

# Montana Commissioner of Securities & Insurance

*Montana's State Auditor*

## Interim Committee Report

Presented by

**Commissioner Monica J. Lindeen**  
Commissioner of Securities and Insurance  
Montana's State Auditor

October 22, 2013



1

## Duties of the Montana Commissioner of Securities & Insurance

- Consumer protection, industry regulation, and education are primary duties.
- The Commissioner is Montana's representative in:
  - The National Association of Insurance Commissioners (NAIC).
  - The North America Securities Administrators Association (NASAA).



2

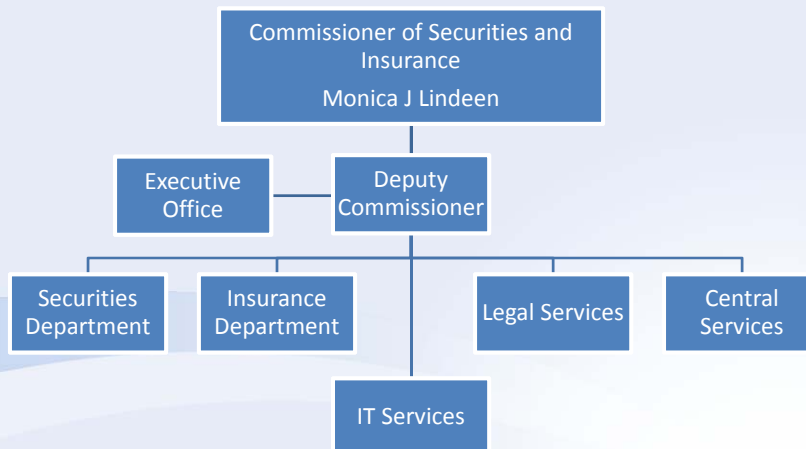
## CSI Office Structure

The Commissioner's office includes two departments:

- **Securities Department**, led by Deputy Commissioner of Securities Lynne Egan
- **Insurance Department**, led by Deputy Commissioner of Insurance Greg Dahl



3



4

## Information Technology Bureau

- Responsible for technical support, agency IT infrastructure maintenance, website frameworks, software development, disaster recovery, and cyber security
- Provides IT oversight and guidance to ensure the most cost effective use of CSI's technology products and services



5

## Technology Improvements

### **Investments in technology have streamlined industry regulation and consumer protection**

- Insurance licensing, renewals, complaints, etc. now handled by a secure, web-based system.
- Electronic form filings for faster processing
- Progress toward national standard through SERFF
- Online continuing education reporting for agents
- Interactive complaint form for consumers



6

## State Based Systems (SBS)

- In 2013, CSI adopted SBS, a new electronic system to provide a comprehensive, Web-based application for our insurance regulatory functions.
- SBS is developed by NAIC at no charge to CSI.
- SBS allows us to more efficiently and effectively process license applications, renewals, inquiries, complaints, enforcement actions, etc. with a minimum of effort and remain compliant with national uniformity initiatives.



7

## Securities Department

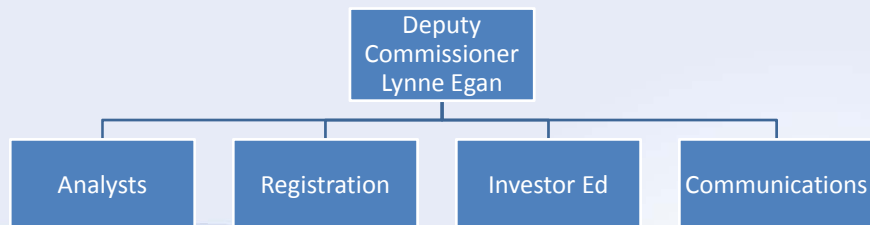
The CSI's Securities Department:

- Protects investors and persons involved in securities transactions.
- Promotes uniformity amongst the states in securities regulation.
- Encourages capital investment in Montana.



8

## Securities Department Structure



9

## Securities Department Customers

- Approximately 70% of Montana households have at least one investment account.
- The Securities Department serves every Montanan that has a(n):
  - investment account.
  - retirement account.
  - college savings plan.
  - other type of investments.
- The Securities Department helps Montana businesses access capital to start or grow.



10

## Securities Department Revenue

- In FY 2013, the Securities Department brought in **\$13,607,823** in revenue.
- Total expenditures for the year were **\$857,676**
- For every **\$1.00** spent in regulating the securities industry in Montana in FY13, the Department brought in over **\$15.86**. In FY14, the Department estimates it will bring in over **\$16.00** in revenue for every dollar spent.



11

## Growth in Securities

	10 Years Ago	Today	% Change
Licensed Salespeople & Representatives	51,174	92,012	+79.8%
Licensed Broker-Dealer & Investment Advisory Firms	2,136	2,218	+3.8%
Broker-Dealer Branch Offices	641	635	-0.8%
Revenue	\$7.535 Million	\$13.6 Million	+81.2%
Securities issuers	18,403	27,321	+148%
CSI Securities Staff Size	11.5 FTE	11.5 FTE	0%



12

## Consumer Protection - Securities

### In the current biennium:

- The CSI has returned nearly **\$4 million** to Montanans harmed by securities fraud or abuse.
- The CSI has ordered over **\$16,000,000** in restitution to victims of wrongdoing.
- The CSI has levied **\$347,662** in fines against firms and individuals.



13

## Securities Restitution Assistance Fund

- Many times, restitution is ordered but the wrongdoer does not pay or is unable to pay the victim.
- The 2011 Legislature established a Securities Restitution Assistance Fund to help such victims. The 2013 Legislature provided a designated income source for the fund.
- Only Montana and Indiana have such a fund.



14

## Restitution Fund (cont.)

To qualify for assistance, a victim must have been ordered restitution but not paid.

Victims can receive up to \$25,000 or 25% of the money ordered but not paid, whichever is less.

### In the current biennium:

- **36** victims have made application for assistance.
- These 36 victims lost an aggregate of **\$6,108,570**.
- **\$379,344** in assistance was paid to these victims.
- The average award per victim was **\$10,537**.



15

## Consumer Education - Securities

### In the last two years:

- The CSI provided investor education programs throughout the state, providing educational resources to thousands of households across the state.
- The CSI provided fraud prevention presentations to hundreds of CPAs located throughout Montana.
- The CSI provided financial literacy tools to nearly 9,000 middle and high school students throughout Montana.



16



## Small Business Development

### In the last two years:

- The CSI has helped dozens of small businesses obtain more than \$50 million in capital through equity and debt offerings.
- Without this assistance, many of these businesses may never have started up and many may now be out of business.



17

## Insurance Department

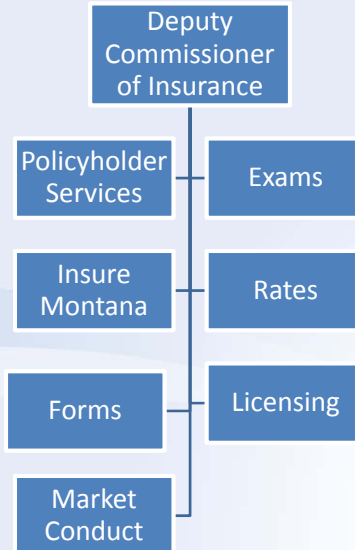
### The CSI's Insurance Department:

- Enforces Montana's insurance laws to protect consumers.
- Encourages growth in Montana's insurance industry through fair and efficient regulation.
- Monitors Montana's insurance market with financial exams, market conduct exams, form approval, rate review, and licensing.



18

## Insurance Department Structure



## Insurance Department Revenue

- The CSI collects premium taxes from insurers for the general fund and the Healthy Montana Kids Plan

Fiscal Year:	FY 2012	FY 2013
General Fund Revenue	58,799,734.50	61,886,207.50
HMK Plan Revenue	10,371,596.39	10,836,303.73
Total Premium Tax	69,171,330.89	72,722,511.23



## Policyholder Services

- The CSI has 8 full-time staff dedicated to resolving consumers' insurance problems
- In an average year, the Policyholder Services Bureau fields approximately 40,000 calls

Calendar Year:	2011	2012	2013 (YTD)
Complaints Closed	1,421	1,393	811
Money recovered for policyholders	\$4.7 million	\$5.2 million	\$3.6 million



21

## Form Review

- The CSI reviews and approves all policy contracts and forms used in Montana.
- Form review has become more efficient thanks to IT development.

Fiscal Year:	FY 2011	FY 2012	FY 2013
Forms Reviewed	47,395	47,701	72,195
Average Turnaround	15.9 days	12.5	7.8 days



22

## Market Conduct Exams

- The CSI conducts market conduct exams on domestic insurance companies every 3-5 years, depending on the nature of the company.
- Exams verify compliance with Montana insurance laws.
- Ensure a fair and level playing field for competition in Montana's insurance market.



23

## Producer Licensing

- The CSI licenses all 68,353 insurance producers doing business in Montana
- Number of licensed producers shows steady growth

Calendar Year:	2011	2012	2013 (YTD)
New Resident producers	740	623	910
New Non-Resident Producers	10,383	10,844	10574
Total New Producers:	11,123	11,467	11,484



24

## Company Licensing

- The CSI licenses all 1,634 insurance companies doing business in Montana

Calendar Year:	2011	2012	2013(YTD)
Life & Health Companies	474	471	460
Property & Casualty	827	829	835
Other*	183	200	339
Total Licensed Companies:	1,484	1,500	1,634

\*Includes: Title, Fraternal, RRG, HSC, HMO, MEWA, Captives and Farm Mutual companies



25

## Captive Insurance

- The CSI licenses and actively recruits new captive insurance business to Montana
- Growing captive industry contributed \$1,034,625 to general fund in FY 2012

Calendar Year:	2011	2012	2013
Licensed Captives*	67	85	114
% Growth over previous year	--	+27%	+34%

\*As measured on Jan. 1 of each year



26

## Rates

- The CSI Reviews Rate Filings in nearly every line of insurance.
- Rates are reviewed to prevent inadequate, unfair, or discriminatory rating practices.
- The CSI rate bureau has two FTE to review all rates filed with the office.
- CSI contracts with outside actuary to review health insurance rates. These figures do not include health insurance rates.

Fiscal Year:	FY 2011	FY 2012	FY 2013
Rates Reviewed	5,253	5,367	5,615



27

## Health Insurance Rate Review

- CSI gained the ability to review health insurance rates in 2013 as a result of HB 87.
- CSI contracts with Leif & Associates for health insurance rate review.
- From July to September, 313 plans have been reviewed at a cost of \$75,800.



28

## Benefits of Rate Review

- Montana consumers have already benefited:
  - One company lowered rates by **7 percent**.
  - A second lowered rates by **22 percent**.
  - A third company lowered rates by **66 percent**.



29

## Insure Montana

- Two-part program designed to assist small businesses and their employees with the cost of health insurance
- Funded by a 2004 voter initiative and passed into law by the 2005 legislature
- Funded by tobacco tax revenue

Enrollment At a Glance	Lives Covered*	Businesses
Purchasing Pool	4,040	805
Tax Credit	4,033	711
Total	8,073	1,516

\*Includes covered dependents



30

## **Insure Montana – Purchasing Pool**

- Provides an incentive payment to small businesses to reimburse a portion of the health insurance premium the business contributes to its employees.
- The program also provides an assistance payment to employees to reimburse their out-of-pocket health insurance costs.



31

## **Insure Montana – Tax Credit**

- Provides a refundable tax credit to small businesses for a portion of the health insurance premium the business contributes to its employees.
- 40% of the Insure Montana funding is appropriated to the Tax Credit Program.



32



## Insure Montana – Enrollment

Premium Assistance	
Businesses enrolled	725
Lives Covered	3,591 (including dependents)
Annual Budget	\$5,434,982
Monthly Payment per Business	\$305.45
Monthly Payment per Employee	\$105.90
Tax Credit	
Businesses enrolled	660
Lives Covered	3,768 (including dependents)
Annual Budget	\$3,623,321
Average Payment per Business	\$3,693



33

## Central Management Bureau

- Provides human resource, accounting, budget and administrative support for the agency to fulfill the agency mission
- Includes:
  - Mail room
  - Front desk
  - Accounting
  - Human Resources



34

## Legal Bureau

- Provides legal interpretation of the Securities Act and Insurance Code, as well as the applicable administrative rules
- Monitors national securities and insurance related class actions for their potential impact and fairness to Montana consumers
- Leads criminal and administrative action against violations of the Securities Act and Insurance Code



35

## Investigations Bureau

- Investigates complaints and/or suspected violations of Montana's insurance code
- Investigates theft, forgery, deceptive practices, common schemes, fraudulent insurance claims
- When investigations are complete, cases are sent to legal bureau for prosecution



36

## 2013 CSI Requested Legislation Enacted

### INSURANCE

HB22 Housekeeping (Rep. Dudik)  
HB48 Revise Insure Montana laws (Rep. McChesney)  
HB79 Constitutional ref. to change name of SAO (Rep. Berry)  
HB87 Provide CSI Rate Review Authority (Rep. Welborn)

SB28 Authorize Montana joining IIPRC (Sen. Thomas)  
SB34 Revise unclaimed life insurance benefits laws (Sen. Caferro)  
SB84 Patient-Centered Medical Homes act (Sen. Kaufmann)

### SECURITIES

HB81 Revise Securities Restitution Fund laws (Rep. Ankney)  
SB20 Revise Securities laws related to multi-level marketers (Sen. Jent)



37

## Patient-Centered Medical Homes

- A Patient-Centered Medical Home (PCMH) is a model of health care delivery that emphasizes primary health care, coordinated care and prevention.
- In the PCMH model, insurers pay an incentive based on quality of care, rather than quantity.
- The CSI leads Montana's PCMH working group as a neutral party who addresses payment options, anti-trust laws, other state multi-payer initiatives and recognition processes.
- As required by SB84, the CSI is currently developing standards for PCHM certification.



38

## Affordable Care Act Marketplace

- Montana's federally built, federally maintained Marketplace website is not working properly.
- [www.montanahealthanswers.com](http://www.montanahealthanswers.com), visited by more than 11,000 individual Montanans.
- We've answered nearly 1,000 questions from our Ask Away site.
- Our office has hosted dozens of town hall events to explain the law.



39

## Montana is a Plan Management State for the Marketplace

- The CSI is working with the federally facilitated marketplace to alleviate duplication and save consumers time and money
- This coordination will help to preserve the state regulation of health insurance.
- CSI's plan management duties include:
  - Recommending qualified health plans to the federally facilitated marketplace
  - Using rate review authority to review health insurance rates and their benefits
  - Monitoring insurance companies for compliance with state and federal law



## Insurance Pricing Scenarios

- Family of four from Polson; yearly income of \$30,000
- Two adults, aged 25, non-smokers.
- Two children under the age of 18.
- Family buys a “silver plan.”
  
- **Estimated monthly cost = \$50.00**
- **Based on income, this family is also eligible for a special plan with an actuarial value of 94 percent. For example, if a child from this family goes to the emergency room and the bill is \$1,000, the insurance company and federal government will pay \$940 and the family will pay \$60 out-of-pocket.**
- **Family will pay no more than 2 percent of income on premium.**
- **Out-of-pocket costs based on medical spending, but capped for all plans at \$12,700 for a family.**



41

## Scenarios Cont.

- Family of four from Polson; yearly income of \$45,000.
- Two adults, aged 35, non-smokers.
- Two children under the age of 18.
- Family buys a “silver plan.”
  
- **Estimated monthly cost = \$220.83**
- **Based on income, this family is also eligible for a special plan with an actuarial value of 87 percent. For example, if a child from this family goes to the emergency room and the bill is \$1,000, the insurance company and federal government will pay \$870 and the family will pay \$130 out-of-pocket.**
- **Family will pay no more than 5.89 percent of income on premium.**
- **Out-of-pocket costs based on medical spending, but capped for all plans at \$12,700 for a family.**



42

## Scenarios Cont.

- Family of four from Polson; yearly income of \$65,000.
- Two adults, aged 45, non-smokers.
- Two children under the age of 18.
- Family buys a “silver plan.”
  
- **Estimated monthly cost = \$476.83**
- **Based on income, this family is *not* eligible for a special plan with government discounts on out-of-pocket spending.**
- **Family will pay no more than 8.8 percent of income on premium.**
- **Out-of-pocket costs based on medical spending, but capped for all plans at \$12,700 for a family.**



43

## Questions?

**800-332-6148**

**406-444-2040**

**[www.csi.mt.gov](http://www.csi.mt.gov)**

**Montana State Auditor's Office**

**840 Helena Avenue**

**Helena, MT 59601**



44