

INSURANCE DEPARTMENT



At-a-Glance

KATHARINE L. WADE, Commissioner

TIMOTHY J. CURRY, 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 – 150

Recurring operating expenses – \$28,533,164 – Fiscal Year 2016-17

Organizational structure – Actuarial Division; Administration Division (Business Services, Communications, Computer Services, Human Resources, and Legal); Captive Insurance; Consumer Affairs Division; Financial Regulation Division; Life and Health Division; Market Conduct/Fraud Investigation and Licensing Division; Property and Casualty Division.

Website: www.ct.gov/cid

Mission

The core mission of the Connecticut Insurance Department (“CID”) is consumer protection. The Department carries out its mission by enforcing State insurance laws to ensure that policyholders and claimants are treated fairly, as well as by closely monitoring the financial condition of insurance carriers to make certain that they are solvent, that they manage risk appropriately and are able to pay policy claims as they arise. The CID also regulates agents, brokers and other industry participants to confirm they are operating in a fair and consistent manner that fosters market competition.

Statutory Responsibilities – Under Title 38a of the General Statutes, CID is responsible for protecting those who purchase insurance products and services in Connecticut and those who make insurance claims. It fulfills its responsibilities by, among other things:

- Assisting insurance consumers through its investigation of complaints and by providing consumer outreach and education.
- Monitoring the financial solvency and stability of insurance companies.
- Reviewing coverages and policy language to make certain that carriers meet all state laws and regulations before they can market an insurance product in Connecticut.
- Reviewing rate proposals from insurance companies to ensure they are actuarially justified and are not excessive, inadequate or unfairly discriminatory.
- Overseeing company and producer business practices, generally through reviews known as market conduct examinations, to ensure compliance, and requiring remediation and imposing fines on violators, when appropriate.
- Licensing companies and individuals, such as agents, brokers, adjusters, bail bondsmen.

Public Service – Insurance products and services involve complex legal relationships, and these can often be difficult for consumers to understand and navigate. CID's most visible public service lies in its intervention, advocacy and consumer education efforts. The Department's intervention efforts have returned over \$5.2 million to Connecticut's insurance consumers. Advocacy and education require effective communication, and in order to reach today's insurance consumer more successfully, CID is supplementing traditional communications methods -- such as personal appearances, print and broadcast -- with social media and networking. Together, these efforts have upgraded the general public's insurance IQ and raised awareness of the Department's services. Among others, these new approaches to the public include a free online consumer newsletter created by Commissioner Wade, a clearer and more accessible Consumer Report Card on health insurance statistics, as well as staff participation in outreach activities and at community events and gatherings, such as health fairs and senior fairs.

Resolving consumer complaints entails individual assistance and advocacy, most often by the Department's Consumer Affairs staff. During fiscal year 2017, Consumer Affairs responded to 5,893 formal complaints, handled over 14,000 phone calls, and provided consumer education through distribution of over 900 informational pamphlets and booklets. Complaint patterns also serve as a regulatory tool which the Department uses to spot troubling trends in the industry, either with a particular company, an agent or a line business. A trend in complaints often triggers further investigation by CID's Market Conduct unit, many times resulting in remediation orders, penalties and/or fines. In addition, periodic market conduct examinations address perceived market problems or violations, and examiners regularly review insurance company market activity to ensure compliance with state law. Where violations are found, resolution is achieved through administrative or disciplinary action. During FY 2016/2017, the Unit conducted 57 market conduct examinations and recovered \$2,117,819 in fines. Allegations of wrongdoing are processed by the Department's Fraud & Investigations staff, which investigates complaints alleging fraud against insurers and on the part of insurance agents; the unit levied fines totaling over \$50,000 during the fiscal 2017, revoked 29 licenses and assessed over \$33,000 in penalties on surplus lines companies.

A less visible, yet critically important, objective of the Department's service to the public is to maintain a well-functioning, competitive and fair insurance marketplace. In this regard, the Department licenses approximately 200,000 industry professionals (brokers, agents, adjusters, and bail bondsmen) and maintains current educational standards for the individuals it licenses. Additionally, to ensure companies honor their commitments to policyholders, the Department is continuously engaged in the viability of carriers' financial stability, governance and operations. With the support of our actuaries and financial analysts, teams of CID field examiners often devote months on-site at a company auditing its financial data and reviewing its risk management and corporate governance to ensure that it will be able to meet its contractual obligations to policyholders. The Department has improved the efficiency of this oversight function in recent years through technology and software upgrades and transition to a paperless process.

The Department reviews each insurance product to be marketed to Connecticut's citizens and businesses to ensure the coverage includes have all the consumer protections mandated by State law. In order to hasten the public's access to new and improved coverage offerings, the Department's Life and Health and its Property and Casualty Divisions have greatly streamlined their review practices since 2015.

The Department is also responsible for a number of public [reports](#), mandated by statute. During Commissioner Wade's tenure the Department has stressed the importance of creating these reports in a more accessible and easy-to-understand format, in order to enhance usefulness to both consumers in their buying decisions and to better inform legislators in their public policy decisions. A prime example is the enhanced Consumer Report on Health Insurance Carriers in Connecticut.

Improvements/Achievements – The Department's recent achievements in terms of leadership and improved regulatory efficiencies during FY2016-17 are discussed below:

Regulatory Leadership

The Department is the lead regulator for six "supervisory colleges," which are periodic collaborations among state and international insurance regulators convened to assess the overall financial health and risk profile of large Connecticut-based global insurers. We also participate in six additional supervisory colleges for global companies that have divisions in Connecticut. The Financial Regulation division successfully passed the National Association of Insurance Commissioners' (NAIC) annual interim review for year-end 2016. Having achieved the maximum five-year accreditation award from NAIC in 2014, the next full Accreditation on-site review is scheduled for 2019.

Due to the number of State domestic carriers that have broad international reach, the Department is in active collaboration with both international regulators and other states' insurance departments to ensure that developing global regulatory standards – particularly new capital standards – are consistent with the interests of our state's domestic industry and our consumers. In this connection, Commissioner Wade has been named to chair the NAIC's Executive Committee and its International Insurance Relations (G) Committee. She is also a member of the International Association of Insurance Supervisors' Executive Committee and its Financial Stability and Technical Committee.

Updated state statutes have kept the Financial Regulation division at the forefront among U.S. jurisdictions in terms of solvency and risk assessments of our domestic insurers. The Department was one of the earliest national adopters of ORSA – Own Risk Solvency Assessment – a significant

tool which allows the regulator to oversee a company's full enterprise risk management framework. The ORSA measure in Connecticut took effect in 2015, three years in advance of the date set for state regulators by the NAIC, and the Corporate Governance Annual Disclosure Law went into effect on January 1, 2017. Working in conjunction with ORSA, governance disclosures enables the Department additional insight into a group's activity.

Regulatory Efficiency

- **Speed-to-Market:** The introduction of new coverage offerings into the marketplace enhances consumer choice. By implementing LEAN projects in both the Life & Health (L&H) and the Property & Casualty (P&C) Divisions the Department reduced by months the average turnaround time for the new product review process. L&H processed approximately 2,300 form and rate filings during the past year, and filing turnaround times have continued to improve, with the average now under 30 days. L&H also issued or renewed licenses for 60 utilization review companies, and it implemented new procedures to review each Connecticut health insurer's formularies and provider networks. Further L&H efficiencies were achieved when the NAIC's Interstate Insurance Product Regulation Compact was adopted in Connecticut, effective July 1, 2017. Companies can now submit life form filings through the Interstate Compact Commission, allowing more effective deployment of key Department resources to ensure consumer protection.

Despite receiving approximately 6,000 rate, rule or form filings in fiscal year 2017, the P&C Unit's significantly reduced its filings backlog. The Unit's outreach efforts to filers resulted in higher quality filings, which in turn allowed for quicker processing. Prior years' backlog of over 700 filings (some going back as long as four years) have now decreased to a current P&C turnaround averaging under 30 days for the vast majority of filings.

- **Licensing:** Interactions with licensees are key to the Department's market conduct regulatory function. Licensee service improvements and efficiencies were created through online applications, renewal notices, a phone system that routes the licensee to subject matter expert, an online pay portal and a new user-friendly licensing website. Such enhancements streamline the payment and collection of license fees and taxes, over \$50 million of which was brought in during the past fiscal year. The Unit added online renewal processing for an additional three new license types, providing for easy access and convenience to licensees using credit cards, to saving mailing, paper and internal production costs. Updating these processes allowed for less manual handling, faster processing and faster outcomes for our licensees.
- **Financial Regulation:** The Financial Regulation Division has moved to a software platform that allows for easy sharing of information between in-house examiners at the Department offices and the field examiners on-site at the companies. The new system also improves audit controls and drastically cuts the use of paper as well as the amount of time spent filing, retrieving and storing documents. In addition, companies can now file electronically for most requests.
- **Consumer Complaints:** The Consumer Affairs Division worked with the state's [Open Data Portal](#) to list Department complaint data in real time. The data does not identify

complainants but lists the nature of complaint, company against which the complaint was filed, resolution and any monetary recovery. The Division also introduced a new easy-to-remember email that consumers can use to ask questions or file complaints – insurance@ct.gov.

- **Captive Insurance:** The ability to form and take advantage of captive insurance is an important risk management option for the State’s commercial and industrial organizations. The Department’s Captive Insurance unit evaluates licenses, regulates and examines captive insurers and risk retention groups in the alternative risk market, a segment that continues to grow. Connecticut has fifteen licensed captive insurers as of 2017, with the Captive Division licensing five new companies in the last year, two of which moved from Vermont and New York. The Department has a regular stream of inquiries from businesses in and outside the State exploring and pursuing the formation of captive insurers in Connecticut.

Regulatory Access and Transparency

- **On-line Enhancements:** Consumer usage of the Department website and on-line complaint system continues to increase. Moreover, in December 2016 the Lost Life Insurance policy locator was made available via the Department web site to assist consumers in their search for a deceased family member’s lost life insurance policies and annuities.
- **Consumer Affairs Outreach:** Department representatives teamed with Department of Mental Health and Addiction Services to attend opioid forums throughout the State to answer insurance-related questions regarding substance abuse treatment. In addition to hosting an insurance industry forum focusing on the opioid crisis in October 2016, the Department worked on the Governor’s opioid crisis task force headed by Yale University, as well as the Alcohol and Drug Policy Council. Department continues to work closely with the Department of Consumer Protection in answering questions regarding crumbling concrete affecting homes in the northeastern part of the State and working with DCP on creating consumer information pamphlets.
- **Health Insurance Consumer Report Card:** The L&H Division produced an enhanced [Consumer Report Card on Health Insurance Carriers in CT](#). This user-friendly report includes expanded data on mental health coverage. In order to deal with important issues emerging in the field of health insurance regulation, the Division hired a new examiner in 2016 specifically to review network adequacy and drug formularies to ensure compliance with State laws.
- **Home Insurance Data:** The P&C Division published a new report on the [Connecticut Homeowners Insurance Market and Coastal Affordability and Availability](#). The Division also conducted a [data call of homeowner claims](#) in eastern Connecticut to help the state better assess the scope of crumbling foundation issues.
- **Health Insurance Rates:** Of utmost importance to Connecticut residents is the cost of health care insurance within the State. During 2017 the Department held two public

hearings on individual health insurance rate applications on increases that will affect costs for tens of thousands of consumers in 2018. 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 CT-N and written comments from the public were also received via the Department's website. All documents are available on our website. Public access is available to all rate and product filings. Carriers use the System for Electronic Rate & Form Filing (SERFF) to file products and rates and the Department has a direct link to SERFF from our Website to facilitate convenient public review.

Information required by state statute

In March 2017, 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 2017, the L&H 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.

In accordance with Conn. Gen. Stat. § 38a-13, the Department reports that HealthyCT was placed into liquidation effective as of December 31, 2016 and will not resume business. All policy holder claims have been or are being processed and paid. Additional information is available on the CID website.

As reported by the Financial Regulation Division, as of July 1, 2016, there were 1,226 insurance companies licensed in Connecticut. Of that total, 111 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 30 insurers applying for licensure during the fiscal year. Of the 30 applications reviewed, 22 were licensed and 8 were rejected and/or withdrawn. In addition, 17 companies ceased to be licensed through dissolution, merger, liquidation, or voluntary surrender of their certificates of authority. As of June 30, 2017, there were 1,221 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 110 were domiciled in the state of Connecticut.

The following table indicates calendar year 2016 direct premiums written in Connecticut:

Life and Annuities	\$ 16,683,608,268
Property and Casualty Lines	7,885,305,464
Health	7,724,686,774
Surplus Lines *	377,881,692
Title	114,495,724
Pools and Associations	149,262,202
Total Premiums Written	\$ 32,557,358,614