

INSURANCE DEPARTMENT

At a Glance

ANDREW N. MAIS, Commissioner

JARED T. KOSKY, 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 – \$31,268,871 – Fiscal Year 2021-2022

Organizational structure – Actuarial Division; Administration Division (Office of the Commissioner, Business Services, Legislative, Communications, and Computer Services); 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 \$5.8 million to Connecticut's insurance consumers in FY21-22. 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 FY21-22, Consumer Affairs responded to 5,631 formal complaints and inquiries, handled over 1,2168 phone calls, and provided consumer education through distribution of over 32 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 FY21-22 the Unit conducted 56 market conduct examinations and collected \$1,737,500 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 FY21-2 the unit levied 3 fines totaling \$20,500 and revoked 10 licensees. In addition, the unit assessed \$98,755.45 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 295,529 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. 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 several 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, to enhance usefulness to both consumers in their buying decisions and to better inform legislators to support public policy decisions.

Improvements/Achievements

The Department's recent achievements in terms of leadership and improved regulatory efficiencies during FY20-21 include:

Regulatory Leadership: The Department is the lead regulator for five "supervisory colleges," which are collaborations among state and at times international insurance regulators convened annually to assess the overall financial health and risk profile of large Connecticut-based global insurers. We also participated in five additional supervisory colleges for global Groups that have domestic companies in Connecticut. Because of the continued global pandemic effects, a focal point for all colleges continued to be heightened risks due to COVID-19.

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 the NAIC in 2019, the next full Accreditation on-site review is scheduled for September 2024. In addition, we have been passing all of our interim accreditation annual reviews with no exceptions noted.

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

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 a member of the NAIC's International Insurance Relations (G) Committee, and is currently NAIC Vice-president and serves on the Executive 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 to further encourage the innovation dialogue for all stakeholders.

2022 Legislative Changes

The Insurance Department put forth important legislative initiatives to implement the National Association of Insurance Commissioners (NAIC) holding company act, value added products model act, and standard non-forfeiture model act for life insurance, and a bill to create agency efficiencies and reduce red tape. The Insurance Department also put forth a bill regarding captive insurance companies that was included in the Governor's budget proposal that ultimately passed, which should generate 7.5 million dollars of revenue in its first year.

Captive Proposal (part of the Governor's budget proposal, PA 22-118, sections 441-452) This legislation will make CT more attractive to insureds contemplating the formation of a captive insurer. It will give insureds an incentive to form a branch captive in CT and bring foreign captives back to the state of Connecticut.

An Act Concerning The Insurance Department's Recommendations Regarding Value-Added Products and Services and Prohibited Insurance Practices (Public Act No. 22-106).

This Bill amends insurance statutes regarding value-added products or services by adopting the National Association of Insurance Commissioners' amendments to the NAIC Model Unfair Trade Practices Act which establish an allowance for certain value-added products or services

An act Concerning The Insurance Holding Company Act (sections 214-217 of Public Act No. 22-118-157).

This bill adopts the most recent amendments made by the National Association of Insurance Commissioners to the Model Insurance Holding Company Act regarding group capital calculation.

An Act Concerning Standard Nonforfeiture Law For Life Insurance (PA 22-91).

This bill lowers the minimum nonforfeiture interest rate from one per cent to 15 basis points which equals 0.15 per cent in accordance with the National Association of Insurance Commissioners model law guidance.

An Act Concerning Various Changes To The Utilization Review Statutes (PA 22-84).

This bill streamlines the process for utilization review corporations doing business here in Connecticut. This bill changes the current Utilization review license from a one-year license term to a two-year term. The license renewal fee is the same for each year, but it is only paid once during the two-year term, so the fee has changed from \$3,000.00 to \$6,000.00 in this bill.

We are also proposing to revise the requirement to notify the commissioner of any material change to include notification of a material change to the utilization review company's policies or procedures that were previously approved, or material changes to the denial letters or criteria being used.

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 1,630 form and rate filings during the past fiscal year, and filing turnaround times have continued to improve, with the average now under 10 days with 90.0 percent of filings closed in fewer than 40 days. The P&C Division processed approximately 4,931 rate, rule, form and underwriting filings during the past fiscal year, with filing turn around under 15 days on average and a 88% filing closure rate in fewer than 40 days.

Rate filing complexity continues to be a driver of the slower turnaround as we are seeing models being used with much greater frequency for personal and commercial lines.

The P&C Division saw a decrease in workers' compensation insurance rates for the 8th straight year. The continued effort to hold down homeowner's rate increases saved policyholders \$9.5 million in 2021 and \$77.1 million since 2012. The Division continued to review automobile rate filings during 2021 to ensure rates were reflective of decreased frequency and severity observed post Covid-19 lockdown. The experience in 2021 was still favorable compared to pre-lock down driving experience even as drivers began driving more in 2021. As a result we were able to save consumers \$47.4 million dollars from additional rate increases for automobiles in 2021. L&H also issued or renewed licenses for 60 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 \$111 million in licensing fees in FY21-22.

Financial Regulation: The Financial Regulation Division continues its risk focused audit approach in both analysis and examination in order to fully evaluate material risks within our domestic insurance industry. In addition, we can utilize the data collected by the NAIC to compare individual companies to their peers. We hired six new analysts as retirements continued to escalate. All new trainees went through a rigorous training process and as of June 30, 2022, are analyzing Insurance Companies with appropriate supervisory oversight. As consistent with prior years, 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, rate/rule & 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, Climate changes, Cyber risks, Predictive Modeling and advanced analytics (Big Data, ML, AI, etc.) and some 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 2022, this division provided actuarial services to 4 2021 P&C financial exams and 6 Life/Health exams and signed off on actuarial opinions for 36 Life/Health and 76 P&C companies. We chaired the NAIC CAT Risk to introduce the Wildfire RBC charge in 2022. We also supported the Commissioner for 2022-Climate-Progress-Report pursuant to June Special Session, Public Act No. 21-2, Section 312 (Conn. Gen. Stat. § 38a-23).

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 35 captive insurers and is on track license a minimum of 10 captives by the end of this year. The industry now accounts for \$703 Million 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 108 Risk Retention Groups and 591 Risk Purchasing Groups and monitors its operations in the state. Risk Retention Groups wrote \$166 Million in premiums in Connecticut in 2021. A working group has been formed to facilitate discussions of captive development in Connecticut. The department continues to support the initiative-of “Reimagine Business 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 legislative changes to facilitate captive growth in Connecticut. The new captive legislation was passed in May 2022 and effective July 1,2022

Connecticut ranks #1 in the world in Captive growth in 2020 by Captives Review. Connecticut as a captive domicile was voted by the industry as top three US domicile for 2021 by Captive International. CT also earned the award of Shortlisted under the category of the Domicile of the Year by Captive Review. Many more captive formations are under discussion.

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 \$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 virtual informational public hearings in September 2020, a public comment period of at least 30 days and the CID's thorough actuarial reviews, the Department finalized health insurance rates in September 2020 for the 2021 benefit year. All 14 filings made by 10 health insurers for plans that cover about 215,000 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 July 25, 2022, 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, 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 2020, 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 2022, the Department prepared and submitted two new reports to the Governor and the General Assembly regarding the Insurance Commissioner's efforts to address climate change, and the availability of insurance to the emerging cannabis industry. As reported by the Financial Regulation Division, as of July 1, 2021, there were 1,293 insurance companies licensed in Connecticut. Of that total, 111 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 14 insurers applying for

licensure during the fiscal year. Of the 14 applications reviewed, 7 were licensed and 7 were rejected and/or withdrawn. In addition, 5 companies ceased to be licensed through dissolution, merger, liquidation, or voluntary surrender of their certificates of authority. As of June 30, 2022, there were 1,295 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 111 were domiciled in the state of Connecticut. In addition, 8 full-scope and 1 limited-scope examinations, comprising 18 domestics, were conducted during the fiscal year. The Department is also responsible for several public reports, mandated by statute that are available online.

The following table indicates calendar year 2020 direct premiums written in Connecticut:

Life and Annuities \$23,688,356,436

Property and Casualty Lines \$9,109,519,833

Health \$10,891,446,240

Title \$233,308,735

Pools and Associations \$143,386,899

Total Premiums Written \$44,066,018,143