



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

January 23, 2017
Bulletin Number FS-4RR-16

TO: RISK RETENTION GROUPS DOING BUSINESS – REGISTERED OR DOMICILED IN THE STATE OF CONNECTICUT

SUBJECT: 2016 and 2017 FINANCIAL FILING AND OTHER REQUIREMENTS

The Liability Risk Retention Act of 1986 U.S.C. § 3901 et seq. (LRRRA) requires that each Risk Retention Group (RRG), doing business – domiciled or registered in the State of Connecticut submit a copy of the annual financial statement filed with its domiciliary state, to the Insurance Commissioner of the State of Connecticut by March 1 of each year. The annual financial statement will include a statement of opinion on loss and loss adjustment expense reserves made by a member of the American Academy of Actuaries or a qualified loss reserve specialist. The annual financial statement will also need to be certified by an independent public accountant, as prescribed by the state of domicile for the RRG. This certification of the annual financial statements will be submitted to the Insurance Commissioner of the State of Connecticut (Commissioner) by the date the certification is required to be submitted to its domiciliary state.

For Risk Retention Groups domiciled outside the State of Connecticut

Each RRG doing business in the State of Connecticut (non-Connecticut domiciled and not Connecticut licensed) must be registered with the Commissioner prior to offering insurance in this state. As provided for in §38a-252 of the Connecticut General Statutes, each RRG seeking to register must submit a statement identifying the state or states in which the RRG is chartered and licensed, the date of chartering, its principal place of business, a copy of its plan of operations or a feasibility study and revisions of such plan or study submitted to its state of domicile and a statement designating the Commissioner as its agent for the purpose of receiving service of legal documents or process. The plan or study must include information as to the coverages, deductibles, coverage limits, rates and rating classification system for each line of insurance the RRG intends to offer. Any RRG offering insurance in this state will promptly submit this plan, if not already done so, to the Commissioner. Each RRG shall also submit to the Commissioner a copy of any material revisions of its plan of operations or a feasibility study submitted to its state of domicile not later than 30 days after the date the insurance regulatory official of such group's state of domicile approves such revisions or, if no such approval is required, not later than 30 days after submission to such group's state of domicile.

Section 38a-253 of the Connecticut General Statutes requires each RRG not domiciled in the State of Connecticut that is doing business in this state shall submit to the Commissioner: (1) A copy of the group's financial statement submitted to its state of domicile that shall be certified by an independent public accountant and contain a statement of opinion on loss and loss adjustment expense reserves made by a member of the American Academy of Actuaries or a qualified loss reserve specialist under criteria established by the National Association of Insurance Commissioners; (2) a copy of each examination of the risk retention group as certified by the commissioner or public official conducting the examination; (3) upon request by the Insurance Commissioner, a copy of any information or document pertaining to any external audit performed with respect to the risk retention group; and (4) such information as may be required to verify that

the RRG satisfies the definitional requirements of section 38a-250.

Section 38a-253 further requires that each RRG doing business in the State of Connecticut shall on or before March 1, 2017, submit to the Commissioner, electronically filed with the National Association of Insurance Commissioners, a true and complete report, signed and sworn to by its president or a vice-president, and secretary or an assistant secretary, of its financial condition as of December 31, 2016, prepared as submitted to its state of domicile.

For Risk Retention Groups domiciled in the State of Connecticut

Section 38a-251 of the Connecticut General Statutes requires that each RRG domiciled in this state shall comply with the laws, rules, regulations and requirements applicable to insurers chartered and licensed in this state, and each RRG seeking to be chartered and licensed in this state, shall also comply with section 38a-252 (discussed above). As further provided in section 38a-251, each RRG seeking to be chartered in this state shall, before it may offer insurance in any state, submit for approval to the Commissioner (1) a plan of operation or feasibility study, and (2) revisions to such plan or study of any material change in any item of such plan or study. A RRG shall not offer any additional lines of liability insurance in this state or any other state or operate under any other material change, including a change in rates, until such plan or study has been revised and the Insurance Commissioner has approved such revision.

In addition, the risk retention group shall provide to the Commissioner with its application filing for charter the following information in summary form: (1) The identity of the initial members of the group; (2) the identity of the individuals who organized the group or who will provide administrative services or influence or control coverages to be offered; and (3) the states in which the group intends to operate. Each RRG should also provide a statement designating the Commissioner as its agent for the purpose of receiving service of legal documents or process.

Section 38a-53 requires that Connecticut domiciled insurance companies (including RRGs) shall on or before March 1, 2017, submit an annual financial statement to the Commissioner, **one paper copy**, and also electronically file with the National Association of Insurance Commissioners, a true and complete report, signed and sworn to by its president or a vice-president, and secretary or an assistant secretary, of its financial condition as of December 31, 2016. This initial filed financial report shall include a statement of opinion on loss and loss adjustment expense reserves. This financial report must be certified by an independent public accountant, and this certification must be submitted to the Connecticut Insurance Department by June 1.

Governance Standards for Risk Retention Groups Chartered or Seeking to be Chartered in Connecticut

[Connecticut Public Act No. 16-206](#) § 4¹, establishes corporate governance standards for Connecticut domiciled RRGs which is substantially similar to the NAIC Model Risk Retention Act. Such standards include provisions requiring, among other things:

¹ P.A. 16-206 §4 will be codified in the General Statutes revised to January 1, 2017 within the next few weeks. This new statute is effective October 1, 2016 and the governance standards contained therein are applicable to each risk retention group seeking to be chartered and licensed in Connecticut at time of licensure or, for a risk retention group chartered in Connecticut prior to October 1, 2016, not later than October 1, 2017.

(1) governance by a board of directors (BOD) who are elected by the owners or members of such group, with a majority of the BOD being independent;

(2) standards on material contracts between the RRG and service providers;

(3) adoption by the BOD of a written policy in its plan of operation or a feasibility study that requires the BOD to (A) provide evidence of ownership to each owner and member, (B) develop governance standards, (C) oversee the evaluation of management, (D) review and approve the amount to be paid under material service provider contracts, and (E) at least annually, review and approve goals and objectives relevant to the compensation of officers and service providers, the performance of officer and service providers in light of such goals and objectives, and the continued engagement of officers and service providers;

(4) establishment of an audit committee composed of at least three independent directors pursuant to a written charter defining the committee's responsibilities as specified in the statute;

(5) adoption and disclosure of governance standards and business conduct and ethics for officers, directors and employees, as specified in the statute; and (6), prompt reporting of material non-compliance of such standards to the Commissioner.

For ALL Risk Retention Groups:

In addition to the annual financial reporting requirements outlined above, each RRG is also required to submit quarterly financial statements on an electronic filing with the National Association of Insurance Commissioners. Quarterly filings are to be made as follows:

<u>Quarter Ending</u>	<u>Due Date</u>
March 31, 2017	May 15, 2017
June 30, 2017	August 15, 2017
September 30, 2017	November 15, 2017

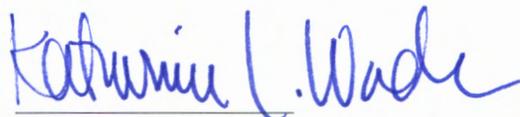
All mail, including certified and registered, should be sent to the Captive Division, at the following address:

P.O. Box 816
Hartford, CT 06142-0816

Mail sent by a private delivery service should be sent directly to our address:

Captive Division
153 Market Street, 6th Floor
Hartford, CT 06103

If you have any questions on this bulletin, you may contact the Janet Grace, Captive Insurance Division at (860) 297-3813 or janet.grace@ct.gov



Katharine L. Wade
Insurance Commissioner