

iowa insurance division

Mission:

The IID protects consumers through consumer education and by effectively and efficiently providing a fair, flexible and positive regulatory environment.

Vision:

Building on Excellence

Request for FY21 Budget Increase

Total Governor's recommendation being loaded: \$489,000

Health Insurance/ ACA Policy Specialist - Compliance Officer 2 PAPR 00641 \$110,000

Market Conduct Specialist - Insurance Complaint Analyst MREG 00454 \$90,000

Investment adviser (IA) examiner; for cause Broker Dealer (BD) examiner; BD branch exams - compliance officer 1 SRIB 00640 \$90,000

Half-time person for long term care complaints and limited health benefit plans - .5 Insurance Complaint Analyst MREG 00454 \$45,000

Funds to pay for rent increases \$97,000

Carahsoft licensing fees \$57,000

MEMO

To: Administration And Regulation Budget Subcommittee

From: Craig A. Goettsch
First Deputy Commissioner

Re: Detailed Explanation of Request for FY21 Budget Increase

Date: February 12, 2020

Our appropriation from the Commerce Revolving Fund (CRF) has been status quo for several years. For the four years of FY17 through FY20 our request has been for \$5,485,889 (last Session, the legislature added funds for FY20 for 2 fraud investigators). In recent years, we have annually reverted between \$15 - \$20MM from the CRF to the General Fund.

We respectfully request the following:

1. Health Insurance/ ACA Policy Specialist - Compliance Officer 2 = \$110,000. Continuing and complex challenges remain in this arena. Our long term care staff member in recent years has provided assistance and at times developed some expertise in this area, but that detracts from the defined job duties. Relying solely on the expertise of the commissioner and an assistant commissioner is problematic. The position would be focused on policy developments and consider possible federal 1332 innovation waivers under the ACA.
2. Funds to pay for rent increases = \$97,000. **NOTE: This request was based on the following memo as of the 9/30/19 for our budget request. Since then, the Division learned it will move to 1963 Bell. We expect our rent to be even higher than what this amount will add.** Our initial lease with Ruan will expire July 31, 2020. Our lease provides an option to renew for a 5 year period. We intend to exercise that option. However, the rent will certainly increase since it will be pegged to 95% of the "current fair market rent" (our original lease was substantially discounted as we were the first tenant in the building after Wellmark vacated it). We are currently paying \$14.03/ sq ft. The state property manager indicated that current fair market rent is \$17.75. Using 95% of that, our rent could increase by \$97,000 (we will negotiate of course).
3. Market Conduct Specialist - Insurance Complaint Analyst = \$90,000. This position would be more investigative than traditional complaint handling, and focus on complex matters involving producer, insurance agency, and TPA investigations, plus monitor and investigate systemic issues in our insurance markets. The Bureau currently has roughly 30 cases awaiting assignment, typically involving high-pressure sales tactics, deceptive sales practices, fraud, forgery, and theft. With the SEC's adoption of a best interest standard of care for securities and related changes in NAIC and other state standards, market compliance implementation will require significant attention from Iowa.
4. Investment adviser (IA) examiner; for cause Broker Dealer (BD) examiner; BD branch exams - compliance officer 1 = \$90,000. In our Securities and Regulated Industries Bureau, we are currently relying on a vendor (FITs) to do a limited number of IA exams annually at \$44,000. This function should be brought in house which would allow us to build more expertise in the office. We would be able to more thoroughly examine those IAs that have up to \$100MM in assets under management. For both broker-dealers and investment advisers, with the SEC's adoption of a best interest standard of care for securities and related

changes in NAIC and other state standards, market compliance implementation will require significant attention from Iowa.

5. Half-time person for long term care complaints and limited health benefit plans - .5 Insurance Complaint Analyst = \$45,000. A portion of these work functions are being performed by a temporary employee, however the annual hours are limited to 780 hours, at a cost of \$25,685. Shifting to a part time employee would allow for more hours of work on these issues, plus limits the investment to training new staff. The long term care market is evolving with the industry shutting down some of these business lines, higher than expected claims, and companies struggling to pay claims. Consequently, these products are seeing a large increase in complaints. Consumer complaints related to limited benefit health plans have been excessive, with consumers report problems with claim coverage, duplicative coverage, and customer understanding.

6. Funds to pay for the Carahsoft licensing fees = \$57,000. Carahsoft is the OCIO approved vendor who has been developing our Regulated Industries Unit (RIU) database (preneed and cemetery administration; chapters 523A and 523I). This year the license cost is \$56,075 used to pay for the multitude of licenses required to maintain the RIU database. The Regulatory Fund (industry fees) plus some grant moneys have been used to fund the development to date. The Regulatory Fund has been used historically to pay for exam costs and substantial RIU auditor salary costs. We are facing increased challenges due to having to spend substantial time and monies for cemeteries going into receivership. We currently have 3 cemeteries (Fairmont, Springdale, & Fort Dodge Memorial) in receivership with a 4th in process. Using Regulatory funds to pay licensing fees diverts monies from paying the costs of receiverships (plus we always try to maintain a healthy balance in the fund to cover unexpected expenses, with a receivership being the likely scenario). **NOTE:** This request may be offset by part of our proposed legislative package that would raise the cemetery examination fee, and increase the threshold balance for funds to remain in the insurance division Regulatory fund and insurance division's Cemetery fund.

The Iowa Insurance Division has four departmental bills in process this session.

SF 2131/HF 2277 deal with an NAIC model bill regarding credit for reinsurance.

SF 2197/HF 543 deals with 1332 waiver authority and cleanup of MEWA/AHP statutes. We are in the process of having a market scan conducted by Oliver Wyman to determine where the 75,000 Iowans that left the individual health insurance market have gone and whether a 1332 waiver would be needed.

SF 2200/HSB 575 is an omnibus that deals with various insurance and cemetery preneed issues. You will notice an examination fee being moved from \$5 to \$10 (hasn't been updated since 2005) per burial, a late fee of \$5 per day (\$500 maximum) when annual preneed sales reports are late, and caps being removed from two funds in order to assist as we continue to deal with cemeteries that are in financial struggle. We currently have four cemeteries in Iowa under receivership and the future prognosis for the cemetery industry is not looking bright.

SSB 3076/HSB 574 deal with the financial exploitation of eligible adults and provides guidance for governmental and third-party disclosures, immunity for governmental and third-party disclosures, details when delaying disbursements or transactions and immunity for doing so may take place, training requirements, and confidentiality of records during the investigation.

Iowa Insurance Division FY19

Insurance Licensing & Examinations	
Agents Licensed	122,419
Licensing Revenue	\$3,121,302
Policy/Rate Form Review	33,965
Insurance Companies Regulated	1,529
Insurers Examined	58
Securities Licensing & Registrations	
Agents Licensed	124,955
Licensing Revenue	\$6,572,440
Registrations Reviewed	26,977
Securities Registration Revenue	\$10,790,900
Investment Advisers Licensed	1265
Investment Advisers Representatives Licensed	5,592
Regulated Industries	
Retirement Facilities	73
Motor Vehicle Service Contract Companies	137
Motor Vehicle Service Contract Providers	443
Residential Service Contract Companies	28
Perpetual Care Cemeteries	310
Pre-Need Sellers	244
Pre-Need Sales Agents	587
Senior Health Insurance Information Program (SHIIP)	
Iowans Served	144,728
Money SHIIP Saved Consumers	\$40,899,073
Insurance Fraud	
Insurance Fraud Referrals	1038
Money Associated with Referrals (est)	\$5,684,381
External Review	
External Review Cases	295
Reviews Overturned for Consumer	66
Money Recovered for Consumers	\$1,365,855
Insurance Investigations	
Complaint calls	4,313
Written Consumer Complaints	1,291
Funds Recovered	\$2,462,409
Enforcement	
Insurance Actions	51
Securities Actions	2
Regulated Industries Actions	0
Enforcement Fines and Assessments Received	
Insurance Fines and Assessments Received	\$96,183
Regulated Industries Fines and Assessments Received	\$0
Securities Fines and Assessments Received	\$2,500
Total Enforcement Fines & Assessments Recovered	\$98,683
Consumer Advocate	
Consumers Assisted	54
Revenue Attributable to IID Regulation	
Total Revenue to General Fund - Includes premium tax (Governor's Rep	\$188,055,504
Insurance Division Appropriation from Revolving Fund	\$5,521,389
Appropriation as a Percentage of Generated Revenue	2.94%