

LBA Financial Audit Report Summary:

Insurance Department For The Nine Months Ended March 31, 2010

Reporting Entity And Scope

The reporting entity of this audit and audit report is the New Hampshire Insurance Department, excluding all related Boards, Associations, Advisory Committees, Commissions, facilities, and like entities. The scope of this audit and audit report includes the financial activity of the Insurance Department for the nine months ended March 31, 2010. Unless otherwise indicated, reference to the Department or auditee refers to the Insurance Department.

Organization

The State of New Hampshire first established an insurance regulatory agency in 1851. The New Hampshire Department of Insurance continues, pursuant to RSA 400-A:1, as an independent regulatory agency.

The Department is under the executive direction of the Insurance Commissioner, who is appointed by the Governor, with the advice and consent of the Executive Council, to a five-year term. The Commissioner is authorized to appoint a Deputy Commissioner, subject to the approval of the Governor, to a five-year term, and a Director of Operations, a Director of Examinations, and a number of other professionals who serve at the pleasure of the Commissioner during good behavior.

The Insurance Department is headed by a Commissioner and at March 31, 2010 was staffed with 13 unclassified, 58 full-time classified, and two part-time employees.

The Insurance Department is located at 21 South Fruit Street, Suite 14, Concord, New Hampshire.

Responsibilities

The responsibilities of the Insurance Department are codified by the provisions of RSA 400-A and include the enforcement of insurance laws of the State of New Hampshire, including collection of premium taxes and fees, and regulation of all insurance companies, agents, and adjusters.

The Insurance Department's stated mission is to "promote and protect the public good by ensuring the existence of a safe and competitive insurance marketplace through the development

and enforcement of the insurance laws of the State of New Hampshire. We are committed to doing so in an honest, effective and timely manner. In pursuit of our mission we will treat all of our constituencies in an open, fair and respectful manner and strive to uphold the highest professional, ethical and quality standards.”

Funding

The financial activity of the Insurance Department is accounted for in the General Fund of the State of New Hampshire.

The cost of administering the Department is recovered through an administrative assessment, examination billings, and other fees recorded as restricted revenue in the General Fund. The assessment is levied upon insurance companies licensed in the State and covers the administrative costs of operating the Department that are not recovered by other fees.

A summary of the Department’s revenues and expenditures for the nine months ended March 31, 2010 is shown in the following schedule.

Summary Of Revenues And Expenditures

For The Nine Months Ended March 31, 2010

	General
	<u>Fund</u>
Unrestricted Revenue	\$ 67,328,107
Restricted Revenue	<u>6,132,990</u>
Total Revenue	<u>73,461,097</u>
Total Expenditures	<u>5,987,641</u>
Excess (Deficiency) Of Revenues	
Over (Under) Expenditures	<u>\$ 67,473,456</u>

The auditor's report on the Insurance Department's financial statement was qualified, as the financial statement does not constitute a complete financial presentation of the Department in the General Fund.

The audit report includes the auditor's report on internal control over financial reporting and on compliance and other matters. The following is a list of the comments in the report.

Internal Control Comments

Material Weakness

- Controls Over Activity Performed By Service Organizations Should Be Improved

Other Significant Deficiencies

- Department Should Record And Report All Of Its Financial Activity, Including Costs Of Contracted Professionals
- Disaster Recovery And Business Continuity Plans Should Be Established
- Controls Over Administrative Assessment Should Be Improved
- Controls In Financial Receipts Database Should Be Improved
- Billing For Examination Costs Should Be Subject To Review And Approval Control
- Department-Drawn Checks Should Be Forwarded Directly To Payees
- All Penalty Waiver Determinations Should Be Documented
- Coordination And Information Sharing Should Be Improved By Divisions Reviewing Retaliatory Fees

State Compliance Comment

- Rule Describing Organizational Structure Should Be Current