

**IDAHO DEPARTMENT OF INSURANCE**

**FY 2010**

**FOUR YEAR STRATEGIC PLAN**

**July 1, 2009**

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## FOUR YEAR STRATEGIC PLAN

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## I.

### **INTRODUCTION**

The Department of Insurance is a state agency created to regulate the business of insurance in Idaho. State regulation of Idaho's insurance business began in 1901, and in 1961 the present Department of Insurance was created. When the Executive branch of state government was reorganized in 1974, the Department of Insurance became one of twenty major departments of the Executive branch. The director of the department is appointed by the governor and is subject to confirmation by the state senate.

The first, and perhaps the most significant, part of the strategic plan is our Mission Statement, which identifies what we do and why we do it. It is a reminder of the purpose of the Department. The Vision Statement is a description of how we see the future. Our Values describe how we deal with the people of the state and with each other.

The Department's Goals are the general ends toward which we direct our efforts. They set forth broad outcomes desired for each of the Department's core regulatory divisions. The Objectives and Strategies describe how the Department will reach a particular Goal. Performance Measures and Benchmarks are intended to gauge progress toward achieving Goals. The Performance Measures and Benchmarks used in this Plan were determined by assuming that existing staffing and funding levels continue throughout the term of the Plan. Output Measures are used to quantify the services we provide.

## II.

### **MISSION STATEMENT**

**The mission of the Department of Insurance is to equitably, effectively and efficiently administer the Idaho Insurance Code and the International Fire Code.**

The Department fulfills its mission and duties through two divisions: The Insurance Division and the State Fire Marshal's Office. The Insurance Division consists of two regulatory bureaus and two sections overseen by a deputy director. Support services are provided by an administrative group reporting to the Director. The responsibilities can be summarized as follows:

- **Administration:** The Director is responsible for the overall policy direction and management of the Department of Insurance. The Director's administration group includes the deputy director, fiscal management section, information technology, and the personnel functions for the Department of Insurance. Administration provides oversight and support to the Insurance Division and the State Fire Marshal.
- **Insurance Division:**

- **Company Activities Bureau:** This bureau monitors the financial condition of all insurance entities conducting business in the state of Idaho to assure that each complies with Idaho law and that the financial obligations of the company to its policyholders will be met. The bureau reviews all applications of insurers seeking to do business in this state to determine eligibility for a certificate of authority to transact insurance. The bureau also reviews insurance policy rates and forms, collects and audits insurance premium tax returns, regulates title and bail agencies, and conducts market conduct analyses on insurers doing business in Idaho.
- **Consumer Services Bureau:** This bureau licenses producers (insurance agents and brokers) and administers the applicable continuing education program for the resident producers. It also licenses third party administrators, adjusters and managing general agents. The bureau also analyzes consumer and industry complaints and provides assistance to consumers and the insurance industry on matters involving insurance contracts and potential violations of the Insurance Code. Also within this bureau is Idaho's Senior Health Insurance Benefits Advisor (SHIBA) program, which provides information, counseling and assistance on health insurance matters to Idaho's senior citizens through a network of over 80 senior citizen volunteers and a toll free phone number.
- **Investigations Section:** This section is responsible for investigating criminal and civil violations of insurance laws, and referring cases involving criminal violations to the Attorney General or appropriate county prosecutor.
- **State Fire Marshal:** The State Fire Marshal's Office participates in and coordinates an integrated statewide system designed to protect human life from fire and explosions through fire prevention, investigation, and public education activities. The program involves fire prevention activities, fire/arson investigations, code enforcement and the operation of the Idaho Fire Incident Reporting System. The State Fire Marshal's Office provides assistance to local fire agencies throughout the state.

### III.

## **VISION STATEMENT**

We are committed to creating a regulatory environment in Idaho that is efficient, fair and effective. Our objective is an insurance market that encourages competition and job growth by making Idaho an attractive place in which to do business, while maintaining public confidence in the industry by providing effective protections to the insurance buying public. There will be a continuing push by some factions of the insurance industry and the federal government to turn regulation of the insurance industry over to the federal government. We believe the state-based regulatory system continues to provide the most efficient and effective means of regulating the industry and responding to consumer needs. State-based insurance regulation has a long track record of

protecting consumers while meeting the unique needs and challenges of the various state markets. Therefore, the Department will continue to work with other state insurance regulators to demonstrate the viability and effectiveness of state-based insurance regulation by promoting greater uniformity and efficiency in insurance regulation at the national level while making certain the unique needs of this state are also addressed.

The State Fire Marshal's Office will continue in its role as an essential resource for local governmental units by providing training and assistance when requested. The SFMO will also continue to take a proactive approach to fire prevention by improving and expanding the scope of its public outreach and fire prevention education programs.

## **VALUES**

In all areas of our work, the citizens of Idaho come first. Customer service to the public and to the industry members we regulate is a priority. We have a duty to the citizens to be responsive to their needs and look for ways to improve and expand the services we offer. We also have a duty to manage our resources in an effective and efficient manner.

The Department is committed to providing an atmosphere that is rewarding to the people who work here. We are a team. Each member of the team is equally valued and respected and the Department supports and encourages professional development of all its employees. All have an equal opportunity to be heard and to succeed. The actions and conduct of team leaders should inspire respect and admiration from the internal staff and all public sectors.

The insurance industry is complex and dynamic. To meet the challenges of regulating this industry, the Department is committed to investing in the technological tools and training necessary to allow its staff to achieve the goal of efficient, fair and effective regulation.

## IV.

### **KEY EXTERNAL FACTORS**

- Moves by the federal government to limit or eliminate the authority of states to regulate the business of insurance within their borders.
- The increasing population of the state, which requires more resources to be allocated to insurance fraud, arson, fire prevention, and direct consumer services.
- The changing demographics of Idaho's population, with a larger number of older citizens needing assistance in choosing appropriate health care plans and insurance services.
- The spiraling cost of health care, which impacts the availability, affordability and quality of health insurance and managed care plans available in Idaho.
- Responding to continued growth within the industry with available resources.
- The ability of the state to offer a compensation package to compete with the insurance industry in attracting and retaining persons with the necessary background, education and skills to effectively fulfill the regulatory duties of the Department.
- Increasing demands for local fire related services will increase the demands for services such as training, fire investigations and inspections provided to local entities by the State Fire Marshal.
- National regulatory initiatives aimed at increasing uniformity in state regulation that require changes to Idaho laws or investments in technology and staffing to complete.
- The impact on the insurance market from natural disasters and acts of terrorism.
- Legislative changes and court rulings.

## V.

### **GOALS, OBJECTIVES, STRATEGIES AND MEASURES**

#### **A. COMPANY ACTIVITIES BUREAU**

**GOAL: TO EFFICIENTLY ENSURE THAT INSURERS DOING BUSINESS IN IDAHO ARE FINANCIALLY SOUND AND IN COMPLIANCE WITH IDAHO LAW.**

**Objective 1: Monitor the condition of domestic, foreign and alien insurers.**

**Strategies:**

- Communicate with insurers to ensure a more complete understanding of analysis and examination objectives and standards.
- Provide high quality, timely and comprehensive analysis and examinations of the financial condition and market practices of all domestic insurers and selected foreign and alien insurers.
- Effectively use intra-department resources and resources available through the National Association of Insurance Commissioners (NAIC) to enhance the effectiveness and quality of examinations and analyses while reducing costs to the state and regulated entities.
- Maintain open and regular communication with insurers in order to quickly identify changes in financial position or operational practices that may affect the financial health of the insurance company or prove to be detrimental to the insurance buying public.

**Performance Measures and Benchmarks:**

- Maintain accreditation by the National Association of Insurance Commissioners by:
  - Consistently complying with national standards established for timeliness and quality of analyses and analysis driven examinations.
  - Consistently complying with national standards established for thoroughness of financial examinations.
  - Successfully completing NAIC audits and reviews.
- Complete all financial examinations within 18 months of the “as of” date.

**Output measures:**

- The number of analyses completed.
- The number of examinations completed.

## **Company Activities Bureau cont'd**

**Objective 2: To process admission applications in an effective and timely manner in order to admit financially sound insurers and other related entities that will offer quality insurance products and services to Idaho residents.**

### Strategies:

- Encourage use of the Uniform Certificate of Authority Application process.
- Monitor and update Idaho's state specific admission procedures to ensure relevancy while still maintaining standards and requirements required by Idaho law.
- Place a high priority on the approval of applications from entities that are financially sound and have a track record of service to customers.
- Evaluate an applicant's financial soundness and the products and services offered on a stand-alone basis.

### Performance Measures and Benchmarks:

- Approve or deny all applications within 30 days after an application is deemed complete and all admission requirements have been met.
- Monitor new admissions with respect to solvency and market conduct to make certain the Department's admissions screening is successful. There should be no newly licensed companies that are the subject of regulatory actions within one year of admission.

### Output measures:

- The percentage of applications approved or denied within 30 days after a complete application has been received.
- The number of companies subject to regulatory action within one year of admission.

## **Company Activities Bureau cont'd**

**Objective 3: To maintain a file and use system for insurance policy rates and forms that will effectively monitor compliance with state laws while not unduly delaying the introduction of new products to the marketplace.**

### Strategies:

- Establish and maintain appropriate priorities for the review of policy forms.
- Coordinate form review with information and consumer problems identified by other Department sections.
- Provide a timely analysis of the effect of new policy forms on consumers and on the financial condition and probable market conduct of domestic, foreign and alien insurers.
- Require revisions of forms and rates when necessary to meet statutory requirements.

### Performance Measures and Benchmarks:

- Review all priority filings within 8 days of filing.

### Output measures:

- The number of rates and forms filed.
- The number of rates and forms reviewed.
- The percentage of priority filings reviewed within 8 days of filing.

## **Company Activities Bureau cont'd**

**Objective 4: To enforce compliance with state premium tax requirements by efficiently collecting and accounting for premium taxes and auditing tax and fee returns.**

### **Strategies:**

- Monitor the process for auditing returns to develop efficient and accurate processes for determining that premium taxes are being accurately accounted for and properly paid.
- Simplify and automate the process where possible.
- Provide accurate revenue and data reports when requested by the Division of Financial Management, other public entities or the Idaho Legislature.

### **Performance Measures and Benchmarks:**

- Complete the prior year's premium tax audit and have all refunds processed and issued by the close of the fiscal year (June 30).
- Perform desk audit for accuracy of 100% of all premium tax returns filed.

### **Output measures:**

- Total number of returns filed and the percentage of returns audited.
- The number of errors identified/corrections made.
- Amount of premium tax collected.

## **Company Activities Bureau cont'd**

**Objective 4: To enforce compliance with state laws and rules by overseeing title and bail agent operations.**

### Strategies:

- Maintain open and regular communication with title and bail agents.
- Investigate potential violations of the insurance code by title and bail agents.
- Conduct examinations of title and bail agents to assure compliance with Idaho laws.

### Performance Measures and Benchmarks:

- Complete examination of title agency every five years and exam bail agent operations as needed.
- Refer violation of insurance code by title and bail agents for administrative action.

### Output measures:

- The number of title agencies examined and the percentage of examinations that were within five years or less.
- The number of bail agent examinations completed.
- Number of completed investigations and legal referrals.

## **Company Activities Bureau cont'd**

**Objective 4: To monitor the market conduct and compliance with Idaho laws of companies writing business in Idaho**

### **Strategies:**

- Oversee and review company activities in the market place.
- Review current market place activity on an annual or more frequent basis.
- Focus resources on activities that are potentially harmful to consumers instead of a retrospective review of companies regardless of their marketplace activities
- Effectively use intra-departmental resources and resources available through the NAIC to enhance the quality and efficiency of market analysis.

### **Performance Measures and Benchmarks:**

- Identify companies who may be of concern in the marketplace
- Identify marketplace trends beyond any one company that may be harmful to consumers.
- Perform 20 Level 1 Analyses each year.

### **Output measures:**

- Total number of Level 1 Analyses performed annually.

## **B. CONSUMER SERVICES BUREAU**

**GOAL: TO PROTECT THE PUBLIC FROM UNFAIR AND ILLEGAL PRACTICES INVOLVING INSURANCE BY REGULATING PERSONS ENGAGED IN THE SALE OF INSURANCE AND PROVIDING COUNSELING AND ASSISTANCE TO INSURANCE CONSUMERS.**

**Objective 1: To efficiently license qualified persons as insurance producers.**

### Strategies:

- Maintain an adequate number of trained staff to timely respond to inquiries and assist producers in the licensing process.
- Simplify and standardize the licensing policies and procedures where possible.
- Continue to improve on and encourage the use of electronic licensing processes.
- Continue the process of collecting licensing documents in a paperless environment.
- Standardize and improve the continuing education course approval process to encourage greater participation by course vendors.
- Monitor continuing education compliance.
- Participate in the NAIC project to create a nationwide electronic licensing process.

### Performance Measures and Benchmarks:

- Complete the license process in 5 business days or less.
- Increase the percentage of licenses, renewals and appointments processed electronically to at least 95%.

### Output measures:

- The number of producer license applications, renewals and appointments filed, and the percentage filed and processed electronically.
- The number of producer licenses approved, denied or revoked, and the percentage of licenses processed within 5 business days or less.
- The number of continuing education courses for which approval is sought.
- The number of continuing education courses analyzed and approved.

## **Consumer Services Bureau cont'd**

**Objective 2: To provide an effective forum for the analysis and resolution of consumer and industry inquiries and complaints.**

### Strategies:

- Maintain an adequate number of well-trained staff able to effectively respond to inquiries and assist consumers in resolving controversies with their insurers.
- Assist insurers and producers in resolving intra-industry disputes.
- Provide education and information to consumers and the insurance industry through classes, written materials and electronic media.
- Make the services of the DOI accessible to all Idaho consumers through branch offices, on-line access and a toll-free phone line.
- Look for opportunities to publicize the services available to consumer through the Department.

### Performance Measures and Benchmarks:

- Resolve at least 90% of all complaints within 60 days of opening.
- Provide continuing training and education to DOI staff responsible for handling consumer inquiries and complaints.

### Output measures:

- The number of inquiries received and the number of responses.
- The number of cases opened and the number resolved.
- The percentage of complaints resolved within 60 days of opening.
- The number of outreach visits and insurance presentations made to consumers and the insurance industry.
- The percentage of senior inquiries for information or assistance successfully handled.
- The dollar value of recoveries on all complaints handled.

## **Consumer Services Bureau cont'd**

**Objective 3: To identify and deal appropriately with allegations of violations of the Insurance Code involving market practices.**

### **Strategies:**

- Work with the Company Activities Bureau to develop strategies to effectively monitor the marketing activities of insurance companies and their agents.
- Provide a timely analysis of insurance market practices.
- Investigate potential violations and refer potential criminal violations to the Department's Investigations Section.
- Refer violations of the insurance code for administrative and civil legal actions.
- Improve identification of market practices by assisting in the development of a computer program that will allow tracking and comparison of company premium to complaints ratios.

### **Performance Measures and Benchmarks:**

- Number of complaint files investigated and closed.
- Number of cases recommended for administrative and civil actions.
- Number of consent and stipulated agreements.

## INVESTIGATIONS SECTION

**Objective 4: *To reduce costs and losses to the public and the insurance industry arising from insurance fraud.***

Strategies:

- Identify and monitor the extent to which insurance fraud is a problem in Idaho.
- Work with the Idaho insurance industry to create procedures for industry identification of insurance fraud.
- Work with the Idaho county prosecutors and the Idaho Attorney General's Office to improve the acceptance of fraud cases for prosecution.
- Work with state, county and local law enforcement agencies to create a unified system for investigating insurance fraud.
- Work with the insurance industry to increase public awareness that fraud is a crime that causes them to pay higher premiums.
- Increase public awareness of the need to report suspected incidents of insurance fraud.
- Investigate alleged violations of the Idaho Insurance Code.
- Document policies and procedures and investigator training.
- Develop insurance fraud investigation/prosecution strategies in conjunction with the Attorney General's Office utilizing deputy attorneys general assigned specifically to handle matters involving insurance fraud.

Performance Measures and Benchmarks:

- Obtain at least 12 insurance fraud criminal prosecutions annually.
- Provide at least 10 public education or outreach programs annually.
- Provide 4 training programs on insurance fraud for law enforcement personnel throughout the state.

Output measures:

- Number of cases referred to the Department for investigation by industry and other law enforcement agencies.
- Number of reported cases investigated.
- Number of presentations given to the industry, public and law enforcement agencies by investigations staff.
- Monetary value of savings to the industry and or public due to administrative actions or criminal prosecutions.

*Note: The Investigations Section reports to the Deputy Director. While not within the Consumer Services Bureau, the Section's functions are closely aligned with and support the Consumer Services Bureau goal of protecting the public (and the industry) from illegal practices. Insurance fraud imposes significant costs on insurers that are passed directly to consumers in the form of higher premiums.*

## C. STATE FIRE MARSHAL

**GOAL: TO PROTECT THE PEOPLE OF IDAHO FROM LOSS OF HUMAN LIFE AND PROPERTY DUE TO FIRE.**

**Objective 1: To provide a statewide program for fire prevention.**

### Strategies:

- Assist other units of government upon request by inspecting buildings and building plans for compliance with the Fire Code.
- Assist local fire departments upon request with prevention, investigation and public education efforts.
- Provide training in fire prevention techniques and Fire Code requirements upon request.
- Review plans of State buildings as required by Idaho Code.
- Coordinate / Facilitate fire prevention programs on a statewide basis.

### Performance Measures and Benchmarks:

- Respond to requests for services from local agencies within 24 hours.
- Schedule training classes within 48 hours of request.
- Review and comment on plans submitted for state buildings within 2 weeks.

### Output measures:

- Number of inspections and plans reviews requested and completed.
- Number of plans submitted for state buildings and percentage reviewed and commented upon within 2 weeks.
- Number of assistance requests handled and the percentage of responses within 24 hours.
- Number of training classes requested.
- Number of training classes provided and percentage scheduled within 48 hours of request.

## **State Fire Marshal Office cont'd**

**Objective 2:    *To investigate fires and assist in the prosecution of arson claims at the request of local units of government.***

### Strategies:

- Make certain that State Fire Marshal's Office investigators receive adequate training and resources to competently carry out their responsibilities in determining the cause and origin of fires.
- Maintain sufficient staffing to handle requests for investigations coming from any part of the state at any time of the day or night.
- At the request of other agencies, provide training in fire investigation techniques.
- Assist the Attorney General's Office and local prosecutors in handling arson and insurance fraud cases.

### Performance Measures and Benchmarks:

- Respond to all requests for fire investigation assistance within 4 hours.
- Respond to requests for insurance fraud investigation assistance within 24 hours.
- Schedule training classes within 48 hours of request.

### Output measures:

- Number of investigations requested and completed.
- Number of requests for fire investigation assistance received and percentage of responses made within 4 hours.
- Number of requests for insurance fraud investigation assistance and percentage of responses made within 24 hours.
- Number of training classes requested and number of classes provided.
- Percentage of training classes scheduled within 48 hours of request.

## VI.

### **PROGRAM EVALUATION**

This strategic plan is designed as a living document. The Department assumes that circumstances will change during the term of this plan and that operational improvements within the Department will create a need for revised objectives, strategies, measures and benchmarks. As a result, the Department intends to periodically re-evaluate the plan.

The need for a strategic vision of the insurance industry and its effect on consumers that is as accurate and comprehensive as possible is critical. Therefore, the department will continue to communicate regularly with consumers, industry representatives and members of the Legislature as a means of assuring that the Department's strategic vision statement remains accurate and that it is the perception of others that the Department's goals and objectives are being equitably, effectively and efficiently executed.