COMMISSIONER OF SECURITIES AND INSURANCE

Troy Downing
Commissioner

Office of the
Montana State Auditor

December 2, 2024

Interim Budget Committee, Section A
ATTN: Representative Terry Moore, Chair

Economic Affairs Interim Committee
ATTN: Representative John Kassmier, Chair

Room 110 Capitol Building
PO Box 201706
Helena, MT 59620-1706

RE: State Auditor's Office (SAO) 2024 Fiscal Year Performance Report

Dear Chairmen Moore and Kassmier:

Pursuant to Section 2-12-105, MCA, we are pleased to provide the SAO's *2024 Fiscal Year Annual Performance* Report. This report is also available electronically at https://csimt.gov/outreach/.

If you have any questions or comments concerning this submission, please contact me at the number listed below or by email at mary.belcher@mt.gov, or Molly Plummer, Chief of Staff, at 406-444-2042 or by email at molly.plummer@mt.gov.

Respectfully,

Mary Belcher
Deputy State Auditor
406-444-2040

Enc.
c: Amy Sassono, Deputy Budget Director (OBPP)
Molly DelCurto, Fiscal Analyst (IBC)
Megan Moore, Research Analyst (EAIC)

PROTECT. EDUCATE. GROW.

2024 Fiscal Year Annual Performance Report

July 1, 2023–June 30, 2024

CSI

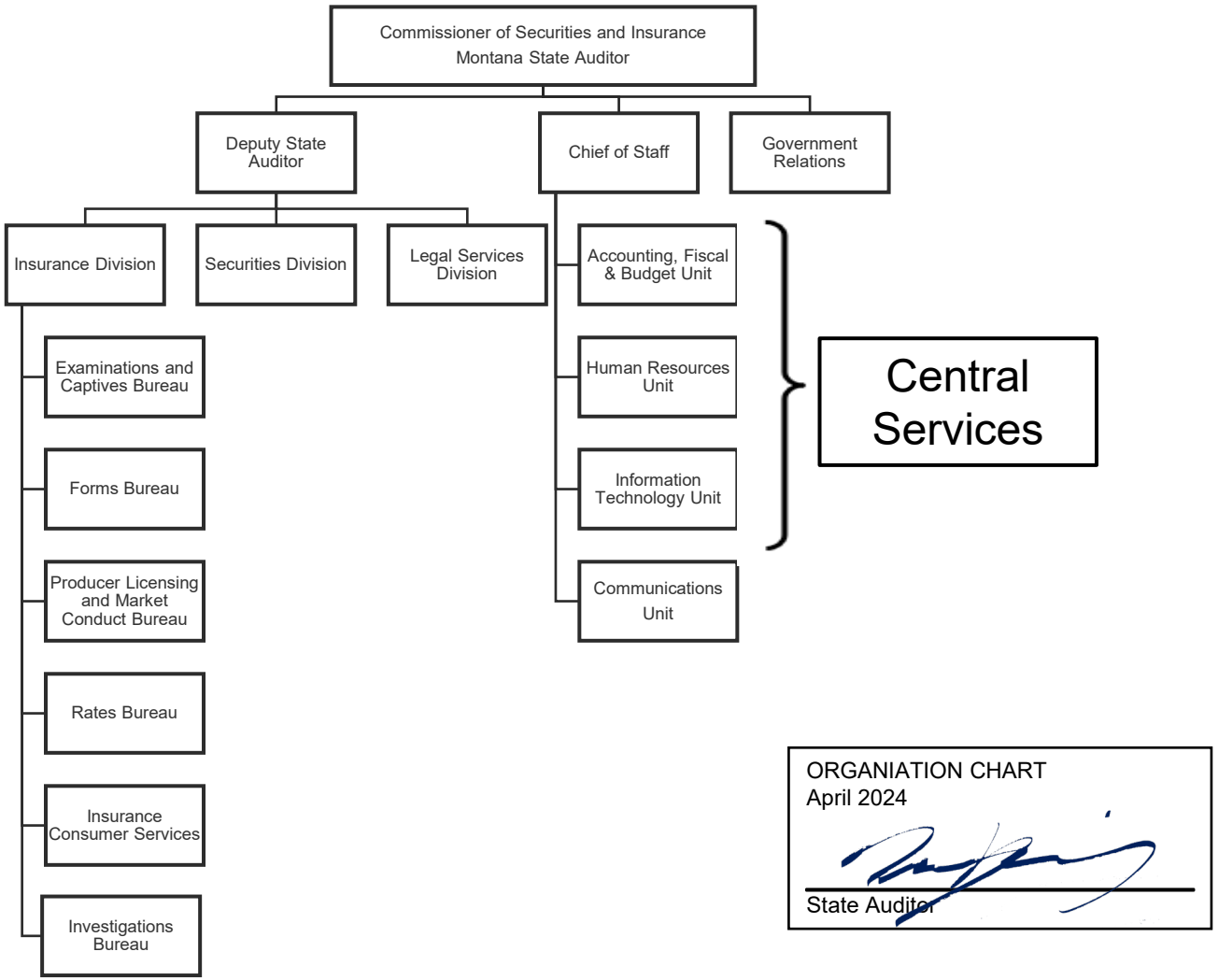
COMMISSIONER OF SECURITIES & INSURANCE
OFFICE OF THE MONTANA STATE AUDITOR

csimt.gov/outreach

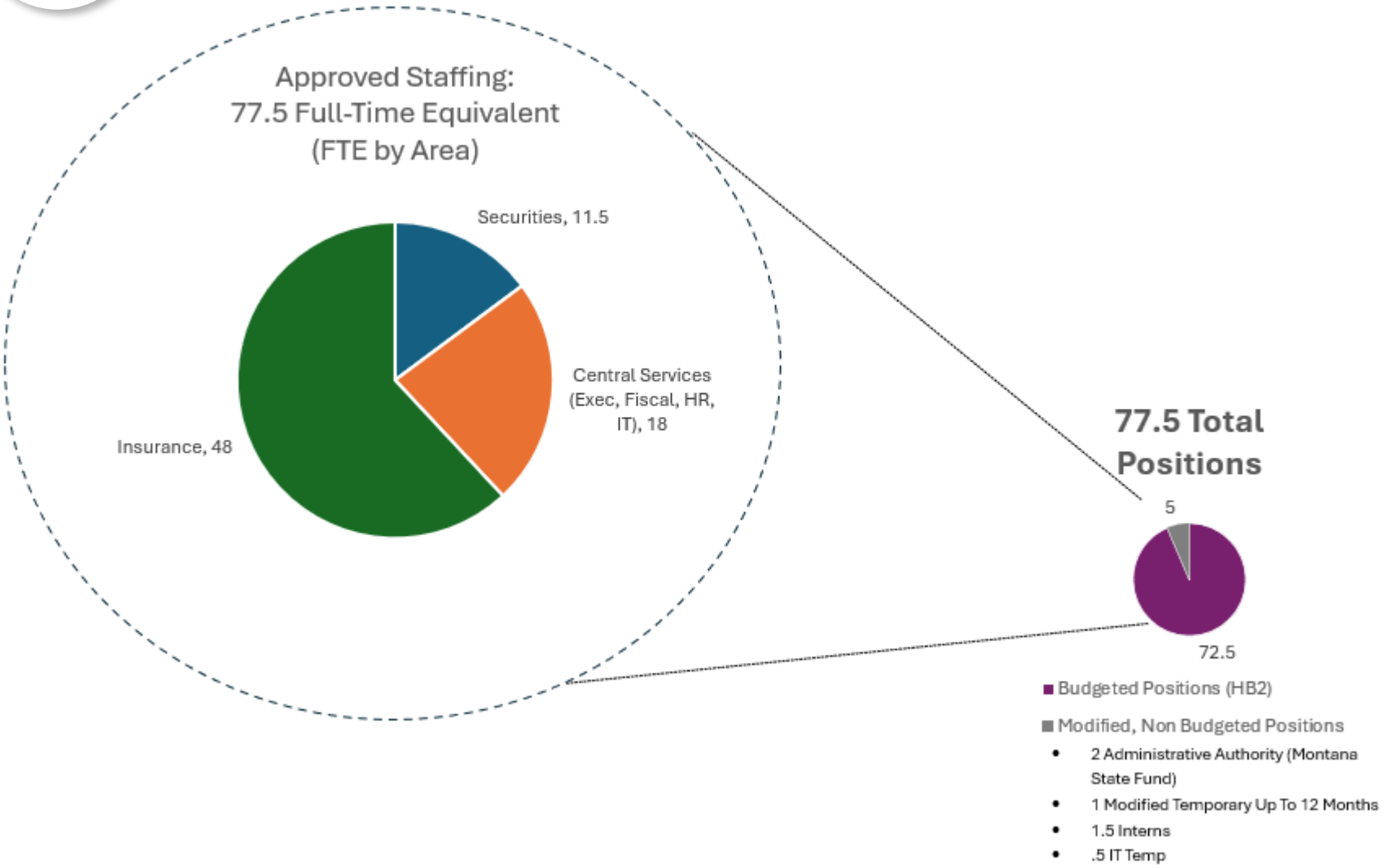
The Commissioner of Securities and Insurance (CSI) has long understood the importance of being accountable and transparent to the people of Montana. Annually, we identify priorities, strategies, and goals and define key metrics to measure performance and outcomes. We are pleased to provide CSI's 2024 Fiscal Year Annual Performance Report as required by Section 2-12-105, MCA.

"From top to bottom, every member of our team does good, meaningful work. I am humbled by the level of intelligence, heart and work ethic that I see daily." —Commissioner Troy Downing

CSI Organizational Chart



CSI Budgeted FTE



CSI Vision & Mission

OUR VISION & MISSION

VISION

An accountable, responsive agency serving and safeguarding Montana consumers by regulating the insurance and securities industries, investigating fraud, and prosecuting criminals.

MISSION

- Inform consumers and industry through education and outreach
- Provide responsive and meaningful customer service
- Investigate complaints, fraud reports, and prosecute criminals
- Support Montana business by promoting industry innovation and removing unnecessary regulatory roadblocks and red tape
- Manage State Trust Lands for the ongoing benefit of Montanans and public education

CSI OVERVIEW

We are a consumer protection agency

INSURANCE

- Educate consumers and industry on insurance matters
- Ensure compliance with the Montana Insurance Code
- Oversee industry conduct and insurance company financial solvency
- Investigate insurance complaints and fraud
- Assist producers, adjusters and consultants with licensing and continuing education needs
- Review and approve insurance rates and policy form filings for compliance and actuarial soundness

SECURITIES

- Educate Montana consumers and investors on securities
- Investigate securities and financial fraud
- Encourage capital investment in Montana
- Oversee the securities industry for Montana's Securities Act compliance
- Promote securities market uniformity through industry oversight

LEGAL

- Advise industry and the public on laws relating to our agency
- Oversee investigations into and prosecute violations of Montana's insurance and security codes
- Serve as general counsel for the CSI

CSI Goals & Objectives

Customer Service

Optimize the customer service experience by ensuring consumers and industry professionals are served responsively, efficiently, and consistently.

- Facilitate the fair and equitable treatment of insurance and securities consumers.
- Effectively and efficiently receive, analyze, and resolve consumer and industry inquiries and complaints.
- Efficiently license qualified insurance and securities individuals and entities doing business in Montana.

Compliance & Enforcement

Ensure compliance with applicable laws and regulations; hold bad actors accountable; advocate for victims of insurance and securities fraud.

- Monitor the financial stability of insurance institutions doing business in Montana.
- Monitor insurance and securities marketplace practices of those doing business in Montana for compliance.
- Investigate and prosecute unfair and illegal practices.

Consumer Outreach & Education

Deliver effective, meaningful, and relevant communication to engage, educate, inform, and empower consumers and industry.

- Maintain a robust website with meaningful presence.
- Promote economic development through capital formation.
- Promote financial literacy and education among youth and in underserved and diverse communities.
- Provide relevant awareness, training, and education.
- Promote State Trust Land stakeholder engagement.

Agency Operations

Strategically manage agency resources to maximize efficiency and allocate resources; leverage technology to optimize organizational and individual performance while enhancing transparency.

- Comply with all applicable laws, rules, and policies to ensure accuracy and transparency of financial information/reporting.
- Invest in modernization of business processes and IT systems.
- Hire, develop, and maintain a high-quality workforce to meet business needs of the agency.

Fiscal Update

- **$144M** went to the General Fund
  - Up from $127M in FY 2023
- **$84M** went to State Special
  - Up from $74M in FY 2023
- **$34M** went to Federal Special
  - Up from $30M in FY 2023

- In 2023, CSI received additional authority through one-time-only appropriations for the Examinations Bureau for the purpose of funding required financial solvency examinations of insurance companies. *(Note: As is outlined in statute, these costs are invoiced to and paid by the entity being examined.)*
- CSI experienced increased "Consulting & Professional Services" costs due to increased contract rates for rate filing reviews.

Fiscal Update

Fiscal Year 2024 Revenue Sources

Revenue	Amount	Distribution		
		General Fund	State Special *	Federal Special
Insurance Premium Tax	147,703,561	102,223,327	60,084,788	
Fire Insurance Tax	12,812,463	12,812,463		
Retaliatory Tax	187,681		187,681	
Help Act Fee	4,075,751		4,075,751	
Insurance Licenses and Permits	8,009,209	38,825	8,009,209	
Genetics Program	1,501,180		1,501,180	
Insurance Fines	2,508,841	2,508,841		
Reinsurance Assessment	11,274,368		11,274,368	
Investment Earnings	512,489		510,050	
Reinsurance Program Grant	33,800,079			33,800,079
Insurance Other	616,061		616,061	
Securities Licenses and Permits	21,041,869	21,041,869		
Securities Portfolio Registratoin Fees	7,370,429		7,370,429	
Investor Protection Trust Grant	119,886		119,886	
Securities Other	50,438		50,438	
Transfer FYE Balance from the Captives & Securities Fees to the General Fund		5,712,192	(5,712,192)	
Total Agency Revenue	251,584,305	144,337,517	88,087,648	33,800,079

* The CSI deposits certain taxes and fees collected to DPHHS funds. The deposits for Fiscal Year 2024 include $1.5 million for the Genetics Program, $45.5 million in Insurance Premium Taxes for Health Montana Kids, and $4.0 million for the Montana Help Act, for a total of $51.0 million.

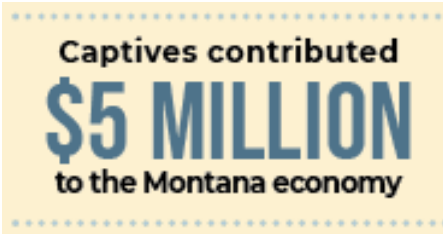
Customer Service:

Goals, Objectives, & Measurements

Facilitate the fair and equitable treatment of insurance and securities companies and consumers by effectively and efficiently receiving, analyzing, and resolving consumer and industry requests, inquiries, and complaints.

Insurance

Consumer insurance inquiries and complaints	1,783
Amount of money recovered for insurance consumers	$8.16M
Insurance company annual filings processed	3,442
Company updates processed	1,014
Producer licenses approved/renewed	70,469
Pharmacy Benefit Managers (PBMs) newly licensed	4
Traditional insurance companies* newly licensed	62
Captive insurers newly licensed	47



With 272 captive insurance formations approved, Montana is one of the largest captive domiciles in the United States.

*Includes service providers

Customer Service:
Insurance

Montana Reinsurance Program

The Montana Reinsurance Program was established in 2019 to reimburse health insurance exchange insurers for certain high-cost claims in the individual market using a mix of federal pass-through funding and association member assessments. Under the law, eligible health insurers are reimbursed for a portion of the expense of certain high-cost claimants.

The Montana Reinsurance Program is administered by the CSI and a five-person board of directors of the Montana Reinsurance Association (MRA). On September 17, 2024, the federal Department of Health & Human Services notified the CSI that its application to extend the program for an additional five-year term was approved. The contract will expire on December 31, 2029.

The Montana Reinsurance Program will reimburse **$38.5 million** to eligible health insurers for certain claims incurred in calendar year 2023.

- **$27.5 million from federal funding**
- **$11.0 million from insurer assessments**

The program resulted in individual health insurance premiums being **9-10% lower** for Montana consumers.

Customer Service:
Securities

Filings processed

Broker/dealer salesperson	**156,187**
Investment advisor representatives	**2,691**
Broker/dealer firms	**1,326**
Broker/dealer branch offices	**615**
State-registered investment advisor firms	**104**
Federal-covered investment advisor firms	**1,152**
Issuer filings	**24,887**

Compliance & Enforcement

Goals, Objectives, & Measurements

Ensure compliance with applicable laws and regulations; hold bad actors accountable; advocate for insurance and securities fraud victims.

Insurance

Safe, Solvent, and Stable Markets

- Monitor insurance practices and financial stability of those doing business in Montana
- Monitor insurance market conduct and legal compliance
- Promote competitive markets; foster reliable and affordable insurance products and a stable insurance market
- Monitor the financial health of Montana's captive insurers and their compliance with state regulations
- Review rates to make sure they are not excessive, inadequate, or unfairly discriminatory

Victim Advocacy

- Investigate and prosecute unfair and illegal practices
- Support and promote CSI Financial Abuse Specialist Team (FAST) to protect Montana's seniors

Market conduct

Insurance company financial reviews performed	338
Market conduct exams completed	1
Pharmacy Benefit Managers (PBMs) renewed	22
Fines assessed	$2M
Restitution ordered	$5.2M

Rates & Forms

Rate filings reviewed/closed	4,299
Rate increase requests denied	$24.3M
Montanans benefiting from denied rate increase requests	113,830
Form filings reviewed	6,084

Premium tax audited and collected

Traditional insurers	$135.3M
Surplus Lines insurers	$10.6M
Captive insurers	$1.8M

Investigations

Investigations conducted	418
Legal matters referred (internally)	304
Enforcement actions filed (includes 5 criminal actions)	66
Restitution ordered	$296,020
Fines assessed	$115,000

Compliance & Enforcement

Securities

Financial Abuse Specialist Team (FAST)

All referrals to FAST were reviewed within 72 hours.

- Total FAST referrals: **34**
- Of the 34 FAST referrals, **16** were determined to be within the purview of the CSI and were handled accordingly
- Referrals to FAST that were determined not to be in the purview of the CSI were referred to the appropriate agency

Securities Oversight

Oversee Montana's securities industry with Federal partners.

Number of investigations conducted	**85**
Number of registered entity examinations conducted	**12**
Restitution ordered	**$247,000**
Fines assessed	**$502,000**

Agency Operations

Goals, Objectives, & Measurements

Strategically manage agency resources to maximize efficiency and allocate resources; leverage technology to optimize organizational and individual performance while enhancing transparency.

Information Technology

Securities and Insurance Investigations Management System (SIIMS) Project

Status: Completed

- Project commenced FY24 and was completed October 2024 (FY25).
- SIIMS is a case management system that automates, tracks, and manages CSI investigations and broker examinations.
- The project was allocated $100,000 in one-time-only monies for implementation.
  - Implementation was completed for $103,720.
- On-going cost:
  - Initial estimate: $50,000/year
  - Actual cost (through 9/2029): **$38,360/year**

Business and Systems Modernization (BSM) Initiative

Status: Active/ongoing; initiative commenced FY24

- Holistic initiative to modernize CSI business processes and supporting technology systems.
- **Goals:** Improve service by utilizing operational and technical efficiencies. Initial focus areas: Revenue Collection and Reconciliation, Surplus Lines Insurance, and Technical Systems Inventory and Support.

Human Resources

- Hire, develop, and maintain a high-quality workforce to meet the business needs of the agency and promote a positive agency culture.
  - *Completed job recruitment cycles within 6 weeks.*
  - *Average number of days from posting to offer:* ***39***

Outreach & Education

Insurance & Securities Industry Events

Conduct educational events focusing on key industry topics to increase awareness of the mission and goals of the CSI.

- **Annual Insurance Summit**
  - **115** attendees
  - **9** CE and **2** CLE credits to Montana insurance and legal professionals
  - Renowned speakers educating on relevant vital topics directly affecting Montanans
  - One-on-one time with CSI staff and networking opportunities
- **Investing in Montana Securities Summit:** educate small businesses on how to raise capital correctly
  - Over **100** attendees
  - One-on-one time with CSI staff and networking opportunities
- **Investment Adviser Symposium**: update investment advisers on examination trends, marketplace and regulatory developments
  - National speaker from the Security and Exchange Commission
  - One-on-one time with CSI staff and networking opportunities

Consumer Education Events

Provide community members with relevant awareness and education.

- Interactive fraud Bingo events for senior citizens and families: **17** events reaching **311** Montanans
- General public statewide tours educating on fraud prevention:
  - Eastern Tour: **12** cities reaching **192** Montanans
  - Western Tour: **16** cities reaching **223** Montanans
  - Other statewide events: **15** events reaching over **200** Montanans

Website

Maintain a robust website with a meaningful presence.

- Completed annual website review attestation and updates from all CSI divisions. Continue to monitor website analytics for enhancement opportunities.