

Sec. 38a-138-14. Ordinary Dividends; Extraordinary dividends and other distributions

(a) Notice of Ordinary Dividends. Any domestic insurance company required, pursuant to section 38a-136(h) of the Connecticut General Statutes, to notify the Commissioner of a dividend or other distribution to its securityholders shall notify the Commissioner of the proposed dividend or distribution in writing within five (5) business days following declaration and no less than ten (10) business days prior to payment thereof. The ten (10) day period shall begin the day the notice is received by the Insurance Department. Such notice shall be deemed incomplete unless all the information required by this section has been included therein. The domestic insurance company shall provide to the Commissioner the information required by, and in the format specified by, Form D-1 (Appendix D of Sections 38a-138-1 to 38a-138-16, inclusive, of the Regulations of Connecticut State Agencies).

(b) Approval of Extraordinary Dividends or Other Extraordinary Distributions. Any domestic insurance company required, pursuant to section 38a-136(f) of the Connecticut General Statutes, to notify the Commissioner of an extraordinary dividend or other extraordinary distribution to its stockholders shall notify the Commissioner of the proposed dividend or distribution in writing within five (5) business days following declaration and no less than thirty (30) days prior to payment thereof. The thirty (30) day period shall begin the day the notice is received by the Insurance Department. Such notice shall be deemed incomplete unless all the information required by this section has been included therein. The domestic insurance company shall file a request with the Commissioner for approval of any extraordinary dividend or any other extraordinary distribution to shareholders, and shall include the information required by, and in the format specified by, Form D-1 (Appendix D of Sections 38a-138-1 to 38a-138-16, inclusive, of the Regulations of Connecticut State Agencies):

- (1) The amount of the proposed dividend;
- (2) The date established for payment of the dividend;
- (3) A statement as to whether the dividend is to be in cash or other property and, if in property, a description thereof, its cost, and its fair market value together with an explanation of the basis for valuation;

(4) A copy of the calculations determining that the proposed dividend is extraordinary. The work paper shall include the following information:

(A) The amounts, dates and form of payment of all dividends or distributions (including regular dividends but excluding distributions of the insurer's own securities) paid within the period of twelve (12) consecutive months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the last preceding year;

(B) Surplus as regards policyholders (total capital and surplus) as of the 31st day of December next preceding;

(C) If the insurer is a life insurer, the net gain from operations for the 12-month period ending the 31st day of December next preceding;

(D) If the insurer is not a life insurer, the net income for the 12-month period ending the 31st day of December next preceding and the two preceding 12-month periods; and

(E) If the insurer is not a life insurer, the dividends paid to stockholders excluding distributions of the insurer's own securities in the preceding two calendar years.

(5) The insurer's most recent annual or quarterly balance sheet and statement of income filed pursuant to Section 38a-53 of the Connecticut General Statutes, a statement as to whether there has been a material change in the financial condition of the insurer since such financial report was filed with the Commissioner; and

(6) (A) A brief statement as to the effect of the proposed dividend upon the insurer's surplus and the reasonableness of surplus in relation to the insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs.

(B) In the case of a proposed payment of extraordinary dividends pursuant to section 38a-136(f) of the Connecticut General Statutes, the Commissioner may require supplemental information in addition to the information required by Form D-1, (Appendix D of Sections 38a-138-1 to 38a-138-16, inclusive, of the Regulations of Connecticut State Agencies). Supplemental information required by the Commissioner may include but is not limited to: a statement in narrative form of the effects of the proposed dividends on the company's most recent Management Discussion and Analysis; a statement of financial position; a statement of operations; a statement of cash flows; a statement of changes in capital and surplus accounts; a statement in schedule form of risk-based capital requirements; and a statement of significant trends in reinsurance programs, premium volume and mix, losses, benefits, and general expenses.

(c) Proof of Receipt. Certified Mail confirmation, confirmation from a commercial delivery service, or the date stamped upon the notice by the Insurance Department acknowledging receipt of the filing required by this section shall serve as proof of the date of receipt of the filing.

(d) The notification shall be directed to the Financial Analysis Unit, Financial Regulation Division, of the Connecticut Insurance Department.

(Effective July 26, 1993; Amended June 27, 2013)