Performance Measurement Report

Insurance Division Program Goal

Agency/Program #:	**3401-03-G1**
Division:	**Insurance Division**
Program:	

Agency Name:	State Auditor's Office	
Agency Contact:		444-2040
LFC Contact:	Representative Taylor, Representative Sesso	
LFD Liaison:	Matt Stayner	444-5834
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Program or Project Description:

The Insurance Division regulates the insurance industry in Monana. The Examinations Bureau is responsible for licensing insurance carriers, monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code.

Appropriation, Expenditure and Source

	2010		2011		
Fund Name:	**Approp.**	**Expended**	**Approp.**	**Expended**	**Approp & Expenditure numbers are as of April 30, 2010**
General Fund	0	0	*0*	*0*	
State Special	5,281,684	3,521,466	*5,733,152*	*0*	
Federal Funds	0	0	*0*	*0*	
Total:	**$5,281,684**	**$3,521,466**	**$5,733,152**	**$0**	

Legislative Goal(s):

Ensure that the insurance industry complies with the Montana Insurance Code, enforce anit-fraud provisions and provide consumer protection.

Legislative Performance Measures:

1. Review and approve forms within 60 days as required by 33-1-501(2), MCA.
2. Financially examine traditional domestic insurers as often as the commissioner considers advisable, but not less than once every 5 years and examine each captive insurer at least once in 3 years.
3. Respond to and resolve policyholder complaints in timely fashion.
4. Complete market conduct examinations for domestic insurance carriers once every five years as required by 33-1-401, MCA.

2009 Biennium Significant Milestones:	Completion Dates **Target**	**Actual**

Agency Performance Report:

1. Review and approve forms within 60 days as required by 33-1-201(2), MCA.

Due to a law passed in 2005, the Forms Bureau is required to complete review and approve or disapprove on all form filings within 60 days of submission or the insurance company submitting may request to have the forms “deemed” approved (33-1-501 (2), MCA).

Although we continue to see increases in form filings, we have been able to reach and exceed our goal. This is as a result of streamlined and improved form filing review and the addition of another FTE. Currently, the average turnaround is 13.5 days.

As you will see, the number of form filings continues to increase every year.
SAO Log form counts:
2006 ~ 8,790
2007 ~ 14,957
2008 ~ 18,890
2009 ~ 35,254
07/01/09 thru 04/30/10 ~ 28,450 (projected for FY 2010 – 37,000)

Please note; these counts are forms that have been approved. The numbers do not include the forms that have been reviewed but disapproved, withdrawn or that are filed for informational purposes. On average, those additional form counts have been 3,500 per year.

The Federal Health Care Reform Act will substantially affect most health insurance policies. Most health insurance policies will need to be updated to comply with the new Federal requirements. Since the requirements are being “phased in” it is expected the increase in filings will continue through at least 2014 and possibly 2018. This will add tremendously to the normal increase in form counts.
2. Financially examine traditional domestic insurers as often as the commissioner considers advisable, but not less than once every 5 years and examine each captive insurer at least once in 3 years.

The Program is on track with this Performance Measurement. The captive examiners will be very busy in 2010, with 8 examinations scheduled. The additional examiner approved in the last legislative session should allow us to complete the exams.

3. Respond to and resolve policyholder complaints in timely fashion.

The Policyholder Services Division (PHS) responds to complaints in a timely manner. However each file has to be reviewed on its individual merits and complexities and files could be open for a period of time. The PHS staff expedites all cases.

Pursuant to MCA §33-1-313 (3) & (4), the office of the Commissioner of Insurance has the following obligations:

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Pursuant to MCA §33-1-313 (3) & (4), the office of the Commissioner of Insurance has the following obligations:

(3) The commissioner shall administer the department to ensure that the interests of insurance consumers are protected.
(4) The commissioner may conduct examinations and investigations of insurance matters, in addition to examinations and investigations expressly authorized, as the commissioner considers proper, to determine whether any person has violated any provision of the laws of this state or to secure information useful in the lawful administration of any provision. The cost of additional examinations and investigations must be borne by the state.

PHS of this agency is the department that conducts consumer complaint investigations related to insurance transactions or entities for Montana Consumers on behalf of the Commissioner of Insurance. These investigations are done to ensure that insurance companies and their representatives are complying with the provisions of Title 33 and the terms of each contract of insurance in Montana.

PHS handles approximately 40,000 telephone inquiries each year from Montana consumers. While formal complaint files may fluctuate slightly each year, in fiscal year 2009 to2010 (through April 30, 2010.) , we handled 1,219 formal complaints and 231 miscellaneous inquiries (which can typically be handled with a phone call or other less formal means). In the same fiscal year PHS recovered $3,574,014.18 (through April 30, 2010.)for Montana consumers.

4. Complete market conduct examinations for domestic insurance carriers once every five years as required by 33-1-401, MCA.

LFD Narrative:

LFD Assessment: On track

Data Relevance: The information provided by the agency was relevant and sufficiently detailed to show quantifiable progress towards goal attainment.

Appropriation Status: Appropriation and expenditure amounts relative to the program were provided by the agency.

Options:
1) Dismiss from further review
2) Review again in October, 2010
3) Request additional information
4) Upgrade or downgrade the rating

Potential questions for the workgroup:
A portion of the stated appropriation is a one-time-only restricted appropriation for a forms analyst position, how will the program be impacted when the funding ends for this position?
How does the agency identify and take action against companies that are out of compliance with insurance regulations?
Describe the difference between market conduct and financial examinations, what actions are taken when a company is found to be deficient?
What information does a financial examination provide and how is that information made available to consumers?
What are the anticipated rolls for the State Auditor's Office in implementing the Federal Health Care Reform Act?

Version	Date	Author
	6/2/2010	Stayner

Change Description