Committee Chairs, Vice Chairs, Ranking Members, and Members of the Appropriations Committee, the Insurance Department appreciates the opportunity to submit written testimony on Governor Lamont’s recommended budget for the Department for the Fiscal Year 2020 and Fiscal Year 2021 Biennium. The Insurance Department’s budget represents appropriations from the State’s Insurance Fund which is funded through assessments on Connecticut’s domestic insurance industry.

The Department’s recommended budget reflects increases in both years of the biennium for State Employee Wage Adjustments: $800,448 in FY 2020 and $1,594,634 in FY 2021. These increases are being implemented across all agencies and are not specific to the Insurance Department. The Department also has an increase in both years of the biennium to reflect an adjustment to fringe benefits to reflect actual rates: $2,152,649 in FY 2020 and $2,864,955 in FY 2021.

The passage of P.A. 18-41 An Act Concerning Prescription Drug Costs has tasked the Department with creating a new program, one which the Department does not currently have the expertise to execute. Provisions of the Public Act, which become effective January 1, 2020, require, generally, that the Insurance Department collect, analyze and report on certain health carrier and pharmacy benefits manager information and data submitted to the Department. While the Department has the expertise and personnel to regulate the business of insurance, the Department does not have the same for the business of pharmacy benefits managers. To that end, this budget provides the Department with the personnel and financial resources to effectively and efficiently implement the law. In FY 2020 the Department will be able to hire a consultant to create the program and hire one full time employee to implement the program. In FY 2021, and subsequent out-years, the Department will maintain the full time employee. The total budgeted cost is $225,179 in FY 2020 and $200,356 in FY 2021. This grows the Department’s authorized positions from 150 to 151.

Additionally, the Department will have small decreases in two other areas. First, there will be a decrease in the line item that funds Indirect Overhead at the Comptroller’s Projected Amount: $238,272 in each year of the biennium. Second, the Department will achieve a savings of $1,891 in each year of the biennium through the Department of Administrative Services transition to a less expensive cellular provider – a savings realized across agencies.

The Insurance Department has full confidence that we will be able to continue to fulfill our core mission and objectives of protecting consumers and properly regulating the industry within these appropriations. Over the years the Department has effectively managed to reduce headcount through proper stewardship of staffing changes realized through attrition and by deferring new hiring of open positions – all the while continuing to promote consumer protection and be viewed as having a best-in-class regulatory environment for insurers while promoting efficiency and innovation.

Over the past few years the Department has taken great efforts to streamline a number of processes through LEAN strategies. Over a three-and-a-half year period from March 2015 to October 2018 the Department was able to reduce the turnaround time for reviewing products in the following areas:

- **Health**: 71.3 days down to 16.9 days
- **Life**: 80.7 days down to 4.1 days
- **Property & Casualty**: 93.4 days down to 9.6 days

**About the Connecticut Insurance Department**: The mission of the Department is to protect consumers through regulation of the industry, outreach, education and advocacy. In FY 2018, the Department recovered more than $4.5 million on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department’s annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about $8.35 to the state in revenues. In FY 2018, the Department returned more than $145 million in assessments, fees, fines and penalties, and taxes to the state’s General Fund.
The Department has been active in making our online presence known to the more than 200,000 brokers, agents, adjusters and bail bondsmen licensed by the Department by recently having a successful rollout of a new online pay portal for licensing fees and other transactions. In doing so, the Department has significantly reduced paper processing and added a convenience factor for our licensees.

The Insurance Department is pleased to support Governor Lamont’s proposed budget and continue to be an active stakeholder in moving Connecticut forward. We would like to conclude our testimony by highlighting the “About the Connecticut Insurance Department” footer on the bottom of the all of the Department’s testimony:

"The mission of the Department is to protect consumers through regulation of the industry, outreach, education and advocacy. In FY 2018, the Department recovered more than $4.5 million on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department’s annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about $8.35 to the state in revenues. In FY 2018, the Department returned more than $145 million in assessments, fees, fines and penalties, and taxes to the state’s General Fund."

Thank you for the opportunity to provide testimony in support of the Governor’s proposed budget.

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