

The State of Iowa
2013

Annual Consumer Advocate Bureau Report



Prepared and Submitted to the 84th Iowa General Assembly
January 15th, 2013

Insurance Division of Iowa

The Iowa Insurance Commissioner, in cooperation with the Consumer Advocate Bureau submits the following annual report pursuant to Iowa Code section 505.8.

I. Background

The Consumer Advocate Bureau (the Bureau) was established in 2008 under Iowa Code section 505.8, subsection 6, paragraph “b”. The Bureau is currently comprised of only the Consumer Advocate, but during 2012 also included a grant funded health insurance team of three compliance officers. The Consumer Advocate, Angel Robinson, was appointed in November 2008. The Consumer Advocate Bureau provides assistance to consumers in all lines of insurance, securities, and regulated industries.

II. 2012 Activities

The functions of the Bureau include outreach, assisting with or providing policy recommendations, aiding consumers with insurance inquiries and complaints, assisting consumers file health insurance appeals, and recommending cases for administrative action. To further these functions, the activities of the Bureau in 2012 have focused on three main areas: 1) consumer complaint assistance, 2) education and outreach, 3) and assisting consumers with the health insurance rate review process.

A. Consumer Complaints, Inquiries, and Appeals

In the area of complaint assistance, the Consumer Advocate has initiated complaint procedures and when requested by consumers, reviewed closed complaint files as a form of appeal. Additionally the Consumer Assistance Program aided consumers with health insurance based complaints, inquiries, and appeals. The appeal assistance provided by the Consumer Assistance staff consists of aiding Iowans with health insurance appeals on all levels (internal appeals and external review) for fully-funded (state regulated) or self-funded (federally regulated) health insurance plans. In 2012 the Bureau directly provided assistance to approximately 1,350 consumers with complaints, inquiries, and appeals on all items under the jurisdiction of the Iowa Insurance Division. Efforts in complaints, inquiries, and appeals have recovered \$43,844.13 for consumers by the Bureau. There were no new administrative actions from the Bureau this year as all disputes were able to be settled with the insurers without additional action.

B. Outreach and Education

The flood mitigation outreach and education was concluded in 2012. This area has been a major outreach area for the Bureau. 2012 flood outreach program was conducted in coordination with the Insurance Division, the Iowa Department of Natural Resources, Iowa Homeland Security & Emergency Management Department, and the National Weather Service. The 2012 flood outreach included the annual March Flood Awareness Month, sponsorship of a series of flood forums throughout the state (a community based informative presentation and panel from state and local experts on flood mitigation efforts), and informational newspaper inserts regarding flood outreach to 100,000 Iowans.

The Consumer Assistance Program also produced health insurance based outreach materials and educational opportunities in 2012. Consumer guides and frequently asked question documents have been produced and published on the Consumer Advocate website for the public to access, use and review. These documents focus on the health issues of COBRA, Appeals and External Review, as well as guidance on finding insurance in Iowa. Tutorial videos were additionally produced to provide instruction on appeals and external reviews. Other educational outreach opportunities have included a series of presentations on the effect of the Affordable Care Act in Iowa. The Consumer Assistance Program also organized and hosted a health care forum in 2012, which had approximately 100 attendees.

C. Assisting Consumers with the Rate Review Process

The Consumer Advocate Bureau participated and assisted consumers with their notice and hearing rights associated with health insurance rate increases. Iowa law provides for a policyholder's right to notice and the right for a public hearing when a rate increase is requested above the average annual health spending growth rate (as established by the Centers of Medicare and Medicaid Services). Three such proposed rate increases met this criterion in 2012. Of the three qualifying proposed rate increases, two of the public hearings were scheduled for January of 2013 in order to fulfill the required minimum notice period.

The Consumer Advocate's role in the qualifying rate hearing process is to solicit consumer comments regarding the proposed rate increase and to share the received comments with the public and the Commissioner of Insurance during the public hearing. For all the proposed rate increases, the Bureau received over 300 consumer comments for the proposed rate increases held in 2012 (the final participation number increased by approximately 100 consumers upon completion of all the proposed rate increases in

2013). All public hearings regarding rate increases were held over the ICN videoconferencing network. This allowed affected members of the public from across Iowa to personally participate in the public hearings without driving to one central location. All reports on the public comments and testimony received on the proposed rate increases were provided to the Commissioner of Insurance and remain available for public review.

D. Other Consumer Advocate Duties and Responsibilities

The Consumer Advocate has participated in weekly conference calls on the planning and implementation of the new health laws and provided public education to consumers directly and through consumer advocacy groups regarding the changes to laws, regulations, and the effects on consumers. Additionally, the Consumer Advocate conducted a review of auto insurance repair rates in Iowa for possible changes in policy. As a result of the review, an administrative bulletin was issued to clarify the Division's expectations of insurance companies in this area and to improve future enforcement of existing administrative rules controlling auto repairs by insurance companies.

III. Recommendations

a. Budget Recommendations

The current 2014 budget for the Bureau entails an appropriation for only the Consumer Advocate with a salary and benefits approximately totaling \$100,000. The Consumer Assistance Program Grant expired in 2012. The grant allowed for the full funding of three grant related staff. The addition of staff to the Consumer Advocate Bureau allowed for expanded consumer services, increased number of consumers served, the production of comprehensive consumer documents and videos, and additional in person outreach opportunities through presentations, forums, and trainings. It is requested that the State of Iowa apply for future Consumer Assistance Program Grant funding if and when offered in 2013 with the expansion of one additional staff member. If the grant is not offered in 2013, it is suggested that funds are appropriated for the former grant positions in fiscal year 2014. The total amount requested for the Consumer Advocate Bureau is \$389,680.00. The request would cover the expenses of staff, such as salary and benefits, as all initial costs and equipment for new employees has been paid by the previous federal grant. Funding for the four staff members would allow consumer services in the Bureau to continue at the level previously received and expected by Iowans, including assistance with appeals. Funding would also allow for the Division

to prepare for the increased consumer contacts that will follow the individual health insurance mandate that will be effective in 2014. Renewed and expanded funding of the positions by the State of Iowa would also permit the four staff members to expand their consumer assistance capabilities to all of the areas serviced by the Bureau, as opposed to only health insurance activities as required by the federal grant. The requested budget is provided below:

| <u>Expenses</u> | <u>FTE Positions</u> | | <u>Costs</u> |
|------------------------------------|--|----------------------|----------------------|
| Personnel (Salary and Benefits) | FTE 1 | Consumer Advocate | \$ 100,000.00 |
| | FTE 3 | Compliance Officer 1 | \$ 210,000.00 |
| | FTE 1 | Admin Assistant 1 | \$ 50,000.00 |
| | | | |
| Worker's Comp | | | \$ 1000.00 |
| | | | |
| Rent | | Office Space | \$ 25,000.00 |
| | | | |
| Communication | | Phones | \$ 3,000.00 |
| | | | |
| | FTE Total: 5 New FTE Positions: 4 | Budget Total: | \$ 389,680.00 |

b. Legislation and Administrative Rules

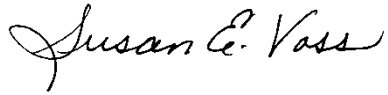
The Consumer Advocate Bureau will continue working with other areas of the Iowa Insurance Division throughout 2012 to file administrative rules as needed. The rules would likely include: updating the current rate review administrative rules, health insurance open enrollment, repayment of duplicative Medicare and Med-advantage coverage, and external review rules update.

IV. Conclusion

The Commissioner thanks the Consumer Advocate, Angel Robinson, for her work during 2012. In addition, the Commissioner thanks the Governor and the legislature for their continued support of the overall mission of the Division and our goal to protect consumers.

The Commissioner is happy to provide further information upon request as to any of the consumer activities of the office or any other function or duty of the Iowa Insurance Division.

Respectfully Submitted,

A handwritten signature in black ink that reads "Susan E. Voss". The signature is written in a cursive style with a large initial 'S' and a distinct 'E'.

Susan E. Voss
Commissioner of Insurance

Appendix A: 2012 Complaint and Inquiry Statistics for Iowa

As part of the duties of the Consumer Advocate Bureau, assistance was provided to consumers individually with questions or problems with insurance, securities, and regulated industries. Statistics for the Consumer Advocate Bureau are incorporated into the Division's statics for other bureaus as the Consumer Advocate generally works with closed complaints or monitors the complaints of others. The Consumer Advocate complaints are closed complaints that the consumer has requested an appeal for additional assistance or are pursued as a new complaint upon the discretion of the Consumer Advocate.

The following statistics are the total services provided to consumers in all areas serviced by the Division. For convenience, combined statistics showing the efforts of all bureaus handling complaints is provided. The Consumer Advocate Bureau statistics have been identified specifically, but are not counted separately in the complaint totals in order to avoid duplication and provide accuracy.

Total Summary of Division Complaints and Inquiries

| | |
|--|-------|
| Total Complaints (including rate increase complaints): | 1,722 |
| Total Inquiries (including rate increase comments): | 1116 |
| <hr/> | |
| Total Consumer Complaints / Inquiries Served: | 2,838 |

2012 Insurance Complaints

| Line of Insurance | Closed Complaints | Closed Inquiries |
|-----------------------------|-------------------|------------------|
| Auto | 353 | 35 |
| Fire, Allied Lines | 47 | 4 |
| Homeowners | 270 | 32 |
| Life, Annuity | 306 | 56 |
| Accident, Health | 587 | 452 |
| Liability | 30 | 6 |
| Miscellaneous | 68 | 53 |
| Other: Regulated Industries | 40 | 6 |
| Other: Securities | 19 | 5 |
| Other | 2 | 144 |
| TOTAL | 1722 | 793 |

| Reason | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|----------------------|------|--------------------|------------|---------------|------------------|-----------|---------------|
| Underwriting | 68 | 11 | 59 | 14 | 104 | 4 | 9 |
| Marketing and Sales | 67 | 7 | 9 | 75 | 125 | 3 | 19 |
| Claim Handling | 272 | 37 | 259 | 54 | 553 | 33 | 42 |
| Policyholder Service | 31 | 4 | 29 | 189 | 133 | 0 | 9 |

| | | | | | | | |
|--------------|------------|-----------|------------|------------|------------|-----------|-----------|
| TOTAL | 438 | 59 | 356 | 332 | 915 | 40 | 79 |
|--------------|------------|-----------|------------|------------|------------|-----------|-----------|

| Disposition | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|-----------------------------------|-------------|-------------------------------|-------------------|----------------------|-----------------------------|------------------|----------------------|
| Claim Reopened | 0 | 1 | 5 | 1 | 22 | 0 | 0 |
| Claim Settled | 27 | 1 | 16 | 12 | 88 | 3 | 3 |
| Company Position Overtumed | 0 | 0 | 0 | 1 | 11 | 0 | 0 |
| Company Position Substantiated | 123 | 21 | 151 | 176 | 285 | 12 | 16 |
| Complaint Withdrawn | 0 | 0 | 0 | 8 | 5 | 0 | 0 |
| Compromised Settlement | 98 | 8 | 79 | 75 | 62 | 4 | 22 |
| Contract Provision/Legal Issue | 65 | 14 | 31 | 3 | 19 | 4 | 8 |
| Fine | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insufficient Information | 9 | 6 | 4 | 20 | 15 | 1 | 2 |
| No Action Requested/Required | 86 | 14 | 75 | 210 | 303 | 8 | 25 |
| No Jurisdiction | 7 | 0 | 8 | 13 | 110 | 0 | 8 |
| Referred for Disciplinary Action | 10 | 0 | 0 | 4 | 7 | 0 | 5 |
| Referred to Another Dept | 0 | 0 | 0 | 1 | 4 | 0 | 3 |
| Referred to Proper Agency | 0 | 0 | 0 | 1 | 17 | 0 | 3 |
| State Specific | 15 | 3 | 14 | 3 | 21 | 1 | 3 |
| TOTAL | 440 | 68 | 383 | 528 | 969 | 33 | 98 |

Consumer Advocate Complaints

(Provided statistics are for monitored and investigated complaints that are also integrated into insurance, securities, and regulated industries totals)

| Line of Insurance | Closed Complaints | Closed Inquiries | Open Complaints | Open Inquiries |
|-----------------------------|-------------------|------------------|-----------------|----------------|
| Auto | 4 | 3 | 1 | 0 |
| Fire, Allied Lines | 1 | 1 | 0 | 0 |
| Homeowners | 7 | 5 | 1 | 0 |
| Life, Annuity | 4 | 6 | 0 | 0 |
| Accident, Health | 11 | 58 | 2 | 1 |
| Liability | 0 | 3 | 0 | 0 |
| Miscellaneous | 0 | 1 | 0 | 0 |
| Other: Regulated Industries | 0 | 1 | 0 | 0 |
| Other: Securities | 0 | 0 | 0 | 0 |
| Other | 0 | 6 | 0 | 0 |
| TOTAL | 27 | 84 | 4 | 1 |

| Reason | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|----------------------|----------|--------------------|------------|---------------|------------------|-----------|---------------|
| Underwriting | 4 | 1 | 1 | 0 | 30 | 0 | 0 |
| Marketing and Sales | 0 | 0 | 1 | 4 | 23 | 0 | 0 |
| Claim Handling | 1 | 1 | 7 | 1 | 18 | 3 | 0 |
| Policyholder Service | 2 | 0 | 2 | 3 | 8 | 0 | 0 |
| TOTAL | 7 | 2 | 11 | 8 | 79 | 3 | 0 |

| Disposition | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|-----------------------------------|-------------|-------------------------------|-------------------|----------------------|-----------------------------|------------------|----------------------|
| Claim Reopened | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Claim Settled | 0 | 0 | 2 | 0 | 2 | 0 | 0 |
| Company Position Overturned | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Company Position Substantiated | 1 | 0 | 0 | 4 | 3 | 0 | 0 |
| Complaint Withdrawn | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Compromised Settlement | 0 | 1 | 3 | 1 | 3 | 0 | 0 |
| Contract Provision/Legal Issue | 1 | 0 | 4 | 0 | 1 | 0 | 0 |
| Fine | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insufficient Information | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| No Action Requested/Required | 3 | 0 | 0 | 4 | 11 | 0 | 0 |
| No Jurisdiction | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Referred for Disciplinary Action | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Referred to Another Dept | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Referred to Proper Agency | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| State Specific | 0 | 0 | 3 | 0 | 0 | 0 | 0 |

2012 Consumer Assistance Program Complaint / Inquiry Report

| Closed Complaints | Closed Inquiries | Follow-Ups | Closed Appeals | Calls |
|-------------------|---------------------|------------|-------------------|-------|
| 40 | 225 | 626 | 28 | 392 |

General Reason for Complaint/Inquiry

| | |
|----------------------|----|
| Underwriting | 52 |
| Marketing and Sales | 84 |
| Claim Handling | 96 |
| Policyholder Service | 13 |

Disposition of Complaint/ Inquiry

| | | | | | | |
|------------------------------|----|--------------------------------|---|----------------------------------|---|---|
| Policy not in force | 0 | Referred to another department | 1 | ERISA complaint | 0 | 0 |
| Policy issued/restored | 0 | Referred to proper agency | 5 | Apparent unlicensed activity | 0 | 0 |
| Advised complainant | 0 | Referred to rates/contacts | 0 | Deductible refunded | 0 | 0 |
| Compromised resolution | 13 | Referred to market conduct | 0 | Forfeiture | 0 | 0 |
| Additional payment | 0 | Appointed | 0 | Referred for disciplinary action | 0 | 0 |
| Refund | 0 | Licensed | 0 | Question of fact | 0 | 0 |
| Arbitration/mediation | 0 | Advertising withdrawn/amended | 0 | Rating problem resolved | 0 | 0 |
| Coverage extended | 0 | Underwriting practice resolved | 0 | Contract provision/legal issue | 2 | 0 |
| Unable to assist | 0 | Information furnished/expanded | 0 | Company in compliance | 0 | 0 |
| Claim reopened | 3 | Delay resolved | 0 | Company position upheld | 0 | 1 |
| Cancellation upheld | 0 | Fine | 0 | Endorsement processed | 0 | 0 |
| Nonrenewal upheld | 0 | Cancellation notice withdrawn | 0 | No jurisdiction | 9 | 0 |
| Claim settled | 4 | Nonrenewal notice rescinded | 0 | Recovery | 0 | 0 |
| Filed suit/retained attorney | 0 | Nonforfeiture problem | 0 | Insufficient information | 7 | 2 |

| | | | | | | |
|------------------------------|----|--------------------------|---|-------|---|---|
| No action requested/required | 34 | resolved | | | | |
| | | Premium problem resolved | 0 | Other | 0 | 0 |

Appendix B: Comparative Complaint Data for Selected States

Based on various characteristics, such as location and data bases system used, other states were asked to share complaint statistics. 2012 complaint data was supplied as courtesy to the Iowa Insurance Division from the following states: Louisiana, Missouri, and North Dakota. The state of Louisiana provides complaint statics from another Department of Insurance's Consumer Advocate's office. Missouri and North Dakota's complaint statistics provide a picture of the annual complaints from neighboring states.

Special thanks are given to the insurance departments from the participating states, whose assistance aided in the completion of this report.

Louisiana Office of Consumer Advocacy FY 2011 Complaints

(2012 data was not available for Louisiana)

Complaint Totals

| Complaint Type | Closed Complaints | Closed Inquiries |
|-----------------------|-------------------|------------------|
| Property/ Casualty | 8 | 42 |
| Health | 2 | 18 |
| Life & Annuity | 0 | 8 |
| Total | 10 | 68 |

Missouri 2012 Insurance Complaints

| Line of Insurance | Closed Complaints | Closed Inquiries |
|-----------------------------|-------------------|------------------|
| Auto | 872 | 57 |
| Fire, Allied Lines | 114 | 12 |
| Homeowners | 781 | 81 |
| Life, Annuity | 440 | 50 |
| Accident, Health | 1140 | 1931 |
| Liability | 38 | 9 |
| Miscellaneous | 811 | 58 |
| Other: Regulated Industries | 0 | 0 |
| Other: Securities | 0 | 0 |
| Other | 0 | 7160 |
| TOTAL | 4196 | 9358 |

| Reason | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|----------------------|-------------|--------------------|-------------|---------------|------------------|-----------|---------------|
| Underwriting | 79 | 19 | 160 | 61 | 199 | 1 | 28 |
| Marketing and Sales | 86 | 26 | 80 | 128 | 321 | 11 | 741 |
| Claim Handling | 904 | 92 | 745 | 109 | 1599 | 39 | 87 |
| Policyholder Service | 112 | 16 | 115 | 226 | 419 | 10 | 28 |
| TOTAL | 1181 | 153 | 1100 | 524 | 2538 | 61 | 884 |

| Disposition | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|-----------------------------------|-------------|-------------------------------|-------------------|----------------------|-----------------------------|------------------|----------------------|
| Claim Reopened | 4 | 1 | 3 | 0 | 48 | 0 | 0 |
| Claim Settled | 194 | 16 | 91 | 56 | 237 | 6 | 29 |
| Company Position Overtumed | 4 | 0 | 4 | 8 | 37 | 0 | 3 |
| Company Position Substantiated | 322 | 35 | 327 | 169 | 262 | 13 | 41 |
| Complaint Withdrawn | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Compromised Settlement | 223 | 17 | 127 | 89 | 246 | 10 | 38 |
| Contract Provision/Legal Issue | 274 | 49 | 321 | 30 | 468 | 12 | 47 |
| Fine | 0 | 3 | 5 | 2 | 10 | 0 | 83 |
| Insufficient Infomation | 1 | 4 | 2 | 11 | 42 | 2 | 7 |
| No Action Requested/Required | 148 | 30 | 154 | 161 | 515 | 17 | 236 |
| No Jurisdiction | 108 | 9 | 126 | 9 | 343 | 6 | 19 |
| Referred for Disciplinary Action | 16 | 5 | 14 | 8 | 52 | 0 | 153 |
| Referred to Another Dept | 2 | 1 | 2 | 1 | 6 | 0 | 3 |
| Referred to Proper Agency | 2 | 2 | 2 | 2 | 39 | 0 | 12 |
| State Specific | 28 | 10 | 43 | 41 | 103 | 10 | 390 |
| TOTAL | 1326 | 182 | 1221 | 587 | 2409 | 76 | 1061 |

North Dakota 2012 Insurance Complaints

| Line of Insurance | Closed Complaints | Closed Inquiries |
|-----------------------------|-------------------|------------------|
| Auto | 82 | 133 |
| Fire, Allied Lines | 10 | 12 |
| Homeowners | 36 | 85 |
| Life, Annuity | 13 | 96 |
| Accident, Health | 35 | 449 |
| Liability | 8 | 30 |
| Miscellaneous | 15 | 33 |
| Other: Regulated Industries | 0 | 0 |
| Other: Securities | 0 | 0 |
| Other | 0 | 251 |
| TOTAL | 199 | 1089 |

| Reason | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|----------------------|------------|--------------------|------------|---------------|------------------|-----------|---------------|
| Underwriting | 17 | 3 | 26 | 7 | 84 | 2 | 5 |
| Marketing and Sales | 13 | 2 | 7 | 32 | 33 | 4 | 12 |
| Claim Handling | 210 | 20 | 100 | 23 | 258 | 45 | 38 |
| Policyholder Service | 27 | 3 | 8 | 75 | 254 | 3 | 8 |
| TOTAL | 267 | 28 | 141 | 137 | 629 | 54 | 63 |

| Disposition | Auto | Fire, Allied Lines | Homeowners | Life, Annuity | Accident, Health | Liability | Miscellaneous |
|-----------------------------------|-------------|-------------------------------|-------------------|----------------------|-----------------------------|------------------|----------------------|
| Claim Reopened | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| Claim Settled | 25 | 2 | 2 | 2 | 9 | 3 | 4 |
| Company Position Overturned | 1 | 0 | 2 | 0 | 0 | 0 | 0 |
| Company Position Substantiated | 11 | 4 | 7 | 4 | 16 | 1 | 5 |
| Complaint Withdrawn | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Compromised Settlement | 29 | 3 | 11 | 3 | 9 | 3 | 3 |
| Contract Provision/Legal Issue | 9 | 4 | 8 | 6 | 18 | 1 | 4 |
| Fine | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insufficient Information | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| No Action Requested/Required | 10 | 1 | 9 | 6 | 3 | 1 | 3 |
| No Jurisdiction | 28 | 1 | 13 | 0 | 6 | 2 | 4 |
| Referred for Disciplinary Action | 0 | 0 | 0 | 2 | 1 | 0 | 1 |
| Referred to Another Dept | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Referred to Proper Agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State Specific | 13 | 1 | 2 | 3 | 2 | 0 | 0 |
| TOTAL | 126 | 16 | 54 | 26 | 66 | 13 | 24 |