



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

March 17, 1999

Bulletin Number FS-19a-99

TO: ALL DOMESTIC INSURANCE COMPANIES

**SUBJECT: REINSURANCE OF "WORKERS COMPENSATION CARVE-OUT"
BUSINESS**

On February 25, 1999, the Department issued Bulletin FS-19-99 to clarify that an insurer's Connecticut certificate of authority permits it to transact the line or lines of business specifically designated by its license, and to reinsure only the kinds of insurance that it is directly authorized to write.

The Bulletin was issued when it came to the Department's attention that Connecticut domestic and foreign licensed life, accident and health insurers were assuming reinsurance, including retrocessional layers, of the legal liability for the indemnity and medical expense portions of business originally written as either (1) direct workers compensation insurance by insurers properly licensed to write workers compensation insurance, or (2) workers compensation self insurance or workers compensation group self-insurance by authorized self-insurers, group self-insurers or risk retention groups under applicable laws.

These agreements in question are sometimes referred to "workers compensation carve-out" or "occupational accident" reinsurance, because the life, accident and health insurer purportedly assumes only the "accident and health" portions of the originally issued workers compensation insurance and not the employer's liability portion.

The Department reaffirms its position that an insurer must be licensed to write workers compensation insurance on a direct basis in Connecticut to reinsure workers compensation business and that business originally written as workers compensation insurance may not be transformed into "occupational accident" or some other line of business.

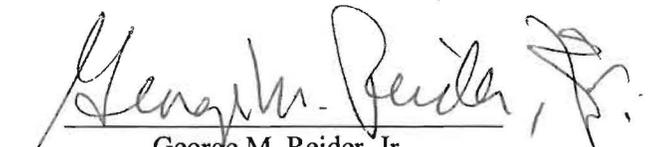
Bulletin FS-19-99 stated that Connecticut domestic life and accident and health insurers shall not enter into any new or renewal contracts of such reinsurance and/or accept any new or renewal exposures under existing contracts of such reinsurance.

The Bulletin was not intended to express an opinion with respect to the enforceability of contracts between two parties. Because of issues that may arise as the result of existing contracts, the Department will permit some flexibility in allowing companies to conform their business practices to the requirements of Connecticut law pertaining to permissible activities of life insurers. Domestic life, accident and health insurers should make a good faith effort to

terminate existing contracts, unless they are legally obligated to honor commitments under an agreement that incepted prior to February 25, 1999. The Department will, however, review affected transactions and direct its regulatory response to each company involved from a financial oversight perspective.

Please acknowledge receipt of this bulletin by completing and returning the enclosed form.

If you have any questions regarding this bulletin, you may contact Frances J. O'Connor, Director of the Examination Division at (860) 297-3814.


George M. Reider, Jr.
Insurance Commissioner