

LBA Performance Audit Report Summary:

Insurance Department Consumer Protection Functions Audit Report – August 2007

The purpose of the audit was to assess if the New Hampshire Insurance Department (NHID) is effectively fulfilling its consumer protection functions. The audit period covered State fiscal years 2001-2006.

The duties of the NHID are codified in RSAs 400-A through 420-K. The Insurance Commissioner is charged with all duties pertaining to enforcing and executing insurance laws of the State. The Commissioner has responsibility for collecting premium taxes and fees and regulating all segments of the insurance industry as it performs in the marketplaces, particularly the treatment of policyholders and claimants. We focused our review on five operating units in the Department: Consumer Services, Financial Examinations, Property and Casualty Filings, Life and Health Filings, and the Enforcement Unit.

Each operating unit is responsible for a different aspect of consumer protection. The Consumer Services Division responds to consumer complaints and inquiries, as well as assists consumers in resolving their disputes with NHID licensees. The Financial Examinations Division reviews the solvency of the State's 41 domestic insurance companies through quarterly and annual analyses of financial statements and on-site financial examinations. The Property and Casualty Filings and Life and Health Filings divisions review insurance forms and rates to ensure they meet the requirements of State law and rules. The Enforcement Unit investigates possible violations of insurance law and regulations and coordinates enforcement activities for all divisions within the NHID.

RESULTS IN BRIEF

Our audit of the processes for consumer-complaint resolution, enforcement activities, financial examinations, and rate and form review found the NHID is effectively fulfilling its consumer protection functions, although some processes could benefit from more standardization or formal guidance.

Observations No.1 through 7 focus on some inconsistencies in the way the NHID Consumer Services Division and Enforcement Unit handle consumer complaints. In addition to inconsistencies, we found the Consumer Services Division and Enforcement Unit have:

- Incomplete procedural manuals
- Processes that are not formally approved
- Insufficient oversight of data entry

Observations No. 8 through 11 focus on the need to clarify State statutes related to paying contracted examiners and conducting financial examinations of companies domiciled outside of New Hampshire.

Our last observation focuses on the need to develop a business plan to ensure continuity of operations.