

Insurance Department



At a Glance

THOMAS B. LEONARDI, Commissioner

ANNE MELISSA DOWLING, 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 – 152

Recurring operating expenses – \$28,338,314 – Fiscal Year 2014 - 2015

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 2013 - 2014, the unit responded to 6,175 formal complaints, handled over 24,604 phone calls, and provided consumer education through distribution of over 215 informational pamphlets and booklets. As a direct result of this Unit's involvement, \$4,196,532.67 was recovered for 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

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.

Commissioner's Office is the head of an agency that regulates one of the largest insurance-producing markets in the world. Commissioner Thomas B. Leonardi was appointed to the position by Governor Dannel P. Malloy on February 14, 2011. Commissioner Leonardi has taken an active role in the shaping of policy for national and international regulation to ultimately ensure consumer protection through the financial stability and fair oversight of Connecticut and U.S. carriers. The Commissioner's collaboration with the Department of Economic and Community Development is aimed at helping grow Connecticut's traditional insurance industry and emerging captive market.

In the past year, he continued to raise Connecticut's profile on the national and international stage.

- He was the sole U.S. regulator to testify before a Congressional Subcommittee on the Federal Insurance Office's Industry Modernization Report (2/4/14)
- He was one of three Commissioners to meet with President Obama in the Oval Office to discuss the roll-out of the Affordable Care Act (11/20/13)
- He met with the President again as part of a larger NAIC contingent to discuss the ACA and other regulatory matters (4/17/14)
- He assembled the Department's first captive insurance regulatory unit that, in October 2014, was named one of the best in the nation by a leading trade journal.
- He was one of 20 people chosen to serve on the World Economic Forum's Global Council on Insurance, helping to shape the agenda for the WEF's annual meeting in Davos, Switzerland.
- He is one of only two U.S. regulators on the Executive Committee of the International Association of Insurance Commissioners (IAIS)
- He also serves on the IAIS' Financial Stability and Technical committees.
- He participates and or leads 15 "supervisory colleges," confidential regulator forums for large internationally active insurance and reinsurance groups in the U.S. and Europe.

In 2014, Commissioner was a member of the Executive Committee (EX) of the National Association of Insurance Commissioners (NAIC), Chairman of the Northeast Zone and served as the Vice Chairman of the NAIC's Examination Oversight Task Force. He also was a member on the several NAIC committees and/or task forces, including:

- Governance Review (EX) Task Force
- Government Relations (EX) Leadership Council
- Principal-Based Reserving Implementation (EX) Task Force
- Speed to Market (EX) Task Force
- International Insurance Relations Committee
- NAIC Consumer/Liaison Committee
- Life Insurance and Annuities Committee
- Financial Condition Committee
- Property and Casualty Insurance Committee

- Financial Regulations Standards and Accreditation Committee

Deputy Commissioner Anne Melissa Dowling is involved in a number of interagency collaboration and initiatives that involve key Insurance Department staff.

Collaborations and initiatives led by the Deputy Commissioner include:

Active involvement in highly successful in AHCT launch

Captive Division: staffed with Director, analyst and intern. Two large captives licensed in 2013 – 2014 for a total of four. Several others close to licensing.

Two Captive Forums (Hartford and Stamford) along with Department of Economic and Community Development (DECD) and MetroHartford Alliance's Insurance and Financial Services Cluster (IFS).

Service on the Task Force to Study Childrens Behavioral Health set by PA-13-178

Service on Steering Committee of Connecticut of State Innovation Model initiative (SIM)

CID voted #2 Captive Insurance Program in the nation by an industry trade publication.

Serves as board member of Access Health CT (AHCT) – The State Public Health Insurance Exchange: (a member of Human Resources, Strategy 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 adopts annually. As a member of the Human Resources Committee, conducted review of CEO and serve on search committee for his replacement.

Designed new Long Term Care rate payment option legislation with the Long Term Care Partnership to permit policy owners to pay premium increases over 20% over a three year period.

The *Captive Division* has solidified itself as a viable domicile for the formation of captive insurance companies. In October, 2014 the Captive Division was named as one of the top US domiciles for captive insurance programs. During the 2013 – 2014 year, the division participated in both CICA and VCIA, continuing to build awareness of Connecticut's capabilities in this area. Numerous articles and professional journals have featured CT's capabilities and differentiators in the captive insurance arena. The organizational work completed by the division team in previous years establishing structure and format for captive insurance company review, monitoring and examination, has enabled the licensing of four new captive insurance companies with aggregate premiums of \$53M and total assets of \$119M. In early 2014 a legislative package for the updating of the captive insurance statutes was submitted to the legislature and it was subsequently passed and signed into law. Educational institutions, such as High School Inc. have continued their affiliation with the Captive Division. Interest and inquiries into captive insurance formation and re-domestication has increased significantly during this year, with the opportunity to license 4 – 5 additional captive insurance companies by the end of 2014.

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). 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 during and after open enrollment for

Access Health CT from October 2013 through March 2014. CAD also worked directly with the Insurance companies involved in the exchange to iron out any issues that occurred during rollout of this new program.

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 the year CAD completed and continues to make available to the public a "Consumer Toolkit for Navigating Behavioral Health and Substance Abuse Care Through Your Health Insurance Plan".

During fiscal year 2013-2014, CAD continued to assist consumers with property complaints resulting from Superstorm Sandy as well as rate increase and cancelation complaints due to prior storm activity from prior years. CAD personnel serve on work groups to help State residents recover from damage and prepare for future catastrophes. 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 launched a consumer awareness campaign using consumer education funds. The multimedia campaign raised awareness of CAD services. The campaign won several advertising awards. The department has offered these commercials to other State Insurance Departments to use. Funds raised from this endeavor will be placed back into the consumer education fund.

The ***Fraud Investigation Unit*** in fiscal year 2013-2014 the Fraud and Investigation Unit levied 34 fines totaling \$62,650. Additionally, the unit revoked 28 licenses and issued 8 probations, as well as denying 6 license applications.

The ***Market Conduct Unit*** activities recovered \$1,906,496 in fines as a result of comprehensive Market Conduct examinations, during the 2013-2014 fiscal year. In addition, the Unit recovered \$677,500 in fines as a result of utilization review and Market Conduct examination surveys for the same reporting period.

The ***Licensing Unit*** brought in over \$69,354,002.01 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 full five year accreditation during February 2014. 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 2019.

The Financial Examination Unit completed 12 on-site Financial Examinations and one Limited Scope Examination of Connecticut domiciled insurers during fiscal year 2013 – 2014.

As Group Supervisor, the Financial Analysis Unit hosted seven supervisory colleges and participated in eight additional colleges during fiscal year 2013 -2014.

The *Legal Division*, during Fiscal Year 2013-2014, promulgated five regulations, assisted in the issuance of 31 bulletins to insurers and other regulated entities to provide information or interpretations on recently enacted legislation or existing statutes and regulations, provided support to the Department in 92 administrative enforcement proceedings or stipulated settlements that resulted in the assessment of \$2,593,554.42 in fines and penalties, 26 insurance rate hearings, and one hearing under the Connecticut Insurance Holding Company System Regulatory Act regarding the merger or acquisition of control of a Connecticut domiciled insurer.

In October 2013, the *Life and Health Division* published the annual managed care report card. The Life and Health Division received for review 2403form and rate filing submissions during the fiscal year 2013-2014. In addition, licenses were issued or renewed to 62 utilization review companies.

The Division worked closely with the Partnership for Long Term Care to develop legislation and a regulation to help mitigate the impact of long term care rate increases.

The Division has been involved in various activities to implement the requirements of the Patient Protection and Affordable Care Act (PPACA). 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 various advisory committees in the ongoing development of the state exchange.

The *Property and Casualty (P&C) Division* received over 5,865 insurance program filings of rates, rules, and forms in fiscal year 2013-2014 this represents a **13% increase** over the previous filing year. 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 1,189 filings. This fiscal year the Division ended the year at 1,118 filings a 6% decrease in our overall backlog even considering an overall increase in the number of filings received. The division continues to manage to an average turnaround of the filings resolved once assigned in 90 days to just a over 90%.

The Department is finalized its annual review of the exempt filings, marking the sixth year of this program. As with previous year audit the results continue to show this program is 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 continues to actively review all homeowner rate submissions. The Department recorded effective seventy-one (71) homeowner insurance rate filings during calendar year 2013. The average statewide rate level change filed by these companies was +8.5%, the rate ultimately recorded effective after being reviewed by the Department was +7.9%. The overall rate increase is down from 2012 when the companies requested 12.4 and the department approved 9.7. Of the rate filings submitted there were (13) 'flex' rate submissions, all

were for rate increases. The Department reviewed ALL flex rate filings prior to their effective dates and where we determined additional time was needed for the actuary to review the filing the company was willing to delay the implementation to allow for our review. Particular attention was paid to revisions in rates in coastal areas.

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 *Communication/Public Relations Unit* launched a public awareness campaign across many media platforms helping to raise the profile of our Consumer Affairs staff that helps recover more than \$4 million a year on behalf of policyholders. The campaign was paid for through the Department’s Consumer Education & Outreach Fund, which is funded through industry fines assessed by the CID’s Market Conduct Unit. The Department issued an RFP and after a transparent and fair bidding process, chose a Hartford-based ad agency to create and distribute the campaign. What resulted was the CID’s new “Here for You” campaign that could be seen on network television, buses and our social media platforms. The campaigns garnered awards from a statewide advertising trade organization, but most importantly, drew more consumers to our Consumer Affairs Unit. There they were assisted by experienced insurance examiners who investigate complaints, answer questions and help consumer with appeals.

The health care segment of the campaign is schedule to be re-aired from November to February to coincide with ACA open enrollment at Access Health CT, the state-sponsored health insurance exchange. The Department also worked with the AG’s office for permission to license the TV ads and will begin offering them to other state insurance departments for a licensing fee. The money the CID takes in from those fees will be deposited into the Consumer Education & Outreach Fund.

Information Reported as Required by State Statute

As reported by the Financial Regulation Division, as of July 1, 2013, there were 1,248 insurance companies licensed in Connecticut. Of that total, 118 were domiciled in the state of Connecticut. The Financial Regulation Division reviewed the applications of 29 insurers applying for licensure during the fiscal year. Of the 29 applications reviewed, 23 were licensed and 6 were rejected and/or withdrawn. In addition, 40 companies ceased to be licensed through dissolution, merger, liquidation, or voluntary surrender of their certificates of authority. As of June 30, 2014, there were 1,231 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 2013 direct premiums written in Connecticut:

Life and Annuities	\$17,349,193,894
Property and Casualty Lines	7,150,340,428
Health	7,334,584,627
Surplus Lines *	364,089,619
Risk Retention Groups	50,840,214
Title	118,989,051
Pools and Associations	155,557,974
Total Premiums Written	\$32,523,595,807

* 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 2013-2014, there were no insurance receivership proceedings pending in the State of Connecticut.