



Office of
Financial Management
STATE OF WASHINGTON

Budget Activity Assessment

Office of the Insurance Commissioner

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Executive Summary

- The Office of the Insurance Commissioner is to be commended for having enough actual data entered into the Performance Measure Tracking System (PMT) to allow for some analysis of performance trends over time.
- Two budget activities meet or exceed OFM expectations in all the evaluation criteria of this assessment.
 - A003 – Consumer Information and Advocacy
 - A004 – Health Insurance Benefit Advisors
- Two budget activities could be improved by replacing the current output measures with outcome measures relating to the intended results (Risk Management) of the budget activity:
 - A002 - Producer Licensing and Education
 - A006 – Monitoring Insurance Company Solvency
- Currently the footnotes in some performance measures are being to used to identify where the measure relates to more than one budget activity. A better use for the footnotes would be to explain things like:
 - Why targets are doubling in the span of a single biennium (slide 14)
 - What happened to cause the dramatic change in actual performance levels (slides 10, 12 & 15)
- Only one budget activity (A001 – Agency Administration) is not covered by any performance measures, but there are a few measures already tracked as a part of the agency strategic plan that could be used to plug the hole.

Budget Activity Measure Qualitative Evaluation Summary

Budget Activity Number & Title	Evaluation Criteria						
	Relevance	Understandability	Comparability	Timeliness	Consistency	Reliability	Performance
A001 – Agency Administration	Red	Red	Red	Red	Red	Red	Red
A002 – Agents and Brokers Licensing and Education	Red	Green	Green	Green	Green	Green	Green
A003 – Consumer Information and Advocacy	Green	Green	Green	Green	Green	Green	Green
A004 – Health Insurance Benefit Advisors	Green	Green	Green	Green	Green	Green	Green
A005 – Investigations and Enforcement	Yellow	Yellow	Green	Green	Green	Green	Yellow
A006 – Monitoring Insurance Company Solvency	Red	Yellow	Green	Green	Green	Green	Yellow
A007 – Policy and Enforcement	Green	Yellow	Green	Green	Green	Green	Red
A008 – Regulation of Insurance Rates and Forms	Green	Red	Green	Green	Green	Green	Red

Meets or Exceeds OFM Expectations

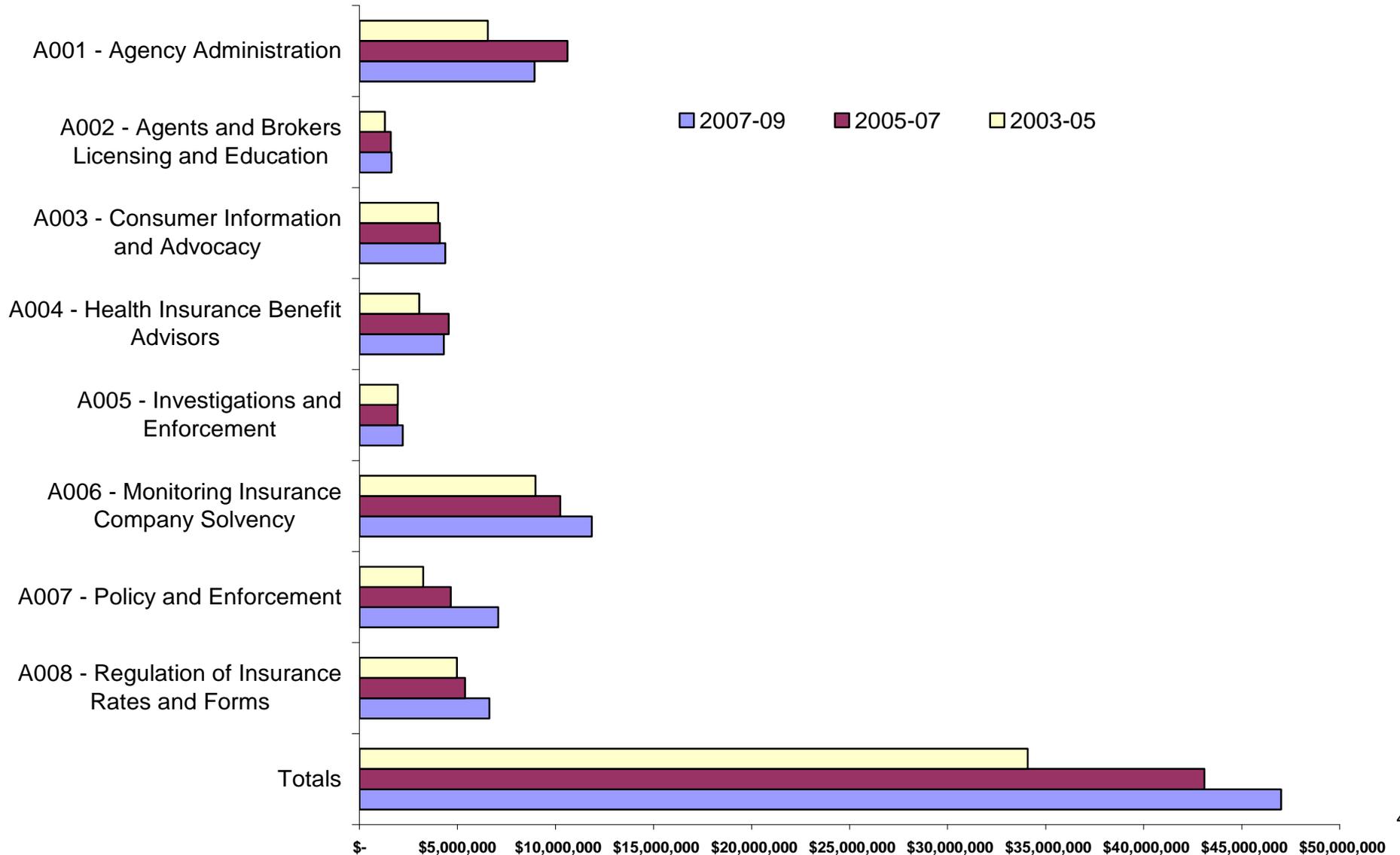
Marginally meets OFM Expectations

Needs Improvement to Meet OFM Expectations

Evaluation Criteria Definitions	
Relevance	Useful to a budget/policy development audience in assessing the level of accomplishment
Understandability	Clear, concise, and easy for a non-expert to understand
Comparability	Do the data, targets, and footnotes provide the reader with enough context to tell whether performance is getting better, worse, or staying the same?
Timeliness	Is the data current and reported frequently enough to be of value in assessing accountability and making decisions?
Consistency	Is the data collection method standardized and is the operational definition for data calculations adhered to?
Reliability	Is the information verifiable, free from bias, and a faithful representation of what it purports to represent?
Performance	Is actual performance in reference to the stated targets getting better, worse, or staying the same over time?

Budget History by Activity

Office of the Insurance Commissioner Budget Allocations 2003-05 to 2007-09



Agency Comments and Reactions

Thank you for the assessment of the OIC's performance measures. The OIC has made changes to two of our performance measures for the 2009-11 biennium and we plan to use the footnotes to give some additional context to our measurements.

Specific Opportunities for Improvement – Part 1

Budget Activity Number and Title	Measures	Improvement Suggestions
A001 – Agency Administration	None	Based on the language in the expected results, a measure of responsiveness, efficiency or cost-effectiveness would be appropriate for this budget activity.
A002 – Agents and Brokers Licensing and Education	3060 – Number of licenses and appointments issued for insurance producers	<p>This type of output measure is only useful as a measure of how busy everyone is. A more relevant measurement topic would come from other performance perspectives like the following examples:</p> <ul style="list-style-type: none"> • Process – How long it takes from start to finish to complete the licensing process (from the customer’s point of view) • Process – The percentage of license applications completed on-line. • Outcome (Undesirable) – Number of licenses revoked for wrong doing
A003 – Consumer Information and Advocacy	3020 – Amount recovered for consumers as a result of the Office of the Insurance Commissioner’s intervention 3030 – Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner	None - The existing measurement perspectives meet or exceed OFM expectations.
A004 – Health Insurance Benefit Advisors	3030 – Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner	None - The existing measurement perspectives meet or exceed OFM expectations.

Specific Opportunities for Improvement – Part 2

Budget Activity Number and Title	Measures	Improvement Suggestions
A005 – Investigations and Enforcement	3020 – Amount recovered for consumers as a result of the Office of the Insurance Commissioner's intervention 3010 – Number of investigations, compliance audits, and financial examinations of producers completed	Output measures are less relevant when it is not clear whether more or less of something produced is a good thing. Is it good that fewer investigations and compliance audits are completed? An explanatory footnote would improve the understandability of this measure.
A006 – Monitoring Insurance Company Solvency	2010 – Percentage of the biennial examination plan completed in order to maintain a 5-year examination cycle of domestic insurers 3010 – Number of investigations, compliance audits, and financial examinations of producers completed	There is a missing measurement perspective in the current selection of performance measures...A budget/policy development audience would be more interested in the undesirable outcomes the monitoring activity is trying to avoid (Risk Management), like: <ul style="list-style-type: none"> • The number/percent of insurance companies that are not solvent, or... • The number of consumers negatively affected by insolvent insurance companies, or... • The amount of outstanding claims against insolvent insurance companies.
A007 – Policy and Enforcement	3044 – Amount of restitution assessed and projected insurance claim payouts served on behalf of victims of insurance fraud	A footnote that explains why more restitution assessed and recovered in the short term is better and why the targets are doubling by the end of 2007-09 would improve understandability.
A008 – Regulation of Insurance Rates and Forms	5010 – Average number of days required to finalize the filing review process for insurance rate and form filings	This measure needs a contextual footnote to explain what caused the steady improvement effort to falter and settle in at the current performance levels.

Budget Activity and Measure Critique

Budget Activity Number & Title: A001 – Agency Administration

Summary of Expected Results: To provide executive and administrative services in support of the agency’s mission in a professional, qualitative, and responsive manner which emphasizes efficiency and cost-effectiveness.

Related Performance Measures

Number & Title	Type	Analysis Comments
None	N/A	N/A

OFM Assessor Comments: Based on the language in the expected results, a measure of responsiveness, efficiency or cost-effectiveness would be appropriate for this budget activity.

Agency Contextual Comments:

There are no performance measures associated with this budget activity in the Performance Measure Tracking System (PMT).

Budget Activity and Measure Critique

Budget Activity Number & Title: A002 – Producer Licensing and Education

Budget Activity Summary: Issue and renew licenses for producers, surplus line brokers, adjustors, viatical settlement brokers, and others – Also administers continuing education requirements.

Related Performance Measures

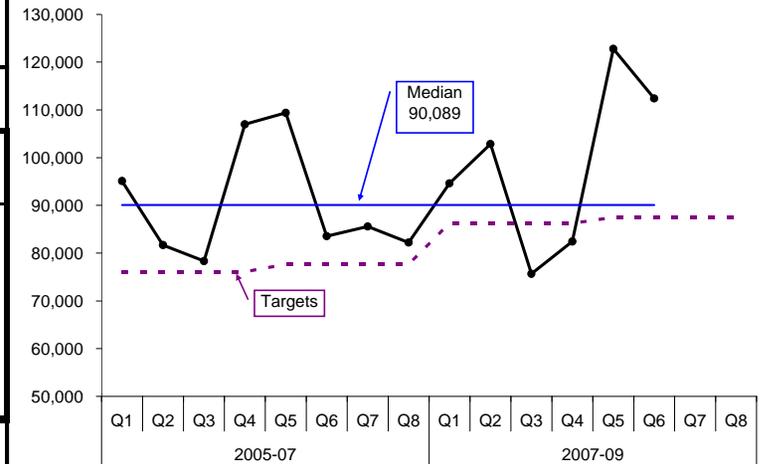
Number & Title	Type	Analysis Comments
3060 – Number of licenses and appointments issued for insurance producers	Output	Stable and predictable – Nothing is changing – Future results should be similar to current performance levels For all but two of the data points, actual performance is capable of meeting or exceeding the targets.

OFM Assessor Comments: This measure fails to answer the “So what?” question. Is it good that more, less, or the same number of licenses are issued? A budget/policy development audience would be more interested in topics like:

- How long it takes to complete the license application from start to finish from the customers’ point of view
- The percentage of license applications filed on-line
- The number of licenses that are revoked because of wrong doing.

Agency Contextual Comments:

3060 - Number of license and appointments issued for insurance producers



Budget Activity and Measure Critique

Budget Activity Number & Title: A003 – Consumer Information and Advocacy

Budget Activity Summary: Ensure that consumer rights have not been violated. Staff also provide information to help consumers make educated decisions about insurance purchases. Staff respond to oral and written complaints and advocate when appropriate.

Related Performance Measures

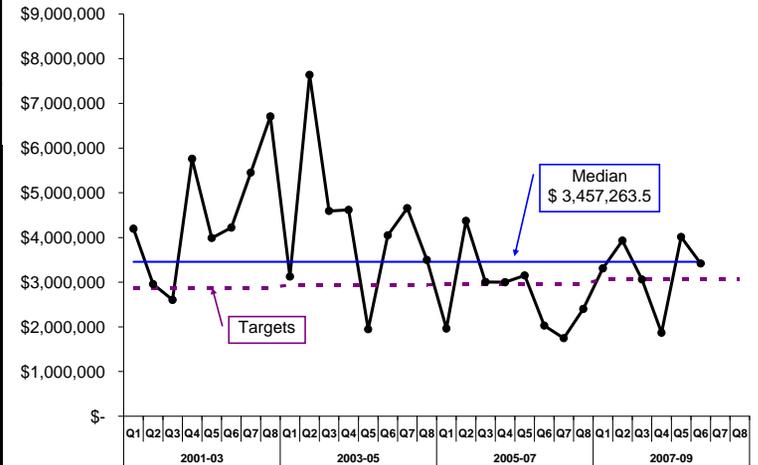
Number & Title	Type	Analysis Comments
3020 – Amount recovered for consumers as a result of the Office of the Insurance Commissioner's intervention	Outcome	Stable and predictable – Nothing is changing – Future results should be similar to current performance levels Actual performance is capable of meeting or exceeding the targets roughly 67% of the time.
3030 – Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner	Input - Workload	Stable and predictable after the shift between 2003-05 and 2005-07. If nothing else changes, future results should be similar to the current performance levels. After the shift, the actual performance has been capable of meeting or exceeding the target roughly 50% of the time.

OFM Assessor Comments: **What caused the shift between 2003-05 and 2005-07 in the number of consumer inquiries received?** Since the data follows the targets, the decrease appears to have been expected.

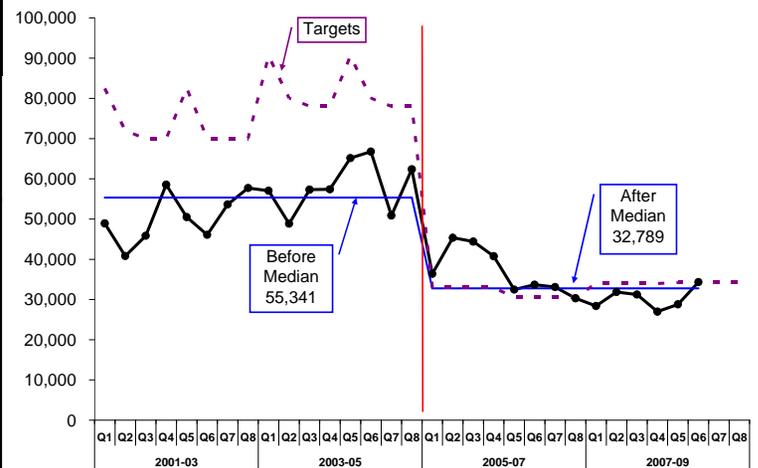
Agency Contextual Comments:

The shift between 2003-05 and 2005-07 resulted from a refinement of the phone system that captures the amount of calls that come into our office.

3020 - Amount recovered for consumers as a result of the Office of Insurance Commissioner's intervention



3030 - Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner



Budget Activity and Measure Critique

Budget Activity Number & Title: A004 – Health Insurance Benefit Advisors

Budget Activity Summary: The Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine is a statewide network of trained volunteers who educate, assist, and advocate for consumers regarding health insurance and health care access issues.

Related Performance Measures

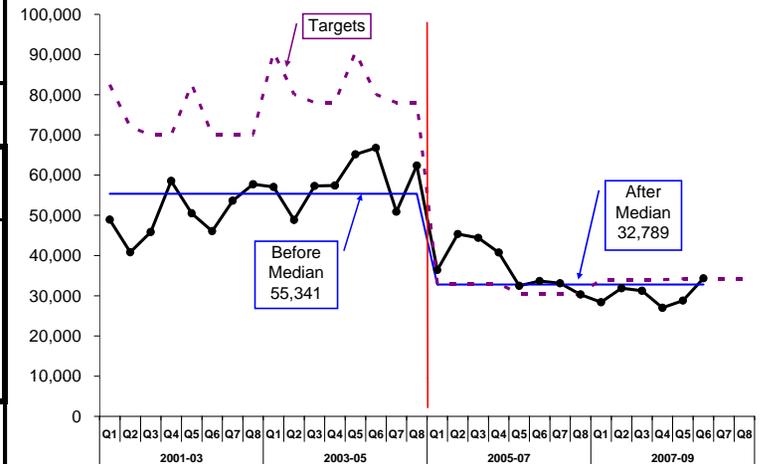
Number & Title	Type	Analysis Comments
3030 – Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner	Input - Workload	Stable and predictable after the shift between 2003-05 and 2005-07. If nothing else changes, future results should be similar to the current performance levels.

OFM Assessor Comments: **What happened between 2003-05 and 2005-07 to drive the number of inquiries down?** Since the data follows the targets, the decrease appears to have been expected.

Agency Contextual Comments:

The shift between 2003-05 and 2005-07 resulted from a refinement of the phone system that captures the amount of calls coming into our office.

3030 - Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner



Budget Activity and Measure Critique

Budget Activity Number & Title: A005 - Investigations and Enforcement

Budget Activity Summary: Investigate and act upon violations of laws and rules regarding sales and marketing practices, account standards, and related matters. Staff also assist consumers with problems involving insurance sales or marketing practices by producers, surplus line brokers, title insurance agents or insurers.

Related Performance Measures

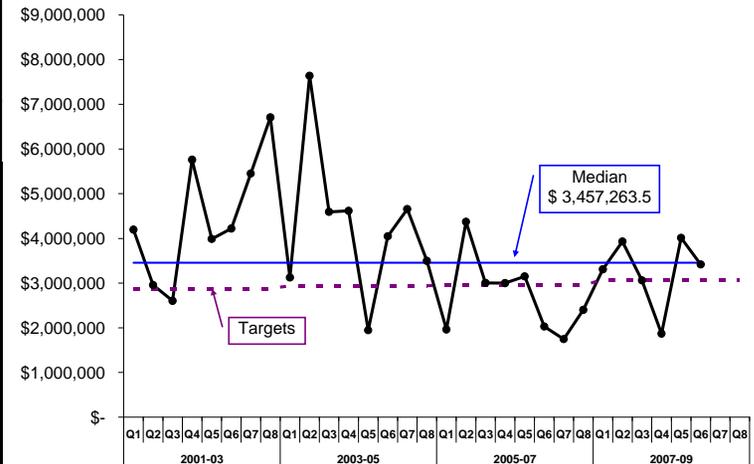
Number & Title	Type	Analysis Comments
3020 – Amount recovered for consumers as a result of the Office of the Insurance Commissioner’s intervention	Outcome	Stable and predictable – Nothing is changing – Future results should be similar to current performance levels For all but two of the data points, actual performance is capable of meeting or exceeding the targets.
3010 – Number of investigations, compliance audits, and financial examinations of producers completed	Output	Stable and predictable after an apparent change between the 3 rd and 4 th quarters in 2005-07. Future results should be similar to the most recent performance levels. After the shift, actual data has not been capable of meeting or exceeding the targets.

OFM Assessor Comments: Output measures are less relevant when it is not clear whether more or less of something produced is a good thing. Is it good that fewer investigations and compliance audits are completed? **What happened between the 3rd and 4th quarters of 2005-07 to significantly reduce the number of investigations and compliance audits?**

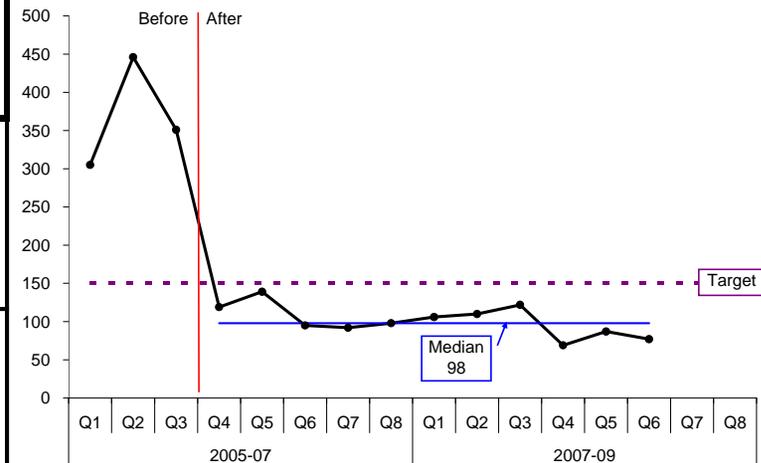
Agency Contextual Comments:

This measure has been inactivated for the 2009-11 biennium and replaced with “Average number of days it takes to complete producer investigations”.

3020 - Amount recovered for consumers as a result of the Office of Insurance Commissioner’s intervention



3010 - Number of investigations, compliance audits, and financial examinations of producers completed



Budget Activity and Measure Critique

Budget Activity Number & Title: A006 – Monitoring Insurance Company Solvency

Budget Activity Summary: Monitors the solvency of insurance carriers, health care service contractors, health insurance maintenance organizations and certified health plans authorized to conduct business in Washington State. If increased monitoring of a problem operation does not result in an improvement, the Insurance Commissioner may issue an administrative supervision order or petition the Superior Court for a rehabilitation order.

Related Performance Measures

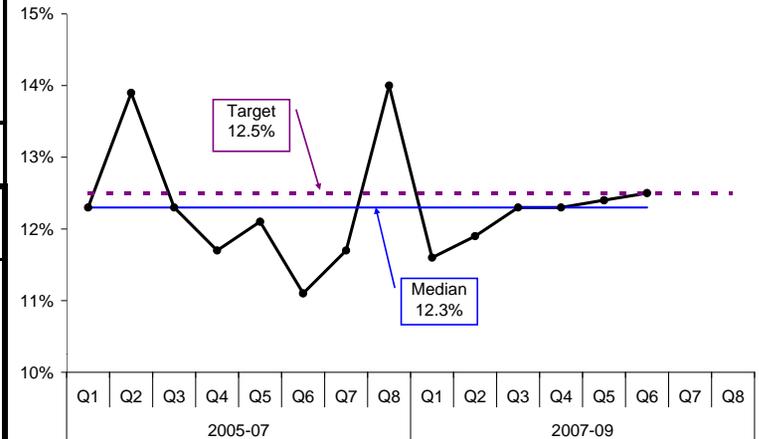
Number & Title	Type	Analysis Comments
2010 – Percentage of the biennial examination plan completed in order to maintain a 5-year examination cycle of domestic insurers	Process	Stable and predictable – Future results should be similar to current performance levels. Most of the actual data is not capable of meeting or exceeding the target on a regular basis.
3010 – Number of investigations, compliance audits, and financial examinations of producers completed	Output	Stable and predictable after an apparent change between the 3 rd and 4 th quarters in 2005-07. Future results should be similar to the most recent performance levels. After the shift, actual data has not been capable of meeting or exceeding the targets.

OFM Assessor Comments: A budget/policy development audience would be more interested in risk management measurement perspectives relating to the undesirable outcomes the monitoring activity hopes to minimize.

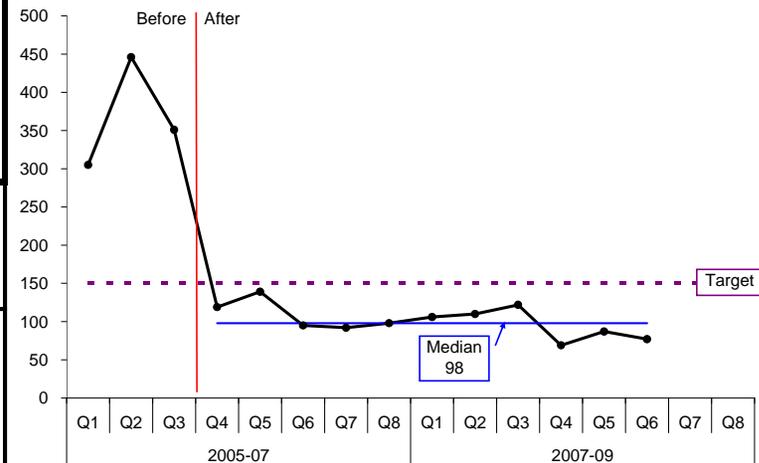
Agency Contextual Comments:

This measure has been inactivated for the 2009-11 biennium and replaced with “Percentage of domestic insurers that are rated as financially stable”. We will include footnotes each quarter that indicate the market share of the companies in stable financial condition.

2010 - Percentage of the biennial examination plan completed in order to maintain the 5-year examination cycle of domestic insurers



3010 - Number of investigations, compliance audits, and financial examinations of producers completed



Budget Activity and Measure Critique

Budget Activity Number & Title: A007 - Policy and Enforcement

Budget Activity Summary: Handles enforcement actions against insurance companies, health carriers, and others. Identifies and investigates organized criminal insurance fraud for prosecution, provides information, and counsel to other agency divisions, and it supports the public policy activities of the agency.

Related Performance Measures

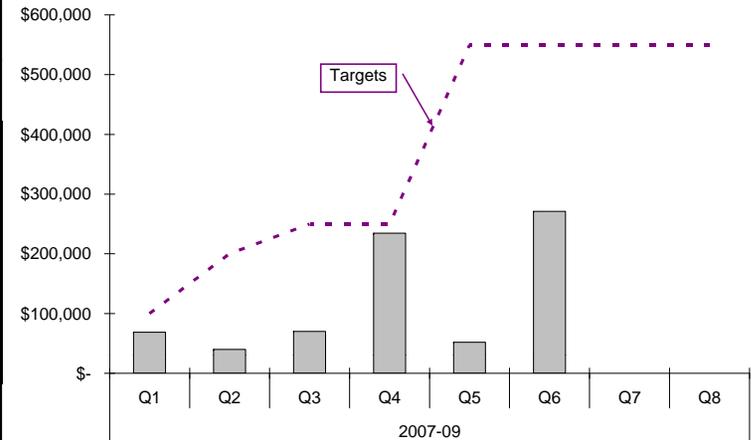
Number & Title	Type	Analysis Comments
3044 – Amount of restitution assessed and projected insurance claim payouts saved on behalf of victims of insurance fraud	Outcome	Not enough actual data for much analysis Actual data does not appear to be capable of regularly meeting or exceeding the targets.

OFM Assessor Comments: What will cause the amount of assessed restitution to double at the end of the 2007-09 biennium?

Agency Contextual Comments:

The Special Investigations Unit was created to fight organized insurance fraud. The 2007-09 biennium was its first full biennium of operation. Initial assumptions of the unit were that they would recover the cost of the program in the first year and recover double the cost of the program in the second year. Assumptions for the 2009-11 biennium have been adjusted.

3044 - Amount of restitution value assessed and projected insurance claim payouts saved on behalf of victims of insurance fraud



Budget Activity and Measure Critique

Budget Activity Number & Title: A008 – Regulation of Insurance Rates and Forms

Budget Activity Summary: Review and approve complex actuarial formulas, assumptions, and experience data as part of a proposed rate filing to ensure that rates are neither excessive, inadequate, or unfairly discriminatory. Timely and accurate review is necessary to ensure the financial viability of the insurance company as well as protecting consumers from overcharges. Policy forms are reviewed to ensure that the terms and conditions of the insurance contract comply with state and federal laws prior to being sold in Washington.

Related Performance Measures

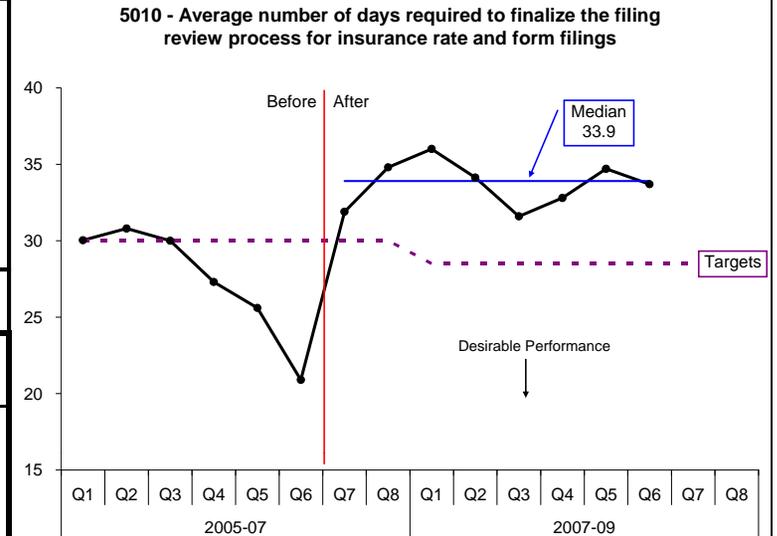
Number & Title	Type	Analysis Comments
5010 – Average number of days required to finalize the filing review process for insurance rate and form filings	Process	Stable and predictable after the shift between the 6 th and 7 th quarters in 2005-07. Future results should be similar to the most recent performance levels. Since the shift, actual performance is not capable of regularly meeting or exceeding the targets.

OFM Assessor Comments: It appears that there was an organized effort to improve timeliness in 2005-07 that proved to be unsustainable by the end of the biennium. Stretching the target further in 2007-09 is not warranted without a renewed emphasis on process improvement.

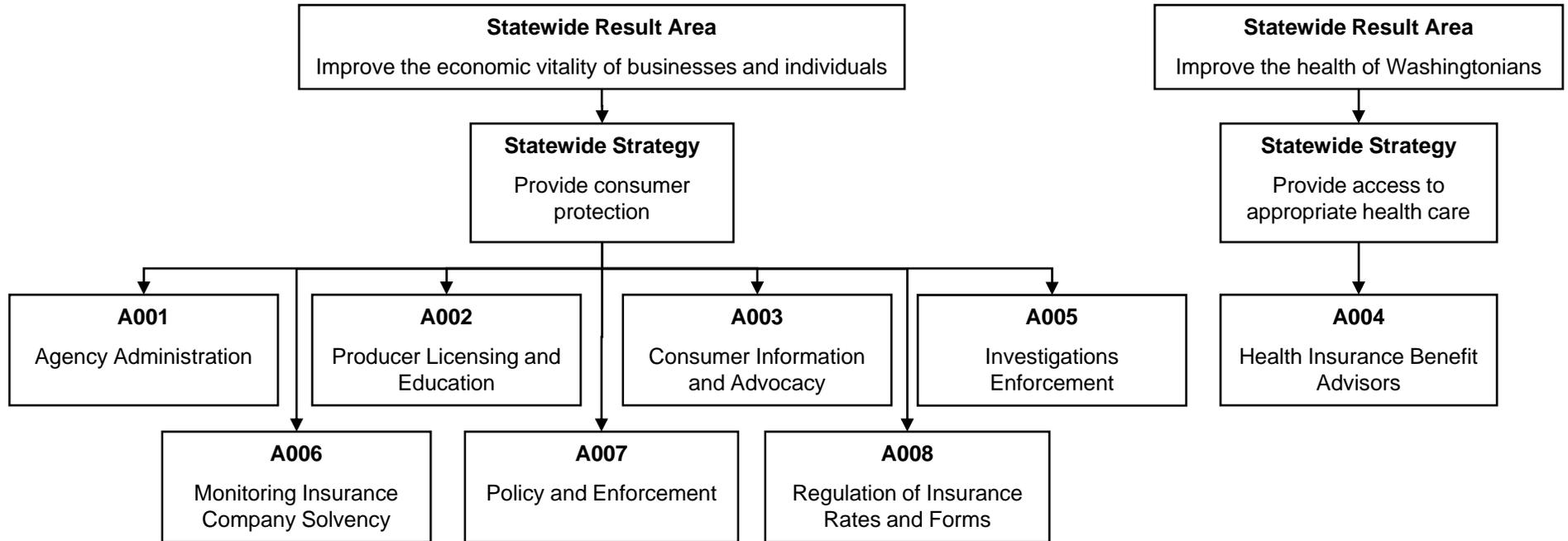
What happened between the 6th and 7th quarters of 2006-07?

Agency Contextual Comments:

It continues to be our goal to finalize insurance rate and form filings within 30 days.



Alignment Overview – Budget Activity Structure



Input/Workload Measures	Process/Efficiency Measures	Output Measures	Outcome Measures
3030 – Number of insurance consumer inquiries received and answered by the Office of the Insurance Commissioner	2010 – Percentage of the biennial examination plan completed in order to maintain the 5-year examination cycle of domestic insurers 5010 – Average number of days required to finalize the filing review process for insurance rate and form filings	3060 – Number of licenses and appointments issued for insurance producers	3020 – Amount recovered for consumers as a result of the Office of the Insurance Commissioner's intervention 3044 – Amount of restitution value assessed and projected insurance claim payouts saved on behalf of victims of insurance fraud

Alignment Overview – Agency Strategic Plan Structure

