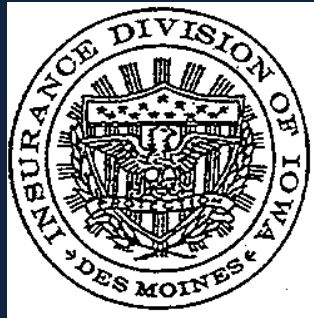


The State of Iowa
2009

Annual Consumer Advocate Bureau Report



Prepared and Submitted to the 83rd Iowa General Assembly

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Insurance Division of Iowa

Susan E. Voss, Commissioner of Insurance

Angel N. Robinson, Consumer Advocate

January 15, 2009

83rd Iowa General Assembly
Statehouse
Des Moines, Iowa 50319

Dear Ladies and Gentlemen of the 83rd Iowa General Assembly,

I submit to you the 2009 Annual Consumer Advocate Bureau Report as required by Iowa Code section 505.8(5A)(g). As the Consumer Advocate for the Iowa Division of Insurance, I thank you for the chance to provide an update on the previous year and recommendations for the future of the Consumer Advocate Bureau. I welcome the opportunity to answer any questions about this report, the Consumer Advocate Bureau, and the Consumer Advocate. I am also more than happy to speak or present my report to any committee wishing me to do so.

Thank you,



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Table of Contents

Table of Contents.....	3
Executive Summary.....	4
Overview of Consumer Advocate Bureau.....	6
Functions and Structure of the Consumer Advocate Bureau.....	6
Outreach and Educational Efforts.....	8
Flood and Natural Disaster Mitigation.....	8
Studies Performed by the Consumer Advocate.....	9
Review of Iowa Insurance Division’s Complaint Process.....	9
Background of Current Consumer Complaint Process.....	9
Findings and Recommendations for Consumer Complaints.....	12
Consumer Protection Recommendations.....	16
Five year Forecast of Staffing Needs and Funding.....	16
Legislation.....	23
Appendices Table.....	25
Appendix A: Iowa Code section 505.8(5A)- The Consumer Advocate Bureau.....	26
Appendix B: 2008 Complaint and Inquiry Statistics for Iowa.....	28
Total Summary of Division Complaints and Complaint Inquiries.....	28
Insurance Complaints.....	29
Securities and Regulated Industries Complaints.....	31
Appendix C: 2008 Comparative Complaint Statistics for Selected States.....	32
Missouri Insurance Complaints.....	33
South Dakota Insurance Complaints.....	35
Wisconsin Insurance Complaints.....	37
Appendix D: 2008 Comparative National Statistics.....	39

Executive Summary

The Consumer Advocate Bureau was created under Iowa Code section 505.8(5A) to be the designated advocate for Iowa consumers in the area of insurance. Currently the Consumer Advocate Bureau is comprised only of the Consumer Advocate, who assumed duties mid – November of 2008. The functions of the Consumer Advocate Bureau include:

- Researching, monitoring and analyzing marketing trends for recommendation on policy, rule, or law changes,
- Providing outreach and education,
- Receiving consumer complaints and conducting the necessary investigations,
- Requesting the Commissioner of Insurance conduct hearings on issues to protect consumers or the public interest, and
- Performing any functions as assigned by the Commissioner of Insurance.

As the Consumer Advocate did not assume the duties until the end of the year, no outreach educational endeavors were conducted in 2008. Outreach on flood mitigation will be a focus in 2009. The Consumer Advocate will work on the Governor’s Initiative for natural disaster mitigation in conjunction with other state agencies this upcoming year. The study conducted by the Consumer Advocate in 2008 was a review of the current consumer complaint handling process used by the Iowa Division of Insurance. The Consumer Advocate concluded and recommended changes based on efficiency and accuracy, the use of the Division’s help desk, the quality and quantity of communications with the consumers, and the need for continued monitoring on the progress of the recommendations by the Consumer Advocate.

The consumer protection recommendations include a five year forecast for staffing and funding for the Consumer Advocate Bureau’s formation. The recommendations are extremely modest because Iowa faces budget constraints for FY 2010 and FY 2011. Funding was recommended and requested only for enough staff to operate the bureau’s statutory functions in the five year forecast. Only positions crucial to statutory functions were requested for FY 2010. No additional staffing was requested for FY 2011. Legislative recommendations include clarifications and modifications to the statutes containing:

- The Consumer Advocate and the Consumer Advocate Bureau, and
- The use or hiring of professionals for the purpose of rate reviews.

Statistics specific to the Consumer Advocate Bureau and actions commenced by the Consumer Advocate are not available for 2008 because the Bureau is new and no procedures were in

place to make those actions possible. Statistics specific for the Consumer Advocate Bureau will be available for 2009. Additionally there will be the possibility for administrative actions that may be commenced at the request of the Consumer Advocate to the Commissioner of Insurance. For 2008, all Iowa statistics are based generally on the consumer complaint process with the Division of Insurance. This report and its contents are written in response to the requirements in Iowa Code section 505.8(5A)(g).

Overview of Consumer Advocate Bureau

Functions and Structure of the Consumer Advocate Bureau

The Consumer Advocate Bureau (the Bureau) is the statutorily required advocate for the people of Iowa in the areas regulated by the Iowa Division of Insurance (the Division). The Bureau is new and was established during the 2008 legislative session. The Consumer Advocate, currently the sole member of the Bureau, assumed duties November 14, 2008. One of the initial functions of the Consumer Advocate as the Bureau Chief is the formation of the Consumer Advocate Bureau and its functions. Using Iowa Code section 505.8(5)(A) as the guide, the Bureau is required to ensure “fair treatment of consumers” and prevent “unfair or deceptive trade practices” for Iowa consumers of insurance. To best serve the consumers of Iowa in the areas regulated by the Division and to comply with Iowa law, the Bureau performs multiple functions.

To meet the statutory requirement of “preventing unfair or deceptive trade practices”, a cornerstone function of the Bureau is proposing policy changes that will be beneficial to Iowa consumers in the area of insurance and securities. The Bureau will achieve this by monitoring state and national trends. Trends will be analyzed in order to propose policy changes through legislation or administrative rules. Trends on the state level will be monitored through the analysis of consumer complaints, inquiries, and phone calls made to the Division. Additionally state and national trends will be reviewed through research, communication with other states on their laws, and by analyzing information provided by national insurance associations.

Consumer outreach and education is a function of the Bureau that will also serve to prevent deceptive trade practices. Education on all areas regulated by the Division will lead to informed consumers who are equipped to purchase insurance, securities, and other products that fit their lifestyle best. Providing this education through outreach opportunities will make the information needed accessible to the consumers. Outreach also increases the awareness for the resources provided by the Bureau and the Division. The Bureau will also frequently collaborate with other agencies, organizations, and the Division (including SHIIP, SAIF, and any other beneficial team efforts created by the Divisions public information officer). The primary sources of consumer outreach and education will be a Consumer Advocate Bureau website, informational press releases provided by the Bureau when beneficial, presentations, and meetings.

In order to ensure fair treatment of consumers by entities regulated by the Division, the Bureau will receive and investigate consumer complaints as required by Iowa Code section 505.8(5A). The Bureau will receive consumer complaints on both the businesses regulated by the Division and the Division itself. Every consumer submitting a complaint to the Division will be notified by letter of their right to contact and seek the further assistance of the Bureau. This letter will be submitted upon the completion of the consumer's complaint. Functioning as an additional and separate resource for consumers inside the Division, the Bureau will review a consumer's complaint made to the Division upon that consumer's request. In this review, the Bureau will check the previous investigation to confirm that all appropriate measures have been fully explored on the consumer's behalf.

If a complaint is concluded and no satisfactory conclusion is available to the consumer, the Consumer Advocate will review the complaint in order to determine if it is part of a broader trend. If a trend is found in the complaints, Consumer Advocate can do further research on the subject and decide if a change in policy, administrative rule, or law should be proposed. The bureau will also work with the consumers to aid in their understanding of the issues and products involved in their complaint by taking the time to provide detailed explanation on the complaint issue. Investigations will additionally be conducted by the Bureau when it is necessary to determine if any violations of the insurance code have occurred.

Upon the finding of a violation of Iowa law or under Iowa Code section 505.8(5)(A), "when necessary or appropriate to protect" consumers or the public interest, the Bureau has the function of pursuing administrative actions. The Bureau can pursue administrative actions by making a request to the Commissioner of Insurance for a hearing. The Bureau will conduct fact finding on the issue as well as research relevant points of law on the matter in question.

The Bureau is responsible for performing all functions previously mentioned by statute as well as any additional functions assigned by the Commissioner of Insurance. The ability of the Bureau to comprehensively perform all functions will be dependent upon staffing and funding allocations.

Outreach and Educational Efforts

Flood and Natural Disaster Mitigation

Preliminary outreach and education on the topic of flood and natural disaster mitigation was begun in December 2008. Working on behalf of a Governor's Initiative, the Bureau along with the Division, Rebuild Iowa, and the Iowa Department of Natural Resources are in the process of composing a plan to serve Iowans in the area of flood, natural disaster mitigation, and outreach. The Bureau will provide outreach and education on flood mitigation and insurance in the Spring and Summer of 2009.

Studies Performed by the Consumer Advocate

Review of Iowa Insurance Division's Complaint Process

Upon a recommendation from the Insurance Commissioner, the Consumer Advocate conducted a study on the handling of the current consumer complaint process used by the Division. This study was conducted November 21, 2008 through December 30, 2008. The information reviewed was provided by research, personal interviews with Division employees, and observations. The goal of this review was to study and recommend ways in which the consumer complaint process could become more consumer friendly.

Background of Current Consumer Complaint Process

The consumer complaint process for the Division is separated into three areas: insurance, securities and regulated industries. These three complaint areas have different employees and processes. The reasoning provided for this separation was the diversity in subject matter. It was explained that this diverse subject matter naturally separated areas of expertise for the investigators in each bureau.

Of the three consumer complaint areas, insurance is the largest both in staff and in volume. Insurance complaints comprised 92% of the total consumer complaints made to the Division in 2008. The staffing for insurance complaints includes: one secretary, three investigators, two full time analysts, one part-time analyst, and one manager. The system used for complaint handling has the capability of electronic record keeping and tracking. Insurance informed the Consumer Advocate that all complaint files for insurance will be completely electronic as of January 1, 2009.

The process for consumer complaints in insurance begins with a written complaint or inquiry. A consumer calling in with a complaint is guided to one of the three methods of filing a formal complaint: email, website, or mail. Phone calls inquiring about insurance questions are considered an inquiry and are recorded only with a hash mark on a tally sheet by one of the investigators or the help desk. No other information for inquiries is recorded or noted for tracking purposes.

The written complaints or inquiries for insurance are received by the secretary. The secretary will then give the complaint to investigators who distribute the complaints equally amongst themselves. Investigators are responsible for all the preliminary work on a complaint, handle any written inquiries that come into the department, and provide consumer counseling and education in response to phone calls received. After deciding what action to take on a complaint, the investigator will give the complaint back to the secretary. The secretary will

then perform the needed data entry to “open” a complaint file in the complaint handling system. The secretary then sends the consumer a postcard notifying them that their complaint has been received, processed, and is pending communication from the appropriate entity. The time between the Division receiving a consumer complaint and the complaint being entered into the system may be a couple of days for processing.

If an investigator feels that an issue is more complex and requires more analysis, an analyst will be assigned to review the complaint. When a file is transferred for additional analysis to an analyst the consumer is not notified of this change. The consumer is also not notified if the analyst must begin the process of seeking additional information from the entity.

A complaint is closed in insurance when a final letter is sent stating the resolution of the complaint filed. The contents of the final letter are left to the discretion of the investigator or analyst who closed the file. Some of the final letters do an excellent job of explaining the issue and reason behind the complaint resolution, while some of the other letters sent to the consumers refer the consumer to the language stated in the company letter or rely on explanations provided in the entity’s letter responding to the Division request for information. To close a file, no additional closing notes or documentation are used to show its completion. Consumers who have closed complaints about insurance are sent survey cards. The survey cards had stopped November 2007, but were restarted in August 2008. The information on the survey cards are recorded but are generally unused. The information collected from the survey cards are not routinely shared with the individuals that work on complaints.

Securities and regulated industries complaints are processed and handled similarly. Securities and regulated industries complaints both have a single investigator each handling all levels of the consumer complaint investigation, inquiries, and product counseling. Both are located in the Securities Bureau and the consumer complaint areas also share one administrative assistant what performs all data entry for the investigators. At the time of this study, two separate systems were being used for consumer complaint handling. Securities complaints have recently updated its complaint handling procedures to the same system as the insurance consumer complaints. Regulated Industries uses an older complaint handling system that had previously been used by insurance and securities. The Division informed the Consumer Advocate that the change to the new complaint handling system for all consumer complaints was a goal. Additionally, the Consumer Advocate was told that it would take months for Regulated Industries to become completely electronic and become integrated into the complaint handling system used by insurance and securities.

A few other points should be noted. Due to the lower volume of consumer complaints in securities and regulated industries, much of the communication there between the consumer and the Division is by phone call. This was the explanation provided for why written communication was not sent to the consumers to notify them that their complaint has been received and processed. Survey cards are also not used for complaints in securities and regulated industries.

In addition to the three complaint areas, the Division operates a help desk that receives calls from the Division's 1-800 toll free number. The help desk is staffed by two individuals at most times except during breaks, lunch, or special projects. The help desk currently funnels calls to all areas of the division including consumer complaints. The purpose behind the creation of the help desk was to provide a filter for all calls including consumer inquiries and information requests that were of a less complicated nature. One of the help desk employees has a background in securities, while both help desk employees were originally to be trained in property and casualty as well as health insurance. Currently only one help desk employee has attended one of the insurance classes. The class attended was on health insurance and was held by the Independent Insurance Agents of Iowa. The other employee has attended neither class. Currently there is no projected completion date for help desk training.

Findings and Recommendations for Consumer Complaints

As a whole the Consumer Advocate found the consumer complaint staff to be extremely knowledgeable and competent in each of their areas of specialty. All of the consumer complaint staff made themselves available for interviews and co-operated with the Consumer Advocate when information on practices and procedures was requested. Based on the information gathered, researched, and studied by the Consumer Advocate, the following changes are recommended to improve the service in the consumer complaint process for the Iowa Division of Insurance.

1. The consumer complaint process as a whole needs increased efficiency and accuracy, in order to be as effective and consumer friendly as possible. The Consumer Advocate would note that changes to the complaint process were pending before this study. The changes that were pending were to complete electronic record keeping as soon as possible and unify the complaint handling system for all consumer complaints (no firm deadline given for the areas of securities and regulated industries). Even after acknowledging these pending changes, additional measures for the consumer complaint process would be beneficial. The recommended changes for efficiency and accuracy are:
 - The consumer complaint process should be paperless and on a unified complaint handling system by the end of the first quarter in 2009. At the beginning of this study, consumer complaints were being handled by two different systems. One was the new complaint handling system that had been incorporated into all of insurance and securities. The second was an older system that was used only by regulated industries complaints. The use of two different systems makes it difficult to track the complaint history, status, and statistical information. Regulated industries complaints should be moved onto the complaint handling system used by insurance and securities complaints, in an effort to unify the complaint handling system in the Division. A unified system will increase the accuracy in record keeping and tracking. It will also provide accuracy when trends are being researched by the consumer advocate. At all times any file should be available to be reviewed by any authorized member of the division to provide an update on the status of a complaint. Providing all the information electronically will provide for a complete history of communications made on a complaint. This is essential for any complaint that is reviewed or reopened by another Bureau of the Division.
 - Investigators and analysts in all complaint areas should complete their own data entry into the complaint handling system for the sake of accuracy. Currently,

complaints are handed off to a secretary or administrative assistant in all consumer complaint areas to open or close a file and provide data entry. When the person performing the data entry is not the person investigating the file, there is an increased possibility for information to be misinterpreted or missing from a record. It will be more efficient to record information once as opposed to twice if a data entry person needs to be provided the information to input into the system from the investigator. This change should be made as soon as possible for the sake of file accuracy.

- When a complaint is closed a memo should be attached to the file providing a summary of the complaint and the resolution. This will provide the investigator an opportunity to note any information about the complaint that may not be apparent or could be overlooked in the file. The memo will also be an excellent tool for any complaint that is reopened, reviewed, or referred to another bureau.
 - Investigators and analysts should send all written communications electronically to responding entities whenever possible. The Division can provide the consumers with the option of allowing their information to be transmitted electronically. This should absolve any hesitation had by the entity to electronically communicate with the Division. Also if the emails of all the entities were obtained, the initial contacts with those entities could be made electronically also. The cost of mailings would decrease for both the Division as well as the entities that respond and the Division currently has the capabilities to do this. In the end it would significantly improve response times on consumer complaints.
2. The help desk is an underutilized resource for the complaint process. Originally the help desk was to be a filter for less complicated calls that did not require investigation. Due to a lack of training many of the calls that could be answered by the help desk are passed on to the investigators. It is recommended the following changes are made in order for the help desk to become the potential assets they could be to consumer complaints:
- The help desk should receive insurance training. This training should include all lines of insurance (property and casualty as well as health and life). This training should be completed by the end of 2009. This is a necessary step towards the help desk acquiring the background knowledge needed to competently and comfortably answer inquiry calls.
 - The help desk should enter all consumer phone inquiries related to consumer complaints into the consumer complaint handling system. The help desk will also need to be trained on how to properly use the complaint handling system. Once

inquiries are entered into the system more information about consumer inquiries can be tracked with accuracy. This information will be used by the Consumer Advocate to monitor trends in Iowa.

- The help desk should become the source for consumer phone inquiries, information requests, and any other consumer calls that do not require investigation. This will allow the help desk to be the resource they have the potential to be and will allow the investigators more time to concentrate on their complaints.
3. The quality and quantity of consumer contact needs to be increased by those handling the complaint. Reviewing survey card comments has shown that consumers may feel isolated from the complaint handlers. Consumers should be provided increased communications in order to alleviate any doubts their complaints are being handled on their behalf.
- Consumers who file complaints should be sent written notification that a complaint has been received. A formal goal should be set to send this notification within 24 hours of the Division receiving a consumer's complaint. This will cut the current turnaround time used to send out the notifications. The written notice should also include a statement of the Division's understanding of the complaint, the name, and contact number for the investigator handling the complaint. Currently notification cards are sent out on all insurance complaints. These notification cards lack a contact name of the investigator or analyst handling a complaint as well as a statement of the Division's understanding of the consumer's complaint. Complaints filed for securities and regulated industries do not receive any written form or notification at this time.
 - Securities and Regulated Industries' consumer complaints should be sent survey cards upon the closing of the file. This information will be used to track trends and provide the investigators with feedback.
 - Survey card feedback should be shared with the investigators and analysts who handle the complaint. This will allow the investigators to know what things they are doing right and what areas could be improved.
 - Consumers should be notified when a complaint is transferred to an analyst or when additional information is being requested from an entity. As both of these actions will cause a delay in resolution, the consumer should be notified.
 - If a complaint is still open after 30 days, the investigator/analyst should call the consumer and provide an update on the complaint. This will provide some relief to the waiting consumer, allow an opportunity for questions to be asked, and will

reassure the consumer that action is being taken on the complaint. The number of complaints left open past 30 days should decrease with the amount of electronic communications used between the Division and the company.

4. The Consumer Advocate Bureau should review the progress made on recommendations to ensure the consumer complaint process is moving towards higher levels of consumer protection and service.
 - The Consumer Advocate will conduct an updated review in December 2009. At that time the Consumer Advocate can note the efforts made on the recommendations and make additional recommendations as necessary.
 - A quarterly report of the consumer complaint survey cards should be provided to the Consumer Advocate for review. This will allow consumer complaint problems and trends to be monitored by the Consumer Advocate Bureau.

Consumer Protection Recommendations

The following recommendations are made to best serve consumers and to comply with Iowa law. The Bureau seeks to insure and assure that its actions may represent the consumers of Iowa in the Division's regulated businesses.

Five year Forecast of Staffing Needs and Funding

The forecast was created after researching other Consumer Advocate offices throughout the country. Besides Iowa there are four other insurance Consumer Advocates in the United States. These states include Michigan, West Virginia, Louisiana, and Florida. All four are able to represent consumers directly or are able to recommend administrative actions on behalf of consumers. One other Consumer Advocate Office, Louisiana, accepts consumer complaints. All of the Consumer Advocate Offices monitor insurance trends. The staffing for the other four Insurance Consumer Advocate offices contain investigators and three out of the four have attorneys to assist them.

The Iowa Office of Consumer Advocate (OCA) for utilities was also reviewed. The purpose and duties of the OCA are to represent the public in rate hearings and its functions are different than that of the Consumer Advocate Bureau. The functions of the Consumer Advocate Bureau are different and broader than those of the OCA. Though the functions of the OCA are not the same as the Consumer Advocate Bureau, both are charged with representing public interest in a regulated industry. As such a review for the number of the staff positions (FTE approved) provided to the OCA would be appropriate. The staff of OCA includes seven attorneys, ten technical staff, and 3 support staff members for a total of 21 FTE including their Consumer Advocate for utilities.

The forecast was also prepared after determining the statutorily required functions of the Bureau. The functions required by law for the Bureau to perform cannot be properly handled by the Consumer Advocate alone. The staffing and funding recommendations made in this forecast are modest and drawn out to alleviate the burden of funding a bureau all at once. The recommendations will provide the minimal support necessary for the Consumer Advocate Bureau to meet its statutory functions.

FY 2010

<u>Expenses</u>	<u>FTE Positions</u>		<u>Costs</u>
Personnel	FTE 1	Consumer Advocate	\$ 77,700.00
	FTE 2	Insurance Analyst	\$ 115,000.00
	FTE 1	Paralegal	-
	FTE 1	Clerk Advanced	-
	FTE 1	Information Specialist	-
Worker's Comp			\$ 210.00
Rent		Office Space	\$ 3,750.00
Communication		Phones	\$ 1,800.00
		Technology	\$ 1,500.00
Travel		In- State	\$ 500.00
		Out of State	\$ 2,000.00
Training		Insurance / Securities Seminars	\$ 1,200.00
Printing / Binding		Brochures / Flyers / Handouts	-
	Total FTE: 6 Funded FTE: 3	Budget Total:	\$203,660.00

In light of the state of Iowa's FY 2010 budget constraints the Bureau will not request funding for a full staff at this time even though it was just created by the legislature during the previous legislative session. The Bureau does recommend and request that the legislature approve six full time employee positions (FTE) for the Bureau to be funded gradually over the next five years. With the commitment of the necessary FTE positions the legislature can acknowledge the need for these positions to be created even if the funding is not available at this time to support their hiring.

The funding that is recommended and requested for FY 2010 is for three FTE positions total to run the Bureau. This includes the Consumer Advocate and two insurance analysts to assist in the consumer complaints received and reviewed by the Bureau. This is similar to Louisiana's Office of Consumer Advocacy. Louisiana, another Consumer Advocate State, is the most comparable to Iowa's Consumer Advocate Bureau because of their function of accepting

consumer complaints for review purposes. Louisiana's Consumer Advocate office works with a team of two file examiners and two investigators as well as multiple support staff. The insurance analysts are necessary for the Bureau this budget year (and those that follow) to do intake, monitor complaints, investigate all aspects of a complaint being reviewed, educate the consumer on the complaint issue and product, and assist in the analysis and review of the complaint information received from the Division for complaint trends. As the Division receives thousands of complaints annually, the Consumer Advocate predicts that a significant portion of these consumers will contact the Bureau requesting a complaint review or assistance when a positive resolution has otherwise been denied.

The in-state travel will be for outreach and study efforts made by the Consumer Advocate. The additional expenses of out of state travel and training seminars will be necessary for any analyst hired because the Bureau's complaints will be centralized, covering all areas regulated by the Division. Though each analyst will undoubtedly bring background knowledge of one or more areas regulated by the Bureau, it would be an unreasonable expectation that any analyst would have expertise in all lines of insurance (health, property/casualty, life products, and annuities) as well as securities and regulated industries. As the Bureau is responsible for assisting consumers in all areas regulated by the Division, the analysts will need to be trained in the areas in which they lack sufficient necessary knowledge.

FY 2011

<u>Expenses</u>	<u>FTE Positions</u>		<u>Costs</u>
Personnel	FTE 1	Consumer Advocate	\$ 81,585.00
	FTE 2	Insurance Analyst	\$ 120,750.00
	FTE 1	Paralegal	-
	FTE 1	Clerk Advanced	-
	FTE 1	Information Specialist	-
Worker's Comp			\$ 210.00
Rent		Office Space	\$ 3,750.00
Communication		Phones	\$ 1,800.00
Training		Insurance / Securities Seminars	-
Printing / Binding		Brochures / Flyers / Handouts	-
	FTE Total: 6	Budget Total:	\$208,095.00
	Funded FTE: 3		

Iowa is again predicted to have a difficult budget year for FY 2011. As such, no additional funding allocations are requested for new staff. The funding request is a status quo budget with only annual pay increases included for the same FTE positions held in 2010.

FY 2012

<u>Expenses</u>	<u>FTE Positions</u>		<u>Costs</u>
Personnel	FTE 1	Consumer Advocate	\$ 85,664.00
	FTE 2	Insurance Analyst	\$ 126,788.00
	FTE 1	Paralegal	\$ 42,848.00
	FTE 1	Clerk Advanced	-
	FTE 1	Information Specialist	-
Worker's Comp			\$ 280.00
Rent		Office Space	\$ 6,250.00
Communication		Phones	\$ 2,400.00
Technology		Computer	\$ 500.00
Training		Insurance / Securities Seminars	-
Printing / Binding		Brochures / Flyers / Handouts	-
	FTE Total: 6 Funded FTE: 4	Budget Total:	\$ 264,730.00

A critical staff member will be the Bureau's paralegal. The paralegal will assist the Bureau in preparing any issue or complaint for further administrative action. The paralegal will provide assistance in research of applicable laws and prepare legal memoranda, organize files for administrative action, research model laws for proposed legislation and administrative rules, and draft minor legal pleadings upon request. This will be the Division's fourth funded FTE position including that of the Consumer Advocate and the two insurance analysts.

FY 2013

<u>Expenses</u>	<u>FTE Positions</u>		<u>Costs</u>
Personnel	FTE 1	Consumer Advocate	\$ 89,948.00
	FTE 2	Insurance Analyst	\$ 133,128.00
	FTE 1	Paralegal	\$ 44,991.00
	FTE 1	Clerk Advanced	\$ 29,121.00
	FTE 1	Information Specialist	-
Worker's Comp			\$ 350.00
Rent		Office Space	\$ 8,750.00
Communication		Phones	\$ 3,000.00
Technology			\$ 500.00
Training		Insurance / Securities Seminars	-
Printing / Binding		Brochures / Flyers / Handouts	-
	FTE Total: 6	Budget Total:	\$ 309,788.00
	Funded FTE: 5		

The Bureau recommends and requests an office clerk to assist with all functions in the Bureau where needed. This will free other members of the Bureau of minor administrative tasks and allow for an increased efficiency from the Bureau as a whole. The office clerk will add a fifth funded FTE position.

FY 2014

<u>Expenses</u>	<u>FTE Positions</u>		<u>Costs</u>
Personnel	FTE 1	Consumer Advocate	\$ 94,446.00
	FTE 2	Insurance Analyst	\$ 139,785.00
	FTE 1	Paralegal	\$ 47,241.00
	FTE 1	Clerk Advanced	\$ 30,578.00
	FTE 1	Information Specialist	\$ 39,536.00
Worker's Comp			\$ 420.00
Rent		Office Space	\$ 3,750.00
Communication		Phones	\$ 3,600.00
Technology		Computer	\$ 500.00
Training		Insurance / Securities Seminars	\$ 1,200.00
Printing / Binding		Brochures / Flyers / Handouts	3,000.00
	FTE Total: 6 Funded FTE: 6	Budget Total:	\$ 364,056.00

Consumer outreach could greatly benefit from an information specialist. The information specialist would be expected in the first year to double any outreach efforts made previously by the Bureau. Doubled outreach efforts will likely double the amount of in state travel expenses. Additional funding is also requested for travel and training in order to allow for the information specialist to be trained on any areas regulated by the Division in which additional expertise is needed to promote and educate the public. The information specialist will fill the sixth funded FTE position, completing the projected schedule of funding and staffing for the next five years.

Legislation

To better serve and protect the insurance securities consumers in Iowa, the Consumer Advocate recommends changes to the Iowa statutes 2009 legislative session.

- 1) Amend Iowa Code section 505.8(5A)(a) and 505.8(5A)(d). An amendment is suggested for clarification purposes on what is likely a technical oversight. This clarification will allow all consumers seeking assistance from the Iowa Division of Insurance to also request the services of the Consumer Advocate Bureau including securities and regulated industries.

- It is recommended that 505.8(5A)(a) is modified to read:

The commissioner shall establish a bureau, to be known as the “consumer advocate bureau”, which shall be responsible for ensuring fair treatment of consumers ~~by persons in the business of insurance~~ and for preventing unfair or deceptive trade practices ~~in the insurance marketplace.~~ by marketplaces and persons under the jurisdiction of the commissioner of insurance, including those persons in section 502.601.

- 2) Amend Iowa Code section 505.8(5A)(b). The amendment proposed will be for clarification purposes to state the assumed position of the Consumer Advocate within the Consumer Advocate Bureau. It is recommended that 505.8(5A)(b) states:

The commissioner, with the advice of the governor, shall appoint a consumer advocate who shall be knowledgeable in the area of insurance and particularly in the area of consumer protection. The Consumer Advocate shall be the chief administrator for the Consumer Advocate Bureau.

- 3) Amend 505.15(2) to allow the Consumer Advocate to request a rate review. Under 505.8(5A)(c) the Consumer Advocate Bureau is required to conduct investigations on insurance rates. As rates are determined by professional actuaries the Consumer Advocate Bureau will need access to certified actuaries who are qualified to review rates. It is recommended that 505.15(2) is modified to contain:

The commissioner may or the consumer advocate may request the commissioner retain attorneys, appraisers, independent actuaries, independent certified public accountants, or other professionals or specialists to assist the division or the consumer advocate bureau in carrying out its duties in regard to rate filing reviews. The reasonable cost of retaining such professionals and specialists shall be borne by the insurer which is the subject of the rate filing review.

Appendices Table

Appendix A: Iowa Code section 505.8 (5A) - Consumer Advocate Bureau Statute

Appendix B: 2008 Complaint and Inquiry Statistics for Iowa

Appendix C: 2008 Comparative Complaint Data for Selected States

Appendix D: 2008 Comparative National Statistics

Appendix A: Iowa Code section 505.8(5A)
The Consumer Advocate Bureau

5A. a. The commissioner shall establish a bureau, to be known as the "consumer advocate bureau", which shall be responsible for ensuring fair treatment of consumers by persons in the business of insurance and for preventing unfair or deceptive trade practices in the insurance marketplace.

b. The commissioner, with the advice of the governor, shall appoint a consumer advocate who shall be knowledgeable in the area of insurance and particularly in the area of consumer protection.

c. The consumer advocate bureau shall receive and may investigate consumer complaints and inquiries from the public, and shall conduct investigations to determine whether any person has violated any provision of the insurance code, including chapters 507B and 522B, and any provisions related to the establishment of insurance rates.

d. When necessary or appropriate to protect the public interest or consumers, the consumer advocate may request that the commissioner conduct administrative hearings as provided in section 505.29.

e. The consumer advocate bureau shall perform other functions as may be assigned to it by the commissioner related to consumer advocacy.

f. The consumer advocate bureau shall work in conjunction with other areas of the insurance division on matters of mutual interest. The insurance division shall cooperate with the consumer advocate in fulfilling the duties of the consumer advocate bureau. The consumer advocate may also seek assistance from other federal or state agencies or private entities for the purpose of assisting consumers.

g. The commissioner, in cooperation with the consumer advocate, shall prepare and deliver a report to the general assembly by January 15 of each year that contains findings and recommendations regarding the activities of the consumer advocate bureau including but not

limited to all of the following:

- (1) An overview of the functions of the bureau.
- (2) The structure of the bureau including the number and type of staff positions.
- (3) Statistics showing the number of complaints handled by the bureau, the nature of the complaints including the line of business involved and their disposition, and the disposition of similar issues in other states.
- (4) Actions commenced by the consumer advocate.
- (5) Studies performed by the consumer advocate.
- (6) Educational and outreach efforts of the consumer advocate bureau.
- (7) Recommendations from the commissioner and the consumer advocate about additional consumer protection functions that would be appropriate and useful for the bureau or the insurance division to fulfill based on observations and analysis of trends in complaints and information derived from national or other sources.
- (8) Recommendations from the commissioner and the consumer advocate about any needs for additional funding, staffing, legislation, or administrative rules.

Appendix B: 2008 Complaint and Inquiry Statistics for Iowa

When the Consumer Advocate was appointed at the end of 2008 no complaint procedures existed for the newly created Consumer Advocate Bureau. Subsequently, there are no complaint statistics or actions commenced by the Consumer Advocate that are Bureau specific. With the implementation of the Bureau's report recommendations, 2009 consumer complaint statistics should be available based on the Consumer Advocate Bureau. There is also the increased possibility that an action will be commenced by the Consumer Advocate. Statistics for 2008 are based on consumer complaints made to the Division. 2009 will provide statistics for analysis and comparison on complaints handled by both the Bureau and Division.

Total Summary of Division Complaints and Complaint Inquiries

Insurance Complaints:	1,884
Insurance Complaint Inquiries ¹ :	4,973
Securities / Regulated Industries Complaints:	163
Securities / Regulated Industries Complaint Inquiries:	98
<hr/>	
2008 Total Consumer Complaint / Inquires Served:	7, 118

¹ Based on written and phone complaint Inquiries.

Insurance Complaints²
(92% of total consumer complaints)

<u>Closed Complaints</u>	<u>Line of Insurance</u>	<u>Inquiries</u>
353	Auto	
34	Fire, Allied Lines	4973
260	Homeowners	
340	Life/Annuity	
796	Accident/Health	
10	Liability	
<u>91</u>	Miscellaneous	
1884		

<u>Reason for Complaint (P & C)</u>	<u>Line of Insurance</u>			
	Auto	Fire, Allied Lns	Homeowners	Liability
Underwriting	49	4	38	1
Marketing and Sales	27	2	17	5
Claim Handling	257	26	194	3
Policyholder service	38	5	35	2

<u>Reason for Complaint (Life & Health)</u>	Life, Annuity	Accident, Health	Misc
Underwriting	7	127	13
Marketing and Sales	111	65	33
Claim Handling	33	501	42
Policyholder service	260	150	6

² Complaints may have up to three reasons for complaint as well as up to three dispositions.

Disposition of Complaints

Policy not in force	0	Information furnished/ expanded	21
Policy issued/ restored	31	Delay resolved	71
Advised complainant	308	Fine	1
Compromised settlement/ Resolution	28	Cancellation notice withdrawn	1
Additional payment	31	Nonrenewal notice rescinded	0
Unable to assist	10	Non-forfeiture problem resolved	0
Claim reopened	30	Premium problem resolved	13
Cancellation upheld	5	ERISA complaint	36
Nonrenewal upheld	1	Apparent unlicensed activity	2
Claim settled	213	Deductible refunded	0
Filed suit/retained attorney	15	Forfeiture	0
No action requested/ required	155	Referred for disciplinary action	16
Referred to another department	1	Question of fact	200
Referred to proper agency	16	Rating problem resolved	2
Referred to rates/contacts	0	Contract provision/legal issue	340
Referred to market conduct	0	Company in compliance	291
Appointed	0	Company position upheld	194
Licensed	0	Endorsement processed	0
Advertising withdrawn/ amended	2	No jurisdiction	169
Underwriting practice resolved	0	Recovery	24
		Insufficient information	47
		Other	250

Securities and Regulated Industries Complaints

(8% of total consumer complaints)

<u>Closed Complaints</u>	<u>Area</u>	<u>Inquiries</u>
5	Residential Service Contracts	
22	Motor Vehicle Service Contracts	98
17	Funeral Homes	
8	Cemeteries	
43	Broker-Dealer	
60	Broker-Dealer Agent	
1	Broker-Dealer Financials	
<u>7</u>	Fraudulent/Misleading Filing	
163		
<u>Disposition of Complaints</u>		
Policy not in force	0	Underwriting practice resolved 0
Policy issued/ restored	0	Information furnished/expanded 11
Advised complainant	13	Delay resolved 5
Compromised settlement	1	Fine 0
Additional payment	0	Cancellation notice withdrawn 0
Refund	14	Nonrenewal notice rescinded 0
Entered arbitration/mediation	0	Non-forfeiture problem resolved 0
Coverage extended	0	Premium problem resolved 0
Unable to assist	4	ERISA complaint 0
Claim reopened	0	Apparent unlicensed activity 8
Cancellation upheld	1	Deductible refunded 1
Nonrenewal upheld	0	Forfeiture 0
Claim settled	1	Referred for disciplinary action 3
Filed suit/retained attorney	1	Question of fact 0
No action requested/required	21	Rating problem resolved 0
Referred to another department	14	Contract provision/legal issue 11
Referred to proper agency	7	Company in compliance 3
Referred to rates/contacts	0	Company position upheld 1
Referred to market conduct	1	Endorsement processed 0
Appointed	0	No jurisdiction 10
Licensed	7	Recovery 0
Insufficient information	7	Other 18

Appendix C: 2008 Comparative Complaint Statistics for Selected States

Statistics demonstrating the complaint reasons, lines of complaints, and disposition of complaints from other states are provided as required from Iowa Code section 505.8(5A)(g)(3). The states of Missouri, South Dakota, and Wisconsin were generous and provided annual statistics for comparison earlier than usually performed by their state insurance divisions. These fellow Midwest states are provided for comparison to meet the requirements of this statute and because they were able to provide the information before this report's deadline. The states of Illinois, Minnesota, Kansas, North Dakota, Oregon, and Louisiana were unable to provide statistics before the required report deadline. Arrangements have been made with Oregon (a state of similar population and industry size) and Louisiana (an Insurance Consumer Advocate State that accepts consumer complaints) to provide statistical information for comparison for 2010.

Missouri Insurance Complaints³

(Comparison data provided due to proximity to Iowa.)

Closed Complaints

937
97
558
468
1,365
37
375
3837

Line of Insurance

Auto
Fire, Allied Lines
Homeowners
Life and Annuity
Accident and Health
Liability
Miscellaneous

Reason for Complaint (P&C)

Underwriting
Policyholder Services
Marketing and Sales
Claim Handling

Line of Insurance

Auto	Fire, Allied Lines	Homeowners	Liability
72	9	64	6
78	6	40	5
21	3	24	9
766	79	430	17

Reason for Complaint (Life & Health)

Underwriting
Policyholder Services
Marketing and Sales
Claim Handling

Life and Annuity	Accident and Health	Misc
3	12	31
81	89	13
77	54	302
307	1,210	29

³ Information provided by the Missouri Department of Insurance, Financial Institutions & Professional Registration. Statistical information provided through December 22, 2008.

Disposition of Complaints

Policy issued/restored	26	Information Furnished/Expanded	76
Advised Complainant	124	Nonrenewal Notice Rescinded	3
Compromised Settlement/Resolution	131	Premium Problem Resolved	6
Additional Payment	110	Apparent Unlicensed Activity	56
Refund	101	Deductible Refunded	1
Entered into Arbitration	1	Insufficient Information	6
Coverage Extended	120	Referred for Disciplinary Action	27
Unable to Assist	34	Question of Fact	18
Claim Reopened	32	Rating Problem Resolved	374
Cancellation Upheld	20	Contract Provision	10
Nonrenewal Upheld	14	Company in Compliance	280
Claim Settled	471	Company Position Upheld	6
Filed Suit	11	Endorsement Processed	667
No action Requested/Required	2	No Jurisdiction	2
Referred to Another Department	4	Recovery	236
Referred to Proper Agency	47	Underwriting Practice Resolved	14
Licensed	155	Fine	3
Advertising Withdrawn	6	Delay Resolved	41
	482	Other	112

South Dakota Insurance Complaints⁴

(Comparison data provided due to proximity to Iowa.)

<u>Closed Complaints</u>	<u>Line of Insurance</u>
164	Auto
9	Fire, Allied Lines
72	Homeowners
125	Life, Annuity
514	Accident, Health
23	Liability
<u>23</u>	Miscellaneous
930	

<u>Reason for Complaint (P&C)</u>	<u>Line of Insurance</u>			
	Auto	Fire, Allied Lns	Home	Liability
Underwriting	8	2	7	1
Marketing and Sales	2	0	0	0
Claim Handling	134	6	61	22
Policyholder service	20	1	4	0

<u>Reason for Complaint (Life & Health)</u>	<u>Line of Insurance</u>		
	Life, Annuity	Accident, Health	Misc
Underwriting	1	7	4
Marketing and Sales	31	40	0
Claim Handling	17	294	16
Policyholder service	76	173	3

⁴ Information provided by the South Dakota Division of Insurance. Statistical information provided through December 31, 2008.

Disposition of Complaints

Policy not in force	0	amended	
Policy issued/ restored	6	Underwriting practice resolved	0
Advised complainant	219	Information furnished/	139
Compromised settlement/ resolution	55	expanded	
Additional payment	15	Delay resolved	14
Refund	13	Fine	0
Entered into arbitration/ mediation	0	Cancellation notice withdrawn	1
Coverage extended	36	Nonrenewal notice rescinded	0
Unable to assist	1	Non-forfeiture problem resolved	0
Claim reopened	1	Premium problem resolved	5
Cancellation upheld	0	ERISA complaint	77
Nonrenewal upheld	0	Apparent unlicensed activity	5
Claim settled	108	Deductible refunded	0
Filed suit/retained attorney	14	Forfeiture	0
No action requested/ required	33	Referred for disciplinary action	5
Referred to another department	6	Question of fact	49
Referred to proper agency	2	Rating problem resolved	0
Referred to rates/contacts	0	Contract provision/legal issue	79
Referred to market conduct	0	Company in compliance	6
Appointed	0	Company position upheld	11
Licensed	0	Endorsement processed	0
Advertising withdrawn/	1	No jurisdiction	11
		Recovery	5
		Insufficient information	1
		Other	10
		Entered in error	2

Wisconsin Insurance Complaints⁵

(Comparison data provided due to proximity to Iowa.)

<u>Closed Complaints</u>	<u>Line of Insurance</u>
564	Auto
98	Fire, Allied Lines
504	Homeowners
544	Life, Annuity Accident , Health
3314	Liability
220	Miscellaneous
552	
5796	

<u>Reason for Complaint⁶</u>	
Underwriting	440
Marketing and Sales	639
Claim Handling	3717
Policyholder service	766

⁵ Information provided by the Wisconsin Office of the Commissioner of Insurance. Statistics provided through 3rd quarter of 2008. Complaint reasons are not broken down by lines of insurance.

⁶ More than one complaint reason is provided.

Disposition of Complaints

Policy not in force	29	Billing problem resolved	74
Policy issued/ restored	51	Duplicate complaint	62
Advised complainant	0	Coverage problem resolved	142
Compromised settlement/ resolution	91	Policy change made	33
Additional payment	166	Premium return adjusted	37
Refund	120	Conversion policy offered	2
Entered into arbitration/ mediation	0	Group continuation offered	5
Coverage extended	59	Cash surrender paid	12
Unable to assist	0	Value	117
Claim reopened	55	Liability	82
Cancellation upheld	39	Coverage	178
Nonrenewal upheld	29	Representations/warranty	69
Claim settled	818	Medical	12
Filed suit/retained attorney	7	Premium payment	26
No action requested/ required	0	Comparative negligence	33
Referred to another department	58	Complaint Withdrawn	29
Referred to proper agency	285	Duplicate Complaint	62
Referred to rates/contacts	0	Premium problem resolved	12
Referred to market conduct	0	ERISA complaint	0
Appointed	0	Apparent unlicensed activity	0
Licensed	0	Deductible refunded	0
Advertising withdrawn/ amended	0	Forfeiture	0
Underwriting practice resolved	0	Referred for disciplinary action	141
Information furnished/ expanded	1,329	Question of fact	207
Delay resolved	0	Rating problem resolved	12
Fine	0	Contract provision/legal issue	573
Cancellation notice withdrawn	3	Company in compliance	0
Nonrenewal notice rescinded	8	Company position upheld	0
		Endorsement processed	0
		No jurisdiction	196
		Recovery	0
		Insufficient information	17
		Other	135

Appendix D: 2008 Comparative National Statistics⁷

<u>Closed Complaints</u>	<u>Line of Insurance</u>	<u>Reason for Complaint</u>	
66,046	Auto	Underwriting	17,693
3,379	Fire, Allied Lines	Marketing and Sales	5,956
21,209	Homeowners	Claim Handling	84,002
17,024	Life, Annuity	Policyholder service	21,687
66,964	Accident , Health		
1,884	Liability		
<u>3,439</u>	Miscellaneous		
179,945			

<u>Disposition of Complaints</u>			
Policy not in force	473	Advertising withdrawn/ Amended	835
Policy issued/ restored	6,970		
Advised complainant	14,568	Underwriting practice resolved Information furnished/expanded	627 20,496
Compromised settlement	4,285	Delay resolved	2,915
Insufficient info	270	Fine	118
Additional payment	5,309	Cancellation notice withdrawn	918
Refund	3,872	Nonrenewal notice rescinded Non-forfeiture problem resolved	649 6
Entered arbitration/mediation	1,280	Premium problem resolved	2,371
Recovery	2,393	ERISA complaint	1,843
Coverage extended	2,306	Apparent unlicensed activity	20
Unable to assist	681	Deductible refunded	53
Claim reopened	1,307	Forfeiture	3
Cancellation upheld	402	Referred for disciplinary action	1,446
Nonrenewal upheld	145	Question of fact	14,242
Claim settled	18,062	Rating problem resolved	437
Filed suit/retained attorney	560		
No action requested/required	1,057	Contract provision/legal issue	8,516
Referred to another department	941	Company in compliance	3,676
Referred to proper agency	365	Company position upheld	6,280
Referred to rates/contacts	9	Endorsement processed	62
Referred to market conduct	546	Other	6,959
No jurisdiction	2,374		

⁷ Information provided by the Nation Association of Insurance Commissioner's aggregate reports. Statistics provided through December 22, 2008.