

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 – 142

Recurring operating expenses – \$25,618,101.00 – Fiscal Year 2011 - 2012

Organizational structure – Administration Division; Consumer Services and Business Regulation Division; Financial Regulation Division; Legal 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

Commissioner's Office - Commissioner Thomas B. Leonardi, the state's 31st Insurance Commissioner, was appointed to the position by Governor Dannel P. Malloy on Feb. 4, 2011. He has implemented a number of initiatives aimed at greater transparency, outreach, efficiency and inter-agency collaboration to ultimately benefit Connecticut consumers and taxpayers. This report will expand on those achievements in the Improvement/Achievement section that follows.

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 2011 - 2012, the unit responded to almost 6,070 formal complaints, handled over 25,000 phone calls, and provided consumer education through distribution of almost 181 informational pamphlets and booklets. As a direct result of this Unit's involvement, \$4,476,483 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** reviews & investigates complaints alleging fraud committed against insurers and allegations of wrongdoing on the part of individual licensees (agents). After conducting an investigation the unit may issue sanctions against licensees, and/or refer cases to other agencies for criminal, regulatory or civil action as appropriate. The unit also handles the licensing and investigation of Bail Bond agents, and licenses Medical Discount Plans, Pharmacy Benefit Managers, Preferred Provider Networks and Life Settlement Providers. The 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 Unit 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 residents and nonresident licensees through our alliance with the National Association of Insurance Commissioners (NAIC). Online printing of licenses was implemented 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 through a risk based audit approach. The analysis and compliance staff accesses financial information directly from the National Association of Insurance Commissioners' (NAIC) database and, when necessary, 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 2011-12

Commissioner's Office is the head of an agency that regulates one of the largest insurance-producing markets in the world; Commissioner Leonardi has taken an active role in the shaping of policy for international regulation to ultimately ensure consumer protection through the financial stability and fair oversight of Connecticut and U.S. carriers. Those activities include:

- Member of the International Association of Insurance Supervisors (IAIS)
- Sole U.S. Regulator of the IAIS Financial Stability Committee
- Organizer of IAIS Financial Stability Committee June 4-5 meeting in Hartford
- Member of Federal Advisory Committee on Insurance (FIO)
- Participates and or leads eight "supervisory colleges," confidential regulator forums for large internationally active insurance and reinsurance groups in the U.S. and Europe.
- Making Connecticut the first and only – to date – U.S. signatory of the IAIS Multilateral Memorandum of Understanding (MMOU) a regulatory confidentiality agreement that includes a total of 30 jurisdictions across the globe
- Entering into separate bilateral confidentiality agreements with German, Dutch and Swiss financial regulators

The Commissioner also is a member of the following committees of the National Association of Insurance Commissioners (NAIC):

- Executive Committee member
- EX1 subcommittee of the Executive Committee
- International Committee, vice chairman
- Accreditation Committee, vice chairman
- Life Committee member
- Financial Regulation Committee member
- International Insurance Relations Leadership Group member
- NAIC Northeastern Zone, vice chairman
- National Insurance Producer Registry board member

The Commissioner's close collaboration with the Department of Economic and Community Development is aimed at helping grow the insurance industry, an essential economic sector for Connecticut. Efforts include economic development of the traditional industry and the emerging captive insurance industry, a niche market that will provide more work and more jobs for the specialized financial and insurance workforce firmly established in Connecticut.

To support the Commissioner's goals and at his direction, Deputy Commissioner Anne Melissa Dowling is also overseeing a number of interagency collaboration and initiatives that involve key Insurance Department staff.

Other collaborations and initiatives led by the Deputy Commissioner include:

- Establishing a new Captive Insurance Unit within the Department. The Department licensed its first captive insurer on July 31 and more applications are pending.
- Health Insurance Exchange
 - ✓ Strategy Committee Chairwoman taking on issue of affordability
 - ✓ Co-Chairwoman of the Plan Qualifications and Benefits Advisory Committee

- ✓ Member of HIE Finance Committee
- ✓ Member of HIE Personnel Committee, helping to recruit and hire the Exchange CEO
- Office of the Healthcare Advocate – case review and rate review
- Office of Policy & Management – All Claims Payer Database
- Department of Emergency Services and Public Protection – Long-term disaster recovery, aimed at making communities more resilient when faced with catastrophes
- Dept. of Revenue Service – surplus lines revenue collections
- Dept. of Energy & Environmental Protection – financing solutions for underground storage tank program and brownfields

Another key collaboration that will benefit Connecticut families was the work of the Department's business director Peter Zelez, who served on a task force with the Department of Public Health, legislators and others to expand the childhood vaccination program.

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.

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). Unit staff continues to work closely with HHS to deliver timely information related to the continuing implementation of PPACA. Consumer usage of the Department web site and on-line complaint system continues to increase.

During fiscal year 2011-2012, CAU handled a significant increase in the number of property complaints due to the Tropical Storm Irene and October nor'easter. Director of Communications at the department has assisted CAU in updating web content in preparation for storm seasons and placing useful information for consumers on the web as well as out in various broadcast, print and on-line media.

The *Fraud and Investigations Unit* in fiscal year 2011-2012 the Fraud and Investigations unit recovered \$82,750 for consumers and levied 40 fines totaling \$75,850. Additionally, the unit revoked 25 licenses and issued 1 suspension, as well as denying 18 license applications. Due to passage of Public Act 11-45 which established new statutes for the oversight of surety bail bondsmen, the Fraud & Investigations unit ramped up new processes and procedures which included the creation of an online portal to allow for bail bondsmen to file their mandatory reports online. In an effort to ensure the Bail Bond industry was prepared for the implementation of the new laws, the unit made two presentations in order to review and explain the new legislation. These presentations were very well received and attended by over 100 licensed bail bondsmen.

The *Market Conduct Unit* activities recovered \$2,443,989 in fines as a result of comprehensive Market Conduct examinations, during the 2011-2012 fiscal year. In addition, the

Unit recovered \$327,000 in fines as a result of utilization review and Market Conduct examination surveys for the same reporting period.

The **Licensing Unit** brought in over \$48,275,051 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 2011. During February 2009 the Agency was awarded the maximum 5 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 9 on-site Financial Examinations and one Limited Scope Examination of Connecticut domiciled insurers for fiscal year 2011 – 2012.

The **Legal Division**, during Fiscal Year 2011-2012, promulgated three regulations and assisted Department divisions in 122 administrative enforcement proceedings or stipulated settlements that resulted in the assessment of \$4,544,728.51 in fines and penalties. The Division also supported 33 insurance rate hearings.

In October 2011, the **Life and Health Division** published the annual managed care report card. The Life and Health Division received for review 2331form and rate filing submissions during 2011. In addition, licenses were issued or renewed to 63 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, and use of the funding has been extended until September 2012. The Department has entered into a memorandum of understanding with the Exchange to assist in plan management functions and provide technical assistance as needed. Members of the Division serve on the State Exchange Planning Committee as well as various advisory committees in the ongoing development of the state exchange. The Department now posts all long term care rate filings on its website and provides for direct comment from consumers.

The **Property and Casualty (P&C) Division** received over 5,200 insurance program filings of rates, rules, and forms in fiscal year 2011-2012. Since 2010-2011 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 1,027 filings. This fiscal year the Division ended the year at 1,394 filings. This was mostly attributed to the recent retirement of an examiner, the division filing that position. Despite the increasing backlog the division has been able to maintain an average turnaround of the filings resolved in 90 days to just a over 80%, this is a slight deterioration over the previous fiscal year where 85% of filings resolved in 90 days. Once the department is able to fill the current vacancy it expects to return to previous performance standards as well as lower the backlog.

The Department completed its annual review of the exempt filings, marking the fourth year of this program. Audit results continue to show this to be effective and company compliance with state statutes and/or regulations under the exempt filing review provisions continues to be good. The division telecommuting program has continued to see improved productivity. 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 successfully implemented a new regulation as required PA-10-7 regarding auto rate filings and territories. The Division also conducted an extensive review of other state laws, regulations and/or guidelines as respects to the use by the industry of hurricane deductibles. In November the Division published revised guidelines based on this work which addressed how hurricane deductible may be used and when. During the legislative session we worked closely with the Insurance Committee on drafting legislation to address the hurricane deductible triggers. This legislation was passed and signed by the Governor.

The P&C division continues to actively review all homeowner rate submissions. In 2011 the division reviewed 67 filings. The division continues to have success in reducing some of the requested rate increases requested by the industry as within the limited regulatory authority of the department to disapprove rates in a competitive market.

Public Affairs Unit continues in its commitment to improve communications with the consumer and the public at large. The Department has enhanced its traditional media outreach – print, TV and radio – with active social media participation. This has resulted in reaching new audiences and communicating more quickly with them. All of this proved extremely useful during the weather disasters of 2011 (record winter, Tropical Storm Irene, October nor'easter). The Department uses the following social media:

- **Facebook** - After launching the Insurance Department page on Facebook in April 2010, the agency has seen a steady growth in “friends.”
- **Twitter** - Department now has an active Twitter account and uses it to update consumers on topical issues and also to reach the industry with updates on regulations, licensing and other regulatory news.
- **YouTube** – The Department partnered with Capital Community College in 2011 to produce a series of consumer education videos focusing on storm preparation, auto claims, health care reform and the benefit of using Department’s Consumer Affairs Unit.
- **LinkedIn** – The Department has been gradually building industry and media connections through LinkedIn and uses this platform for regulatory announcements and job postings.

A redesign of the Department’s Web site has allowed for a more attractive and better organized consumer outreach section, which is updated regularly with the latest information. Highlighted links include special pages for:

- **Health Care Reform** – Includes FAQs, state and federal links for the Affordable Care Act
- **“Be Prepared”** – a resource page for seasonal weather risks
- **COBRA** – a resource to help the unemployed maintain their insurance
- **Consumer FAQs** – subjects include auto, homeowners, long-term care, and federal health care reform

The Department’s Communications office and Consumer Affairs work closely together on media relations and outreach with the goal of raising the public awareness of the Department and the benefits of using the Consumer Affairs Unit.

Information Reported as Required by State Statute

As reported by the Financial Regulation Division, as of July 1, 2011, there were 1,235 insurance companies licensed in Connecticut. Of that total, 117 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 17 insurers applying for licensure during the fiscal year. Of the 17 applications reviewed, 12 were licensed and 5 were rejected and/or withdrawn. In addition, 10 companies ceased to be licensed through dissolution, merger, or voluntary surrender of their certificates of authority. As of June 30, 2012, there were 1,237 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 117 were domiciled in the state of Connecticut.

The following table indicates calendar year 2011 direct premiums written in Connecticut:

Life and Annuities	\$14,810,443,756
Property and Casualty Lines	6,518,037,901
Health	7,434,674,049
Surplus Lines *	301,834,214
Risk Retention Groups	66,494,389
Title	97,388,437
Pools and Associations	138,972,713
Total Premiums Written	\$29,367,845,459

*** United States Companies Only**

In March 2012, 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 2012, 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 2011-2012, there were no insurance receivership proceedings pending in the State of Connecticut.