

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 – 150

Recurring operating expenses – \$26,831,309.00 – Fiscal Year 2013 - 2014

Organizational structure – Administration 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; Actuarial Division and Captive Insurance 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 *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.

The *Captive Insurance Division* evaluates licenses, regulates and examines the captive insurers and risk retention groups in the alternative risk market for the State of Connecticut. Broadly, the Captive insurance division focuses on entities that provide insurance and risk coverage or services, outside the scope of that provided by most traditional property & casualty or life & health insurers. The captive insurance company may take several forms or structures, and is typically tailored to address specific risk issues or risk opportunities. In 2012, the Connecticut Insurance Department dedicated new resources to the regulation of captive programs and authorized two pure captives in the State. As of August, 2013 the captive programs authorized in Connecticut have direct and assumed premiums of \$11M. Several new captive programs are currently under review.

The *Consumer Affairs Division* (CAD) informs and educates the public on insurance matters; 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 2012 - 2013, the unit responded to 5,814 formal complaints, handled over 22,513 phone calls, and provided consumer education through distribution of over 183 informational pamphlets and booklets. As a direct result of this Unit's involvement, \$4,650,386 was recovered by Connecticut consumers during the fiscal year.

The *Fraud Investigation 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 were implemented in 2010, to

provide a faster and more efficient process for licensees while concurrently reducing department expenses.

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 ***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. In instances where we are determined to be the Group Supervisor, we are also responsible for understanding the entire group for solvency concerns. In this role, we communicate through the use of supervisory colleges, material group information to other regulators/jurisdictions. To help aid in this process we have on staff an individual responsible for the coordination efforts of the supervisory colleges along with the responsibility of performing an in depth review of all holding company analysis.

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.

Improvements/Achievements 2012-13

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.

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:

Captive Division: staffed with Director, analyst and intern. Two large captives licensed. Others under review.

Instrumental in the development and launching of two Captive Forums (Hartford and Stamford)

Behavioral Health (BH) Toolkit, in partnership with UConn Health Center, for parents seeking pre-authorization of or reimbursement of costs from commercial carriers for BH coverage of care for their children

Serving on the Task Force to Study Behavioral Health for Young Adults set by PA-13

Presentation to the Sandy Hook Commission and subsequent proposal (with Commissioner Rehmer of DEHMAS) for the development of Connecticut non-quantitative limitations not yet finalized in the federal Mental Health Parity Act

Serves as board member of Access Health CT (AHCT) – The State Health Insurance Exchange: (a member of Human Resources and Finance Committees); As co-Chair of the Plan Qualifications and Benefits Advisory Committee for Access Health CT, recommended the Essential Health Benefits, Plan Qualifications, and Essential Healthcare Providers to the AHCT board that it ultimately adopted as member of the Personnel Committee of AHCT board, served in search capacity for AHCT CEO

Working with OPM and DECD to review State Insurance Fund Assessment process.

Partnership with DMV on electronic data sharing project on insured motorists and truckers.

Developing new Long-Term Care rate payment process with Long-Term Care Partnership.

The *Captive Division* has solidified itself as a viable domicile for the formation of captive insurance companies, with competitive advantages that enable it to be considered in the “top 10” relevant US domiciles. The Division has participated in both CICA and VCIA, building awareness of Connecticut’s capabilities in this area. Articles and professional journals have featured CT’s capabilities and differentiators in the captive insurance arena. Significant work has been completed to establish structure and format for captive insurance company review, monitoring and examination. Modifications for updating the existing general statutes have been identified and submitted to the legislature, captive service providers have been recognized and Division staff has been recruited. Linkage with educational institutions – UCONN and High School Inc. has also been established. Interest and inquiries into captive insurance formation and re-domestication is increasing significantly during this year.

The *Consumer Affairs Division* (CAD) 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). Division 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. CAD has worked closely with the Connecticut Health Insurance Exchange in preparing for the launch of Access Health CT in October 2013.

CAD’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 fiscal year 2012-2013, CAD continued to see increased property complaints due to Superstorm Sandy as well as rate increase and cancellation complaints due to prior storm activity over the past three years. Director of Communications at the department has assisted CAD 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. CAD personnel went to the hardest hit areas of the State to assist with disaster recovery. CAD worked with FEMA and NFIP to determine if the State and its individuals qualified for Federal assistance and to assist consumers with their Flood Insurance issues/ applying for aid.

The ***Fraud Investigation Unit*** in fiscal year 2012-2013 the Fraud and Investigation Unit levied 30 fines totaling \$82,450. Additionally, the unit revoked 33 licenses and issued 4 probations, as well as denying 12 license applications.

The ***Market Conduct Unit*** activities recovered \$3,313,196 in fines as a result of comprehensive Market Conduct examinations, during the 2012-2013 fiscal year. In addition, the Unit recovered \$746,000 in fines as a result of utilization review and Market Conduct examination surveys for the same reporting period.

The ***Licensing Unit*** brought in over \$20,224,313 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. The Unit contracted with a national vendor, OPTIns in its' continuing efforts to streamline processing and more efficiently handle surplus lines tax collections.

The ***Financial Regulation Division*** successfully passed the NAIC annual interim review for year-ended 2012. During February 2009 the Agency was awarded the maximum 5 year accreditation award. Therefore, our next full Accreditation on site review is scheduled for the week of February 3, 2014.

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 11 on-site Financial Examinations and one Limited Scope Examination of Connecticut domiciled insurers for fiscal year 2012 – 2013.

As Group Supervisor, the Financial Analysis Unit hosted five supervisory colleges and as a Tier 1 jurisdiction participated in three additional international colleges during 2012.

The ***Legal Division***, during Fiscal Year 2012-2013, promulgated three regulations and assisted Department divisions in 78 administrative enforcement proceedings or stipulated settlements that resulted in the assessment of \$4,330,306.55 in fines and penalties. The Division also supported 35 insurance rate hearings and one hearing under the Connecticut Insurance Holding Company Act regarding the merger or acquisition of control of a Connecticut domiciled insurer.

In October 2012, the *Life and Health Division* published the annual managed care report card. The Life and Health Division received for review 2443 form and rate filing submissions during 2012. In addition, licenses were issued or renewed to 62 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 expired September 2012. The Department has entered into a memorandum of understanding with the Health Insurance 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 *Property and Casualty (P&C) Division* received over 5,200 insurance program filings of rates, rules, and forms in fiscal year 2012-2013. 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 accept 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 1,394 filings. This fiscal year the Division ended the year at 1,189 filings. The previous fiscal year the Division was down one position and we were able to replace our vacant position with a new examiner this year. With the improving backlog the division has been able to average turnaround of the filings resolved once assigned in 90 days to just a over 90%.

The Department is finalizing its annual review of the exempt filings, marking the fifth year of this program. Previous year audit results showed this program to be effective and company compliance with state statutes and/or regulations under the exempt filing review provisions continues to be good. Early review results continue to support this program continuing. 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 pushed for mediation legislation this fiscal year and the legislation was unanimously approved in both houses and signed by the Governor. This program will be significantly important to consumers should the state ever be impacted by a significant catastrophic event. The Division Director also Co-Chairs the states Long Term Recovery Committee and serves with the Deputy Commissioner of DEMHS as the states Sandy Recovery coordinator with the Deputy Commissioner

The P&C Division continues to actively review all homeowner rate submissions. In 2012 the division reviewed 88 filings this reflects an increase 31% from the previous year. Increase in rate activity was primarily due to the adverse weather the state experienced in 2011. 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.

The *Public Affairs Unit* continues in its commitment to improve communications with the consumer and the public at large. The Department is in the process of planning a yearlong public service campaign to raise awareness for our Consumer Affairs Division. The division is staffed by experience insurance examiners who investigate complaints, answer questions, help consumer with appeals and ultimately recover more than \$4 million each year on behalf of consumers. The

campaign will include measurable tools for progress. There will be pre-campaign survey of public awareness of the Department and another survey at the close of the campaign.

The campaign is set to launch in January 2014 when most of the provisions of the federal health care reform law takes effect. The campaign will leverage the interest the public has in health care reform and highlight the Department as an important resource for health insurance questions. The campaign will also raise the Department's profile for seasonal risks, i.e. flooding in the spring, tropical storms in summer and winter damage.

The Department has enhanced its traditional reach to media by regularly using social media along with press releases and Web site posting.

Information Reported as Required by State Statute

As reported by the Financial Regulation Division, as of July 1, 2013, there were 1,237 insurance companies licensed in Connecticut. Of that total, 117 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 40 insurers applying for licensure during the fiscal year. Of the 40 applications reviewed, 36 were licensed and 4 were rejected and/or withdrawn. In addition, 25 companies ceased to be licensed through dissolution, merger, or voluntary surrender of their certificates of authority. As of June 30, 2013, there were 1,248 insurance companies licensed and authorized to transact business in Connecticut. Of that total, 119 were domiciled in the state of Connecticut.

The following table indicates calendar year 2012 direct premiums written in Connecticut:

Life and Annuities	\$16,154,848,024
Property and Casualty Lines	6,852,662,554
Health	7,223,559,325
Surplus Lines *	333,299,567
Risk Retention Groups	65,365,349
Title	111,087,563
Pools and Associations	150,397,151
Total Premiums Written	\$30,891,219,533

*** United States Companies Only**

In March 2013, 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 2013, 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 2012-2013, there were no insurance receivership proceedings pending in the State of Connecticut.