

## **AGENCY OVERVIEW (TRANSMITTAL LETTER)**

### **Indiana Department of Insurance Budget Submittal for Fiscal Year 2014 and Fiscal Year 2015**

#### **1. A description of your agency's programs and functions (by department or division, as appropriate)**

##### **IDOI MISSION STATEMENT**

The purpose of the Indiana Department of Insurance (IDOI) is to protect Hoosiers as they purchase and use insurance products to keep their assets and their families from loss or harm. Consumers may need assistance with certain claim situations or help in understanding how their policies work. Our other primary obligation is to monitor the financial solvency of the insurance companies domiciled in Indiana so that the legal promises made in insurance policies are honored. To these ends, our IDOI staff is committed to providing exceptional customer service for both our consumers and our companies, and to maintain a fair and objective viewpoint as we examine each issue and circumstance within our jurisdiction.

##### **IDOI'S PRIMARY CUSTOMERS**

- Insurance consumers who reside in Indiana;
- 166 domestic and 1,677 foreign or alien insurers and health maintenance organizations that operate in Indiana;
- More than 138,000 licensed insurance agents, more than 12,000 licensed insurance agencies, and 437 insurance agent continuing education providers;
- Third Party Administrators, Provider Networks, Medical Claims Review, and Utilization Review Organizations operating in Indiana;
- Claimants who petition for payment from the Indiana Patient's Compensation Fund for excess damages resulting from medical malpractice and health care providers who participate in the Fund; and
- Other interested parties, including state and federal legislators, the media, other state insurance departments, and Indiana state agencies.

##### **IDOI'S MAJOR PROGRAMS**

- Licensing of insurance companies
- Intake and resolution of consumer questions and complaints against licensed insurance companies and agents
- Monitoring financial solvency of insurance companies
- Licensing of insurance agents and insurance agencies
- Review and approval of continuing education courses and providers
- Review of insurance policies and other forms and review of insurance rates
- Monitoring market conduct of insurance companies, including investigation and adjudication of company and agent code violations

- Implementation of ACA (Federal Affordable Care Act) guidelines affecting insurance regulation
- Administration and defense of the Indiana Patient's Compensation Fund which provides payment for certain medical malpractice awards and the maintenance of a malpractice claim database
- Operation of the State Health Insurance Assistance Program (SHIP)
- Licensure and regulation of bail bond, recovery, and title agents
- Administration of Indiana's Long Term Care Partnership Program
- Administration of the Indiana Political Subdivision Risk Management Fund which provides liability insurance to political subdivisions
- Administration of the Indiana Mine Subsidence Insurance Fund which provides mine subsidence insurance to Indiana residents who live in certain, vulnerable areas
- Maintenance of a Mortgage Fraud Database

## **2. Accomplishments and challenges over the past two years:**

**Topic:** Insurance recovery and restitution for Indiana consumers

**Action:** The IDOI takes appropriate disciplinary action against insurance producers, agencies, and companies who violate Indiana Code Title 27 or the insurance regulations set forth in Indiana Administrative Code Title 760.

**Results:** Aggressive and effective disciplinary action is best reflected in the amount of money the IDOI recovers for consumers. The IDOI collected \$13,762,044 in 2011 in combined consumer recoveries and restitution. From January 1, 2012, to June 30, 2012, the IDOI has collected \$7,180,673 in consumer recoveries and restitution. In addition, the IDOI has negotiated settlements or obtained administrative judgments for fines and penalties against companies and agents who have violated the Insurance Code. Company fines in 2011 totaled \$119,360 and from January 1, 2012 to June 30, 2012 totaled \$3,197,105. Producer (agent) fines for 2011 totaled \$62,628 and from January 1, 2012, to June 30, 2012, totaled \$35,925. The IDOI served as a Lead State in a multi-state regulatory action and settlement against AIG. The efforts of the department resulted in a multi-state penalty of \$100,000,000 against the company, of which the IDOI received \$2,005,455.

The IDOI has also increased its efforts in reviewing rate and form filings and taking a more thorough actuarial look at documents filed with the department. This analytical review has been effective in identifying violations of the form filing requirements and resulted in identifying two companies who had violated the insurance regulations. As a result, Assurant companies operating in Indiana were required to make restitution of \$2,750,000 to Indiana small business owners and were fined \$200,000. Trustmark Insurance Company was also found to be in violation of Indiana law and was required to make restitution of \$1,300,000 to consumers and fined \$50,000.

**Topic:** Reducing the impact of insolvencies

**Action:** Although a primary goal of the IDOI is to monitor the financial solvency of insurance companies and avoid insolvencies, they do happen, and the focus then shifts to reducing the impact to policyholders. Standard Life Insurance Company ("SLIC") was placed into rehabilitation on December 18, 2008. At that time, the IDOI projected that policyholders would receive approximately 70% of the cash value of their policies. However, a rigorous search by the IDOI identified an insurance company willing to assume the policies (but not the company)

at 100% of cash value, although a small portion of policyholders are now receiving a lower interest rate than prior to the rehabilitation.

**Results:** Since policyholders received full cash value, the Indiana Life and Health Insurance Guarantee Fund did not have to make any payments that would eventually be passed along to Hoosier taxpayers.

**Topic:** Reducing the cost of financial examinations

**Action:** The IDOI is statutorily tasked with examining domestic insurers' financial solvency regularly. The costs of these exams are borne by the insurer being examined. For many years the exams were coordinated and overseen by a contracted Examinations Manager. Over the years, both the hourly rate and the number of hours spent by the Exam Manager per exam had been increasing. In this biennium, the IDOI ended that contract relationship and made the Exam Manager an IDOI employee, reviewed the number of hours spent on each examination, and worked with examiners to implement videoconferencing and electronic exchange of data.

**Results:** These efforts have reduced the cost to companies so that lower costs must be passed on to insurance consumers. The switch to an in-house exam manager alone saved over \$70,000 in the first year.

**Topic:** Easing the process of renewing insurance producer licenses

**Action:** Insurance producers must renew their licenses every two years. Previously, renewal notices were sent via U.S. mail, at a significant cost to the agency. Over the past biennium, IDOI has transitioned to complete electronic delivery of renewal notices via email. Producers may then electronically renew their licenses and receive confirmation of the renewal.

Additionally, producers may access their licensing information, including continuing education information, electronically. These services are provided through a contracted vendor.

**Results:** These efforts have reduced the cost to both the IDOI and the insurance producers selling, soliciting, or negotiating insurance in Indiana.

**Topic:** Maintaining the availability of health care in Indiana through careful stewardship of the Indiana Patient's Compensation Fund

**Action:** The Patient's Compensation Fund (PCF) reduced surcharge rates to health care providers in this biennium. For 2011, the surcharge for physicians was reduced 17.7%, and the hospital surcharge was reduced 28.4%. For 2012, physician rates were reduced 10.2%, and hospital rates were reduced 1.7%. In addition, in 2012, an administrative rule became final that reduced the bed rates for nursing homes. Despite these reductions, the balance in the PCF remains adequate to compensate victims of medical malpractice. In addition, the PCF is working to reduce administrative costs by allowing insurers, which collect surcharges from health care providers and pass them along to the PCF, to file proof of financial responsibility and remit surcharges electronically.

**Results:** Reducing the cost of health care providers' professional liability insurance helps enable health care providers to provide affordable health care to Hoosiers. In addition, maintaining a stable PCF helps attract health care providers to Indiana and induces them to remain in Indiana by protecting their personal assets from potential lawsuits. The IDOI has been able to provide that stability while also reducing the costs to physicians and hospitals.

**Topic:** Aiding Hoosiers through disaster response and recovery efforts

**Action:** The IDOI has continued to partner with other state and federal agencies to provide a coordinated response to disasters faced by Indiana residents. The IDOI has continued to build on its technical expertise, with training on the National Flood Insurance Program provided by FEMA.

**Results:** In early March 2012, an EF-4 Tornado struck southern Indiana. Severe wind damage resulted in parts of southern Indiana, especially to the town of Henryville. The IDOI sent response teams of insurance experts to disaster response centers in Scottsburg, New Pekin, and Holton to assist citizens with resulting insurance related-inquiries and to enhance their immediate access to their insurers.

**Topic:** Continuing efforts to identify license producers and bail and recovery agents who are behind on child support obligations, to assist the Indiana Department of Child Services (DCS) in collecting arrearages.

**Action:** The IDOI regularly receives reports from DCS on producers and bail recovery agents with child support arrearages and imposes license probations and suspensions.

**Results:** Due to its partnership with the IDOI, the efficiency of DCS's collection efforts has been increased. By aiding in the collection of back child support, custodial parents are less dependent on taxpayer-funded assistance programs. Additionally, a serious message has been sent to all agents licensed by the IDOI that failure to meet their child support obligation will have consequences.

**Topic:** Analyzing the Federal Affordable Care Act

**Action:** Since the Federal Affordable Care Act (ACA) was passed in March 2010, IDOI has developed and/or nurtured its expertise in areas of health insurance, rate review and insurance exchanges. IDOI has provided input and analyzed and responded to the impact of the developing federal regulations on Indiana.

**Results:** IDOI was determined by the Federal government to have an effective rate review process, has associates in the pros & cons of developing a state-based insurance exchange, and can advise insurers, legislators, and consumers operating in Indiana on health care reform.

### **3. Objectives for the next biennium**

#### **Consumer Protection**

The IDOI will continue to discipline producers and companies. This regulation includes regular audits of title producers and bail agents, as well as judicious use of market conduct examinations of insurers with egregious or continuing violations of law.

The IDOI will maintain its participation as a member of the National Association of Insurance Commissioner's Market Regulation and Consumer Affairs (D) Committee to monitor developments and directives that affect the department, companies and consumers and will continue to monitor and assess NAIC's renewed emphasis toward market regulation accreditation. At the same time, efforts will continue to improve collaboration and uniformity between states to reduce duplication and costs when one company is subjected to several market conduct examinations by multiple states.

The IDOI hopes to develop a fraud unit over the next biennium, using current employment levels, to combat fraud in all lines of insurance. Fraud units combat fraud from all participants in an insurance transaction: insurance companies, producers, policyholders, victims, and service providers. The cost of fraudulent activity is ultimately borne by the policyholder in the form of higher premiums. For this reason, it is in the interest of Hoosier consumers for the IDOI to focus on fighting fraud.

## **Financial**

Once every five years, the National Association of Insurance Commissioners (NAIC), of which Indiana is a member, does an extensive on-site review of each state department of insurance's ability to properly determine the solvency of the companies domiciled in their state. This financial accreditation process is viewed with great importance in the insurance industry and is vital to all of the companies domiciled in Indiana. The IDOI was last accredited in 2010 and constantly works to maintain standards that will allow IDOI to remain accredited. Without proper accreditation, Indiana companies could be subject to costly duplicative financial examinations by other states in which they conduct business.

The IDOI will continue to monitor the examination process to reduce unnecessary costs. Furthermore, IDOI will implement additional procedures to allow electronic transmission of financial information to create as efficient a process as possible.

## **Political Subdivision Risk Management Commission**

The Commission will continue to provide liability coverage to Indiana political subdivisions having difficulty obtaining proper insurance coverage. This program is administered by the IDOI and marketed through independent insurance agents.

## **Health Care Reform**

IDOI will continue to work with other Indiana state agencies to evaluate the changing health insurance landscape as the federal Affordable Care Act (ACA) is implemented.

## **Patient's Compensation Fund**

Over the next biennium, the PCF will continue to work to more efficiently handle the process of receiving surcharges and proof of financial responsibility. Goals for the biennium include a review of procedures to ensure cases are proceeding to resolution as quickly and efficiently as possible. In addition, the PCF will prudently litigate necessary issues to establish and maintain legal precedent that furthers the intent of Indiana's Medical Malpractice Act.

## **Mine Subsidence Program**

The program will evaluate and refine a method of reporting policies electronically that was recently implemented. Further, the program will evaluate its claims handling practices to ensure proper claims payment.

## **Disaster Response**

The IDOI will expand education efforts for consumers before a crisis occurs, train employees to respond when one happens, and communicate with other states to coordinate efforts when appropriate.

## **4. An organizational chart: (Attached to email)**

## **5. Any programs to be reduced, eliminated, and/or replaced by other programs (these should be described in some detail),**

None

**6. Any reallocation of funds to accomplish these changes should also be included.**

The IDOI understands the fiscal constraints under which the State is currently operating and the possibility that additional efficiencies may need to be found. This submittal and its objectives were prepared with the assumption of current operating levels.

Sincerely,

Stephen W. Robertson  
Insurance Commissioner