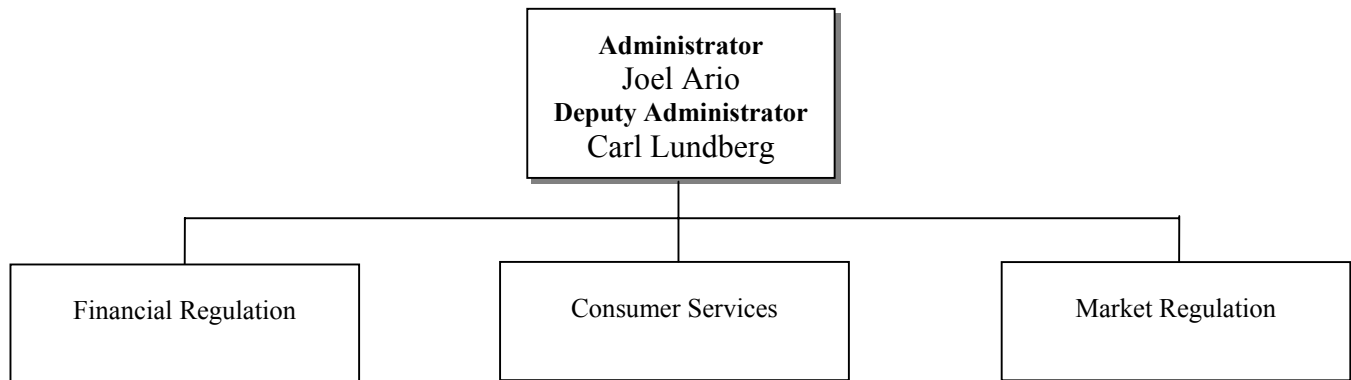


INSURANCE DIVISION



	2003-05	2005-07
Positions	22	22
FTE	22.00	22.00

Ensure insurers maintain the financial resources to meet their obligations to individual, group, and business policyholders.

- Monitor financial solvency of insurers authorized to do business in Oregon
- Examine applications and admit insurers to do business in Oregon
- Conduct financial examinations
- Serve as receiver for liquidations and rehabilitations
- Collect and audit taxes paid by insurers

	2003-05	2005-07
Positions	33	32
FTE	33.00	32.00

Ensure responsiveness to consumer needs, concerns, and rights in the insurance market, and provide objective information to consumers.

- Resolve consumer complaints against insurers and producers (agents and consultants)
- Maintain a consumer complaint handling program
- Establish licensing requirements for producers
- Monitor compliance with producer continuing education requirements
- Write and publish consumer education materials
- Help seniors and other Medicare beneficiaries with health insurance issues through the Senior Health Insurance Benefits Assistance (SHIBA) program

	2003-05	2005-07
Positions	39	39
FTE	38.00	38.00

Promote fair treatment of consumers by monitoring market practices and taking actions to correct abuses.

- Perform market surveillance through market analysis
- Investigate violations of the Insurance Code
- Perform examinations of insurers' behavior in the marketplace
- Review policy forms and premium rates for certain lines of insurance
- Monitor compliance with health insurance reforms

Insurance Division	
2003-05	2005-07
Approved	Requested
93 Positions	93 Positions
93.00 FTE	92.00 FTE
\$15,620,981	\$15,791,078

INSURANCE DIVISION

Mission

To administer the Insurance Code for the protection of the insurance-buying public while supporting a positive business climate.

What we do

Ensure the financial soundness of insurers and promote the availability and affordability of insurance and the fair treatment of consumers by:

- Licensing insurance companies and monitoring their solvency.
- Reviewing insurance products and premium rates for compliance.
- Licensing insurance producers and consultants.
- Resolving consumer complaints.
- Investigating and penalizing companies and producers for violations of insurance law.
- Monitoring the marketplace conduct of insurers and producers.
- Educating the public about insurance issues.
- Advocating reforms that protect the insurance-buying public.

Program delivery

Insurance is regulated at the state level because important regulatory issues involve consumer protection concerns that vary by state. Because regional and national companies dominate the industry, however, efficient and effective regulation depends on coordination and consistency among the states. This coordination occurs when states develop accreditation programs, model laws, and other strategies as members of the National Association of Insurance Commissioners (NAIC). Collaboratively through NAIC, states create uniformity where it makes sense and preserve state flexibility where that is best for consumers.

Number of:	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Division FTE	90.7	91.75	91.75	95.75	95.75	94.5	94.5	95.21	95.21	93	93
Licensed Agents (CY-end) ¹	24,962	25,989	27,969	30,288	33,689	37,007	40,965	47,964	52,259	55,769	62,820
Licensed Companies (CY-end) ²	1,540	1,542	1,554	1,599	1,607	1,641	1,639	1,642	1,662	1,649	1,657
Policy Rates & Forms Filed (FY) ³	26,442	25,596	26,701	31,010	34,739	35,305	35,672	36,039	32,918	36,321	41,358
Premiums Written (CY-end) ⁴	\$7.5 billion	\$7.8 billion	\$8.1 billion	\$8.4 billion	\$8.8 billion	\$8.9 billion	\$9.5 billion	\$10.8 billion	\$12.3 billion	\$12.8 billion	NA
Premium Taxes Collected (FY) ⁵	\$66.3 million	\$70.2 million	\$73.7 million	\$78.8 million	\$61.9 million	\$50.3 million	\$54.8 million	\$53.9 million	\$66.1 million	\$54.4 million ⁶	\$63.6 million

1. Agents (including adjusters & consultants) with active license status as of December 31; from *Oregon Insurance Agent and Agencies* reports. 2002-2004 counts are taken from a table in *InsLic*.

2. Companies with active license status as of December 31; from *Insurance Division Monthly Reports - Company Section*.

3. Sum of all rates and forms filing coded in during the fiscal year; from *Insurance Division Monthly Reports - Rates and Forms Section*. FY 2000 figure is an estimate (the average of 1999 and 2001).

4. Premiums written in all lines of insurance, including annuities; from *Insurance Division Annual Report* through 1998; from Pretax System for 1999-2003. HSCS Medicare and Medicaid are excluded for all years.

5. Premium taxes collected during the fiscal year; from the *Insurance Division Annual Report* through FY 98; from Fiscal Section's *Financial Statements* after that.

6. Includes \$9.28 million in OIGA recovery.

Source: IMD, Department of Consumer and Business Services

INSURANCE DIVISION

Accomplishments, 2003-2005

- Responded to problems with affordability and availability of insurance in several property and casualty markets, including implementation of a medical malpractice premium assistance program for rural doctors and a market assistance plan for contractor liability insurance.
- Enhanced protections for purchasers of life insurance by promulgating a rule prohibiting the sale of unsuitable products.
- Protected consumers by implementing legislation prohibiting rate increases in auto or homeowner insurance based on credit history and promulgating rules to address other unfair practices related to insurer use of credit history.
- Expanded collaboration with other states to identify and address misconduct by national insurers, including a \$15 million fine and corrective order affecting nearly 3,000 Oregonians against the nation's largest disability insurer.
- Completed another biennium without any domestic insolvencies, based in part on effective remedial action with companies in financial difficulty.
- Reduced reporting requirements for insurers and producers by implementing legislation that eliminated the obligation on insurers to report each appointment of a producer.
- Implemented customer satisfaction surveys in Consumer Advocacy, Producer Licensing and Rates and Forms, the units with the highest levels of public interaction. Combined results show that nearly 50 percent of customers ranked their experience at the highest possible rating.
- The division provided relief for consumers in over 70 percent of confirmed complaints. Overall, advocates also responded to 31,972 inquiries and closed 6,820 complaints.
- Offered alternative dispute resolution tools in 228 disciplinary cases. Of the 228 cases, nearly 100 resulted in license revocations and \$437,392 in civil penalties to be deposited into the General Fund.
- Of the 84 applications received from insurance companies for new Certificates of Authority to do business in Oregon, 76 were approved. Over 90 percent of those applications were processed within 90 days of receipt.
- Enhanced the value of insurance contracts for consumers by reviewing 61,549 new or revised policy rates and forms. Nearly 20 percent of the filings in the past year were filed electronically and 68 percent of all filings were closed within 30 days.
- Issued 19,346 new insurance producer licenses, of which nearly two-thirds were non resident producers. The use of a national portal for non-resident filings has resulted in over 50 percent of all non-resident applications being submitted electronically. The national portal also provides an electronic review of applicants with a history of violations, which allows the division to better assess who should and should not be licensed in Oregon.
- Revamped training materials for the more than 287 volunteers that the division trained to counsel Oregon senior citizens about the federal government's Medicare changes and new prescription drug programs.

Note: Data is based on 18-month period (July '03-Dec.'04).

INSURANCE DIVISION

Anticipated results, 2005-2007

During the coming biennium, the Insurance Division will:

- Refine market oversight programs to better target resources and use enforcement tools when appropriate to ensure compliance with insurance laws. This includes interstate collaboration to address common consumer problems and ensure efficient use of resources.
- Ensure companies remain solvent and have the financial resources to pay future claims and enhance effectiveness in financial regulation by focusing on a risk based approach.
- Expand the availability and affordability of insurance by developing market assistance plans and other targeted solutions for troubled insurance markets, such as medical malpractice and contractor liability.
- Emphasize quality customer service and access by increasing the Division's use of technology and achieving uniformity with other states where consistent with consumer protection.
- Obtain relief for the consumer in a high number of complaint cases while continuing to resolve those complaints efficiently.
- Expand electronic rate and form filing, use checklists for product standards, provide regulatory approval to product filings in a timely manner, and work with other states to create uniform rate and form filing procedures and requirements.
- Expand electronic producer licensing and collaborate with other states to promote more uniformity in producer licensing.
- Continue to automate multi-state financial and market-conduct examination reports, tax returns, financial statements, and fund transfers.
- Review Division programs in an effort to create more efficiency by streamlining processes and eliminating outdated regulatory practices.

Key performance measures and related outcomes

The overall purpose of our performance measures is to ensure that consumers are protected, a positive business climate is maintained, and all of our customers (consumers and regulated entities) receive excellent service. Meeting our performance goals contributes to several broader outcomes for Oregonians.

Our financial regulation program protects Oregon citizens and businesses by ensuring that insurance companies have the resources to honor their promises. No Oregon-based insurance company has become insolvent since 1991.

Our market regulation program protects Oregonians by promoting the affordability and availability of insurance and the fair treatment of Oregon consumers. Oregon has competitive markets providing consumer choice in all major consumer lines (life, health, auto, and homeowner) and the Insurance Division has pursued multiple strategies to improve access in the few commercial markets with problems. The Insurance Division employs an increasingly diverse set of regulatory strategies to ensure that insurance contracts are fair and that insurance

INSURANCE DIVISION

companies process claims promptly and fairly and otherwise meet their obligations to Oregonians.

Our consumer services program provides public education and helps individual Oregonians resolve insurance disputes. The Insurance Division handles approximately 20,000 inquiries and 5,000 complaints each year and increasingly uses the information we collect in this process to set priorities for our broader consumer protection efforts. Our consumer advocates achieve relief for the consumer in more than 70 percent of the confirmed complaint cases.

Agency Measure	Division Measure	FY 2003	FY 2004	Target for 2007
PM 4400-3	Percent of confirmed complaints resolved with relief for the consumer.	62.2%	70.8%	70%
PM 4400-8	Percent of insurance complainants, producers and companies who rate their experience with the highest rating.	N/A	49.1%	50%
PM 4400-10	Percent of insurance filings closed within 30 days of receipt.	58.7%	61.7%	82%
PM 4400-10	Percent of insurance complaints closed within 60 days.	71.6%	63.6%	90%
PM 4400-10	Percent of Certificate of Authority reviews completed within 90 days.	43.4%	82.1%	80%
PM 4400-16	Percent of Insurance Division permanent rules developed with input from an advisory committee or a comparable alternative.	75.0%	77.8%	100%
PM 4400-17	Percent of disciplinary cases closed that used alternative dispute resolution.	84.0%	98.8%	100%

Key issues

- How to reform state-based insurance regulation to achieve national uniformity where it is appropriate, while preserving the flexibility to address specific consumer problems on a state-by-state basis.
- How to promote the affordability and availability of property and casualty insurance, including professional liability coverages.
- How to anticipate and respond to needs of the insurance-buying public, with respect to insurance costs, availability of coverages, insurance marketing and trade practices.
- How to ensure that quality health insurance is available and affordable.
- How to implement technology changes to improve customer service and enhance operational efficiency and effectiveness.

Revenues

The operating budget for the Insurance Division is financed from Other Funds paid by insurance companies and producers:

INSURANCE DIVISION

- License fees and charges for services
- Insurance premium assessments
- Company examination fees
- Investment income
- Workers' compensation premium assessment transfer
- Federal Funds spent as Other Funds

The division also receives a federal grant from the Health Care Financing Administration. The grant is used to fund the Oregon Senior Health Insurance Benefits Assistance program (SHIBA), which provides insurance information, counseling and assistance to Medicare beneficiaries. No state match is required for this grant, but the grant is supplemented by state funds.

Fee changes

The division conducts annual studies of planned expenditures, workload levels, and revenue collections to determine appropriate funding levels. During the 2003-2005 biennium, the division implemented the following fee changes.

- Decreased single line producer examination fee from \$91 to \$70.
- Decreased dual lines producer examination fee from \$109 to \$80.

The Insurance Division contracts with a third-party vendor to provide producer-licensing examinations. The division changed its vendor in July 2003. The new vendor accepts payment for the examinations on-site rather than having the division accept the money and forward it to the vendor. This change helped reduce administrative costs and allowed the reduction in examination fees.

General Fund

The Insurance Division does not receive a General Fund appropriation. We do collect retaliatory taxes from out-of-state insurance companies, which are transferred to the state General Fund for general governmental purposes. The retaliatory tax is collected from insurance companies based on the tax rate in each company's domestic state. Premium taxes collected from surplus lines producers are also transferred to the General Fund.

INSURANCE DIVISION

Governor's Recommended Budget

	Request	FTE
2003-05 Legislatively Adopted Budget	\$ 15,620,981	93.00
Base Budget Adjustments		
Net Cost of 2003-05 Position Actions:		
Administrative, Biennialized E-Board, Phase-outs	\$ 151,182	(1.00)
Estimated Cost of 2005-07 Merit Increase	\$ 256,345	-
Subtotal: 2005-07 Base Budget	\$ 16,028,508	92.00
Essential Package 010—Non-PICS Adjustments		
Vacancy factor adjustment.	\$ (15,701)	-
Non-PICS adjustments for unemployment, overtime, temporaries, and mass transit taxes calculated as .006 of base salaries and wages.	\$ 518,424	-
Essential Package 030—Cost Adjustment for Inflation and Price List		
Cost of Goods & Services Increase/(Decrease)	\$ 142,831	-
Increase/shift in State Government Service Charges.	\$ (282,257)	-
Subtotal: 2005-07 Essential Budget Level	\$ 16,391,805	92.00
Policy Packages		
Package 090 Analyst Adjustment	\$ (600,727)	-
Total: 2005-07 Governor's Recommended Budget	\$ 15,791,078	92.00

INSURANCE DIVISION

Revenues and Disbursements

2005-07 Beginning Balance		\$ 5,784,990
Revenues		
Insurance Taxes	\$ 124,184,555	
Workers' Compensation Taxes	\$ 683,185	
Fire Marshal Fees	\$ 13,047,945	
Business License & Fees	\$ 16,965,332	
Fines & Forfeitures	\$ 460,000	
Interest Income	\$ 529,102	
Federal Revenues	\$ 593,363	
Charges for Services	\$ 2,089,743	
Sales Income	\$ 10,000	
Other Revenues	\$ 265,777	
Subtotal Revenues		\$ 158,829,002
Transfers		
Transfer Out - Intrafund	\$ (3,070,259)	
Transfer Out - Oregon Homeland Security	\$ (15,359,616)	
Transfer Out - General Fund	\$ (124,644,555)	
Subtotal Transfers		\$ (143,074,430)
Available Funds		\$ 21,539,562
Budget		\$ 15,791,078
2005-07 Ending Balance		\$ 5,748,484