

STATE OF CONNECTICUT

INSURANCE DEPARTMENT



Appropriations Committee

Regulation & Protection Subcommittee

March 4, 2026

Governor Lamont's Fiscal Year 2027 Recommended Budget Adjustments

Dear Senator Slap, Representative Nolan, and members of the Regulation & Protection Subcommittee,

The Connecticut Insurance Department's core mission is consumer protection. The Department works to fulfill its mission through enforcement of insurance laws, monitoring insurer solvency, review of insurance products and rates, licensing of industry professionals, educating consumers, and investigating alleged misconduct. Accordingly, the Department's responsibilities include investigating consumer complaints and educating the public, monitoring insurer financial health, reviewing policy forms and rates, licensing agents, brokers, adjusters, and companies, and conducting market conduct examinations.

In Fiscal Year 2025 (FY25), the Department collected over \$95 million in revenue, which is allocated to the State of Connecticut's General Fund. The revenue included industry fines and penalties, fees, and surplus lines tax payments. While the Department is funded through the Insurance Fund, its collected revenue represents direct revenue to the State. The domestic insurance marketplace continues to grow as indicated by the 57,883 new licenses issued to insurance producers, adjusters, and other insurance professionals in Fiscal Year 2025, bringing the total to 318,229 licenses in Connecticut. Over the past five years, the total number of licensees has grown by 9%.

Notably, in FY25 the Department's efforts returned \$6.5 million to consumers through Consumer Affairs interventions across 6,859 filed complaints, and 12,939 placed calls. The Department also helped consumers recover \$21.4 million dollars in insurance benefits in FY25. From an enforcement perspective, the Market Conduct Unit conducted 69 market conduct exams, yielding \$1.7 million in fines. An additional \$81,000 in fines were levied, 51 insurance licenses were revoked, suspended, or surrendered from bad actors, and \$567,209 in surplus lines penalties were assessed because of investigations performed by the Investigations Unit.

As part of the Department's commitment to consumer protection, the Department's Financial Analysis and Field Examination Divisions conduct extensive financial exams and solvency oversight to ensure insurers can meet obligations. The Department utilizes technology upgrades and modernization to continuously improve efficiency. Additionally, the Department actively participates in national and international

regulatory standard setting bodies including the National Association of Insurance Commissioners (NAIC) and International Association of Insurance Supervisors (IAIS), to engage, contribute, and stay informed as to accepted industry standards and more novel, forward-looking ideas.

Significant legislative and policy updates as of October 1, 2025, include Auto & Property Damage arbitration changes whereas Insurers must reimburse the Department for arbitration costs in certain cases where the arbitration award exceeds the insurer's offer; health insurance statute revisions allowing greater flexibility for mandated benefit reviews, adjusted reporting timelines for Pharmacy Benefit Managers, and eliminating certain regulatory drafting requirements; captive insurer reforms allowing conversion of captives to protected cells, clarifying enforcement authority, and improving oversight of transactions and insolvencies.

During FY25, the Department accomplished several regulatory achievements. The Department has seen operational achievements in product review efficiency with the Property & Casualty Division completing review of 86.6% of filings in less than forty days, and the Life and Health Division's average total turnaround time as sixteen days for that same period. Additionally, Workers' Compensation rates decreased for the 11th consecutive year, auto and homeowners rates face pressures from inflation and the impacts from severe weather events, and the Department adjustments saved consumers \$67.6 million in 2024 and \$310.7 million since 2021. Connecticut was recognized as a top domicile for captive insurers. As of June 30, 2025, 1,545 insurers were licensed in Connecticut, including 110 domestic insurers domiciled in the state, and total direct premiums written in 2025 were approximately \$37 billion.

The Department plans to continue our mission to protect consumers and regulate the insurance industry in a manner that promotes fair market competition in the coming fiscal year.

Thank you.

A handwritten signature in blue ink, appearing to read 'Joshua Hershman', with a stylized, cursive script.

Joshua Hershman
Interim Commissioner