

Connecticut Insurance and Financial Services Cluster

CIGNA
Citizen's Bank
ConnectiCare
Department of Economic &
Community Development
GlobeOp Financial
The Hartford Financial
Services Group
Hartford Steam Boiler
Inspection & Insurance
Company/AIG
IBM Consulting Services
ING Group
InSource, LLC
Insurity
KPMG
MetLife
MetroHartford Alliance
NewAlliance Bank
Northeast Utilities
People's United Bank
The Phoenix Companies
PricewaterhouseCoopers
Prudential
Savings Bank Life
Insurance
Sovereign Bank
TD Banknorth
Travelers Companies
UBS Wealth Management
UnitedHealth
Group/Uniprise
United Illuminating
Wealth Management
Advisors
Webster Bank
XL Insurance

**Statement on Behalf of
Connecticut's Insurance and Financial Services Cluster
Insurance and Real Estate Committee**

February 28, 2008

***House Bill 5156: An Act Allowing the Transfers of Tax Credits to Insurance
Company Affiliates***

Good morning Senator Crisco, Representative O'Connor and members of the Insurance and Real Estate Committee. My name is Susan Winkler, and I am the Executive Director of Connecticut's Insurance and Financial Services Cluster. On behalf of the IFS Cluster and its members, I am here to testify in support of House Bill 5156: An Act Allowing the Transfers of Tax Credits to Insurance Company Affiliates.

Connecticut's insurers provide over 68,000 direct insurance jobs and an additional 91,000 support service jobs in our state. The insurance industry also accounts for 6.1% of total state wages, the highest in the nation. In addition, our insurance companies contribute approximately \$500M in tax revenues to the state's economy and donate over \$25M to Connecticut charities each year. Yet, despite these encouraging statistics, we are under intense competition to keep these jobs in Connecticut. One important step to help us maintain our status as the Insurance Capital of the World would be to support passage of this important legislation.

Connecticut state law currently provides that businesses may use certain tax credits against specific tax liabilities. For example, insurers are allowed to use several of those credits against premium tax liability.

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This is particularly helpful in urban areas such as Hartford, where tax credits for personal property tax help defray the burden of the property tax surcharge that commercial property owners must pay in addition to their actual tax liability and personal property tax liability. Indeed, the credit is an incentive to help keep vital jobs in our urban areas.

As a former corporate real estate executive, I know that the customary practice of most insurers is to utilize one affiliate to purchase and lease assets. The entity that owns or leases the assets pays the property tax and, therefore, ultimately receives the benefit of the credit. In other types of business, affiliates are allowed to file combined tax returns. House Bill 5156 would allow insurers to also file combined premium tax returns and transfer the credit among affiliates. In site selection analysis, the ability to transfer tax credits amongst affiliates is an incentive for growth and expansion. It is important to note that this legislation does not create a new tax credit; it is a means of allowing insurers to use credits they have earned more effectively and efficiently.

At this time of intense global competition for jobs, capital and talent, it is important for us to begin to implement an aggressive strategy to attract *new* insurance jobs and investment to our cities and our state, while also retaining the jobs we are fortunate to have. One new insurance industry job results in an additional 1.35 jobs in the Connecticut economy. This fact alone is a significant reason to help grow the insurance industry in Connecticut. Passage of this legislation would send a strong message of support for future growth of this industry and to promote a stronger economic outlook for the future of today's insurance companies that call Connecticut their home.

On behalf of Connecticut's Insurance and Financial Services Cluster, I urge you to support passage of House Bill 5156.

Thank you for your consideration.

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