

FINANCIAL-COMPLIANCE

State Auditor's Office

For the Two Fiscal Years Ended June 30, 2010

OCTOBER 2010

10-20

REPORT SUMMARY

State Auditor's Office (Office) serves as the State Government watchdog for the citizens of Montana in the insurance and securities industries. The office is a criminal justice agency charged with protecting Montana's consumers through insurance and securities regulation and also through informing the public about insurance and securities issues.

Context

The Insurance Division regulates the insurance industry in Montana. Its duties include resolving insurance consumer inquiries and complaints about agents, coverage, and companies; licensing and reviewing the rates and financial condition of insurance companies; collecting the insurance premium tax; approving forms used by insurance companies; licensing, testing, and administering a continuing education program for insurance agents; and investigating insurance code and rule violations. In total, the office collected \$104,136,222 of Premium Insurance Taxes during fiscal years 2009 and 2010. The office is responsible for distributing a portion of insurance premium taxes to the Montana Public Employees' Retirement Administration, and to fire and police departments in qualifying Montana cities and towns.

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana. The division is responsible for the registration of securities issuers, salespeople, investment advisers, broker-dealers, and investment adviser representatives. It also investigates instances of unregistered or fraudulent securities transactions.

The office administers the Insure Montana Program, a two-part program that is designed to assist small

businesses with the cost of health insurance, whether they have previously provided health insurance or not. The program has a tax credit program and a purchasing pool, which is responsible for administering monthly assistance payments to qualifying businesses. In total, the office provided \$18,455,496 in assistance during fiscal years 2009 and 2010.

Results

Sections within our audit report discuss areas where the office should improve controls to ensure proper recognition of premium insurance tax credits, bad debt transfers, and default fines. The audit report also discusses areas where the department should comply with state laws regarding securities fees and insurer deposits.

| Recommendation Concurrence | |
|----------------------------|---|
| Concur | 2 |
| Partially Concur | 0 |
| Do Not Concur | 0 |

Source: Agency audit response included in final report.

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE Call toll-free 1-800-222-4446 or e-mail lad@mt.gov.