

**Sec. 38a-459-3. Financial requirements and plan of operation for synthetic guaranteed investment contracts**

(a) A contract shall not be delivered or issued for delivery in this state unless the issuing insurance company is licensed to do life insurance business in this state pursuant to section 38a-41 of the Connecticut General Statutes and is financially qualified under the provisions of subsection (b) of this section. In addition, a domestic insurance company shall not deliver or issue for delivery, either in this state or outside this state, a contract belonging to a specific class of contracts unless the insurance company has satisfied the requirements of subsection (c) of this section with respect to that class.

(b) An insurance company is financially qualified under this section if its most recent statutory financial statements reflect at least \$1 billion in admitted assets or \$100 million in capital and surplus, and its risk-based capital results do not trigger a regulatory action level event as set forth in section 38a-72-4 of the Regulations of Connecticut State Agencies. In lieu of the requirements in the preceding sentence, the insurance company may be required to satisfy such other financial qualification requirements set forth by the insurance commissioner as necessary or appropriate in a particular case to protect the insurance company's policyholders or the public.

(c) A domestic insurance company satisfies the requirements of this section with respect to a class of contracts if the insurance company has filed a plan of operation pertaining to the class of contracts, together with copies of the forms of contract in the class, with the insurance commissioner and the filing of the plan of operation has been approved or has not been disapproved within the sixty-day period following the date of filing, in which event the plan of operation shall be deemed approved. The plan of operation for a class of contracts shall describe the financial implications for the insurance company of the issuance of contracts in the class, and shall include at least the following:

(1) A statement that the plan of operation will be administered in accordance with the requirements prescribed by the insurance commissioner pursuant to sections 38a-459-1 to 38a-459-9, inclusive, of the Regulations of Connecticut State Agencies, along with a statement that the insurance company shall comply with the plan of operation in its administration of the contract;

(2) A statement describing the methods and procedures used to value statutory liabilities for purposes of section 38a-459-8 of the Regulations of Connecticut State Agencies;

(3) A description of the criteria used by the insurance company in approving the investment manager for the segregated portfolio of assets associated with a contract in the class, if the investment manager is an entity other than the insurance company or its wholly owned subsidiary;

(4) A description of the insurance company's requirement for reports concerning the assets in each segregated portfolio and transactions involving the assets, and a description of how the insurance company can use the information in a report to determine that the segregated portfolio is being managed in accordance with its investment guidelines. The insurance company shall require that the report be prepared no less frequently than quarterly, and include a complete statement of segregated portfolio holdings and their fair market value;

(5) A statement of the anticipated financial results for one or more sample contracts from

the class of contracts, showing at a minimum the projected contract value records, the applicable fixed rate or rates of return, and the projected market value records, describing how the investments in the segregated portfolio reflect provision for benefits insured by the contract and how the contract value and market values and the rates of return may be affected by changes in the investment returns of the segregated portfolio and reasonably anticipated deposits to and withdrawals from the segregated portfolio by the contract holder, as well as any advances made by the insurance company to the contract holder. The sample contracts shall be chosen to reasonably represent the range of results that could be expected from possible combinations of contract provisions of all contracts within the class. The statement shall include at least three hypothetical return scenarios (level, increasing, and decreasing) and for each of these scenarios, at least three withdrawal scenarios (zero, moderate, and high) shall be modeled. The insurance commissioner may require additional scenarios to fully understand the risks under the class of contracts. The period covered by the statement shall be the greater of five years or the minimum period the insurance company has to underwrite the risk;

(6) A statement that all contracts in the class of contracts satisfy the requirements regarding unilateral contract terminations of section 38a-459-7 of the Regulations of Connecticut State Agencies, together with a description of all termination events, discontinuation triggers and options, notice requirements, corrective action procedures, all other contract safeguards, and the procedures to be followed when a unilateral contract termination event occurs;

(7) A description of the allowable investment parameters ( e.g., objectives, derivative strategies, asset classes, quality, duration, and diversification requirements applied to the assets held within the segregated portfolio) to be reflected in the investment guidelines applicable to each contract issued in the class to which the submitted plan of operation applies; and a description of the procedures that shall be followed by the insurance company in evaluating the appropriateness of any specific investment guidelines submitted by the contract holder. If the insurance company chooses to operate a contract in accordance with investment guidelines not meeting the criteria established pursuant to this subdivision, the non-conforming set of investment guidelines shall be filed with the insurance commissioner in accordance with the filing requirements of this subsection;

(8) A description of the criteria used by the insurance company in approving issuance of a contract to a pooled fund representing multiple employer-sponsored plans and in approving the investment manager for the segregated portfolio of assets associated with such pooled fund contract;

(9) A description of the risk-mitigation techniques used by the insurance company in connection with contracts issued to pooled funds representing multiple employer-sponsored plans;

(10) An unqualified opinion by a qualified actuary with expertise in such matters as to the adequacy of the consideration charged by the insurance company for the risks it has assumed with respect to the contracts in the class to which the plan of operation applies. A statement that the actuarial opinion and memorandum required pursuant to section 38a-459-8 of the Regulations of Connecticut State Agencies, with respect to the class of contracts to which the plan of operation applies, includes:

(A) If a payment has been made by the insurance company in the prior reporting period under a contract in the class, the amount of aggregate risk charges, i.e., the consideration charged by the insurance company for the risks it has assumed under the contract (net of administrative expenses, i.e., the amount of insurance company overhead or expense that is directly or indirectly allocable to a contract) for contracts in the class, and the aggregate amount of any losses incurred; and

(B) An inventory of all material unilateral contract termination events in the class that have not been cured within the time period specified and that have occurred during the prior reporting period but where the insurance company decided not to terminate the contract;

(11) A description of the withdrawal hierarchy, if any.

(d) The insurance commissioner may request that an insurance company supplement the information that the insurance company filed with the commissioner pursuant to subsection (c) of this section. The insurance company shall promptly file such supplemental information with the commissioner and such information shall be sufficiently detailed to minimize the need for any additional requests for information by the commissioner.

(Adopted effective June 1, 2002; Amended December 8, 2017; Amended April 30, 2019)