

Insurance Department



At a Glance

KATHARINE L. WADE, Commissioner

JOHN C. THOMSON, Deputy Commissioner

Office of the Insurance Commissioner Established – 1865

Insurance Department Established – 1871

Statutory authority – CGS Title 38a

Mailing address – P.O. Box 816, Hartford, CT 06142-0816

Central Office – 153 Market Street, Hartford, CT 06103

Number of employees – 149

Recurring operating expenses – \$29,060,275 – Fiscal Year 2014 - 2015

Organizational structure – Administration Division; Consumer Affairs Division; Financial Regulation Division; Legal Division; Life and Health Division; Market Conduct/Fraud Investigation and Licensing Division; and Property and Casualty Division; Actuarial Division and Captive Insurance Division.

Mission

The mission of the Connecticut Insurance Department is to:

- *Serve consumers in a professional and timely manner by providing assistance and information to the public and to policy makers;*
- *Regulate the insurance industry in a fair and efficient manner which promotes a competitive and financially sound insurance market for consumers;*
- *Enforce the insurance laws to ensure that consumers are treated fairly and are protected from unfair practices.*

Statutory Responsibility

The insurance laws administered by the Insurance Department are set forth in Title 38a of the Connecticut General Statutes. They are divided into 28 chapters, each addressing a separate area of insurance regulation and insurance-related entities and products.

Public Service

Commissioner's Office - Commissioner Katharine L. Wade, the state's 32st Insurance Commissioner, was appointed to the position by Governor Dannel P. Malloy on March 20, 2015. She and Deputy Commissioner John Thomson are implementing initiatives that will bring regulatory efficiency, increased transparency and enhanced customer service in carrying out the

Department's mission of protecting consumers and fostering a competitive and robust marketplace.

The **Actuarial staff** is currently assigned within the various divisions to ensure that actuarial input is provided to various department functions and procedures. The actuarial staff participates in the analysis of the financial statements and other statutorily required information. Actuaries also participate in on-site examinations of insurance companies. The CID actuaries make significant contributions to numerous NAIC task forces and work group to shape laws, regulations and guidelines. The actuaries are responsible for examining the rates filed for all life, health, and property/casualty insurance companies to ensure compliance with Connecticut statutory requirements.

The **Administration Division** consists of the Department's Commissioner, Deputy Commissioner, Legal Division, Business Services Office, Computer Systems Support, Human Resources/Affirmative Action and the Legislative and Public Affairs Unit.

The **Business Office** is responsible for all functions relating to budget and fiscal management services for the Connecticut Insurance Department and the Office of the Healthcare Advocate and Commission on Healthcare Equity. The Connecticut Insurance Department invoices and collects assessments, fees, taxes and fines, providing significant financial support for the programs and services provided by the State of Connecticut. The Business Office manages more than \$150 million of revenues each year for the state.

The **Captive Insurance Division** evaluates licenses, regulates and examines the captive insurers and risk retention groups in the alternative risk market for the State of Connecticut. Broadly, the Captive insurance division focuses on entities that provide insurance and risk coverage or services, outside the scope of that provided by most traditional property & casualty or life & health insurers. The captive insurance company may take several forms or structures, and is typically tailored to address specific risk issues or risk opportunities.

The **Consumer Affairs Division** (CAD) informs and educates the public on insurance matters; receives, reviews, and responds to complaints and inquiries from Connecticut residents concerning insurance-related problems, and serves as a mediator in claim disputes to determine if statutory requirements and contractual obligations within the Commissioner's jurisdiction have been met.

The **Fraud Investigation Unit** reviews & investigates complaints alleging fraud committed against insurers and allegations of wrongdoing on the part of individual licensees (agents). After conducting an investigation the unit may issue sanctions against licensees, and/or refer cases to other agencies for criminal, regulatory or civil action as appropriate. The unit also handles the licensing of Bail Bond agents, Medical Discount Plans, Pharmacy Benefit Managers, Preferred Provider Networks and Life Settlement Providers. The unit facilitates the efforts of the insurance industry, law enforcement, and federal or state officials in the investigation and prosecution of insurance fraud committed in Connecticut.

The **Licensing Unit** is responsible for licensing professionals to ensure the quality and integrity of individuals and organizations in Connecticut which sell insurance products, provide insurance consulting services, appraise motor vehicle physical damage losses and adjust insurance claims. The Unit meets this benchmark by developing and maintaining up-to-date standards and educational programs for all licensees including, but not limited to, Continuing Education for resident producers. The unit also monitors and enforces compliance for residents and nonresident licensees through our alliance with the National Association of Insurance Commissioners (NAIC). Subsequent to the implementation of online printing of licenses in 2010, the unit has since added online renewal processing for three additional license types, all providing for faster and more efficient processing of licenses while concurrently reducing Department expenses.

The ***Market Conduct Unit*** conducts examinations of licensed insurers' and other business entities books and records as they relate to coverage written for Connecticut citizens and commercial enterprises. Market conduct examinations address perceived market problems or violations of Connecticut's insurance laws that affect Connecticut consumers. Examiners review insurance company market activity to insure compliance with Connecticut laws and regulations. Findings, indicating violations of Connecticut requirements, are resolved through administrative or disciplinary action. Examinations are conducted in accordance with uniform national standards and include investigations and examinations of insurers and other department licensees.

The ***Financial Regulation Division*** monitors the financial condition of domestic and global insurance companies, health care centers and fraternal benefit societies authorized to do business in Connecticut through a risk based audit approach. The Division has a priority-based/risk-based approach to analysis and examination designed to provide timely identification of potential solvency concerns, and facilitate earlier regulatory intervention. In instances where we are determined to be the Group Supervisor, we are also responsible for understanding the entire group for solvency concerns.

The ***Legal Division*** directs the receivership and guaranty fund activities of the Insurance Department, and provides legal advice and related services to the Commissioner and the six divisions of the Insurance Department on a broad spectrum of issues that arise in regulating the insurance industry. The legal staff also drafts, monitors, and analyzes legislation; drafts and promulgates regulations; and, participates in department hearings involving rates, license enforcement and acquisitions of domestic insurance companies.

The ***Life and Health Division*** reviews policy form and rate filings for all life and health insurance products to ensure compliance with Connecticut General Statutes and regulations. The Division oversees statutory requirements for managed care organizations, licenses utilization review companies, and publishes a managed care report card. The Division provides technical assistance to other divisions, agencies, and the Legislature; promulgates regulations; and takes enforcement action against carriers regarding non-compliance issues.

The ***Property and Casualty Division*** is primarily responsible for examining property and casualty insurance rates, rules, policy forms, and underwriting guidelines to ensure that the insurance products sold in Connecticut by licensed carriers comply with Connecticut statutory requirements. This is accomplished through review, analysis, oversight, and approval of insurance company programs covering home and automobile insurance; business property and liability; medical, legal, and other professional liability; and workers' compensation insurance. The Division also oversees the operation of assigned risk plans for automobile, property, and workers' compensation insurance.

Achievements and Highlights of FY2014-15

1865-2015: 150 Years of Insurance Regulation

The Office of the Insurance Commissioner was established by the General Assembly in 1865 and 2015 marks 150 years of insurance regulation in Connecticut. The Department is publicly observing this milestone in myriad ways – through speeches, consumer outreach materials and a planned official observance in September as part of our annual “Insurance Capital Walk,” a fundraiser for the State Employees Campaign for Charitable Giving. While we reflect on the historical significance of 150 years of insurance regulation, behind the celebration is the

substantive work being done by every Department division to bring about 21st century efficiencies that will allow us to better serve our citizens and oversee an industry vital to our state's economy.

Regulatory Efficiency

A competitive health insurance industry provides choices to consumers and having more choices is an important part of consumer protection. The Department ensures that carriers comply with all laws and regulations in the products they offer and their service to their customers. We also must make certain that a company is financially solvent so that they can play their claims.

Mindful of costs that can get passed on to insurance consumers, the Department is working to increase our efficiency to control regulatory costs to the carriers. Just as insurance companies compete for customers every day, states compete for insurance companies. Carriers seek domiciles that offer the sophisticated regulatory expertise that the Department has provided for decades and a highly professional workforce that exists in our state. Connecticut is home to some of the largest carriers in the world. We rank No. 1 in the U.S. for insurance jobs per capital. In terms of direct written premium, we rank No. 1 in the country for health insurance and No. 5 for life insurance and property and casualty.

In 2015 the Department began a series of LEAN initiatives to improve efficiency. We are moving quickly toward an all paperless system and are implementing uniformity in product filings to improve speed-to-market of approved insurance products for both our Life & Health and Property Casualty divisions. Our licensing unit is also instituting LEAN steps to better serve the nearly 200,000 brokers, agents and bail bondsmen that are licensed through the Department. Our largest division – the Financial Regulations unit – is upgrading its technology to eliminate inefficient paper processes.

Regulatory Leadership

The Department is the lead regulator on eight (8) supervisory colleges – a regulatory collaboration among state and international insurance regulators to assess the financial health and risks of our Connecticut-based companies. We are also a participating regulator in seven (7) supervisory colleges for companies that have divisions in Connecticut.

Because so many of our domestics have broad international reach, the Department continues its active collaboration with international regulators. We work closely with other state insurance departments, through the National Association of Insurance Commissioners (NAIC) and with the Federal Reserve and Federal Insurance Office (FIO) to ensure that regulatory standards – particularly new capital standards – being developed in Europe and elsewhere will not harm our domestics and therefore will not harm our state economy and consumers.

Updated state statutes have allowed our Financial Regulation division to employ the new methods for assessing solvency and risk of our carriers to strengthen our oversight. The Department is one of the early adopters of ORSA – Own Risk Solvency Assessment. We require domestic carriers to maintain a risk management framework that will help the company identify, monitor and report on its risk. Per statute the ORSA measure in Connecticut took effect in 2015, three years in advance of when the NAIC will require this of all state regulators.

Consumer Education & Transparency

In April 2015 the Department launched a new consumer newsletter, “Insurance Matters” that highlights topical issues and presents them in an easy-to-understand format. The newsletters also feature a message from the Commissioner helping to explain the importance of the selected topics. To date we have featured articles on cybersecurity, health care costs, the benefits of using the Department’s consumer services, preparing for storms and more. The newsletter also highlights the “Consumer Resources Library” on our Website which has free brochures and links to helpful resources for policyholders. In keeping with our 150th anniversary, the newsletter in 2015 provides a brief look back at some of the historical events and people as they relate to insurance in Connecticut.

We have also held three public hearings on health insurance rate increase that will affect consumers in 2016. The companies – ConnectiCare, Golden Rule and Anthem – were requesting rate increases on policies that would potentially affect more than 70,000 Connecticut policyholders. The Department believes it is important for consumers to better understand the regulatory review process and the factors that drive health care costs. The hearings were broadcast live by CTN and all documents and public comments are available on our Web site.

The Department is also planning a series of educational forums around the state on health insurance in the coming fall and winter.

Public access has also been improved for all rate and product filings. Carriers use the System for Electronic Rate & Form Filing (SERFF) to file products and rates with state insurance regulators. The Department worked with SERFF in 2015 to include a direct link to SERFF from our Website. Prior to this, the public had to come to the Department and view filings from one of two computers with dedicated SERFF databases.

Cybersecurity

In the wake of data breaches that affected major health insurers in 2015, the Department identified cybersecurity as one of its top regulatory priorities. The Commissioner and her team convened a series of meetings with our domestic carriers – health, P&C and Life – to discuss their practices and procedures.

The Department views cybersecurity as a catastrophic risk and is working with experts in the field to help the Department develop and integrate effective risk assessments methods into our examination processes.

The Department also was named to a special cybersecurity task force of the National Association of Insurance Commissioners which established cyber security principles for the industry and is developing a “Consumer Bill of Rights.”

Captive Insurance Regulation

Connecticut’s captive insurance industry continues to grow thanks to the Governor’s 2011 jobs legislation that updated old statutes and provided the Department with resources to regulate captive insurers and risk retention groups.

The state has gone from having no captives in 2011 to eight (8) captive insurers with many more in the pipeline. The Department was ranked No. 2 in the nation by a trade organization for having one of the best regulatory domiciles for the captive industry.

Our captive division ensures that captives are adequately capitalized, have solid governance and are sustainable for the long term. Additionally, the Department’s risk management

specialists provide a creative and consultative approach to help the captive owners address their needs and better control their costs.

The Department also has greater oversight over risk retention groups and risk purchasing groups and currently maintains a registry of nearly 150 of these specialty entities.

The annual Connecticut Captive Insurance Symposiums allows the Department to highlight the benefits of captive insurance and promote Connecticut as an attractive domicile for captives. The Department is a lead organizer in the annual Symposium, which will be held in 2015 on October 15 in Stamford.

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The aforementioned are some of the highlights of the Insurance Department's activities for 2015. The following information offers a more detailed look at the activities of Department divisions.

The *Captive Division* participated in Connecticut Captive Insurance Association and Vermont Captive Insurance Association activities in 2014-2015, continuing to build awareness of Connecticut's capabilities in this area. Numerous articles and professional journals have featured Connecticut's capabilities and differentiators in the captive insurance arena. The organizational work completed by the division team in previous years establishing structure and format for captive insurance company review, monitoring and examination, has enabled the licensing of **eight (8)** new captive insurance companies with aggregate premiums of **\$107 million** and total assets of **\$357 million**. Interest and inquiries into captive insurance formation and re-domestication has increased significantly during this year, with the opportunity to license two to three additional captive insurance companies by the end of calendar 2015.

In Fiscal year 2014-15, the *Consumer Affairs Division* (CAD) responded to **5,955** formal complaints, handled over **20,725** phone calls, and provided consumer education through distribution of approximately **3,000** informational pamphlets and booklets. As a direct result of this Unit's involvement, **\$4,509,325.04** was recovered for Connecticut consumers during the fiscal year.

The staff continued to work with the Department of Health and Human Services (HHS) to ensure that we were compliant with all required changes due under the Patient Protection and Affordable Care Act (PPACA). Consumer usage of the Department web site and on-line complaint system continues to increase. CAD has worked closely with the Connecticut Health Insurance Exchange during and after open enrollment for Access Health CT from October 2014 through March 2015. CAD also worked directly with the Insurance companies involved in the exchange to iron out any issues that occurred during rollout of this new program, the second year of enrollment was much smoother than the first.

CAD's outreach program educated the community on insurance matters and represented the Insurance Department on a number of committees. The outreach programs assisted consumers in getting the proper information to make timely and informed decisions on what coverage would best meet their needs. The outreach program focuses on senior groups, small business owners, health fairs and medical providers. During the year CAD worked with Communications/Public Relations Unit to make available a monthly newsletter which includes explanation of some of the recent complaint and inquiry issues posed to the Department. The Director of Communications at the department has assisted CAD in updating web content in preparation for storm seasons and placing useful information for consumers on the web as well as out in various broadcast, print and on-line media.

During fiscal year 2014-2015, CAD continued to assist consumers with property complaints resulting from significant snow and ice damage claims from the recent harsh winter as well as

rate increase and cancelation complaints due to prior storm activity from prior years. CAD personnel serve on work groups to help State residents recover from damage and prepare for future catastrophes. Some of the major issues this fiscal year involved Data Breach, Drug Formularies, Network Adequacy, and assisting in FEMA readjudication of Superstorm Sandy claims.

CAD continued our consumer awareness campaign using consumer education funds. The multimedia campaign raised awareness of CAD services. The campaign won additional advertising awards during this time period. This smaller campaign was focused on health insurance targeted during open enrollment for the health exchange.

The *Fraud Investigation Unit* in fiscal year 2014-2015 the Fraud and Investigation Unit levied **35 fines** totaling **\$42,800.00**. Additionally, the unit revoked **19** licenses and issued **three (3)** suspensions.

The *Market Conduct Unit* activities recovered **\$1,212,954** in fines as a result of comprehensive Market Conduct examinations, during the 2014-2015 fiscal year. In addition, the Unit recovered **\$626,500** in fines as a result of utilization review and Market Conduct examination surveys for the same reporting period.

The *Licensing Unit* brought in **\$46,891,369.56** in fees, license applications and taxes during this last fiscal year and added online renewal processing for an additional three new license types, providing for easy access and convenience to licensees using credit cards, saving mailing, paper and internal production costs. Updating these processes allowed for less manual handling, faster processing and faster outcome for our licensees. The Unit contracts with a national vendor, Prometric, for testing and continuing education services, to aid in its continuing efforts to streamline processing and issue licenses timely and efficiently.

The *Financial Regulation Division* successfully passed the NAIC annual interim review for the year-end 2014. In addition the Agency was awarded the maximum five-year accreditation award during 2014. Therefore, our next full Accreditation on site review is scheduled for February 2019.

The Financial Examination Unit completed eight on-site Financial Examinations and three Limited Scope Examinations of Connecticut domiciled insurers during fiscal year 2014 – 2015.

The *Legal Division*, during Fiscal Year 2014-2015, promulgated five regulations, assisted in the issuance of **24** bulletins to insurers and other regulated entities to provide information or interpretations on recently enacted legislation or existing statutes and regulations, provided support to the Department in **112** administrative enforcement proceedings or stipulated settlements that resulted in the assessment of **\$2,001,212,39** in fines and penalties, **29** insurance rate hearings, and **two (2)** hearings under the Connecticut Insurance Holding Company System Regulatory Act regarding the merger or acquisition of control of a Connecticut domiciled insurer.

The following information is provided in accordance with Conn. Gen. Stat. § 38a-13: During fiscal year 2014-2015, there were no insurance receivership proceedings pending in the State of Connecticut.

In October 2014, the *Life and Health Division* published the annual managed care report card. The Life and Health Division received for review **2,384** form and rate filing submissions during the fiscal year 2014-2015. In addition, licenses were issued or renewed to **55** utilization review companies.

The Division worked closely with the Partnership for Long Term Care to develop legislation and a regulation to help mitigate the impact of long term care rate increases.

The Division has been involved in various activities to implement the requirements of the Patient Protection and Affordable Care Act (PPACA). The Department has entered into a memorandum of understanding with the Health Insurance Exchange to assist in plan

management functions and provide technical assistance as needed. Members of the Division serve on various advisory committees in the ongoing development of the state exchange.

The *Property and Casualty (P&C) Division* received over **6,320** insurance program filings of rates, rules, and forms in fiscal year 2014-2015 this represents a **7 percent increase** over the previous filing year. Since 2010-2011 the L&H and P&C Divisions required all filings to be submitted via SERFF electronic filing system, the Divisions no longer accept paper filings. The Division continues to assess its processes to develop efficient handling of filings and has improved communication with filers to assure higher quality submissions. In the previous fiscal year the division ended the year with a backlog of slightly over **1,118** filings. This fiscal year the Division ended the year at **1,215** filings an **8 percent** increase in our overall backlog this increase can be attributed to the increase in filings and due to the fact that the division had two examiners out on medical leave during the year. . The division continues to manage to an average turnaround of the filings resolved once assigned in 90 days to just over 90 percent. As of June 2015 the average turnaround is now 95 percent reviewed in 90 days and tracking at the 60 day mark shows that 93 percent are closed in 60 days. Our goal in the future is to move this objective to 90 percent turnaround in 30 days.

The P&C division continues to actively review all homeowner rate submissions. The Department recorded effective **sixty-five (65)** homeowner insurance rate filings during calendar year 2014. The average statewide rate level change filed by these companies was **+6.8 percent**, the rate ultimately recorded effective after being reviewed by the Department was **+4.8 percent**. The overall rate increase is down from 2013 when the companies requested **8.5 percent** and the department approved **7.9 percent**. Of the rate filings submitted, there were **two (2)** 'flex' rate submissions. The Department continues to pay particular attention to revisions in rates in coastal areas.

After review by the Department companies agreed to modify (reduce) or withdraw the rate filing on **eighteen (18)** filings or 26 percent of the total filings submitted. Overall rates were reduced on **thirteen (13)** of the homeowner rate filings for coastal rate submissions, with an additional **five (5)** homeowner rate filings being withdrawn after discussions with the Department.

The Department review resulted in premium rate savings to consumers of **\$19,533,251** this year alone. Since 2012 the Department saved consumers **\$50,580,069** in premium rate increases, **\$5,176,838** in 2013, and **\$25,869,980** in 2012.

The *Communication/Public Relations Unit* followed up on a successful public information campaign that raised awareness of our Consumer Affairs Unit by strategically re-broadcasting the health insurance segment to coincide with Open Enrollment in the fall of 2014.

The division also created new outreach resources for distribution online and at events. The one-page color "Fast Facts" provides a comprehensive look at the Department, its staff, the industry we regulate and contact information for each division. We also created a quarterly consumer newsletter titled "Insurance Matters." The online newsletter is widely disseminated through our e-alert subscriptions and distribution lists for state media, cities and towns and the state lawmakers. "Insurance Matters" features short, easy-to-understand articles of topical interest, a featured resource from our Consumer Library and a message each issue from the Commissioner.

The Unit worked with sister agencies – Banking and Consumer Protection – to host a free paper shredding event for the public. Held at two state parks on opposite ends of the state, the event provided the Department with an opportunity to stress the importance of identify protection as well as the benefits of using our Consumer Affairs services for any insurance question or concern.

During this fiscal year, the Unit also assumed the responsibility of compiling the annual Managed Care Report to the Governor and the Legislature's Committees of Insurance & Real Estate and Public Health as mandated by Conn. Gen. State 38a-478a. The annual report helps ensure that Managed Care Organizations are accountable and responsive to consumers and that patient rights are respected and upheld.

Information Reported as Required by State Statute

As reported by the Financial Regulation Division, as of July 1, 2014, there were **1,231** insurance companies licensed in Connecticut. Of that total, **119** were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of **23** insurers applying for licensure during the fiscal year. Of the 23 applications reviewed, **16** were licensed and **five (5)** were rejected and/or withdrawn. In addition, **20** companies ceased to be licensed through dissolution, merger, liquidation, or voluntary surrender of their certificates of authority. As of June 30, 2015, there were **1,227** insurance companies licensed and authorized to transact business in Connecticut. Of that total, **115** were domiciled in the state of Connecticut.

The following table indicates calendar year 2014 direct premiums written in Connecticut:

Life and Annuities	\$16,734,772,498
Property and Casualty Lines	7,518,157,282
Health	7,525,679,458
Surplus Lines *	377,668,453
Risk Retention Groups	74,465,272
Title	95,669,978
Pools and Associations	154,871,944
Total Premiums Written	\$32,481,284,885

*** United States Companies Only**

In March 2014, the Department prepared and submitted a report to the Governor and General Assembly regarding the Insurance Commissioner's responsibility concerning managed care organizations. This report included a summary of quality assurance plans, potential modifications to the consumer report card, market conduct activity, a summary of complaints filed with the Department, a summary of violations, and a summary of issues discussed regarding managed care at public forums. In June 2014, the Life and Health Division reported to the Governor and General Assembly that no managed care organizations failed to file any data as required by Public Act 97-99.

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