

INSURANCE DEPARTMENT



At-a-Glance

ANDREW N. MAIS, Commissioner

JOSHUA D. HERSHMAN, 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 – \$29,920,152 – Fiscal Year 2019-20

Organizational structure – Actuarial Division; Administration Division (Office of the Commissioner, Business Services, Legislative, Communications, Computer Services and Human Resources); Captive Insurance 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.

Website: <https://portal.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 Connecticut 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, and
- 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 \$5.7 million to Connecticut’s insurance consumers in FY18-19. 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.

Consumer Affairs – Resolving consumer complaints entails individual assistance and advocacy, most often by the Department’s Consumer Affairs staff. During FY19-20, Consumer Affairs responded to 5,823 formal complaints, handled over 16,000 phone calls, and provided consumer education through distribution of over 500 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.

Market Conduct – 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 FY18-19 the Unit conducted 62 market conduct examinations and recovered \$1,780,961 in fines. The Department’s Fraud & Investigations Unit investigates complaints alleging fraud and misconduct against insurers and on the part of licensed agents and business entities. During FY18-19 the unit levied 18 fines totaling \$13,000, suspended 1 license, and revoked 15 licenses. In addition, the unit assessed \$25,979.16 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.

Finally, the Department is also responsible for a number of public [reports](#), mandated by statute. In recent years 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 the public policy decisions.

Improvements/Achievements – The Department's recent achievements in terms of leadership and improved regulatory efficiencies during FY18-19 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 seven 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 2017. 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 Mais is serving on the NAIC's International Insurance Relations (G) Committee. He is also a member of the International Association of Insurance Supervisors Executive Committee.

The Department working to promote and foster innovation often call InsurTech while ensuring consumer protection. The Department is actively engaged with the Hartford InsurTech Hub and fortunate to take advantage of its proximity. The Department is a frequent participant in meetings, workshops and regularly answer questions from the innovators on regulatory issues that they should take into consideration. CID is an active collaborator with established carriers on how they are planning and implementing innovation. The Department has established a team of regulatory professionals to encourage and foster innovation and have a dedicated e-mail insuranceinnovation@ct.gov to further encourage the innovation dialogue for all stakeholders.

2019 Legislative Changes – CID sought important legislation to implement the NAIC's Insurance Data Security Model Law, make important changes to clarify the applicability of the Crumbling Foundations homeowner surcharge, and make various other technical changes that are described below.

Insurance Data Security: The Department passed the NAIC's Insurance Data Security Model Law (PA 19-117, §§230, 231 & 401, as amended by PA 19-196, §§8 & 9). This model law requires insurers and other Department licensees to implement cybersecurity and information security

programs to protect consumers' information stored on licensee information technology systems and create a timely reporting process in the event of a breach. This initiative seeks to prevent and mitigate costly and damaging cybersecurity attacks. The law (1) Establishes standards for data security and standards for the investigation of and notification to the Commissioner of a cybersecurity event applicable to licensees of the Department; (2) Creates rules for insurers, agents and other licensees concerning data security, investigation and notification of a breach; and (3) Requires that licensees maintain an information security program based on ongoing risk assessment, oversee third-party service providers, investigate data breaches and timely notify the Department of a cybersecurity event.

Crumbling Foundations Homeowner Surcharge: The Department worked with legislative and industry stakeholders to make important changes to the \$12 surcharge on homeowners (PA 19-192, §3). The language clarifies: (1) The types of coverages subject to the surcharge; (2) The surcharge's applicability is only to be on new or renewed policies and not, for example, new endorsements; (3) The surcharge should only apply per policy, not multiplied by the amount of the named insureds, and; (4) That surplus lines policies are included. Concerning surplus lines, the surcharge is to be collected only from the broker and not the nonadmitted insurer.

The Department had an omnibus technical bill (PA 19-125) that made the following important changes:

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- §1 amends §38a-8 to allow the Life & Health and Property & Casualty Divisions to engage outside experts when necessary in order to review the appropriateness of insurance product rates, forms or similar filings with the Department and to recover the costs of such engagements from the carrier(s) making the filing.
 - §2 amends §38a-37 to opt Connecticut into the Interstate Insurance Product Regulation Compact (IIPRC) for disability income products. Connecticut was already a compacting state for life and annuity products and maintains the opt-out for long-term care products.
 - §3 amends §38a-156a to clarify that a domestic mutual insurer can reorganize to a mutual insurance holding company by a two-thirds vote of its *voting* members, rather than a two-thirds vote of *all* members.
 - §§4-6, 14 & 16 make various changes to Title 38a to permit electronic delivery of nonrenewals, renewals and cancellations of property and casualty products if such a method is agreed upon between an insured and their carrier, effective October 1, 2019. The following sections are amended:
 - §7 amends §38a-771 to update the items requiring licensee notification of the Commissioner of changes in information. Licensees are already required to send addresses when they make updates and the Department already does this via email. This makes the following changes: 1. Added notification of a change in email address; 2. Added notification of a change in designated responsible licensed person; and 3. Removal of notification of changes of "licensed members of a firm, partnership, association or officers of a corporation."
 - §§8 & 15 amend §38a-193 and repeal §38a-193a, respectively, to repeal sections of Title 38a with respect to the passage of PA 18-13 which amended the Connecticut Life and Health Insurance Guaranty Association Act. These sections repeal provisions that require health care centers to have a plan for handling insolvency, that require a \$500,000 deposit to protect enrollees of a health care center in receivership and that require a deposit in the amount of 125% of the health care center's outstanding liability for uncovered expenditures for enrollees.
 - §§10-12 amend §§38a-503b, 38a-530b & §38a-535 to remove accident only policy forms from these sections as they do not apply to accident only policies. These sections remove the references

to accident only insurance policies from health insurance mandates for *Access to OBGYN services* in §§38a-503b & 38a-530b and for *Preventive pediatric care and blood lead screening and risk assessment* in §38a-535.

Regulatory Efficiency

Speed-to-Market: The introduction of new coverage offerings into the marketplace enhances consumer choice and market competition. By implementing administrative efficiencies 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 1,800 form and rate filings during the past fiscal year, and filing turnaround times have continued to improve, with the average now under 14 days. L&H also issued or renewed licenses for 59 utilization review companies, and it continues to implement procedures to review health carriers' formularies and provider networks. During this fiscal year the P&C Division received 5,593 filings. The average turnaround time for the Division is 10.2 days with 91.4 percent of filings closed in fewer than 40 days.

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 \$50 million in licensing fees in FY18-19.

Financial Regulation: The Financial Regulation Division fully migrated to a risk focused analysis approach in order to more effectively and efficiently gain a full understanding of the complex and ever-evolving insurance industry in the state. In the last year, the Division hired two new analysts to the analysis unit and effectively trained them to perform the financial analysis and compliance reviews of insurance companies. In addition, the Company Licensing unit implemented a new priority based peer review which increased the timing efficiencies. Lastly, the Examination unit led several coordinated multi-state field exams with other states, resulting in significant cost savings to the domestic insurance industry.

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. This approach has continued to cut costs for financial examinations and continue to showcase the Connecticut Insurance Department as a best-in-class regulator.

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 licensed sixteen captive insurers as of 2019. The industry now accounts for more than \$500 million in premiums and is providing businesses of all sizes and disciplines with a tool to manage their costs. The unit also reviews applications of 103 Risk Retention Groups and 863 Risk Purchasing Groups.

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 - continues to increase. Moreover, our free online Lost Life Insurance policy locator, returned more than \$3.4 million to Connecticut beneficiaries last fiscal year and has returned over \$ 5.2 million dollars since its inception in late 2016.

Health Insurance Consumer Report Card: The [Consumer Report Card on Health Insurance Carriers in Connecticut](#) recently was expanded to collect additional data concerning how carriers are doing in providing follow-up treatment with regard to mental health and substance abuse care.

Health Insurance Rates: Following informational public hearings in September 2018, a public comment period of at least 30 days and the CID’s thorough actuarial reviews, the Department finalized health insurance rates in September 2018 for the 2019 coverage year. All 14 filings made by 10 health insurers for plans that cover about 290,000 people were disapproved and reduced.

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 9, 2018, 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, 2018, there were 1,255 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, 25 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 1,272 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 112 were domiciled in the state of Connecticut. The Department is also responsible for a number of public [reports](#), mandated by statute that are available online.

The following table indicates calendar year 2018 direct premiums written in Connecticut:

Life and Annuities	\$19,389,256,157
Property and Casualty Lines	8,247,603,482
Health	9,319,279,474
Title	112,153,848
Pools and Associations	152,489,813
Total Premiums Written	\$ 37,220,782,774