

Insurance Department



At a Glance

THOMAS B. LEONARDI, 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 – 135

Recurring operating expenses – \$24,281,516 – Fiscal Year 2011 - 2012

Organizational structure – Administration Division; Consumer Services and Business Regulation Division; Financial Regulation Division; Legal Division; Licensing Division; Life and Health Division; and Property and Casualty Division and Actuarial Division.

Mission

The mission of the Connecticut Insurance Department is to serve consumers in a professional and timely manner by providing assistance and information to the public and to policy makers, by regulating the insurance industry in a fair and efficient manner which promotes a competitive and financially sound insurance market for consumers, and by enforcing the insurance laws to ensure that consumers are treated fairly and are protected from unfair practices.

Statutory Responsibility

The insurance laws administered by the Insurance Department are set forth in Title 38a of the Connecticut General Statutes. They are divided into 28 chapters, each addressing a separate area of insurance regulation and insurance-related entities and products.

Public Service

The *Consumer Services and Business Regulation Division* consists of the *Consumer Affairs Unit*, the *Market Conduct Unit*, the *Fraud and Investigation Unit*, and the *Licensing Unit*. The Consumer Services and Business Regulation Division's outreach program educated the community on insurance matters and represented the Insurance Department on a number of committees. The outreach programs assisted consumers in getting the proper information to make timely and informed decisions on what coverage would best meet their needs. The outreach program focuses on senior groups, small business owners, health fairs and medical providers. During FY 2010-2011, the outreach programs continued to include military personnel with presentations at the U.S. Naval Submarine Base, New London. One session alone included over 900 sailors. The unit continued educational efforts with "Insure U," an education program for consumers hosted on the Department website, and informed consumers of this tool during outreach programs.

The *Consumer Affairs Unit* (CAU) receives, reviews, and responds to complaints and inquiries from Connecticut residents concerning insurance-related problems, and serves as a mediator in claim disputes to determine if statutory requirements and contractual obligations within the Commissioner's jurisdiction have been met. During fiscal year 2010 - 2011, the unit responded to almost 6,328 formal complaints, handled over 24,000 phone calls, and provided consumer education through distribution of almost 200 informational pamphlets and booklets. As a direct result of this Unit's involvement, \$4,111,680 was recovered by Connecticut consumers during the fiscal year.

The *Market Conduct Unit* conducts examinations of licensed insurers' and other business entities books and records as they relate to coverage written for Connecticut citizens and commercial enterprises. Market conduct examinations address perceived market problems or violations of Connecticut's insurance laws that affect Connecticut consumers. Examiners review insurance company market activity to insure compliance with Connecticut laws and regulations. Findings, indicating violations of Connecticut requirements, are resolved through administrative or disciplinary action. Examinations are conducted in accordance with uniform national standards and include investigations and examinations of insurers and other department licensees.

The *Fraud and Investigations Unit* receives complaints alleging fraud committed against insurers, individual licensees (agents), as well as health plans, and, as appropriate, refers such allegations for criminal investigation or for regulatory or civil action. It also handles the licensing and investigation of Bail Bonds activity, Medical Discount Plans, Pharmacy Benefit Managers, Preferred Provider Networks and Life Settlement Providers for compliance with our statutes. This Unit facilitates the efforts of the insurance industry, law enforcement, and federal or state officials in the investigation and prosecution of insurance fraud committed in Connecticut.

The *Licensing Unit* is responsible for licensing professionals to ensure the quality and integrity of individuals and organizations in Connecticut which sell insurance products, provide insurance consulting services, appraise motor vehicle physical damage losses and adjust insurance claims. The Licensing Division meets this benchmark by developing and maintaining up-to-date standards and educational programs for all licensees including, but not limited to, Continuing Education for resident producers. The unit also monitors and enforces compliance

for nonresident licensees through our alliance with the National Association of Insurance Commissioners (NAIC). Online renewal for all licensees and online printing of licenses are planned for implementation in 2010, to provide a faster and more efficient process for licensees while concurrently reducing department expenses.

The ***Financial Regulation Division*** monitors the financial condition of domestic and global insurance companies, health care centers and fraternal benefit societies authorized to do business in Connecticut. The analysis and compliance staff accesses financial information directly from the National Association of Insurance Commissioners' (NAIC) database and, in many instances, the field examination staff can electronically access company data files to perform substantive testing. The Division has a priority-based/risk based approach to analysis and examination designed to provide timely identification of potential solvency concerns, and facilitate earlier regulatory intervention.

The ***Legal Division*** directs the receivership and guaranty fund activities of the Insurance Department, and provides legal advice and related services to the Commissioner and the six divisions of the Insurance Department on a broad spectrum of issues that arise in regulating the insurance industry. The legal staff also drafts, monitors, and analyzes legislation; drafts and promulgates regulations; and, participates in department hearings involving rates, license enforcement, and acquisitions of domestic insurance companies.

The ***Life and Health Division*** reviews policy form and rate filings for all life and health insurance products to ensure compliance with Connecticut General Statutes and regulations. The Division oversees statutory requirements for managed care organizations, licenses utilization review companies, and publishes a managed care report card. The Division provides technical assistance to other divisions, agencies, and the Legislature; promulgates regulations; and takes enforcement action against carriers regarding non-compliance issues.

The ***Property and Casualty Division*** is primarily responsible for examining property and casualty insurance rates, rules, policy forms, and underwriting guidelines to ensure that the insurance products sold in Connecticut by licensed carriers comply with Connecticut statutory requirements. This is accomplished through review, analysis, oversight, and approval of insurance company programs covering home and automobile insurance; business property and liability; medical, legal, and other professional liability; and workers' compensation insurance. The Division also oversees the operation of assigned risk plans for automobile, property, and workers' compensation insurance.

The ***Actuarial staff*** is currently assigned within the various divisions to ensure that actuarial input is provided to various department functions and procedures. The actuarial staff participates in the analysis of the financial statements and other statutorily required information. Actuaries also participate in on-site examinations of insurance companies. The actuaries are responsible for examining the rates filed for all life, health, and property/casualty insurance companies to ensure compliance with Connecticut statutory requirements.

The ***Administration Division*** consists of the Department's Commissioner, Deputy Commissioner, Legal Division, Business Services Office, Computer Systems Support, Human Resources/Affirmative Action and the Legislative and Public Affairs Unit.

Improvements/Achievements 2010-11

The Insurance Department continues in its commitment to improve communications with the consumer and the public at large. After launching the Insurance Department page on Facebook in April 2010, the agency has seen a steady growth in fans. The Department will continue to post consumer focused information on this page and provide useful links and valuable insurance related tips. In addition, the agency has published informational web pages for COBRA/Continuation insurance, health care reform, and flood and disaster preparedness.

Media relations and outreach continues to expand in light of the many insurance related issues facing the state. The Department responds to inquiries from the press, and sends out various news releases to the media. In addition, important Consumer Affairs contact information has been provided through the media, further raising awareness about the Department's ability to assist consumers in resolving complaints against the insurance industry.

During fiscal year 2010-2011, *Consumer Affairs Unit* staff continued to work with the Department of Health and Human Services (HHS) to ensure that we were compliant with all required changes due under the Patient Protection and Affordable Care Act (PPACA) specifically changes required to our External Review process. Unit staff continues to work closely with HHS to deliver timely information related to the continuing implementation of PPACA.

During fiscal year 2010-2011, CAU handled a significant increase in the number of property complaints due to the significant snowfall this winter. New Director of Communications at the department has assisted CAU in updating web content and increased department visibility through increased media and press releases. Consumer usage of the Department web site and on-line complaint system has increased dramatically.

The *Fraud and Investigations Unit* revoked 20 individual agent licenses and levied fines totaling in excess of \$40,000. The Fraud & Investigations unit has initiated implementation of the new Surety Bail Bonds legislation which was signed into law on June 13, 2011. This legislation makes sweeping changes to the bail bonds industry and allows for greater enforcement of surety bail bondsmen by the Department. Additionally, this unit responded to the new Third Party Administrators (TPA) legislation by developing a process to review, accept or reject license and registration applications.

The *Market Conduct Unit* activities recovered \$2,194,470 in fines as a result of comprehensive Market Conduct examinations, during the 2010-2011 fiscal year. In addition, the Unit recovered \$977,000 in fines as a result of utilization review and Market Conduct examination surveys for the same reporting period.

The *Licensing Unit* brought in over \$13,266,945 in fees, license applications and taxes during this last fiscal year and implemented print your own license program which provide easy access and convenience to licensees while saving mailing, paper and internal production costs. We updated our systems to process using online systems which means less handling, faster processing and faster outcome for our licensees. Changes have included the ability for our licensees to update their own demographic changes online for both individuals and business

entities. We implemented a new license class for Third Party Administrators as a result of new legislation.

The **Financial Regulation Division** successfully passed the NAIC annual interim review for year-ended 2010. During February 2009 the Agency was awarded the maximum five year accreditation award. Therefore, February 2014 is the date our next full Accreditation on site review will be scheduled.

Due to the distressed market conditions increased monitoring of domestic life companies occurred within the Financial Analysis Unit. Throughout the year, the Financial Analysis Unit actively supervised one financially distressed Connecticut domestic insurer, keeping them on track and solvent.

The Financial Examination Unit completed 35 Financial Examination Reports and one Limited Scope Examination Report for fiscal year 2010 – 2011.

The **Legal Division**, during Fiscal Year 2010-2011, promulgated four regulations and assisted Department divisions in 96 administrative enforcement proceedings or stipulated settlements that resulted in the assessment of \$3,160,725 in fines and penalties. The Division also supported 41 insurance rate hearings.

In October 2010, the **Life and Health Division** published the annual managed care report card. The Life and Health Division received 2,582 form and rate submissions during 2010. Beginning on January 1, 2011, all filings are required to be made via the System for Electronic Rates and Form Filings. In addition, licenses were issued or renewed to 116 utilization review companies.

The Division has been involved in various activities to implement the requirements of the Patient Protection and Affordable Care Act (PPACA). Health and Human Services (HHS) awarded a grant to the state to enhance its existing rate review process. All rate filings subject to new federal health care reform standards are now posted on the Department's website that provides for direct comment from consumers. HHS deemed the Connecticut Insurance Department to have an effective rate review process. The Division worked with the state high risk pool and the Department of Social Services to apply for a grant and set up a temporary high risk pool required by PPACA. Members of the Division serve on the Exchange Planning Committee and Exchange Board to provide technical assistance in the ongoing development of the state exchange.

The **Property and Casualty (P&C) Division** received over 5,600 insurance program filings of rates, rules, and forms in fiscal year 2010-2011. This fiscal year the L&H and P&C Divisions required all filings to be submitted via SERFF electronic filing system, the Divisions no longer accepts paper filings. The Division continues to assess its processes to develop efficient handling of filings and has improved communication with filers to assure higher quality submissions. In the previous fiscal year the division ended the year with a backlog of slightly over 1,200 filings. This fiscal year the Division ended the year at 1,027 filings. However, with the recent retirement of an examiner the Division has seen the backlog creep up in the past two months. The division has also been successful at improving its average turn around time from 30% of the filings resolved in 90 days to 85% of filings resolved in 90 days.

The Department completed its third annual review of the exempt filings audit and determined the program continues to be effective and company compliance under the exempt filing review provisions continues to be good. The division implemented a telecommuting program last year and has continued to see improved productivity as a result of this program. This plan is monitored at the examiner level on a weekly/monthly basis and to date it continues to deliver great results.

The P&C Division has completed the requirement under PA-10-7 to write a regulation regarding the auto rate filings and territories. The Regulation is proceeding through the channels and should be ready by its implementation date of 1/1/2012.

The P&C division continues to actively review all homeowner rate submissions. In 2010 the division reviewed 67 filings overall within the limited regulatory authority of the department to disapprove rates in a competitive market. There has been success in reducing requested rate increases from 9.1% to 8.1%.

Information Reported as Required by State Statute

As reported by the Financial Regulation Division, as of July 1, 2010, there were 1,240 insurance companies licensed in Connecticut. Of that total, 112 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 18 insurers applying for licensure during the fiscal year. Of the 18 applications reviewed, 11 were licensed and seven were rejected and/or withdrawn. In addition, 14 companies ceased to be licensed through dissolution, merger, or voluntary surrender of their certificates of authority and seven companies redomesticated to the state of Connecticut. As of June 30, 2011, there were 1,235 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 117 were domiciled in the state of Connecticut.

During fiscal year 2010-2011, seven on-site examinations and one limited scope examination of Connecticut domiciled insurers were completed. As of June 30, 2011, there were 10 examinations in progress.

The following table indicates calendar year 2010 direct premiums written in Connecticut:

Life, Health and Annuities	\$20,254,886,448
Property and Casualty Lines	6,449,662,157
Health Care Centers	2,583,583,123
Fraternal Benefit Societies	50,768,918
Surplus Lines	320,182,481
Risk Retention Groups	70,778,409
Title	102,652,855
Pools and Associations	149,314,916
Total Premiums Written	\$29,981,829,307

In March 2009, the Life and Health Division 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 2009, the 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.

The following information is provided in accordance with Conn. Gen. Stat. § 38a-13:

During fiscal year 2010-2011, the Insurance Commissioner served as the receiver of one domestic property and casualty insurance company.

Covenant Mutual Insurance Company -- The Insurance Commissioner was appointed Rehabilitator of Covenant Mutual Insurance Company ("Covenant") on March 1, 1993. Covenant was a Connecticut domiciled insurer established in 1831 and was licensed to do business in 31 states. On May 4, 1994, the Superior Court entered an Order ("Confirmation Order") confirming a Plan of Rehabilitation of Covenant. The Confirmation Order, among other things, (i) confirmed the Covenant Plan of Rehabilitation ("Plan"), (ii) declared Covenant insolvent as of the date of the Confirmation Order, (iii) directed that the assets and liabilities comprising Covenant's estate be liquidated as provided in the Plan; and, (iv) established a December 31, 1994, Bar Date for the filing of claims against the Covenant estate. The June 30, 2009, balance sheet of the Covenant Mutual Liquidation Trust, as reflected in the Report, shows a deficiency of assets over liabilities of \$8,718,389.40, with total assets of \$13,722,889.45 and total liabilities of \$22,441,278.85

The assets of the Covenant Mutual Insurance Company estate have been marshaled. The Trustee has made determinations with respect to the classification of all claims and has completed a thorough review of all proofs of claim filed with the Covenant Mutual Insurance Company estate that were classified in Classes 1, 2, 3, 4, 5 and 6. The Trustee has not made claim determinations with respect to claims that were classified below Class 6 because there are insufficient assets to pay such claims. On August 12, 2010, the Trustee issued 101 claim payment checks to all Class 6 general creditor claimants, representing a recovery to such claimants of approximately 18% of the allowed Class 6 claims. Claimants in the Secured Class and Classes 1 through 5 had previously received distributions from the Trustee representing a recovery to such claimants of 100% of the allowed Class claims.

On December 23, 2010, the Acting Insurance Commissioner in her capacity as Trustee of the Covenant Mutual Liquidating Trust and Rehabilitator of the Estate of Covenant Mutual Insurance Company executed and filed with the Superior Court a Certificate of Discharge and Closure of Rehabilitation Proceedings. This certification recited that the Trustee has completed the administration of receivership estate, including: the completion of the collection and distribution of all assets of the Covenant Estate, the disposal of records of the Covenant Estate in accordance with orders of the Court, and the completion of the winding up of the affairs of the Covenant Estate, including the deposit of all unclaimed property with the State Treasurer, the filing of final tax returns, and the closure of bank accounts.

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With the receipt of tax clearance from the I.R.S., the Trustee will make the planned final distribution to Class 6 general creditors early in the next fiscal year and expects to close the Covenant Mutual Insurance Company receivership estate by year 2010 after this distribution and the final payment of administrative expenses, the closure of bank accounts, the escheat of remaining funds, the disposition of receivership records and the filing of a Certificate of Closure with the Superior Court.