

# 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 2019-2020*

**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 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. 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, among other things, by:

- 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 \$3.5 million to Connecticut's insurance consumers in FY19-20. Advocacy and education require effective communication and in order to reach today's insurance consumer more successfully, CID supplements traditional communications methods -- such as in-person 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 Division. During FY19-20, Consumer Affairs responded to 5,559 formal complaints, handled over 15,900 phone calls, and provided consumer education through distribution of over 450 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, agent or a line of business.

**Market Conduct** – A trend in complaints often triggers further investigation by CID's Market Conduct division, many times resulting in remediation, orders, penalties and/or fines. In addition, periodically 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 FY19-20 the Unit conducted 63 market conduct examinations and collected \$1,693,234 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 FY19-20 the unit levied 14 fines totaling \$57,250, suspended 1 license, and revoked 6 licenses. In addition, the unit assessed \$17,636.54 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 FY19-20 are discussed below:

**Regulatory Leadership** – The Department is the lead regulator for six “supervisory colleges,” which are collaborations among state and international insurance regulators convened periodically 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 Department earned the National Association of Insurance Commissioners' (NAIC) full five-year accreditation during September 2019. Having achieved the maximum five-year accreditation award from NAIC in 2019, the next full Accreditation on-site review is scheduled for September 2024.

In response to the COVID-19 outbreak, the Department quickly transitioned its staff to work from home and keep regulatory functions operating. There have not been any gaps in either analysis or examination audit that lessened the quality or the efficiency of that work.

Because of the global pandemic, the Financial Regulation Division participated in several crisis management college calls. This enabled regulators around the globe to collaborate around the COVID 19 crisis.

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 U.S. 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 is working to promote and foster innovation, often called InsurTech, while ensuring consumer protection. The Department is actively engaged with the Hartford InsurTech Hub and is fortunate to take advantage of its proximity. The Department is a frequent participant in meetings, workshops and regularly answers questions from the innovators on regulatory issues. 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 has a dedicated e-mail [insuranceinnovation@ct.gov](mailto:insuranceinnovation@ct.gov) to further encourage the innovation dialogue for all stakeholders.

The Department created a new Advisory Council on Technology and an Advisory Council on Insurance Regulation. The councils share information important to consumers and other stakeholders, including; the industry, regulators, technology companies, and InsurTechs which will shape the future of how insurance will be managed and marketed to consumers.

The Department closely collaborates with all stakeholders and InsurTech startups to both support the growth of innovation and to protect consumers. The councils will be offering actionable steps that impact how companies can evolve with new technology, make positive changes to agency regulations, interact with consumers and serve their customers.

The Department is working to be both a facilitator with industry and innovative startups that support Governor Lamont's efforts to streamline and reengineer how state government serves Connecticut's taxpayers.

**2020 Legislative Changes** – The regular 2020 legislative session adjourned before acting on the department's pending legislation Due to the COVID-19 pandemic.

The legislature re-convened in July for a special session upon where they passed legislation relating to telemedicine and insulin.

An Act Concerning Telehealth (Public Act No. 20-2)

The Public Act codified the Governor's Executive Orders 7G and 7DD which modify requirements for the delivery of telehealth by in-network providers or Connecticut Medical Assistance Program providers. The bill is effective upon passage till March 15, 2021. PA 20-2 allows for audio only telehealth and the use of third-party video communication like Skype or FaceTime, requires equal reimbursement for services rendered via telehealth as in person visits and prohibits providers from charging a patient anything beyond cost sharing. Additionally, this public act adds art therapists, athletic trainers, behavior analysts, dentists, genetic counselors, music therapists, nurse mid-wives, and occupational/physical therapist assistants to the list of telehealth providers.

An Act Concerning Diabetes and High Deductible Health Plans (Public Act No. 20-4)

Public Act 20-4 expands coverage for diabetes screening, drugs, and devices, effective January 1, 2022. Also effective in 2022 are the cost caps for medically necessary diabetes-related drugs and devices, the caps are as follows; \$25/30 day supply of a covered insulin drug, \$25/30 day supply of a covered non-insulin drug, and \$100/30 day supply of covered diabetes devices. This bill also allows pharmacists to dispense up to a 30-day supply of certain diabetes drugs and devices once per year if it is determined to be an emergency for the patient effective January 1, 2021. Additionally, PA 20-4 requires the establishment of a working group to determine if the Department of Social Services should establish a program to refer people diagnosed with diabetes to Federally Qualified Health Centers.

## **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 2,250 form and rate filings during the past fiscal year, and filing turnaround times have continued to improve, with the average now under 14 days.

The P&C Division saw a decrease in workers' compensation insurance rates for the 6th straight year. The Continued effort to hold down homeowner's rate increases have saved policyholders \$4.6 million in 2019 and \$66 million since 2012. The Division has also received over 80 filings from industry reducing Private Passenger Auto rates to reflect the significant reduction of vehicle usage as residents quarantined during the April –June period. To date the Department has seen overall premium reductions for private passenger automobile of \$117,711,877.

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L&H also issued or renewed licenses for 61 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 5,218 filings. The average turnaround time for the Division is 9 days with 91.7 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 \$87 million in licensing fees in FY19-20.

**Financial Regulation:** The Financial Regulation Division fully migrated to a risk focused analysis approach in order to more effectively gain a full understanding of the complex and ever-evolving insurance industry in the state. In the last year, the Division hired three new analysts to the analysis unit. The Department was able to hire a professional training team and currently all three trainees are undergoing thorough training. The Examination unit led several coordinated multi-state field exams with other states, resulting in significant cost savings to the domestic insurance industry.

**Actuarial Services:** The Property/Casualty and Life & Health actuaries of the Actuarial Division provides financial & analytical-related actuarial services in support of the Commissioner and several divisions of the Insurance Department, with a mandate of solvency regulation and market regulation.

The Actuarial Division brought modeling technology to the department, increasing the use of more in-house expertise to manage outside consultants used for financial exams, enhancing collaborations with appointed actuaries in annual actuarial opinions, reviews and companies financial requests, producing updates for the required reports in the Department, and actively participating with the NAIC and other states in PBR, RBC, ORSA, Predictive Modeling and many technical regulation initiatives. The division

ensures that outside consultants are following the review standards developed by the NAIC for the risk focus exams (RFE). This approach has continued to cut costs for financial examinations and continue to showcase the Connecticut Insurance Department as a best-in-class regulator. In 2019, this division provided actuarial services to 4 P&C financial exams and 4 Life/Health exams and signed off on actuarial opinions for 34 Life/Health and 25 P&C companies/groups.

**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 Division 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 eighteen captive insurers and is on track license a minimum of 5 captives by the end of this year. The industry now accounts for 1.87 Billion in premiums and is providing businesses of all sizes and disciplines with a tool to manage their costs.

The Captive Division also reviews registrations of 110 Risk Retention Groups and 856 Risk Purchasing Groups and monitors its operations in the state.

A new initiative has been launched by the Captive Division, "Reimagine Insurance," that focuses on educating accountants and large accounting firms on how they can help their client businesses be more efficient with managing risk using private insurance companies. The Captive Insurance Division and the Department will be proposing legislative changes to facilitate captive growth in Connecticut.

## **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 2019, a public comment period of at least 30 days and the CID's thorough actuarial reviews, the Department finalized health insurance rates in September 2019 for the 2020 coverage year. All 14 filings made by 10 health insurers for plans that cover about 242,000 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 expenses of the Connecticut Life and Health Insurance Guaranty Association have been paid. On August 16, 2019, 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 2019, 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 2019, 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, 2019, there were 1,272 insurance companies licensed in Connecticut. Of that total, 112 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 26 insurers applying for licensure during the fiscal year. Of the 26 applications reviewed, 17 were licensed and 9 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, 2020, there were 1,283 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 several public reports, mandated by statute that are available online.

The following table indicates calendar year 2019 direct premiums written in Connecticut:

Life and Annuities	\$20,360,628,106
Property and Casualty Lines	8,469,662,428
Health	9,806,618,446
Title	118,775,973
Pools and Associations	148,851,391
<b>Total Premiums Written</b>	<b>\$ 38,904,536,344</b>