

Louisiana Streamlining Commission

Suggested Recommendations to Advisory Committee Chairmen

Preamble:

The following comments on this cover sheet have been prepared at the Mercatus Center by Hon. Maurice McTigue. The purpose of the analysis was to identify issues that the committee might pursue and finally develop into recommendations to the full commission.

- The suggested recommendations are based on very limited information and the committee's local knowledge may determine that the suggestions are not viable. In that case the Committee should discard the suggested recommendation.
- If the Committee thinks the suggestion has merit then they should refer it to officials for their analysis.
- Some of our suggestions may be recommending a practice that is already in place, in which case the recommendation may be put aside or may be worded to endorse that practice or to extend it further than is the current practice.

Department of Insurance:

- **If other recommendations to create a new Department of Commerce are accepted then some of these recommendations would become redundant.**
- The core business of the Department of Insurance should be as the regulator of the insurance industry.
- The outcome of the Administration/Fiscal Program should be to deliver the best products at the best prices with the best reliability.
- The report makes reference to revenue collections in 2008-09 of \$422.65 million. If these are taxes, they should be turned over to the Treasury. If they arise from other sources, then they may not be accessed by the agency for funding expenditure without budget authorization. If they are trust monies for compensation, then they should be treated in the appropriate manner and accounted for accordingly.

Savings: Total Savings \$29.192 million

- This activity should have zero impact on the state budget. All the cost should be recovered from the insurance and treated as a cost of doing business in the insurance industry.
- The cost recovery recommended above would be subject to the new cost recovery procedure.

Department Name: Louisiana Department of Insurance

State in one sentence the core business of your department:

The Department of Insurance is tasked with administering the Insurance Code which regulates the business of insurance in all of its phases.

Program Name: Program A - Administration/Fiscal

Outcome addressed Program A: Administration/Fiscal consists of six divisions, Office of the Commissioner, Office of Management and Finance, Internal Audit, Public Affairs, Office of Minority Affairs and Consumer Advocacy.

- Office of the Commissioner provides management oversight to the entire department and coordinates the administration of all provisions of the Louisiana Insurance Code – Title 22 of the Louisiana Revised Statutes.
- The Office of Management & Finance oversees the management of the department’s fiscal, budget, human resources, information technology, purchasing, supplies, equipment, inventory/property control, administrative service and is responsible for strategic and operational planning for the entire department. The Office collects data and taxes from the insurance industry and data related to tort litigation. The DOI collects seven types of taxes and 64 different fees.
- Internal Audit reviews the department’s internal processes and controls and recommends changes as necessary.
- Public Affairs communicates the Department’s message through printed materials including press releases, brochures, weekly newspaper columns, radio scripts, and newsletter articles; accepts media calls and public information requests; coordinates media interview requests and speaking engagements for the Commissioner and DOI staff; responsible for the department’s Web site content and public e-mail system; edits public information disseminated by the department; writes Department’s Public Service Announcements; coordinates consumer information booths at conferences, fairs or festivals.
- Office of Minority Affairs provides assistance to minority and disadvantaged persons who wish to participate in the insurance industry as producers or as employees of insurance companies or related service companies.
- Consumer Advocacy provides assistance to the public by receiving inquiries and complaints, preparing and disseminating information as the department deems appropriate to inform or assist consumers, provide direct assistance and advocacy for consumers who request such assistance, report apparent or potential violations of law.

How many members of the public are directly involved in or affected by this program:

This program affects all 4,410,796 citizens in the state of Louisiana. This program provides necessary administrative and operational support to the entire department, attract insurers to the state in order to promote a more competitive market, and work to stabilize the property insurance market.

How much money was expended on this program in the last fiscal year:

Total expenditures for Program A – Administration/Fiscal were \$10,781,704 (FY 2008/2009).

Measure used to determine success:

Many performance indicators are used in determining the success of Program A – Administration/Fiscal. Key performance indicators include percentage of NAIC accreditation retained; number of repeat internal audit findings; number of repeat findings in the legislative auditor’s report; number of information technology projects planned; percentage of IT projects completed; number of appointments by standard companies of minority/disadvantaged producers, facilitated by the Office of Minority Affairs; number of persons attending OMA’s semi-annual training seminars.

Level of success during each of the last three years:

In 2008-09, the LDOI achieved performance standards in six of the seven Key Performance Standards for the Administration/Fiscal Program. The area where LDOI failed to reach its Performance Standard was in assisting minority and disadvantaged agents from obtaining contracts with standard companies.

In 2007-08, the LDOI met the same six of seven Key Performance Standards.

In 2006-07, the LDOI met six of seven Key Performance Standards. The area where LDOI failed to reach its Performance Standard was in the attendance of minority and disadvantaged agents at its semi-annual training seminars.

General data supports that there has been some growth of the competitive market for insurance in Louisiana, with the total number of insurers licensed and approved in Louisiana rising from 1,711 in FY 2007-08 to 1,728 in FY 2008-09. Competitive market indicators are included in the Market Compliance Program section of this report.

Total revenue collected in 2007-08 was \$419.28 million. Total revenue collections for 2008-09 by June 30, 2009, was \$422.65 million.

The societal issue addressed by this program is getting better, remaining static, or deteriorating:

Some improvement shown in growth of competition in state insurance market.

Program Name: Program B – Market Compliance

Outcome addressed by Program B: Market Compliance is to regulate the insurance industry in the state as authorized by the Louisiana Insurance Code and to serve as an advocate for the state's insurance consumers by enforcing existing laws fairly and consistently and proposing new laws as deemed necessary. Program B – Market Compliance has six program activities to properly regulate insurance industry.

- Office of Licensing and Compliance – Initial and renewal licensing of producers, insurance adjusters, public adjusters and insurers; insurance fraud investigation and prevention, legal support services. Also includes the Division of Life and Annuity which investigates consumer complaints and reviews policy forms for life and annuity insurance.
- Office of Legal Services – Representation of the department in hearings, promulgation of rules and regulations, internal legal and policy opinions as requested by department staff; investigation of suspected incidents of claim fraud and producer/company licensing divisions; supports the activities of the La. Auto Theft and Insurance Fraud Prevention Authority.
- Office of Financial Solvency – Financial examinations and analysis of domestic insurers; market conduct examinations; examinations of surplus lines brokers; collection of insurance premium taxes and surplus lines taxes on behalf of the state's general fund.
- Office of Property and Casualty – Performs preparatory and support work for insurance rating in handling of rate and rule change submissions and reviews and as necessary acts on rates requiring approval, investigates consumer complaints against Property & Casualty insurers and producers, review and approves/disapproves Property & Casualty contract/policy forms; supports the activities of the Property and Casualty Commission.
- Office of Health Insurance – Reviews licensing applications, investigates consumer complaints, reviews forms, rates and advertising of Medicare Insurance Supplements; provides information and programs to assist seniors; licenses and examines Medical Necessity Review Organizations (MNROs); supports the activities of the Health Care Commission
- Office of Receivership – Management of the assets of companies in receivership; liquidation of the assets of companies in receivership through final, court-approved closure.

How many members of the public are directly involved in or affected by this program:

This program affects all 4,410,796 Louisiana residents. As of June 30, 2009, the LDOI licensed 93,096 producers and agencies, 114 licensed domestic insurers, and 1728 companies.

How much money was expended on this program in the last fiscal year:

Total expenditures for Program B – Market Compliance - \$18,409,685 (FY 2008/2009)

Measure used to determine success:

Many performance indicators are used in determining the success of Program B – Market Compliance. Key performance indicators and their last three year results follow.

Level of success during each of the last three years:

LaPas PI Code	Division	Amount of Funds Recovered	Performance Standard FY 08/09	Actual Results FY 08/09	Performance Standard FY 07/08	Actual Results FY 07/08	Performance Standard FY 06/07	Actual Results FY 06/07
989	Health	Amount of claim payments and/or premium refunds recovered for health coverage complainants	1,300,000	209,828	1,500,000	1,135,576	1,500,000	1,366,944
995	Health - SHIP	Estimated savings to counseled senior health clients	3,000,000	4,218,517	1,000,000	4,834,350	1,000,000	460,324
954	Property & Casualty	Amount of claim payments and/or premium refunds recovered for P&C complainants	3,000,000	8,475,358	3,000,000	14,129,221	2,500,000	32,392,279
13959	Life & Annuity	Amount of claim payments/premium refunds recovered for complainants	1,000,000	1,583,359	1,000,000	1,935,824	1,000,000	1,184,194
TOTAL			8,300,000	14,487,062	6,500,000	22,034,971	6,000,000	35,403,741

LaPas PI Code	Division	Days to resolve complaints	Performance Standard FY 08/09	Actual Results FY 08/09	Performance Standard FY 07/08	Actual Results FY 07/08	Performance Standard FY 06/07	Actual Results FY 06/07
987	Health	Number of days to investigate to conclusion a consumer health complaint	42	29	60	32	60	50
10204	Property & Casualty	Number of days to conclude a P&C complaint investigation	80	224*	80	126	90	175
13958	Life & Annuity	Average number of days to investigate to conclusion a L&A complaint	55	33	55	31	55	33
12276	Fraud	Percentage of initial claim fraud complaint investigations completed within 10 working days.	85%	97%	85%	96%	85%	88%

*High number reflects two old complaint files closed during the 3rd quarter caused extraordinarily high day counts to be included in this fiscal year. When total year end results are reviewed without these old files average number of days for the year end would be 24.

LaPas PI Code	Division	Days to process various filings	Performance Standard FY 08/09	Actual Results FY 08/09	Performance Standard FY 07/08	Actual Results FY 07/08	Performance Standard FY 06/07	Actual Results FY 06/07
12290	Health- HIPAA	Average number of days to process health contract/policy forms	30	16	30	14	30	21
13939	Property & Casualty	Average number of days to process P&C contract/policy forms	25	16	25	20	25	23
20282	Property & Casualty Rating	Average number of days from receipt of rate/filing/submission to completion of review by DOI.	30	27.1	30	20.12	30	13.54
13988	Life & Annuity	Average number of days to process L&A contract/policy forms	25	9	25	14	25	12
6420	Company Licensing	Average number of days to review company filings and applications	60	41	60	31.34	60	47

LaPas PI Code	Division	Companies in Receivership	Actual Results FY 08/09	Actual Results FY 07/08	Actual Results FY 06/07
12273	Receiver-ship	Number of companies in receivership at beginning of fiscal year	15	18	20
21776	Receiver-ship	Number of companies brought to final court approved closure during fiscal year	6	3	2

LaPas PI Code	Division	Companies in administrative supervision	Actual Results FY 08/09	Actual Results FY 07/08	Actual Results FY 06/07
13768	Financial Solvency Exams	Number of companies in administrative supervision at beginning of fiscal year	2	2	3
921	Financial Solvency Exams	Number of companies placed in administrative supervision during fiscal year	7	0	0
922	Financial Solvency Exams	Number of companies returned to good health/removed from administrative supervision during fiscal year	1	0	1
923	Financial Solvency Exams	Average number of months a company remains in administrative supervision	23.14	25.72	25.5

The societal issue addressed by this program is getting better, remaining static, or deteriorating:

Some improvement shown in growth of competition in state insurance market. The Herfindahl-Hirschman Index indicates that there is more competition in commercial lines than in personal lines, with HO competitiveness showing modest improvement in the last three years.

Herfindahl-Hirschman Index Major Lines Louisiana 2006-2008			
	2008	2007	2006
Fire & Allied Lines	753	720	461
Commercial Multi Peril	330	304	292
Workers' Comp	922	1035	1141
Other Liability	172	185	186
HO Multi Peril	1007	1102	1187
Private Passenger Auto	1088	1084	1083
HHI Ranges			
Under 1000 Competitive			
1000-1800 Moderately Concentrated			
Over 1800 Highly Concentrated			