

# 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 – \$26,558,809 – Fiscal Year 2017-18*

*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](http://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 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 \$4.6 million to Connecticut's insurance consumers in FY17-18. Advocacy and education require effective communication, and in order to reach today's insurance consumer more successfully, CID supplements traditional communications methods -- such as personal appearances, print and broadcast -- with social media, networking and a quarterly, free online consumer newsletter that offers topical information on health, auto, homeowners, renters and life & annuity insurance. In FY17-18, the CID once again partnered with the Communications Department at Capital Community College to produce an audio public service announcement that was widely broadcast on a number of popular Connecticut radio stations for several weeks. The PSA campaign titled "["Getting Results,"](#)" educates consumers that the Department is available to help with insurance issues and respond to questions.

Resolving consumer complaints entails individual assistance and advocacy, most often by the Department's Consumer Affairs staff. During FY17-18, Consumer Affairs responded to 5,787 formal complaints, handled over 17,000 phone calls, and provided consumer education through distribution of over 1,300 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 FY17-18 the Unit conducted 50 market conduct examinations and recovered \$1,999,500 in fines. The Department's Fraud & Investigations Unit, which investigates complaints alleging fraud and misconduct against insurers and on the part of licensed agents and business entities; the unit levied fines totaling over \$7,750 during the fiscal and revoked 14 licenses during FY17-18. In addition, the unit assessed \$148,646 in penalties on surplus lines brokers.

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 230,000 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 as well as organizational redesign.

The Department reviews each insurance product to be marketed to Connecticut's citizens and businesses to ensure the coverage includes 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 which provides consumers with easy to understand information to make informed decisions when selecting health insurance coverage.

**Improvements/Achievements** – The Department's recent achievements in terms of leadership and improved regulatory efficiencies during FY17-18 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 domestic companies 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 September 2019.

Due to the number of Connecticut domestic carriers that have broad international reach, the Department is in active collaboration with both international regulators and other state insurance departments to ensure that the development of global regulatory standards – particularly new capital standards – do not disadvantage consumers, our state's domestic industry and the US insurers. Commissioner Wade is serving for the second year as chair of the NAIC's International Insurance Relations (G) Committee. She is also a member of the International Association of Insurance Supervisors Executive and Policy Development Committees.

The Department working to promote and foster innovation often call InsurTech while ensuring consumer protection. The Department is very engaged with the Hartford InsurTech Hub and

fortunate to take advantage of its proximity. This growing innovation center is literally across the street from the Department and we are frequent visitors and participants in meetings, workshops and other events. We regularly field and answer questions from the innovators about how regulation works and issues that they should take into consideration. We are also engaged with established carriers on how they are enabling innovation. The Department established a team of regulatory professionals to encourage and foster innovation and have a dedicated e-mail [insuranceinnovation@ct.gov](mailto:insuranceinnovation@ct.gov) to further encourage the innovation dialogue for all stakeholders.

In the 2018 legislatives session, CID sought important legislation to improve the use of electronic filing and consumer notification and maintain Connecticut as a leader in financial solvency:

#### **PA 18-158 An Act Concerning Insurance Issues**

- Permitted electronic delivery of nonrenewals, renewals and cancellations for certain property and casualty products.
- Allowed the Insurance Commissioner to require electronic filings of documents.
- Required a non-domestic insurer to obtain approval of the Commissioner before transferring its domicile to Connecticut.
- Deleted the exemption for fraternal benefit societies with respect to adherence to the manual of valuation instructions adopted by the NAIC. Connecticut had been the only state that exempted domestic fraternal benefit societies from this requirement.
- Made Connecticut's statutes consistent with the NAIC's *Standard Nonforfeiture Law for Individual and Deferred Annuities*.

#### **PA 18-13 An Act Concerning the Connecticut Life and Health Guaranty Association**

- Technically not a "Department bill," but the act adopted the recent changes to the NAIC's *Life and Health Insurance Guaranty Association Model Act* to expand the membership to include health care centers (HMOs), expand the assessment base for future long-term care insolvencies to add life insurers and HMOs in addition to health insurers, and split future assessments for long-term care insolvencies evenly between the life and health industries.

#### **Regulatory Efficiency**

- **Speed-to-Market:** The introduction of new coverage offerings into the marketplace enhances consumer choice and market competition. By implementing LEAN projects in both the Life & Health (L&H) and the Property & Casualty (P&C) Divisions the Department reduced the average review turnaround time for new products to less than 30 days, which is a regulatory best practice standard. L&H processed approximately 1,700 form and rate filings during the past year, and filing turnaround times have continued to improve, with the average now under 17 days. L&H also issued or renewed licenses for 61 utilization review companies, and it implemented new procedures to review health carriers' formularies and provider networks.

During this fiscal year the P&C Division received 6,032 filings. The average turnaround time for the Division is 11 days with 92 percent of filings closed in fewer than 40 days, which included the elimination of a backlog of more than 700 filings, some going back as long as four years.

- **Licensing:** Interactions with licensees are key to the Department's market conduct regulatory function. An improved user-friendly website, online renewals, an enhanced phone system and our online pay portal helps streamline payments and collection of license fees and taxes. CID collected more than \$76 million in licensing fees were in FY17-18.
- **Financial Regulation:** The Financial Regulation Division, building upon improved business continuity, audit controls and reduction in the use of paper as well as the amount of time spent filing, retrieving and storing documents, implemented further process improvements. The Division implemented changes to its process for licensing out-of-state companies applying for admittance to write business in Connecticut. The improved process has meaningfully reduced the waiting time for review and decisions on applications.

In addition, the actuarial unit increased the use of more in-house expertise to manage outside consultants used for financial exams. The unit also ensured that outside consultants are following the review standards developed by the unit job. That approach allowed the unit to cut a carrier's cost nearly in half for a financial exam. For example, in 2012 a carrier paid almost \$120,000 for outside resources for its financial exam. In 2017, Department actuaries cut that cost nearly in half - \$64,000 – for a financial exam for the same carrier.

- **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 2018. The industry now accounts for more than \$360 million in premiums and is providing businesses of all sizes and disciplines with a tool to manage their costs.

## **Regulatory Access and Transparency**

- **Consumer Complaints:** The Consumer Affairs Division continues to work 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.
- **On-line Enhancements:** Consumer usage of the Department website and on-line complaint system and a new easy-to-remember email – [insurance@ct.gov](mailto:insurance@ct.gov) - continues to increase. Moreover, our free online Lost Life Insurance policy locator, returned more than \$1.6 million to Connecticut beneficiaries last year.

- **Health Insurance Consumer Report Card:** The L&H Division expanded its data collection for the annual [Consumer Report Card on Health Insurance Carriers in CT](#) to how insurers are doing in providing follow-up treatment mental health and substance abuse care.
- **Home Insurance Data:** The P&C Division is in the process of compiling data to update the 2016 [Connecticut Homeowners Insurance Market and Coastal Affordability and Availability](#).
- **Health Insurance Rates:** Following public hearings in August 2017, a public comment period of at least 30 days and the CID's thorough actuarial reviews, the Department finalized health insurance rates in September 2017 for the 2018 coverage year. Of the 14 filings made by 10 health insurers for plans that cover about 270,000 people:
  - Ten of the requests were disapproved and reduced
  - Two filings were approved as submitted
  - The initial rate request for the two companies whose rates were subject to a June public hearing – Anthem and ConnectiCare Benefits Inc., (CBI) were disapproved and then recalculated to account for potential loss of federal Cost Sharing Reduction (CSRs) payments. Those recalculations were approved.

### **Information required by state statute**

The following information is provided in accordance with Conn. Gen. Stat. § 38a-13: the HealthyCT, Inc. liquidation proceedings, commenced as of December 31, 2016, continued throughout the fiscal year under the general supervision of the Superior Court. As of the end of the fiscal year, all policy holder claims and claims and expenses of the Connecticut Life and Health Insurance Guaranty Association have been paid. On August 30, 2017, the Special Deputy Liquidator of HealthyCT filed his [report](#) with the Insurance Commissioner on the affairs of HealthyCT in accordance with Conn. Gen. Stat. § 38a-13. Additional [information](#) is available on the CID website.

In March 2018, 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 2018, 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.

As reported by the Financial Regulation Division, as of July 1, 2017, there were 1,231 insurance companies licensed in Connecticut. Of that total, 110 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 37 insurers applying for licensure during the fiscal year. Of the 37 applications reviewed, 32 were licensed and 5 were rejected and/or withdrawn. In addition, 8 companies ceased to be licensed through dissolution, merger, liquidation, or voluntary surrender of their certificates of authority. As of June 30, 2018, there were 1,255 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 111 were domiciled in the state of Connecticut.

The following table indicates calendar year 2017 direct premiums written in Connecticut:

Life and Annuities	\$19,114,612,308
Property and Casualty Lines	8,083,259,434
Health	8,125,281,324
Title	116,960,809
Pools and Associations	155, 688,813
<b>Total Premiums Written</b>	<b>\$ 35,595,802,688</b>