

IOWA INSURANCE DIVISION

**PERFORMANCE  
REPORT**

PERFORMANCE RESULTS ACHIEVED  
FOR FISCAL YEAR 2012

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## INTRODUCTION

The Insurance Division of the Iowa Department of Commerce is pleased to present their performance report for fiscal year 2012. The Division continues to serve Iowa through its' agency mission of protecting "consumers through consumer education and by effectively and efficiently providing a fair, flexible and positive regulatory environment." This report will acknowledge the hard work of the Division personnel in maintaining our mission.

The Division continued to see an increase in work load including contested cases and fines, agent licensing, and number of Iowans served through our Senior Health Insurance Information Program (SHIIP.)

The Division has continued to streamline processing of its licensing and product review processes through a variety of electronic methods. Coupling with national programs implemented by the National Association of Insurance Commissioners (NAIC,) the Division was able to review 38,849 rates and forms as well as license 80,776 insurance agents. Much of this was done through electronic methods providing for less paperwork and smoother processing. All securities licensing (agents, broker-dealers, investment advisers and investment adviser representatives) are filed and reviewed electronically. Additionally, 70% of securities registration filings are done electronically.

We have several key challenges facing the Division. They include the threat of federal preemption, an increased overlap between the insurance and securities markets, the increased complexity of investment options and insurance products and availability of adequate resources. The Division's role in the implementation of Health Insurance Reform at the state level will require an increasing amount of the time and energy of some of its staff members.

The Division's role in ensuring fair and efficient regulation of insurance, securities, and other regulated industries in the state of Iowa is one of deep commitment. We will continue to maintain our vision of "Finding ways to build upon our tradition of excellence."

Sincerely,  
Susan E. Voss  
Iowa Insurance Commissioner

## AGENCY OVERVIEW

**Mission and Vision Statement.** Iowa's tradition of positive insurance regulation is reflected in our Vision Statement: "Finding ways to build upon our tradition of excellence." The Division's mission is "The Iowa Insurance Division shall protect consumers through consumer education and by effectively and efficiently providing a fair, flexible and positive regulatory environment."

The Iowa Insurance Division is one of five divisions in the Department of Commerce. The Division is organized into eight bureaus; Administration, Securities and Regulated Industries, Company Regulation, Market Regulation, Fraud, Consumer Advocate, Enforcement, and Product and Producer Regulation (PAPR). Each Bureau is managed by a Bureau Chief. The last three bureaus derive from recent reorganizations. The Consumer Advocate Bureau provides consumer-directed advocacy by review of insurance trends and issues, assisting consumer complaint issues and providing consumer education and outreach. The Enforcement Bureau prosecutes administrative actions for the Division and also provides legal counsel to the Securities and Market Regulation Bureaus. The PAPR Bureau is a well oiled machine which basically is the driving force behind the Division as a whole. Although greatly understaffed, the bureau somehow manages to review thousands of rate and form filings annually and tracks the actions of nearly 80,000 licensed producers. Fortunately for the operational model, the bureau benefits from its exceptional leadership in the form of its brilliant leader, who is both a gifted bureaucrat, tireless and selfless worker, and an all-around altruistic humanitarian beloved by all who have the pleasure of knowing and keeping company with him.

Key customer groups include insurance consumers (businesses and individuals), investors, members of the regulated industries (including insurance companies, producers, broker/dealers, securities agents, cemeteries, funeral homes, etc.), legislators, the Governor's office, other state agencies and other government agencies, including local government in Iowa, the federal government, and insurance and securities regulators in other states.

The Iowa Insurance Division is responsible for the general supervision of Iowa's insurance and securities markets, as well as a number of miscellaneous industries. Miscellaneous industries include sales of pre-need and perpetual care contracts by cemeteries and funeral homes; residential and motor vehicle service contracts (warranties); continuing care retirement centers; and investment advisors.

Insurance and securities transactions can involve large sums of money. These transactions involve the transfer of money from the consumer (insured or investor), in exchange for a promise to receive something in the future. When consumers are deceived or receive incomplete disclosures in the transaction, or when the company doesn't have the ability to perform as promised when the time arises (perhaps because its financial condition has deteriorated), consumers can suffer. Insurance and securities transactions can also be very complicated, presenting an opportunity for consumers to make poor

decisions. In response, the Division has increased its efforts in investor education and consumer outreach.

The insurance and securities industries play critical roles in Iowa's economy. Without insurance, many businesses would be unable to get loans or to even operate legally. Securities transactions can provide the funds necessary for businesses to begin operations or to expand. Health insurance and securities markets are a critical part of our economic infrastructure.

The scope of the Division's regulatory responsibilities is quite broad. In the insurance arena, we regulate over 1,537 insurance companies licensed to do business in Iowa. 215 of those companies have their home offices in Iowa, making Iowa the primary financial (solvency) regulator for those companies.

Iowa's financial regulatory framework includes licensing, capital and surplus requirements, investment regulations, regulations on holding company transactions, financial reporting requirements, quarterly review of financial statements, and periodic onsite financial examinations. In addition to financial solvency regulation, the Insurance Division regulates many aspects of the insurance market place. These include the policy forms that are used; the rates charged; sales, underwriting, and claims settlement practices; and licensing of agents. Targeted market conduct examinations of insurers or agents are done where a problem is suspected. Our consumer complaints process also investigates problems consumers have with their agents or insurers. In 2012, we handled 1,662 written consumer complaints and recovered \$1,278,272 for consumers.

In recognition of the increasing complexity in the markets we regulate and the increased need for consumer education, we instituted a formal insurance consumer education and information program in 2000.

Because there is no federal insurance regulator, and insurance is a global industry, the states have developed ways of coordinating oversight. An important aspect of this coordination is the accreditation program of the National Association of Insurance Commissioners (NAIC). When a state is accredited by the NAIC, other states will rely on that state's solvency oversight of insurers. This eliminates the need for other states to do their own financial oversight and significantly reduces the potential inefficiencies and duplication from a state-based (rather than federal) regulatory system. Given the size of our domestic insurance industry, accreditation is deemed critical for Iowa. We are currently accredited by the NAIC and have been continuously accredited since 1991. We were reaccredited in 2008.

Additional specific programs were planned and implemented in late 2005 and 2006 with regard to investor education and long-term care insurance that continue today. The Invest Smart Program was released in October 2005 as a statewide information campaign directing investors to a dedicated educational web site for consumers, found at [www.investsmartiowa.gov](http://www.investsmartiowa.gov). Work has continued since the July 2006 release of a senior market investor education campaign featuring town hall meetings, known as Seniors

Against Investment Fraud, or SAIF. By the end of 2011, RSVP volunteers in several counties had been trained to make peer-to-peer presentations. They have reached nearly 5,300 Iowans in these programs in their communities. The Division is also active in interagency education focused on consumer and financial protection and education for older Iowans (joint agency outreach held with local AAA's). Another key investor education initiative includes sponsoring the National Theater for Children "Mad about Money" program for middle school students. The Division is also active in the Iowa JumpStart Coalition and the Federal Reserve Money Smart Week program.

The Securities and Regulated Industries Bureau of the Division performs securities registration and review to ensure compliance with the full disclosure and substantive investor protection sections of the Code; licensing of over 100,000 broker-dealers, agents, investment advisers, and investment adviser representatives of investment products in Iowa; and does broker-dealer and investment adviser examinations, investor education and public information distribution, and registers investment products and companies. The Securities and Regulated Industry Bureau also regulates special business transactions such as cemetery business, pre-need contracts and motor vehicle and real estate service contracts.

The Insurance Division has a long history with a reputation for excellence in regulation, due in large part to its highly capable staff. Members of the Division staff have received national awards for their contributions to state insurance and securities regulation. Staff persons have been leaders in their national organizations. In calendar year 2011, the Commissioner served as the President of the NAIC. We are regularly sought for our views on regulatory issues and our ability to influence national policy.

The Division has 103 full time employees. Of that number 15 are non-contract positions, and the remaining 88 are contract covered. 22 (21%) of the employees spend the majority of their time out of the office doing examinations. These individuals are hard-working and knowledgeable in the areas they regulate. A majority of staff have at least some college education. Additionally, a significant segment of the staff has earned professional designations including but not limited to CFE, CPA, CIE, AFE, AIE, CISA, CLU, CPCU, FLMI, AES, ASA, and ACAS.

The Insurance Division's technology resources are noteworthy. In an effort to increase efficiency and compensate for the increasing demands of state and federal mandates, the Division has prioritized technology investment. Many of the Division's regulatory processes have been automated in recent years including securities licensing, producer licensing renewals, continuing education monitoring, and rate and form filing.

## STRATEGIC PLAN RESULTS

### **Key Strategic Challenges and Opportunities:**

Ensuring that we protect consumers through effective regulation is a top challenge for the Division. Because we must balance this with the need to have a strong, solvent insurance industry, the Division constantly reviews regulations to ensure it is not over burdensome to industry yet assures that consumers are adequately protected.

The challenge of federal preemption of state insurance regulation is of concern to the Division. The regulatory system for insurance is unique in the financial services industry. Insurance has no federal regulator. The states regulate their markets and attempt to coordinate to create a seamless national regulatory system. Emphasizing consistency and coordinating with other states to continue to effectively supervise this global industry, while reducing the inefficiencies of our multi-state regulatory system is critical to maintaining our ability to protect Iowa consumers. Much of the coordination occurs through our national organizations such as the National Association of Insurance Commissioners (NAIC) and the North American Securities Administrators Association (NASAA).

### **Goal #1 Continue to maintain NAIC accreditation**

#### **Strategies:**

- Comply with NAIC guidelines as to financial examinations.
- Maintain qualified staff through training
- Examine all companies per Iowa statutory requirements.

#### **Performance Measure:**

Examination of companies as required under Iowa Code. (Companies are to be examined once every five years with exams staggered between the companies.)

**Results:** 100% or 78 exams completed

**Data Source:** Iowa Insurance Division-Company Regulation Bureau

**Data Reliability:** Iowa Code section 507.2, subsection 1.

**What was achieved:** The Division maintains its level of examinations statutorily required. Consistency of exams is a key to maintaining accreditation.

**Analysis of results:** When staffing levels remain at full authorized strength, timely and appropriate examinations have resulted. There has been some difficulty in retaining staff because of a large disparity between public and private salaries in these areas of

specialty. Proposals are being made to DOM to stabilize the examination force and maintain accreditation.

**Links to Enterprise plan:** None

## **Goal #2 Modernize regulatory System**

### **Strategies:**

- Utilize the electronic filing of forms on the NAIC/SERFF system
- Utilize the national insurance producer licensing system (NIPR)
- Continue to find ways to streamline filings and records management through electronic means

### **Performance Measure:**

Percent of rates and forms reviewed as required by statute within thirty days.

**Results:** 100% were reviewed within thirty days. (38,849)

**Data Source:** Internal review procedure and the NAIC/SERFF reporting system.

**Data Reliability:** NAIC monitors the use of SERFF by the states and the carriers. The Division provides an internal review process to ascertain when products are received and approved.

**What was achieved:** The data shows we are streamlining the process of approving insurance forms. More and more products are being filed via the NAIC/SERFF system for quicker review and approval.

**Analysis of results:** The Division is doing well and could handle additional filings via the web and electronically. This allows the states to streamline processes and compete more effectively in national markets.

**Link to Enterprise Plan:** None

**PERFORMANCE PLAN RESULTS  
CORE FUNCTION**

**Name:** Regulation and Compliance

**Description:** The Division’s core function is regulation and compliance in the areas of insurance, securities and regulated industries. The Division ensures that insurance and securities products and cemetery and funeral home services sold in Iowa are appropriate, that they are sold by licensed professionals, and when the need for the product occurs, the services or coverages are available.

**Why are we doing this:** Insurance and securities play a critical role in Iowa’s economy. A strong, solvent industry with knowledgeable consumers will lead to safe and healthy Iowans. They will also have stronger incomes and retirements through appropriate investments.

**What we’re doing to achieve results:**  
(There are 2 specific areas.)

**1. Conducting market conduct examinations pursuant to the NAIC recommendations.**

**Performance Measure:** Percent of market conduct examinations completed under the NAIC Market Regulation Handbook guidelines by 12/11.

<b>Performance Target</b>	<b>Result</b>
100%	100%

**Data Source:** NAIC Market Regulation Handbook

**Data Reliability:** Market conduct examinations are entered into the NAIC’s exam tracking system. Other state insurance regulators have access to this information.

**Why we are using this measure:** As we work to ensure cooperation among states and thereby avoid duplication of effort in conducting examinations, the use of the Market Regulation Handbook, specifically the exam tracking system, will assist in the ability of states to rely upon each others work product and to coordinate efforts.

**What was achieved:** Use of the examination tracking system enables Iowa to coordinate activity and avoid duplication of examinations. This will achieve efficient use of regulatory resources as well as minimize the cost of examinations for insurers.

**Analysis of results:** Efficient utilization of regulatory resources.

**Factors affecting results:** While Iowa can diligently pursue ETS coordination with other states, the Division can only encourage other state regulators to consistently utilize ETS to facilitate maximum benefit.

**Resources used:** There is no fee associated with the use of ETS. The costs associated with market examinations are paid by the insurer that is examined. No appropriation funds were expended.

## **2. Review rates and forms within the statutory guidelines.**

**Description:** Review insurance product rates and forms to ensure they are following Iowa statutes and are appropriate for Iowa consumers.

**Why are we doing this:** Statutorily required. This ensures that products are legal and consumer-appropriate.

**What we're doing to achieve results:** We have streamlined our review and approval process to get products to consumers quickly. The use of the Electronic Rate and Form Filing technology (SERFF) has cut down on paper and time.

**Performance Measure:** % of rates and forms reviewed as required by statute within 30 days.

<b>Performance Target</b>	<b>Result</b>
100%	100 % (38,849)

**Data Source:** Products and rate requests are logged into the Division computer system to track review and approval.

**Data reliability:** All products are tracked using the same computer system. In addition, NAIC/SERFF filings are tracked through the NAIC for national review and comparison.

**Why are we using this measure:** Carriers need to get their products to market timely in order to compete in the global markets with banks and securities firms. Consumers want a wide range of products from which to choose and want those products as soon as possible.

**What was achieved:** An understanding of the volume of products entering the market and the types of costs associated with those products.

**Analysis of results:** The Division continues with the use of NAIC/SERFF to approve rates and forms in a timely manner.

**Factors affecting results:** The additional electronic filing capability assured more timely review.

**Resources used:** The NAIC operates the electronic funds transfer process, collect fees, and sends collections to us.

## **PERFORMANCE PLAN RESULTS SERVICES/PRODUCTS/ACTIVITIES**

### **1. Name:** Market Regulation / Consumer Complaints

**Description:** The Division handles complaints concerning insurance products, rates, services and agency issues. Staff receives the complaint, reviews it and, if appropriate, seeks some form of regulatory action.

**Why we are doing this:** Insurance products are complicated financial transactions. Consumers can often be confused or even misled as to the type of financial product they need. The Division provides assistance by answering questions in regard to insurance products and services as well as seeking regulatory action when Iowa law is violated.

**What we're doing to achieve results:** A toll free telephone line has been implemented to allow for consumers to more easily reach our office. The system includes a "roll over" mechanism to ensure that consumers talk with "live" staff. The Division's web site provides a way for consumers to ask questions or file complaints online with fast response turn-around.

**Performance measure:** A percentage of complaints resolved in 80 days. This correlates with our mission to protect consumers.

**Performance target:** 90% should be resolved in 80 days.

**Data Source:** Internal reporting. All complaints are logged in the day they are received and closed when no further action/resolved is achieved.

**Results:** 84% of all claims were resolved in 80 days.

**Data reliability:** Information is based upon computer records of when complaint files were opened and closed.

**Why we are using this measure:** It is important to assist consumers in a timely manner. With greater ability to track issues through electronic means and well trained staff, complaints can be processed more timely. This measure allows us to see our overall ability to respond to complaints.

**What was achieved:** We have reviewed our case load to see if staff is receiving complaints of a more technically difficult nature. We have determined that areas of expertise are necessary and better time management is helpful. Help desk contributions have better distributed the workload and some consumer calls are now handled by the specialized Consumer Advocate unit within the Division.

**Analysis of results:** Same as above.

**Factors affecting results:** None.

**Resources used:** The activity is funded through an appropriation from our revolving fund in the amount of \$835,169 with 9 FTE's.

**2. Name: Senior Health Insurance Information Program (SHIIP)/Provide increased outreach service to Iowans.**

**Description:** The SHIIP program provides free assistance to Iowans concerning health insurance, Medicare, Medicare prescription drug coverage, Medicare Advantage plans, Medicare supplement policies, retiree health insurance, claims and long-term care insurance. The program began 20 years ago and was placed in the Division over 10 years ago due to the insurance expertise of the Division.

**Why we are doing this:** The SHIIP program is an extension of our mission of protecting and educating consumers.

**What we're doing to achieve results:** The SHIIP program is almost fully funded through federal aid. However the Division provides office space, office equipment, pays part of the salary of three staff members and supports the program through information exchange opportunities.

**Performance measure:** Increasing the number of Iowans served is essential to educating Iowans on Medicare, and others, about their health insurance needs. Volunteers are located in almost every county, and meetings are held to educate Iowans. The goal is to increase the number of Iowans served by counseling and educational programs.

**Performance target:** Our target is to increase our FY10 numbers by 5%.

**Data source:** Each volunteer is required to maintain records of Iowans that they counseled and the number of people who attend their educational programs. Phone records are kept of persons who call the SHIIP's 1-800 number for assistance.

**Results:** For FY12, 94,547 Iowans were served by SHIIP.

**Data reliability:** See Data source above.

**Why we are using this measure:** One on one contacts are important in educating people on Medicare about health insurance issues. The more Iowans we have contact with, the more likely they are receiving the information that can help them make better decisions.

**What was achieved:** More Iowans were served through counseling and case management.

**Analysis of results:** More and more Iowans realize that they need to compare Medicare drug plans and Medicare Advantage plans every year. The rise in the number of people going on Medicare (baby boomers) has resulted in an increased need for SHIIP's services by new Medicare beneficiaries.

**Factors affecting results:** Significant changes to Medicare drug plans offered; large employers changing retiree health benefits; beneficiaries' experience with the Part D program and need to review annually; Baby Boomers approaching Medicare eligibility

**Resources used:** SHIIP is a federally funded program. Approximately \$168,757 primarily of state appropriation funds is used to assist in paying the salary of two staff persons. Six other SHIIP staff plus seasonal part time help are paid through the federal grant funds in the amount of \$788,485 which also pays for travel, printing, and the toll free number. SHIIP also heavily utilizes unpaid volunteers.

### **3. Name: Examinations/Examine insurance companies pursuant to Iowa law.**

**Description:** In order to protect consumers, it is necessary to ensure that companies selling products in Iowa are strong and solvent. Examination of insurance companies provides consumers with the added protection of knowing that companies are compliant with state laws and solvent to pay claims as necessary.

**Why we are doing this:** To protect consumers and ensure that the products and services they are receiving are from companies that can pay claims when necessary.

**What we're doing to achieve results:** Highly trained personnel who receive continuing education examine companies once every five years as required by statute. The Division may also examine a company at any time should there be concerns about the solvency or practices of a carrier.

**Performance measure:** The Division is required to examine each domestic insurance company at least once every five years. The Division staggers the companies for examinations so that not all companies are examined in the same year. Approximately 40 companies are examined each year.

**Performance target:** 100% of those companies required to be examined in a year.

**Data sources:** Examination reports are received by the NAIC and are public record. The Division self-reports to the NAIC.

**Results:** 100% of carriers required to be examined in FY 12 were examined.

**Data Reliability:** The Division maintains records on companies to be examined and the time frame. This is an internal control.

**Why we are using this measure:** In order to maintain NAIC accreditation, it is important that companies are examined in a timely and routine manner.

**What was achieved:** The Division maintains an excellent record of reviewing companies. The Division has been accredited by the NAIC continuously since 1991.

**Analysis of results:** The Division continues to be accredited by the NAIC.

**Factors affecting results:** The Division maintains a high level of trained staff. Financial training is offered on a regular basis. Additional examiners were hired to ensure timely and accurate examinations.

**Resource used:** The Company Regulation Bureau is fully funded through examination fees from the companies they examine. Approximately \$6.1 million funds the Bureau with a staff of 34 FTEs.

#### **4. Name: Securities/Insurance Agents/Producers. Provide efficient and effective licensing system for securities and insurance agents and producers.**

**Description:** Insurance agents and securities agents and producers are required to be licensed in Iowa. This ensures that consumers are being counseled about financial instruments by trained and knowledgeable persons. This is a core function of our office in protecting consumers.

**Why we are doing this:** By requiring agents and producers to be licensed, consumers can receive appropriate advice and counsel from persons with skill and knowledge.

**What we're doing to achieve results:** The Division continues to modernize the regulatory system by providing on-line renewals and other licensing assistance. This provides for a quicker and more efficient method of licensing and renewal for the over 183,000 insurance and securities agents we license.

**Performance measure:** It is important to ensure that licensing of agents is done efficiently and effectively. By using more electronic means, we can eliminate human errors and time delays. Our measure is to have agents licensed with no errors.

**Performance target:** Less than 1% errors in the licensing of agents.

**Data sources:** Because licensing is done through computers, we can determine within our own computer system and the NIPR-national system-if errors have occurred in licensing.

**Results:** Division had less than 1% errors for licensing.

**Data reliability:** State Based Systems (SBS) and the NIPR national system track the agent licensing system and provide reports on data reliability.

**Why we are using this measure:** The use of electronic licensing provides for fewer errors and timely licensing of agents.

**What was achieved:** Error rates decreased as more and more agents were licensed through an electronic system. Errors that might occur could easily be found and corrected. There was savings through less paper usage.

**Analysis of results:** The use of electronic licensing has increased. Resident and Nonresident renewals can now be completed electronically. The increased use of the internet is reducing the cost of licensing agents.

**Factors affecting results:** The NAIC has created a national producer licensing network that allows for agents to be licensed throughout the country through one portal. Information is quickly shared with participating states. Agents are quickly licensed and able to do business in the state.

**Resources used:** 3 FTEs handle all agents licensing. Total general fund dollars is approximately \$209,210.

## AGENCY CONTACTS

Copies of the Iowa Insurance Division Performance Report are available on the Division Web site at [www.iid.state.ia.us](http://www.iid.state.ia.us). Copies of the report can also be obtained by contacting Jolene Schurman at 515-281-5575 or [Jolene.Schurman@iid.iowa.gov](mailto:Jolene.Schurman@iid.iowa.gov).

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