurance.

### **C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.**

No other laws or regulations will be affected.

### **C. Impact on small businesses**

As required by Conn. Gen. Stat. § 4-168a, the Insurance Department considered the impact of the proposed amended regulations on small business, and in doing so, determined that the preparation of a regulatory flexibility analysis, as contemplated by this statute, was not needed. The amendments reflect activities to be undertaken by insurance companies offering annuity products which are not small businesses.

R-39 Rev. 03/2012  
(Certification page—see Instructions on back)

## CERTIFICATION

*This certification statement must be completed in full, including items 3 and 4, if they are applicable.*

- 1) I hereby certify that the above (check one)  Regulations  Emergency Regulations
- 2) are (check all that apply)  adopted  amended  repealed **by this agency pursuant to the following authority(ies):** (complete all that apply)
- a. Connecticut General Statutes section(s) 38a-8, 38a-72a; 38a-614.
- b. Public Act Number(s) \_\_\_\_\_.  
(Provide public act number(s) if the act has not yet been codified in the Connecticut General Statutes.)
- 3) **And I further certify that notice of intent to adopt, amend or repeal said regulations was published in the Connecticut Law Journal on \_\_\_\_\_;**  
(Insert date of notice publication if publication was required by CGS Section 4-168.)
- 4) **And that a public hearing regarding the proposed regulations was held on \_\_\_\_\_;**  
(Insert date(s) of public hearing(s) held pursuant to CGS Section 4-168(a)(7), if any, or pursuant to other applicable statute.)
- 5) **And that said regulations are EFFECTIVE** (check one, and complete as applicable)
- When filed with the Secretary of the State
- OR**  on (insert date) \_\_\_\_\_

DATE	SIGNED (Head of Board, Agency or Commission)	OFFICIAL TITLE, DULY AUTHORIZED
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**APPROVED by the Attorney General as to legal sufficiency in accordance with CGS Section 4-169, as amended**

DATE	SIGNED (Attorney General or AG's designated representative)	OFFICIAL TITLE, DULY AUTHORIZED
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*Proposed regulations are **DEEMED APPROVED** by the Attorney General in accordance with CGS Section 4-169, as amended, if the attorney General fails to give notice to the agency of any legal insufficiency within thirty (30) days of the receipt of the proposed regulation.*

*(For Regulation Review Committee Use ONLY)*

- Approved  Rejected without prejudice
- Approved with technical corrections  Disapproved in part, (Indicate Section Numbers disapproved only)
- Deemed approved pursuant to CGS Section 4-170(c)

By the Legislative Regulation Review Committee in accordance with CGS Section 4-170, as amended	DATE	SIGNED (Administrator, Legislative Regulation Review Committee)
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**Two certified copies received and filed and one such copy forwarded to the Commission on Official Legal Publications in accordance with CGS Section 4-172, as amended.**

DATE	SIGNED (Secretary of the State)	BY
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*(For Secretary of the State Use ONLY)*

**GENERAL INSTRUCTIONS**

1. All regulations proposed for adoption, amendment or repeal, *except* emergency regulations, must be presented to the Attorney General for his/her determination of legal sufficiency. (See CGS Section 4-169.)
2. After approval by the Attorney General, the original and one electronic copy (in Word format) of all regulations proposed for adoption, amendment or repeal must be presented to the Legislative Regulation Review Committee for its action. (See CGS Sections 4-168 and 4-170 as amended by Public Act 11-150, Sections 18 and 19.)
3. Each proposed regulation section must include the appropriate regulation section number and a section heading. (See CGS Section 4-172.)
4. New language added to an existing regulation must be in underlining or CAPITAL LETTERS, as determined by the Regulation Review Committee. (See CGS 4-170(b).)
5. Existing language to be deleted must be enclosed in brackets [ ]. (See CGS 4-170(b).)
6. A completely new regulation or a new section of an existing regulation must be preceded by the word "(NEW)" in capital letters. (See CGS Section 4-170(b).)
7. The proposed regulation must have a statement of its purpose following the final section of the regulation. (See CGS Section 4-170(b).)
8. The Certification Statement portion of the form must be completed, including all applicable information regarding *Connecticut Law Journal* notice publication date(s) and public hearing(s). (See more specific instructions below.)
9. Additional information regarding rules and procedures of the Legislative Regulation Review Committee can be found on the Committee's web site: <http://www.cga.ct.gov/rr/>.
10. A copy of the Legislative Commissioners' Regulations Drafting Manual is located on the LCO website at [http://www.cga.ct.gov/lco/pdfs/Regulations\\_Drafting\\_Manual.pdf](http://www.cga.ct.gov/lco/pdfs/Regulations_Drafting_Manual.pdf).

**CERTIFICATION STATEMENT INSTRUCTIONS**

(Numbers below correspond to the numbered sections of the statement)

1. Indicate whether the regulation is a regular or an emergency regulation adopted under the provisions of CGS Section 4-168(f).
2.
  - a) Indicate whether the regulations contains newly adopted sections, amendments to existing sections, and/or repeals existing sections. Check all cases that apply.
  - b) Indicate the specific legal authority that authorizes or requires adoption, amendment or repeal of the regulation. If the relevant public act has been codified in the most current biennial edition of the *Connecticut General Statutes*, indicate the relevant statute number(s) instead of the public act number. If the public act has not yet been codified, indicate the relevant public act number.
3. Except for emergency regulations adopted under CGS 4-168(f), and technical amendments to an existing regulation adopted under CGS 4-168(g), an agency must publish notice of its intent to adopt a regulation in the *Connecticut Law Journal*. Enter the date of notice publication.
4. CGS Section 4-168(a)(7) prescribes requirements for the holding of an agency public hearing regarding proposed regulations. Enter the date(s) of the hearing(s) held under that section, if any; also enter the date(s) of any hearing(s) the agency was required to hold under the provisions of any other law.
5. As applicable, enter the effective date of the regulation here, or indicate that it is effective upon filing with the Secretary of the State. Please note the information below.

Regulations are effective upon filing with the Secretary of the State or at a later specified date. See CGS Section 4-172(b) which provides that each regulation is effective upon filing, or, if a later date is required by statute or specified in the regulation, the later date is the effective date. An effective date may not precede the effective date of the public act requiring or permitting the regulation. Emergency regulations are effective immediately upon filing with the Secretary of the State, or at a stated date less than twenty days thereafter.

## Small Business Impact Statement

Prior to adopting a new section or amendment, Section 4-168a of the Connecticut General Statutes (C.G.S.) requires that each state agency consider the affect of such action on small businesses as defined in C.G.S. Section 4-168a. When such a regulatory action may have an adverse affect on small businesses, C.G.S. Section 4-168a directs the agency to consider regulatory requirements that will minimize the adverse impacts on small businesses if the addition of such requirements (1) will not interfere with the intended objectives of the regulatory action and (2) will allow the new section or amendment to remain consistent with public health, safety and welfare.

State Agency submitting proposed regulations: Insurance Department

Subject matter of Regulation: Risk-Based Capital for Insurers

In accordance with C.G.S. Section 4-168a, staff analyzed the affect on small businesses of the proposed regulations and determined the following:

True   False (Check all appropriate boxes):

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The regulatory action will not have an affect on small businesses.  |
| <input type="checkbox"/>            | <input type="checkbox"/> | The regulatory action will have an affect on small businesses, but will not have an adverse affect on such small businesses.  |
| <input type="checkbox"/>            | <input type="checkbox"/> | The regulatory action may have an adverse affect on small businesses, and no alternative considered would be both as effective in achieving the purpose of the action and less burdensome to potentially affected small business. Alternatives considered include the following:<br><ul style="list-style-type: none"><li>(1) The establishment of less stringent compliance or reporting requirements for small businesses;</li><li>(2) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;</li><li>(3) The consolidation or simplification of compliance or reporting requirements for small businesses;</li><li>(4) The establishment of performance standards for small businesses to replace design or operational standards required in the new section or amendment; and</li><li>(5) The exemption of small businesses from all or any part of the requirements contained in the new section or amendment.</li></ul> |
| <input type="checkbox"/>            | <input type="checkbox"/> | The regulatory action will have an adverse affect on small businesses that cannot be minimized in a manner that is consistent with public health, safety and welfare.   |

The State agency listed above notified the Department of Economic and Community Development of its intent to take the proposed action and completed the Agency Fiscal Estimate of Proposed Regulations.

**AGENCY FISCAL ESTIMATE OF PROPOSED REGULATION**

Agency Submitting Regulation: Insurance Department Date: January 15, 2014

Subject Matter of Regulation: Regulations Concerning Risk-Based Capital for Insurers

Regulation Section No.: 38a-72-1 through 38a-13 inclusive

Statutory Authority: Conn. Gen. Stat. §§38a-8; 38a-72; 38a-614

Other Agencies Affected: none

Effective Date Used In Cost Estimate: July 1, 2014

Estimate Prepared By: Beth Cook, Counsel Telephone No.: 860-297-3998

**SUMMARY OF COST AND REVENUE IMPACT OF PROPOSED REGULATION**

Agency: Insurance Department Fund Affected: Insurance Fund

	First Year	Second Year	Full Operation
<u>Number of Positions</u>			
<b>Personal Services</b>			
<b>Other Expenses</b>			
<b>Equipment</b>			
<b>Grants</b>			
<b>Total State Cost or (Savings)</b>			
<b>Estimated Revenue Gain or (Loss)</b>			
<b>Total Net State Cost or (Savings)</b>	0	0	0

**Explanation of State Impact of Regulation:**

none

**Explanation of Municipal Impact of Regulation:**

none

**Explanation of Small Business Impact of Regulation:**

none