

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE**

**COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

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**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**AGENCY OFFICIALS**

**Director**

Through May 2011

June 2011 to October 2011

November 2011 to December 2011

January 2012

February 2012 to present

Michael McRaith

Jack Messmore, Acting

Andrew Stolfi, Acting

Robert Wagner, Acting

Andrew Boron

**Chief Deputy Director**

Through October 2011

November 2011 to February 2012

March 2012 to May 2012

June 2012 to August 2012

August 2012 to present

Jack Messmore

Vacant

Tim Cena, Acting

James Stephens, Acting

Michele Oshman

**Chief Fiscal Officer**

Jane Bachman

**Chief Legal Counsel**

Through March 2012

April 2012 to May 2012

June 2012

July 2012 to present

Robert Wagner

Tim Cena, Acting

Eve Blackwell-Lewis, Acting

Mary L. Smith

**Deputy Director, Financial Corporate Regulatory** Etta Mae Credi

**Deputy Director, Producer Regulatory/P&C Products**

Through August 2010

September 2010 to May 2011

June 2011 to present

Bill McAndrew

Vacant

James Stephens

**Deputy Director, Health Products**

August 2011 to August 2012

September 2012 to present

David Grant, Acting

Yvonne Clearwater, Acting

**Deputy Director, Life and Annuities Products**

August 2011 to April 2012

May 2012 to present

Susan Lamb, Acting

Cindy Colonius, Acting

**Deputy Director, Public Pension**

Through March 2010

April 2010 to present

Scott Brandt, Acting

Travis March

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
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**AGENCY OFFICIALS** (Continued)

**Deputy Director, Director of Information Technology**

Through September 2011  
September 2011 to present

Paul Escarraz, Acting  
Kurt Wellbaum

**Deputy Director, Legislative Affairs**

Melissa Hansen

**Internal Auditor**

Edward Schofield

Agency offices are located at:

320 West Washington Street  
Springfield, IL 62786

James R. Thompson Center  
100 West Randolph, 9th Floor  
Chicago, IL 60601



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

January 31, 2013

E. C. Ortiz & Co., LLP  
333 S. Des Plaines Street, Suite 2-N  
Chicago, Illinois 60661

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Department of Insurance. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Department of Insurance's compliance with the following assertions during the two-year period ended June 30, 2012. Based on this evaluation, we assert that during the years ended June 30, 2012 and June 30, 2011, the State of Illinois, Department of Insurance materially complied with the assertions below.

- A. The State of Illinois, Department of Insurance has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Insurance has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Insurance has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Insurance are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Insurance on behalf of the State or held in trust by the State of Illinois, Department of Insurance have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

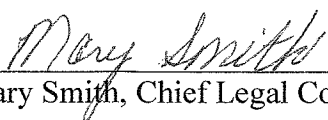
State of Illinois, Department of Insurance

Handwritten signature of Andrew Boron in cursive script.

Andrew Boron, Director

Handwritten signature of Jane Bachman in cursive script.

Jane Bachman, Chief Fiscal Officer

Handwritten signature of Mary Smith in cursive script.

Mary Smith, Chief Legal Counsel

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANTS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	10	3
Repeated findings	3	1
Prior recommendations implemented or not repeated	-	1

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
12-1	11	Noncompliance with the requirements of the Workers' Compensation Act	Significant deficiency and Noncompliance
12-2	14	Noncompliance with the requirements of the Illinois Pension Code	Significant deficiency and Noncompliance
12-3	18	Noncompliance with the requirements of the Illinois Insurance Code	Significant deficiency and Noncompliance
12-4	22	Noncompliance with the requirements of the Health Carrier External Review Act	Significant deficiency and Noncompliance

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**SCHEDULE OF FINDINGS** (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
12-5	24	Time sheets not maintained in compliance with the State Officials and Employees Ethics Act	Significant deficiency and Noncompliance
12-6	27	Failure to perform and submit employee performance evaluations in a timely manner	Significant deficiency and Noncompliance
12-7	29	Noncompliance with the Internal Auditing Standards	Significant deficiency and Noncompliance
12-8	30	Inadequate documentation and monitoring of awards and grants	Significant deficiency and Noncompliance
12-9	33	Lack of segregation of duties over processing of Insurance Privilege Tax refunds	Significant deficiency and Noncompliance
12-10	34	Failure to comply with the Identity Protection Act	Significant deficiency and Noncompliance

**PRIOR FINDINGS NOT REPEATED**

No prior findings not repeated.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on January 3, 2013. Attending were:

Representing the Illinois Department of Insurance

Mr. Andrew Boron	Director
Ms. Mary Smith	Chief Legal Counsel
Ms. Hilary Segura	Chief of Staff
Ms. Michelle Oshman	Chief Deputy Director
Ms. Jane Bachman	Chief Fiscal Officer
Mr. Travis March	Deputy Director – Public Pension
Mr. Kurt Wellbaum	Deputy Director – Information Technology
Ms. Yvonne Clearwater	Acting Deputy Director – Health Products
Ms. Marcy Savage	Acting Assistant Deputy Director – Corporate Regulation
Mr. Edward Schofield	Internal Auditor

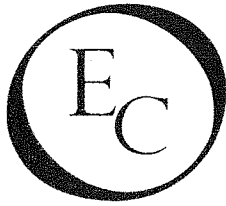
Representing the Office of the Auditor General

Mr. Matthew Ulmer	Manager
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Representing E.C. Ortiz & Co., LLP

Ms. Gilda Priebe	Partner
Ms. Elda Arriola	Manager

Responses to the recommendations were provided by Ms. Jane Bachman in a letter dated January 10, 2013.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Insurance's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2012. The management of the State of Illinois, Department of Insurance is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Insurance's compliance based on our examination.

- A. The State of Illinois, Department of Insurance has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Insurance has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Insurance has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Insurance are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Insurance on behalf of the State or held in trust by the State of Illinois, Department of Insurance have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Insurance's compliance with those requirements listed in the

first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Insurance's compliance with specified requirements.

In our opinion, the State of Illinois, Department of Insurance complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2012. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 12-1 to 12-10.

### **Internal Control**

Management of the State of Illinois, Department of Insurance is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Insurance's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Insurance's internal control over compliance.

*A deficiency in an entity's internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings as items 12-1 to 12-10. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Department of Insurance's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Insurance's responses and, accordingly, we express no opinion on the responses.

**Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in Schedules 1 through 12 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2012 and June 30, 2011 accompanying supplementary information in Schedules 1 through 12. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2010 accompanying supplementary information in Schedules 3 through 7, 9, and 10 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management and is not intended to be and should not be used by anyone other than these specified parties.

*E.C. Artiz & Co., LLP*

Chicago, Illinois  
January 31, 2013

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE**

12-1 **FINDING** (Noncompliance with the Requirements of the Workers’ Compensation Act)

The Department of Insurance (Department) did not fully comply with the requirements of the Workers’ Compensation Act.

The Workers’ Compensation Fraud Unit (WCFU) did not procure and implement a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse.

In addition, the fiscal year 2012 Annual Report submitted by WCFU on June 29, 2012 did not contain recommendations regarding opportunities for additional fraud waste and abuse detection and prevention.

The Department also did not propose rules that would ensure medical providers submit standardized claims; require all employers and insurers to accept electronic claims for payment of medical services on or before June 30, 2012; and ensure confidentiality of electronic claim information. The Department has drafted rules but they are still in the process of being reviewed by the Department’s legal division.

The Workers’ Compensation Act (Act) 820 ILCS 305/25.5(e-5) requires the fraud and insurance non-compliance unit to procure and implement a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse on or before January 1, 2012. The Act also requires the fraud and insurance non-compliance unit to provide a report to the President of the Senate, Speaker of the House of Representatives, Minority Leader of the House of Representatives, Minority Leader of the Senate, Governor, Chairman of the Commission, and Director of Insurance on or before July 1, 2012 and annually thereafter detailing its activities and providing recommendations regarding opportunities for additional fraud waste and abuse detection and prevention.

The Workers’ Compensation Act 820 ILCS 305/8.2a requires the Director of Insurance adopt rules to do all of the following: (1) ensure that all health care providers and facilities submit medical bills for payment on standardized forms; (2) require acceptance by employers and insurers of electronic claims for payment of medical services; and (3) ensure confidentiality of medical information submitted on electronic claims for payment of medical services. The rules shall require all employers and insurers to accept electronic claims for payment of medical services on or before June 30, 2012 and would establish criteria for granting exceptions to employers, insurance carriers, and health care providers who are unable to submit or accept medical bills electronically.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Department management stated that no money was allocated by the General Assembly for the advanced analytics system. The Department requested an annual appropriation of \$950,000 for both fiscal year 2011 and 2012. Only \$485,000 was appropriated during each fiscal year. It was also stated in the Department's fiscal year 2012 Annual Report that WCFU spent its entire allocation for fiscal year 2012, and that since fiscal year 2009, the WCFU has operated with a budget (\$485,000) that is roughly half of what was originally allocated (\$950,000) when the unit was created. Furthermore, as the advanced analytics system has not been procured, the WCFU had no recommendations regarding additional opportunities for fraud prevention or detection of fraud, waste, and abuse.

Department management also stated that the promulgation of the administrative rules required by Workers' Compensation Act 820 ILCS 305/8.2a was delayed due to the complexity of the subject matter involved. Further, the development of the rules created a need to discuss the matters involved with the wide variety of interested parties wherein the resulting dialogue has been extensive and resulted in the delay.

Failure to procure and implement the advanced analytics system, inadequate information provided in the Annual Report, and non-promulgation of rules on medical providers' electronic and standardized submission of claims by the prescribed timeline resulted in noncompliance with the Act. This was also a finding in the Office of the Auditor General's April 2012 Management Audit Of The Workers' Compensation Program As It Applies To State Employees. (Finding Code No. 12-1)

**Recommendation**

We recommend the Department procure and implement a system utilizing advanced analytics, ensure that the required reporting information is included in its Annual Report, and submit draft rules to ensure compliance with the Act.

**Department Response**

Agree. The Department released a Request for Information (RFI) to procure a system utilizing advanced analytics inclusive of predictive modeling, data mining, social network analysis, and scoring algorithms for the detection and prevention of fraud, waste, and abuse on March 1, 2012. The Department received eight responses to the RFI. A review of the responses demonstrated the importance of the data to be analyzed, however, the Department is not the repository of data regarding individual workers' compensation claims, and Section 25.5(e-5) does not contemplate the availability or the quality of data available to DOI for use with such a system. While such a system could potentially help individuals adjusting and defending claims determine how to allocate investigative resources, a review of the responses and an analysis of the available data demonstrate the procurement of the advanced

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

analytics system will be of no value to DOI's Workers' Compensation Fraud Unit in conducting criminal investigations and referring cases involving worker's compensation fraud for prosecution. The 2012 Annual Report stated that the WCFU had no recommendations regarding opportunities for additional fraud prevention and detection of fraud, waste, and abuse because the system had yet to be procured and implemented.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-2 **FINDING** (Noncompliance with the Requirements of the Illinois Pension Code)

The Department did not fully comply with the requirements of the Illinois Pension Code (Code).

The Public Pension Division conducts examinations of Article 3 (Police) and Article 4 (Firefighter) pension funds under Pension Code (40 ILCS 5/1A-104(b)). During our review, we noted that the Public Pension Division did not examine each pension fund once every three years as required.

As of June 30, 2012, there were 657 pension funds established under Article 3 or Article 4. Of the total, 596 (91%) were examined at least once since 2004 or later, an additional 23 (3%) are currently under examination, and 38 (6%) have not been examined. Of the 38 unaudited funds, 37 were established in 2004 or later, including 17 created in 2009 or later. The remaining fund is being dissolved.

Also in our review of 25 pension fund examinations completed by the Public Pension Division during fiscal years 2011 and 2012, we noted that ten (40%) examination reports reviewed were not submitted to the Chief Executive Officer of the municipality or the Fire Protection District as required by the Code.

During our review of 25 annual statements filed by the Pension funds with the Department during the examination period, we noted that the Department did not impose any penalty on the following:

- Seven (28%) pension funds tested did not submit an actuarial statement applicable to the plan year.
- One (4%) pension fund tested submitted the actuarial statement three months late from the prescribed time.
- Annual compliance fees under \$20 were not billed to the Pension funds.

We also noted that it appeared the Department has no annual update and determination of tax levies for the Police and Firefighter pension funds during fiscal years 2011 and 2012. The Division Deputy explained that the Division had to suspend the production of tax levies when Public Act (PA) 96-1495 became law on January 1, 2011. The law required the Department to utilize an enrolled actuary for the production of the levies, but did not provide a funding mechanism to fulfill the mandate. The Pension Division produced levies under the old law for the first half of fiscal year 2011. However, the Department did receive a lump sum appropriation of \$750,000 for startup and first year implementation costs for fiscal year 2013. Accordingly, an enrolled actuary was retained for this purpose through a Request for Proposal (RFP) process in April 2012. The Department continues to work with the General Assembly to seek ongoing funding to fulfill the requirement.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

The Pension Code (Code) 40 ILCS 5/1A-104(a) states that the Public Pension Division shall make periodic examinations and investigations of all pension funds. Section 1A-104(b) of the Code states that the Public Pension Division shall examine or investigate each pension fund established under Article 3 (Police) or Article 4 (Firefighters) of this Code once every 3 years. It also requires that a copy of the report of examination or investigation as prepared by the Public Pension Division shall be submitted to the secretary of the board of trustees of the pension fund examined or investigated and to the chief executive officer of the municipality or fire protection district.

The Pension Code 40 ILCS 5/1A-110(a) and 5/1A-111(a) require that each pension fund established under an Article of the Code other than Article 3 or 4 and under Article 3 or 4 of the Code shall include part of its annual statement a complete actuarial statement applicable to the plan year. The actuarial statement shall be filed with the Division within nine months after the close of the fiscal year of the pension fund. Any pension fund that fails to file within that time is subject to the penalty provisions of Section 1A-113.

The Pension Code 40 ILCS 5/1A-112(a) and (b) states that every pension fund that is required to file an annual statement under Section 1A-109 shall pay to the Department an annual compliance fee. In the case of a pension fund under Article 3 or 4 of this Code, the annual compliance fee shall be 0.02% (2 basis points) of the total assets of the pension fund, as reported in the most current annual statement of the fund, but not more than \$8,000. In the case of other pension funds and retirement systems, the annual compliance fee shall be \$8,000. The annual compliance fee shall be due on June 30 for the following State fiscal year.

The Pension Code 40 ILCS 5/1A-113(b) states that a pension fund that fails, without just cause, to file its actuarial statement within the time prescribed under Section 1A-110 or 1A-111 shall pay to the Department a penalty to be determined by the Department, which shall not exceed \$100 for each day's delay.

The Pension Codes 40 ILCS 5/3-125(a) and 40 ILCS 5/4-118(a) state that the annual actuarial requirements of the police and firefighters pension funds to be provided by the tax levy shall be annually updated and determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the pension fund or municipality.

Department management stated that the Legislature did not provide additional resources to meet the three-year examination cycle when Public Act 95-0950 became law on August 29, 2008. Currently, the Division has six auditors on staff and would need at least 16 field auditors and additional support staff to examine more than 650 pension funds every three years. To hire sufficient staff to meet the mandate, the Department would need to significantly increase the current compliance fee or establish a special fund

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

assessment during the audit year. The Department introduced Senate Bill 2212 in February 2009 to increase the compliance fee from 2 basis points (2/100ths of 1%) to 3 basis points (3/100ths of 1%) and to extend the audit cycle from three years to five years. The legislation passed the Senate, but was never called in the House prior to expiring Sine Die in January 2011. The Department also sought support for additional resources and a fee increase in the 2011 and 2012 legislative sessions without success. The Department plans to continue to seek a fee increase to cover the ongoing costs of this mandate via proposed legislation.

Department management stated that the Public Pension Division now provides a copy of the final examination report to the chief executive officer of the municipality or fire protection district. The failure to send a copy of the report to the chief executive was discovered during the audit period and was corrected.

Management stated that due to the financial pressures and underfunded status of many of the State pension systems and the internal challenges of dedicating the resources needed to complete the administrative hearing process that would precede any fine due to limited funding, the Department has never elected to impose a fine on pension funds that failed to file or timely submit its actuarial statement to the Public Pension Division, although it has the authority to do so.

Management stated that the practice of not collecting annual compliance amounts below \$20.00 or less has been an informal policy for several years because the cost of collection exceeds the amount recovered.

Management stated that the Department was able to produce tax levies for the first half of fiscal year 2011. As stated previously, when Public Act 96-1495 went into effect, the requested estimated startup costs of \$750,000 were not appropriated by the legislature for engaging an enrolled actuary. Funding has been appropriated for the startup costs for fiscal year 2013, but a fee increase will be necessary to cover the estimated annual continuation costs of \$400,000 to sustain this mandatory requirement.

Noncompliance with the Code may result in the Department not being able to monitor the pension fund's compliance with the Pension Code. In addition, failure to assess penalty on pension funds may result in loss of State revenue. (Finding Code No. 12-2)

**Recommendation**

We recommend the Department ensure compliance with the requirements of the Pension Code or seek an amendment to the provisions in the statute.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**Department Response**

Agree. The Department will seek legislation to provide the resources needed to fully implement the actuarial requirements contained in Public Act 96-1495 and the three year compliance audit cycle contained in Public Act 95-0950. Changes have been incorporated in the Public Pension Annual Statement Reporting System to provide reminder e-mails to Pension funds to submit actuarial statements in accordance with 40 ILCS 5/1A-110 and 40 ILCS 5/1A-111. The Department will also ensure that the Chief Executive of the Municipality or Fire Protection District continues to receive a copy of the pension fund compliance examination as required by 40 ILCS 5/1A-104(b).

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-3 **FINDING** (Noncompliance with the Requirements of the Illinois Insurance Code)

The Department did not fully comply with the requirements of the Illinois Insurance Code.

During our review of 25 life, accident and health policy forms filed with the Department, we noted that all the 25 (100%) policy forms were not approved or denied on a timely basis. These policy forms were approved or denied between 39 to 282 days later than the 60-day requirement.

In our testing of 75 accident and health expense reports of carriers providing a group or individual major medical policy of accident or health insurance, we noted the following:

- Sixteen (21%) accident and health expense reports were not submitted to the Department.
- Eight (11%) accident and health expense reports tested were not timely submitted. These reports were filed three to 64 days after the due date.
- The Department failed to assess civil penalties to accident or health insurance carriers who did not submit the reports by the due date.
- The Department did not make the submitted information publicly available on its website or such other media as appropriate in a form useful for consumers.

In addition, during our testing of 25 annual financial statements to be filed with the Department on March 1 and audited financial statements to be filed on June 1 by Health Maintenance Organizations (HMOs) and Limited Health Service Organizations (LHSOs), we cannot determine the timeliness of the statements' submission for six (24%) annual financial statements and eight (32%) annual audited financial statements due to unavailable supporting documentation.

The Illinois Insurance Code (Code) 215 ILCS 5/143(1) requires the Director to approve or disapprove life, accident and health policy forms within 60 days after submission unless the Director extends by not more than additional 30 days the period within which he shall approve or disapprove any such form by giving written notice to the insurer of such extension before expiration of the initial 60 days period.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

The Illinois Insurance Code 215 ILCS 5/359c was amended effective January 1, 2012 per Public Act 97-0524. This Public Act states that beginning January 1, 2011 and every six months thereafter, any carrier providing a group of individual major medical policy of accident or health insurance shall prepare and provide to the Department of Insurance a statement of the aggregate administrative expenses of the carrier, based on the premiums earned in the immediately preceding 6-month period on the accident or health insurance business of the carrier. The semi-annual statements shall be filed on or before October 1 for the preceding 6-month period ending June 30 and on or before April 1 for the preceding 6-month period ending December 31. The Department shall make the submitted information publicly available on the Department's website or such other media as appropriate in a form useful for consumers. Prior to this Public Act, the reporting deadline was February 1 covering July 1 to December 31 of the preceding period and July 31 covering January 1 to June 30 of the preceding period.

Department Memorandum dated March 9 , 2011, indicated that any company failing to timely submit data as required by 215 ILCS 5/359c will be subject to the penalties outlined within 215 ILCS 5/403A. The Illinois Insurance Code 215 ILCS 5/403A(1) states that any company or person, agent or broker, officer or director and any other person subject to this Code who willfully or repeatedly fails to observe or who otherwise violates any of the provisions of this Code or any rule or regulation promulgated by the Director under authority of this Code or any final order of the Director entered under the authority of this Code shall by civil penalty forfeit to the State of Illinois a sum not to exceed \$2,000. Each day during which a violation occurs constitutes a separate offense. The civil penalty provided for in this Section shall apply only to those Sections of this Code or administrative regulations thereunder that do not otherwise provide for a monetary civil penalty.

The Illinois Insurance Code 215 ILCS 125/2-7 and 215 ILCS 130/2007 require Health Maintenance Organization (HMO) and Limited Health Services Organization (LHSO), respectively, to file with the Director by March 1st their financial statements ending December 31st on forms prescribed by the Director. These statutes were repealed by Public Act 97-486 effective January 1, 2012. The above provisions were incorporated into Illinois Insurance Code 215 ILCS 5/136 starting calendar year 2011 and applicable to every company engaged in any transaction or kind of insurance or surety business authorized to do business within the State.

The Illinois Insurance Code 215 ILCS 125/2-7 and 215 ILCS 130/2007 require Health Maintenance Organization (HMO) and Limited Health Services Organization (LHSO), respectively, to file with the Director by June 1st their audited financial statements ending December 31st on forms prescribed by the Director. These statutes were repealed by Public Act 97-486 effective January 1, 2012. Starting with the calendar year 2011, the Department followed Illinois Administrative Code Title 50 Chapter I Part 925 Section 925.40 to implement these same requirements applicable to every company engaged in any transaction or kind of insurance or surety business authorized to do business within the State.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

Department management stated that the policy forms were not being approved or disapproved within the required timeframe due to shortage in staff and that the reviews are complex and lengthy. It was also stated that the noncompliance with the accident and health expense reporting was due to the confusion on the report due date, what information is required to be reported and how the health carrier companies should report.

Management further stated that for the missing supporting documentation on the submission of annual financial statements and audited financial statements, the Department maintains the filing dates on an exemption basis and all statements are assumed to be filed on time unless the analyst indicates the filing is late. If the filings are late, then a Notice of Apparent Liability is routed.

By not approving or disapproving life, accident, or health insurance policy forms in a timely manner as required by the Illinois Insurance Code, insurance companies' distribution of their products to the market may be delayed. Failure to submit the accident and health expense reports and the annual financial statements within the required timeframe may lead to delayed receipt of useful information available to the Department and consumers. In addition, failure to impose civil penalties on late filing may result in a loss of State revenue. (Finding Code Nos. 12-3, 10-1, DFPR 08-15, DFPR 07-14, DFPR 06-24)

**Recommendation**

We recommend the Department ensure compliance with the requirements of the Insurance Code. We also recommend the Department establish consistent procedures and adequate controls over monitoring of submission of policy forms, reports and financial statements.

**Department Response**

Agree. The Life, Accident and Health Compliance Unit (Unit) has made great accomplishments in reducing the Unit's backlog, and currently the life and annuity analysts are working on filings as they are received and assigned, and appear to be completing their reviews within the 60 day period. On the health side, the three health analysts worked very hard to review filings in a timely manner. However, with the volume of filings that are submitted, they are unable to keep up. The Department hired two analysts on January 16, 2013 to review health filings. Also, the Unit is working with IT to formulate various reports to monitor the age of submitted filings. The IT had created an on-line application for insurers to submit their data. Data Calls are sent by email to the companies required to report, providing them with a link to the application.

In regard to the accident and health insurance expense reporting, there were three Company Bulletins issued attempting to clarify the reporting requirements set forth by the statute. Further, there was a legislative change on January 1, 2012, revising the due dates of the report.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

For failing to make the reported data available on the Department’s website, the Unit is in communication with IT in regard to this requirement. Due to staffing issues this requirement has not been met as of this date.

Regarding supporting documentation of the timely submission of annual financial statements and audited financial statements, the Department will establish a procedure that will document that annual financial statements and audited financial statements were submitted timely.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-4 **FINDING** (Noncompliance with the Requirements of the Health Carrier External Review Act)

The Department did not fully comply with the requirements of the Health Carrier External Review Act (Act).

During our review of 50 health carrier's external review reports for calendar years 2010 and 2011 required to be filed to the Director by March 1, 2011 and March 1, 2012, respectively, we noted the following:

- 25 (50%) health carrier's external review reports tested were not submitted timely. Two of these reports were for calendar year 2011 while 23 were for calendar year 2012.
- 20 (40%) health carrier's external review reports tested were not filed with the Department. All of these reports were for calendar year 2011.

The Department failed to assess civil penalty to health carriers who did not submit the required reports by the due date.

The Health Carrier External Review Act (Act) 215 ILCS 180/65(a) requires that each health carrier maintain written records in the aggregate, by state, and for each type of health benefit plan offered by the health carrier on all requests for external review that the health carrier received notice from the Director for each calendar year and submit a report to the Director in the format specified by the Director by March 1 of each year.

The Health Carrier External Review Act 215 ILCS 180/80 authorizes the Director to make use of any of the powers established under the Illinois Insurance Code to enforce the laws of this State. This includes but is not limited to, the Director's administrative authority to impose penalties. This authority is exercised by the Director as evidenced in the Department's standard transmittal to health carriers reminding the due date of external review report submission which states that "failure to respond to this letter will result in a Notice of Apparent Liability pursuant to 215 ILCS 5/403A which carries a civil penalty of up to \$2,000 per day for each day during which a violation occurs."

Department management indicated that the exceptions noted above were due to personnel turnover in the Department.

Failure to submit the required reports in a timely manner and assess civil penalties to health carriers who did not submit the required reports by the due date resulted in the Department's noncompliance with the Act and loss of State revenue. (Finding Code No. 12-4)



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**Recommendation**

We recommend the Department ensure compliance with the Act by strictly monitoring submission of health carrier external review reports and assessing civil penalty for late or non-submission of the required reports by the due date.

**Department Response**

Agree. The Department has instituted a new reporting program which allows a better ability to receive and monitor reports submitted in accordance with the Health Carrier External Review Act. The email notifications are being sent in early January with two reminders to go out in February to notify companies of the required report to be submitted. The Department narrowed the list of potential companies who must submit the report and added additional contacts to the email list for each company.

The Department will follow up with companies and if the responses are not received in the required time frame, the file will be sent to the Department's legal unit to process the required fine. The new reporting system will allow the Department to meet the requirements of the Act.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-5 **FINDING** (Time Sheets not Maintained in Compliance with the State Officials and Employees Ethics Act)

The Department is not maintaining time sheets for employees in compliance with the State Officials and Employees Ethics Act.

The Department expended \$29,865,059 for payroll and had an average of 257 employees during fiscal year 2012.

The Department's official timekeeping system is the Central Management Services (CMS) payroll system, known as the Central Time and Attendance System (CTAS), which tracks time using a "negative" approval, whereby the employee is assumed to be working unless noted otherwise. An additional timekeeping system, the Ethics Timekeeping Work Diary, is used to track time for all Department employees. The Ethics Timekeeping Work Diary tracks time all employees spend each day on official State business to the nearest quarter hour. Whenever the employee uses time, a Time Use Authorization Form is completed, signed and approved by the supervisor.

During our testing of the Department's Ethics Timekeeping Work Diary for fiscal years 2011 and 2012, we noted the following:

- Ten of 40 (25%) employee Ethics Timekeeping Work Diaries reviewed were not accurately completed. The Ethics Timekeeping Work Diaries were not updated for hours worked, lunch break and/or absences.
- Seven of 40 (18%) employee Ethics Timekeeping Work Diaries reviewed did not agree with the CTAS as to the number of work hours reported.
- Eight of 40 (20%) employee Ethics Timekeeping Work Diaries reviewed had no time entered for every day worked by the employee for the selected pay period.

In relation to time use entered in the employee Ethics Timekeeping Work Diary tested, we reviewed the Time Use Authorization Form, and for the time earned entered, we reviewed the Overtime/Compensatory Time/Equivalent Earned Time Form. During our review of these forms, we noted the following:

- In 16 of 40 (40%) employee Ethics Timekeeping Work Diaries reviewed, the Time Use Authorization forms or Overtime/Compensatory Time/Equivalent Earned Time forms were not dated, timely prepared and/or approved.
- In one of 40 (3%) employee Ethics Timekeeping Work Diaries reviewed, the earned hours logged in the Overtime/Compensatory Time/Equivalent Earned Time form did not agree with CTAS.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

- In one of 40 (3%) employee Ethics Timekeeping Work Diaries reviewed, there was no Time Use Authorization form to support sick or vacation leaves taken.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(c)) states the personnel policies the Department is required to establish, “shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.”

The Department’s Policy Manual *Chapter 2, Section 2: Attendance* states that for days on which an employee is not present at the work site, a Time Use Authorization Form should be used for vacations, sickness, sickness in family, military, other earned benefit time, death in family, attendance in court, personal business, jury duty, furlough time, or other time. It also requires all DOI employees to complete an accurate, daily timesheet documenting the time spent on official state business to the nearest quarter hour. Daily timesheets must be completed utilizing the online “Ethics Timekeeping Work Daily” form which will be retained for at least 2 years.

In addition, the Department’s Policy Manual *Chapter 2 Section 5 Overtime/Compensatory Time/Equivalent Earned Time* requires that employees must complete and sign the Overtime/Compensatory Time/Earned Equivalent Time Form in advance, and the employee’s immediate supervisor must review and approve the employee’s request in advance of the time to be worked. If emergency situations prevent the completion of the Overtime/Compensatory Time/Earned Equivalent Time Form in advance, a reference should be made on the form to the emergency situation.

Management stated the Department has sent several notices to employees to remind them of the requirement to enter work time into the Ethics Timekeeping Work Diary and complete the Time Use Authorization or Overtime/Compensatory Time/Equivalent Earned Time forms. The Department is developing a pilot time entry system that requires an electronic request for the use of time approval by the responsible supervisor, synchronizes available benefit time with CTAS, and provides for a weekly time reconciliation with the effects of benefit time automatically included.

By not maintaining appropriate timekeeping records, the Department is not monitoring employees’ time spent on official State business as required to comply with the Act. (Finding Code Nos. 12-5, 10-3)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**Recommendation**

We recommend the Department monitor the entries made into the Ethics Timekeeping Work Diary to ensure compliance with the requirements of the Act. Further, we recommend the Department monitor employees' compliance with the Department's Policy Manual by ensuring that Time Use Authorization Form and Overtime/Compensatory Time/Equivalent Earned Time form are properly completed, approved and submitted in a timely manner.

**Department Response**

Agree. The Department has implemented a pilot group for a new system called eTime. ETime will provide automated timekeeping and ethics time reporting functions for the Department and allow supervisors access to monitor and review compliance with the State Officials and Employees Ethics Act. This system will replace the current Ethics Time Diary utilized by the Department. Management will also continue to monitor employee's compliance with this Act through periodic independent review and email reminders.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-6 **FINDING** (Failure to Perform and Submit Employee Performance Evaluations in a Timely Manner)

The Department did not perform and submit employee performance evaluations in a timely manner.

During our review of the performance evaluations for 40 employees during fiscal years 2011 and 2012, we noted the following:

- Nineteen (48%) performance evaluations for the period tested were not performed. Ten of those performance evaluations pertain to fiscal year 2011 and nine were for fiscal year 2012.
- Eight (20%) performance evaluations were performed and submitted after the due dates. The time elapsed from the due date to the performance review approval ranged from four to 222 days.

The Illinois Administrative Code (Title 80, Subtitle B, 302.270) requires that performance records shall include an evaluation of employee performance prepared by each agency on forms prescribed by the Director and that each agency shall prepare an employee performance evaluation for a certified employee not less often than annually.

In addition, prudent business practices require employee performance evaluations to be performed to communicate to employees the strengths and deficiencies in meeting their job responsibilities.

Department management stated that it is always the intent of the Department to comply with the performance evaluation timeframes by continually stressing to the supervisors the importance of the evaluations being completed in a timely manner, however, due to the extensive time spent in the field by staff auditors and examiners as well as coordinating employee evaluations with A & R Shared Services, which is responsible for the human resources functions and records of the Department, this may not always be possible.

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. The evaluation measures actual work performance against the performance criteria established at the beginning of the appraisal period. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvements and current year's performance goals and objectives may not be identified and communicated in a timely manner. Furthermore, employee performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. (Finding Code Nos. 12-6, 10-2)

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

**Recommendation**

We recommended the Department comply with the Administrative Code and prudent business practices by performing annual performance evaluations for all employees in a timely manner.

**Department Response**

Agree. The Department will work with the Administrative and Regulatory Shared Services Center, which is responsible for the evaluation process for the Department, in working to develop an evaluation system which will provide notifications to Department supervisors for evaluations due.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-7 **FINDING** (Noncompliance with the Internal Auditing Standards)

The Department did not ensure its full compliance with the Internal Auditing Standards.

Beginning fiscal year 2011, Public Act 96-0795 eliminated the consolidation of internal auditors created by Executive Order 2003-10 and transferred the internal auditors back to designated State agencies. The Department's Internal Audit Division has only one staff member, an internal auditor. The Department has not hired a chief internal auditor. The internal auditor has completed and issued three reports during fiscal year 2011 and two reports in fiscal year 2012. However, due to the absence of a chief internal auditor, these reports indicated non-conformance with the International Framework for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors and the State Internal Audit Advisory Board. The specific items of non-conformance are:

- there is no chief audit executive
- there is no Audit Charter approved by current management
- there is no internal Quality Assurance and Improvement Program

The International Framework for the Professional Practice of Internal Auditing Standards (Standards) Section 1000 states the purpose, authority, and responsibility of the internal audit activity which must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. In addition, Section 1300 of the Standards states that the chief executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

Department management stated that they are aware of the condition and are in the process of seeking a qualified individual for the position of Chief Internal Auditor.

The absence of a chief internal auditor, audit charter, and quality assurance and improvement program are noncompliance with the Standards. (Finding Code No. 12-7)

**Recommendation**

We recommend the Department hire a chief internal auditor and ensure compliance with the International Framework for the Professional Practice of Internal Auditing Standards.

**Department Response**

Agree. The Department is in the process of hiring a Chief Internal Auditor to ensure compliance with the International Framework for the Professional Practice of Internal Auditing Standards.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-8 **FINDING** (Inadequate Documentation and Monitoring of Awards and Grants)

The Department did not adequately document and monitor its awards and grants program.

During our review of 25 grant agreements relating to Senior Health Insurance Program (SHIP), a sub-grant program to train and certify a network of benefit counselors, we noted the following exceptions:

- Seven (28%) monthly cost expenditure reports of grantees were not properly supported.
- Twenty-one (84%) monthly cost expenditure reports of grantees were not submitted on a timely basis to the Department or were not submitted at all.
- One (4%) of the grantees did not return unspent funds of \$2,069 within 45 days from the termination of the grant period (31 days late).
- One (4%) grant agreement tested was not signed by the Director.
- For five (20%) grant agreements tested, the total expenditures and unspent grant amounts cannot be determined for each individual grant as the Department did not segregate its monitoring process per grant.

Further, in relation to our testing of four refunds collected from the unspent funds of the SHIP sub-grant program, we also noted that the timeliness of deposit for all (100%) refunds tested cannot be determined since the Department does not log the receipt date of the check refunds.

The Agreement of Understanding Between the Department of Insurance – Senior Health Insurance Program (SHIP) and Contractor requires monthly cost expenditure reports to be completed and submitted every month during the term of the grant. The expenditure reports are due by the 15<sup>th</sup> of the following month together with all supporting documents. Contractors are required to submit the monthly report even when there is no activity for the reporting month. SHIP's Fiscal Grant Specialist will review all reports and supporting documentation and only those expenditures meeting the conditions of the agreement will be funded.

Further, Illinois Grant Funds Recovery Act 30 ILCS 705/4(b)(5) and the grant agreement require the return of all unused funds to the State of Illinois within 45 days after the termination date of the grant agreement.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

The State Officers and Employees Money Disposition Act (Act) 30 ILCS 230/2 states that the Agency shall keep in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement as hereinafter provided, and, unless a different time of payment is expressly provided by law or by rules or regulations promulgated.

Department management stated that the conditions noted were due to the following:

- Many of the subgrantees did not understand that they had to complete a negative report for the months in which they had no expenditures.
- Miscalculation of the remaining grant amounts by the Department staff assigned to monitor the grants causing both parties to believe the entire amount was expended.
- The reporting for grants number one and two was blended by the Department staff as she had no previous records to refer to.

Further, Department management stated that since this is the first time SHIP had granted funding, there was no system in place to refer to as payees began returning the unexpended balances of their subgrants.

Inadequate documentation and monitoring of awards and grants programs may result in grant funds being disbursed on unallowable expenses, inaccurate programmatic and financial reporting, and noncompliance with the terms and conditions of the grant agreement and the Act. (Finding Code No. 12-8)

**Recommendation**

We recommend the Department ensure proper monitoring of its grants and awards program to comply with the terms of the grant agreement and the Act. We also recommend the Department develop adequate documentation of the amount approved for each grant, its expenditures and unspent amount for proper monitoring of expenditures and timely collection of refunds.

**Department Response**

Agree. The SHIP has not established proper reporting and monitoring of the sub-grants issued to the SHIP volunteer sites. The first two years of the sub-grant program were combined in the reporting system. This system did not properly document the two specified years. The combining of sub-grant years is no longer allowed and each year is monitored with required monthly reports from the grantees. The process moving forward has been better documented with required reporting and monitoring of those required reports with a spreadsheet. Each sub-grant will be monitored for expenses used and remaining grants funds

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

still allowed in each sub-grant. If the grantee does not spend the entire sub-grant they will not be granted any further money in the next year. SHIP is better able to document the sub-grants to meet the required terms and conditions of the grants.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-9 **FINDING** (Lack of Segregation of Duties Over Processing of Insurance Privilege Tax Refunds)

The Department did not have proper segregation of duties over processing of insurance privilege tax refunds.

Of the 25 tax refund vouchers we reviewed, 16 (64%) vouchers represented insurance privilege tax refunds. We noted that there is only one employee who receives the requests for insurance privilege tax refunds, reviews and prepares the refund authorization memo, and approves the refund for payment. The same employee also maintains and updates the Department records on insurance privilege taxes. The individual amounts of insurance privilege tax refunds vouchers reviewed during the examination ranged from \$20,599 to \$305,744.

Good internal controls require proper segregation of duties over authorization of transactions, recording in the accounting system, and custody of related assets to minimize the risk of fraud due to fraudulent financial reporting or misappropriation of assets.

Department management stated that the exception noted was due to shortage of staff within the Department to process the refunds.

Lack of segregation of duties would allow employees to hold incompatible duties that may provide an opportunity to perpetrate fraud and not be detected by the Department in a timely manner. (Finding Code No. 12-9)

**Recommendation**

We recommend the Department ensure proper segregation of duties by allocating sufficient staff to process, review, approve and record tax refunds.

**Department Response**

Agree. The Department has recently filled a position involved with the processing of insurance privilege tax refunds which will provide additional segregation of duties and has also implemented an additional approval level for the issuance of these refunds.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDINGS – STATE COMPLIANCE (Continued)**

12-10 **FINDING** (Failure to Comply with the Identity Protection Act)

The Department failed to implement the provisions of the Identity Protection Act (Act).

The Identity Protection Act (5 ILCS 179) required the Department to draft and approve an identity-protection policy by June 1, 2011. Per the Act, the Policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During our testing we noted that the Department had not issued an identity-protection policy.

Department officials stated they have addressed confidential data handling in its overall procedures. However, there is an insufficient qualified staff to address comprehensive implementation of the Identity Protection Act.

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 12-10)

**Recommendation**

We recommend the Department develop and approve an identity protection policy as required in the Identity Protection Act.

**Department Response**

Agree. The Department will implement the recommendation. The Department has begun the process to hire an IT Security Administrator Position. One of the first tasks for this staff person is to fully implement the Identity Protection Act.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF FINDINGS  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**PRIOR FINDINGS NOT REPEATED**

There were no prior findings not repeated.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Net Appropriations, Expenditures and Lapsed Balances FY 2012
- Schedule of Net Appropriations, Expenditures and Lapsed Balances FY 2011
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Locally Held Funds
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts by Fund
- Comparative Schedule of Cash Receipts by Category
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Accounts Receivable

- Analysis of Operations:

- Agency Functions and Planning Program (Not Examined)
- Average Number of Employees (Not Examined)
- Service Efforts and Accomplishments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2012 and June 30, 2011 in Schedules 1 through 12. However, the accountants do not express an opinion on the supplementary information. The accountants' report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2012**

**Fourteen Months Ended August 31, 2012**

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/01-8/31/12	Approximate Total Expenditures	Approximate Balances Lapsed
<u>Public Acts 97-0062, 97-0685</u>					
<u>APPROPRIATED FUNDS</u>					
<u>Senior Health Insurance Program Fund - 0396</u>					
Lump sum, operations	\$ 3,545,500	\$ 3,352,459	\$ 67,897	\$ 3,420,356	\$ 125,144
<u>Illinois Workers' Compensation Commission Operations Fund - 0534</u>					
Lump sums and other purposes	485,000	470,290	14,670	484,960	40
<u>Public Pension Regulation Trust Fund - 0546</u>					
Personal services	1,862,900	833,937	3,670	837,607	1,025,293
Retirement - employer contribution	637,000	285,593	1,255	286,848	350,152
Social security	142,600	62,130	280	62,410	80,190
Group insurance	420,500	205,763	-	205,763	214,737
Contractual services	91,560	4,948	85,000	89,948	1,612
Travel	50,000	37,083	2,778	39,861	10,139
Commodities	5,000	-	-	-	5,000
Printing	10,500	37	-	37	10,463
Equipment	7,500	-	-	-	7,500
Telecommunications	440	-	-	-	440
Total - Public Pension Regulation Trust Fund - 0546	3,228,000	1,429,491	92,983	1,522,474	1,705,526

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2012

Fourteen Months Ended August 31, 2012

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/01-8/31/12	Approximate Total Expenditures	Approximate Balances Lapsed
<u>Insurance Producers' Administration Fund - 0922</u>					
Personal services	8,764,300	7,346,093	9,837	7,355,930	1,408,370
Retirement - employer contribution	2,996,600	2,516,239	3,364	2,519,603	476,997
Social security	670,500	541,020	752	541,772	128,728
Group insurance	1,886,000	1,870,182	2,348	1,872,530	13,470
Contractual services	1,600,000	956,226	198,840	1,155,066	444,934
Travel	145,000	71,561	8,433	79,994	65,006
Commodities	23,400	5,331	3,000	8,331	15,069
Printing	34,800	14,837	-	14,837	19,963
Equipment	36,800	21,867	9,991	31,858	4,942
Electronic data processing	500,000	64,729	21,815	86,544	413,456
Telecommunications	203,300	97,874	96,094	193,968	9,332
Operation of automotive equipment	9,000	3,016	1,479	4,495	4,505
Lump sums and other purposes	536,300	470,354	44,622	514,976	21,324
Refunds	162,000	75,668	8,103	83,771	78,229
Total - Insurance Producers' Administration Fund - 0922	17,568,000	14,054,997	408,678	14,463,675	3,104,325



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2012**

**Fourteen Months Ended August 31, 2012**

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/01-8/31/12	Approximate Total Expenditures	Approximate Balances Lapsed
<u>Insurance Financial Regulation Fund - 0997</u>					
Personal services	11,029,600	9,818,097	11,233	9,829,330	1,200,270
Retirement - employer contribution	3,771,100	3,364,303	4,018	3,368,321	402,779
Social security	843,800	711,830	899	712,729	131,071
Group insurance	2,310,000	2,268,468	3,750	2,272,218	37,782
Contractual services	1,600,000	750,266	84,454	834,720	765,280
Travel	300,000	68,993	11,384	80,377	219,623
Commodities	23,400	2,110	8,750	10,860	12,540
Printing	34,700	7,010	-	7,010	27,690
Equipment	35,700	23,539	9,970	33,509	2,191
Electronic data processing	500,000	162,461	24,270	186,731	313,269
Telecommunications	203,500	91,412	77,347	168,759	34,741
Operation of automotive equipment	9,200	2,917	374	3,291	5,909
Lump sums and other purposes	567,000	231,189	26,918	258,107	308,893
Refunds	49,000	200	-	200	48,800
Total - Insurance Financial Regulation Fund - 0997	<u>21,277,000</u>	<u>17,502,795</u>	<u>263,367</u>	<u>17,766,162</u>	<u>3,510,838</u>
<b>TOTALS - APPROPRIATED FUNDS</b>	<u>\$ 46,103,500</u>	<u>36,810,032</u>	<u>847,595</u>	<u>37,657,627</u>	<u>\$ 8,445,873</u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2012**

**Fourteen Months Ended August 31, 2012**

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/01-8/31/12	Approximate Total Expenditures	Approximate Balances Lapsed
<u>NON-APPROPRIATED FUNDS</u>					
<u>Insurance Premium Tax Refund Fund - 0378</u>					
Refunds		1,543,948	-	1,543,948	
<u>Department of Insurance Federal Trust Fund - 0673</u>					
Consumer Assistance and Patient Protection Project		374,697	400,589	775,286	
Health Insurance Rate Review Grant		20,856	-	20,856	
State Health Insurance Premium Review Grant		291,697	17,466	309,163	
Affordable Care Act's Exchanges		707,379	-	707,379	
State Operated Health Insurance Exchanges		711,817	387,627	1,099,444	
Total - Department of Insurance Federal Trust Fund - 0673		<u>2,106,446</u>	<u>805,682</u>	<u>2,912,128</u>	
TOTALS - NON-APPROPRIATED FUNDS		<u>3,650,394</u>	<u>805,682</u>	<u>4,456,076</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 40,460,426</u>	<u>\$ 1,653,277</u>	<u>\$ 42,113,703</u>	

Notes: The data contained in this schedule was taken directly from the Department records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Department and submitted to the Comptroller for payment after August.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2011**

**Eighteen Months Ended December 31, 2011**

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01-12/31/11	Total Expenditures	Balances Lapsed
<u>Public Act 96-0956</u>					
<u>APPROPRIATED FUNDS</u>					
<u>Senior Health Insurance Program Fund - 0396</u>					
Lump sum, operations	\$ 2,272,600	\$ 1,291,350	\$ 524,782	\$ 1,816,132	\$ 456,468
<u>Illinois Workers' Compensation Commission Operations Fund - 0534</u>					
Lump sums and other purposes	485,000	299,366	77,545	376,911	108,089
<u>Public Pension Regulation Trust Fund - 0546</u>					
Personal services	680,000	634,364	-	634,364	45,636
Retirement - employer contribution	206,000	186,093	-	186,093	19,907
Social security	52,500	46,906	-	46,906	5,594
Group insurance	145,000	142,344	1,323	143,667	1,333
Contractual services	12,600	1,515	320	1,835	10,765
Travel	50,000	39,549	2,754	42,303	7,697
Printing	10,500	1,702	-	1,702	8,798
Equipment	15,300	-	-	-	15,300
Telecommunications	9,200	-	-	-	9,200
Lump sums and other purposes	557,000	224,005	-	224,005	332,995
Total - Public Pension Regulation Trust Fund - 0546	1,738,100	1,276,478	4,397	1,280,875	457,225

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2011

Eighteen Months Ended December 31, 2011

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01-12/31/11	Total Expenditures	Balances Lapsed
<u>Insurance Producers' Administration Fund - 0922</u>					
Personal services	6,961,200	6,784,178	7,126	6,791,304	169,896
Retirement - employer contribution	2,106,000	1,903,448	-	1,903,448	202,552
Social security	535,700	501,176	512	501,688	34,012
Group insurance	1,667,500	1,562,462	662	1,563,124	104,376
Contractual services	1,726,900	938,799	69,903	1,008,702	718,198
Travel	145,000	72,868	6,495	79,363	65,637
Commodities	23,400	13,959	32	13,991	9,409
Printing	34,800	10,612	2,687	13,299	21,501
Equipment	36,800	15,902	2,891	18,793	18,007
Electronic data processing	589,200	119,737	109,371	229,108	360,092
Telecommunications	203,900	83,350	29,117	112,467	91,433
Operation of automotive equipment	9,300	4,038	41	4,079	5,221
Lump sums and other purposes	2,186,300	410,778	13,487	424,265	1,762,035
Refunds	162,100	85,530	65,780	151,310	10,790
Total - Insurance Producers' Administration Fund - 0922	16,388,100	12,506,837	308,104	12,814,941	3,573,159
<u>Insurance Financial Regulation Fund - 0997</u>					
Personal services	8,677,400	8,441,789	5,557	8,447,346	230,054
Retirement - employer contribution	2,625,200	2,367,666	-	2,367,666	257,534
Social security	664,200	620,016	425	620,441	43,759
Group insurance	1,972,000	1,865,364	-	1,865,364	106,636
Contractual services	1,851,900	767,995	116,250	884,245	967,655

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2011

Eighteen Months Ended December 31, 2011

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01-12/31/11	Total Expenditures	Balances Lapsed
<u>Insurance Financial Regulation Fund - 0997 (Continued)</u>					
Travel	300,000	77,789	7,603	85,392	214,608
Commodities	23,400	9,192	512	9,704	13,696
Printing	34,700	8,784	6,131	14,915	19,785
Equipment	35,700	12,367	17,934	30,301	5,399
Electronic data processing	589,200	150,337	79,752	230,089	359,111
Telecommunications	203,600	88,416	28,731	117,147	86,453
Operation of automotive equipment	9,300	3,577	1,064	4,641	4,659
Lump sums and other purposes	2,217,000	1,646,171	43,839	1,690,010	526,990
Refunds	50,000	180	-	180	49,820
Total - Insurance Financial Regulation Fund - 0997	<u>19,253,600</u>	<u>16,059,643</u>	<u>307,798</u>	<u>16,367,441</u>	<u>2,886,159</u>
 TOTALS - APPROPRIATED FUNDS	 <u>\$ 40,137,400</u>	 <u>31,433,674</u>	 <u>1,222,626</u>	 <u>32,656,300</u>	 <u>\$ 7,481,100</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>Insurance Premium Tax Refund Fund - 0378</u>					
Refunds		<u>1,292,798</u>	<u>-</u>	<u>1,292,798</u>	
<u>Senior Health Insurance Program Fund - 0396</u>					
Lump sum, operations		<u>430,153</u>	<u>26,897</u>	<u>457,050</u>	

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
Appropriations for Fiscal Year 2011**

**Eighteen Months Ended December 31, 2011**

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01-12/31/11	Total Expenditures	Balances Lapsed
<u>Department of Insurance Federal Trust Fund - 0673</u>					
Consumer Assistance and Patient Protection Project		21,883	17,812	39,695	
Health Insurance Rate Review Grant		49,572	15,366	64,938	
Affordable Care Act's Exchanges		36,204	274,493	310,697	
Total - Department of Insurance Federal Trust Fund - 0673		<u>107,659</u>	<u>307,671</u>	<u>415,330</u>	
TOTALS - NON-APPROPRIATED FUNDS		<u>1,830,610</u>	<u>334,568</u>	<u>2,165,178</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 33,264,284</u>	<u>\$ 1,557,194</u>	<u>\$ 34,821,478</u>	

Notes: The data contained in this schedule was taken directly from the Department records which have been reconciled to those of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**

	Fiscal Year		
	2012 PA 97-0062, 97-0685	2011 PA 96-0956	2010 PA 96-0042, 96-0046, 96-0819
<b>Senior Health Insurance Program Fund - 0396</b>			
<u>Appropriation (Net of Transfers)</u>	\$ 3,545,500	\$ 2,272,600	\$ 1,490,900
<u>Expenditures</u>			
Lump sum, operations	3,420,356	1,816,132	1,009,086
Total Expenditures	<u>3,420,356</u>	<u>1,816,132</u>	<u>1,009,086</u>
<u>Lapsed Balances</u>	<u>125,144</u>	<u>456,468</u>	<u>481,814</u>
<b>Illinois Workers' Compensation Commission Operations Fund - 0534</b>			
<u>Appropriation (Net of Transfers)</u>	485,000	485,000	485,000
<u>Expenditures</u>			
Lump sum, operations	484,960	376,911	256,523
Total Expenditures	<u>484,960</u>	<u>376,911</u>	<u>256,523</u>
<u>Lapsed Balances</u>	<u>40</u>	<u>108,089</u>	<u>228,477</u>
<b>Public Pension Regulation Trust Fund - 0546</b>			
<u>Appropriation (Net of Transfers)</u>	3,228,000	1,738,100	1,652,400
<u>Expenditures</u>			
Personal services	837,607	634,364	583,134
Retirement - employer contribution	286,848	186,093	165,563
Social security	62,410	46,906	43,043
Group insurance	205,763	143,667	127,301
Contractual services	89,948	1,835	3,366
Travel	39,861	42,303	32,053
Printing	37	1,702	129
Equipment	-	-	2,476
Lump sums and other purposes	-	224,005	114,131
Total Expenditures	<u>1,522,474</u>	<u>1,280,875</u>	<u>1,071,196</u>
<u>Lapsed Balances</u>	<u>1,705,526</u>	<u>457,225</u>	<u>581,204</u>

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES

	Fiscal Year		
	2012 PA 97-0062, 97-0685	2011 PA 96-0956	2010 PA 96-0042, 96-0046, 96-0819
<b>Insurance Producers' Administration Fund - 0922</b>			
<u>Appropriation (Net of Transfers)</u>	\$ 17,568,000	\$ 16,388,100	\$ 16,388,100
<u>Expenditures</u>			
Personal services	7,355,930	6,791,304	6,040,165
Retirement - employer contribution	2,519,603	1,903,448	1,715,734
Social security	541,772	501,688	446,163
Group insurance	1,872,530	1,563,124	1,329,467
Contractual services	1,155,066	1,008,702	568,431
Travel	79,994	79,363	73,771
Commodities	8,331	13,991	9,696
Printing	14,837	13,299	18,704
Equipment	31,858	18,793	27,952
Electronic data processing	86,544	229,108	385,862
Telecommunications	193,968	112,467	113,229
Operation of automotive equipment	4,495	4,079	7,038
Lump sums and other purposes	514,976	424,265	1,009,619
Refunds	83,771	151,310	72,420
Total Expenditures	14,463,675	12,814,941	11,818,251
<u>Lapsed Balances</u>	3,104,325	3,573,159	4,569,849
<b>Insurance Financial Regulation Fund - 0997</b>			
<u>Appropriation (Net of Transfers)</u>	21,277,000	19,253,600	19,253,600
<u>Expenditures</u>			
Personal services	9,829,330	8,447,346	8,430,619
Retirement - employer contribution	3,368,321	2,367,666	2,395,790
Social security	712,729	620,441	609,468
Group insurance	2,272,218	1,865,364	1,765,674
Contractual services	834,720	884,245	398,763
Travel	80,377	85,392	98,833
Commodities	10,860	9,704	2,532
Printing	7,010	14,915	5,582
Equipment	33,509	30,301	25,574
Electronic data processing	186,731	230,089	49,114
Telecommunications	168,759	117,147	105,140
Operation of automotive equipment	3,291	4,641	6,354
Lump sums and other purposes	258,107	1,690,010	793,562
Refunds	200	180	-
Total Expenditures	17,766,162	16,367,441	14,687,005
<u>Lapsed Balances</u>	3,510,838	2,886,159	4,566,595



STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES

	Fiscal Year		
	2012 PA 97-0062, 97-0685	2011 PA 96-0956	2010 PA 96-0042, 96-0046, 96-0819
<b>Grand Total - All Appropriated Funds</b>			
Appropriations (Net of Transfers)	\$ 46,103,500	\$ 40,137,400	\$ 39,270,000
Total Expenditures	37,657,627	32,656,300	28,842,061
Lapsed Balances	8,445,873	7,481,100	10,427,939
<b><u>Non-Appropriated Funds</u></b>			
<u>Expenditures</u>			
Insurance Premium Tax Refund Fund - 0378	1,543,948	1,292,798	974,331
Senior Health Insurance Program Fund - 0396	-	457,050	-
Department of Insurance Federal Trust Fund - 0673	2,912,128	415,330	-
<b>Total Expenditures - Non-Appropriated Funds</b>	4,456,076	2,165,178	974,331
<b>Total Expenditures - All Appropriated and Non-Appropriated Funds</b>	\$ 42,113,703	\$ 34,821,478	\$ 29,816,392
<b>State Officers' Salaries</b>			
<u>Appropriation</u>	\$ 135,100	\$ 133,300	\$ 133,300
<u>Expenditures</u>	135,358	128,722	135,081
<u>Lapsed Balances</u>	\$ (258)	\$ 4,578	\$ (1,781)

Note: For FY 2012 and FY 2010, expenditures and lapsed balances do not include interest payments approved for payment by the Department and submitted to the Comptroller for payment after August.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF LOCALLY HELD FUNDS  
SECURITY DEPOSIT FUND - 1109**

**For the Two Years Ended June 30, 2012  
(Expressed in Thousands)**

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,141	\$ 44,022	\$ 33,623	\$ 16,540
Investments	869,311	251,011	225,135	895,187
Total assets	<u>\$ 875,452</u>	<u>\$ 295,033</u>	<u>\$ 258,758</u>	<u>\$ 911,727</u>

**LIABILITIES**

Other liabilities	<u>\$ 875,452</u>	<u>\$ 295,033</u>	<u>\$ 258,758</u>	<u>\$ 911,727</u>
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	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,870	\$ 28,935	\$ 27,664	\$ 6,141
Investments	893,351	158,463	182,503	869,311
Total assets	<u>\$ 898,221</u>	<u>\$ 187,398</u>	<u>\$ 210,167</u>	<u>\$ 875,452</u>

**LIABILITIES**

Other liabilities	<u>\$ 898,221</u>	<u>\$ 187,398</u>	<u>\$ 210,167</u>	<u>\$ 875,452</u>
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The Security Deposit Fund (Fund) (Fund 1109) is a fiduciary fund created by the Illinois Insurance Code (215 ILCS 5/404.1). The Code requires companies domiciled in the State of Illinois to make and maintain, with the Director of the Department of Insurance, a deposit of securities having a fair market value of specified amounts for the protection of all creditors, policyholders, and policy obligations of the company. The amount of deposit required is determined by the classification under which a company is organized and also as required to support certain classes of reserves.

The fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Cash equivalents are defined as short-term, highly liquid investments convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit, and money market accounts for locally held funds.

Investments are reported at fair value. The Department holds investments pursuant to statutory authority for locally held funds.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
SCHEDULE OF CHANGES IN STATE PROPERTY  
For the Two Years Ended June 30, 2012**

**Year Ended June 30, 2011**

Balance per Department, Beginning	\$ 2,297,714
Additions	71,150
Deletions	(2,690)
Net transfers	<u>528,227</u>
Balance per Department, Ending	<u><u>\$ 2,894,401</u></u>

**Year Ended June 30, 2012**

Balance per Department, Beginning	\$ 2,894,401
Additions	76,484
Deletions	(4,649)
Net transfers	<u>(444,141)</u>
Balance per Department, Ending	<u><u>\$ 2,522,095</u></u>

The above balances consist of equipment and capital lease equipment.

Note: The above schedule has been derived from Department records which have been reconciled to property reports submitted to the Office of the Comptroller.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS**  
**For Fiscal Years 2012, 2011 and 2010**

	<b>FISCAL YEAR</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
General Revenue Fund - 0001	\$ 344,565,554	\$ 316,420,252	\$ 322,431,226
Fire Prevention Fund - 0047	23,490,622	22,678,144	22,207,685
Insurance Premium Tax Refund Fund - 0378	1,346,205	1,450,600	-
Senior Health Insurance Program Fund - 0396	3,678,991	1,983,900	985,700
Protest Fund - 0401	6,469	-	11,444,164
Illinois Workers' Compensation Commission Operations Fund - 0534	22,793,886	23,735,991	14,974,858
Public Pension Regulation Trust Fund - 0546	1,785,710	1,832,776	1,564,067
Federal Trust Fund - 0673	2,174,314	382,503	-
Group Self-Insurers Workers Compensation Fund - 0739	154,018	148,084	138,882
Insurance Producers' Administration Fund - 0922	30,336,268	25,024,207	24,132,976
Insurance Financial Regulation Fund - 0997	22,677,784	20,501,794	26,127,400
	<u>\$ 453,009,821</u>	<u>\$ 414,158,251</u>	<u>\$ 424,006,958</u>
Total - All Funds	<u>\$ 453,009,821</u>	<u>\$ 414,158,251</u>	<u>\$ 424,006,958</u>

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS BY CATEGORY**  
**For Fiscal Years 2012, 2011 and 2010**

	<b>FISCAL YEAR</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Privilege insurance tax	\$ 183,079,847	\$ 175,259,634	\$ 176,264,991
Retaliatory tax	127,242,949	107,976,705	104,871,738
Surplus line tax	35,234,988	33,649,576	38,565,508
Licenses fees and registration:			
Industrial Commission Operations Fund surcharges	22,793,886	23,735,991	14,974,858
Insurance producer licenses and fees	24,002,976	22,902,131	22,982,857
Regulatory insurance licenses and fees	22,616,933	20,436,575	26,064,347
Pensions filing fees	1,785,710	1,832,776	1,564,067
Insurance performance examination fees	693,426	835,876	662,979
Total licenses fees and registration	<u>71,892,931</u>	<u>69,743,349</u>	<u>66,249,108</u>
Protest fees	6,469	-	11,444,164
Fire marshal tax	23,490,622	22,678,144	22,207,685
Federal government grant	5,853,305	2,366,403	985,700
Surety bonds	154,018	148,084	138,882
Fines, penalties, interest	4,724,802	1,805,982	3,116,174
Miscellaneous	<u>1,329,890</u>	<u>530,374</u>	<u>163,008</u>
	<u>\$ 453,009,821</u>	<u>\$ 414,158,251</u>	<u>\$ 424,006,958</u>

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
RECONCILIATION SCHEDULE OF RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER  
For the Two Years Ended June 30, 2012

Fund	Receipts Per Department Records	Plus Deposits in Transit Beginning of Year	Less Deposits in Transit End of Year	Transfers/ Adjustments Other Funds	Deposits Per Comptroller Records
<b>Year Ended June 30, 2012</b>					
General Revenue Fund - 0001	\$ 344,565,554	\$ 287,331	\$ (219,901)	-	\$ 344,632,984
Fire Prevention Fund - 0047	23,490,621	735	-	-	23,491,356
Insurance Premium Tax Refund Fund - 0378	1,346,205	-	-	-	1,346,205
Senior Health Insurance Program Fund - 0396	3,678,991	-	-	-	3,678,991
Protest Fund - 0401	6,469	-	-	-	6,469
Illinois Workers' Compensation Commission Operations Fund - 0534	22,793,886	-	-	-	22,793,886
Public Pension Regulation Trust Fund - 0546	1,785,710	68,009	(103,747)	-	1,749,972
Fed Trust Fund - 0618	2,174,314	-	-	-	2,174,314
Group Self-Insurers Workers Compensation Fund - 0739	154,018	-	-	-	154,018
Insurance Producers' Administration Fund - 0922	30,336,269	442,566	(649,541)	(360)	30,128,934
Insurance Financial Regulation Fund - 0997	22,677,784	65,255	(71,178)	-	22,671,861
<b>Reconciliation Totals</b>	<u>\$ 453,009,821</u>	<u>\$ 863,896</u>	<u>\$ (1,044,367)</u>	<u>\$ (360)</u>	<u>\$ 452,828,990</u>
<b>Year Ended June 30, 2011</b>					
General Revenue Fund - 0001	\$ 316,420,252	\$ 120,961	\$ (287,331)	-	\$ 316,253,882
Fire Prevention Fund - 0047	22,678,144	-	(735)	-	22,677,409
Insurance Premium Tax Refund Fund - 0378	1,450,600	-	-	-	1,450,600
Senior Health Insurance Program Fund - 0396	1,983,900	-	-	-	1,983,900
Illinois Workers' Compensation Commission Operations Fund - 0534	23,735,991	-	-	-	23,735,991
Public Pension Regulation Trust Fund - 0546	1,832,776	78,201	(68,009)	-	1,842,968
Fed Trust Fund - 0673	382,503	-	-	-	382,503
Group Self-Insurers Workers Compensation Fund - 0739	148,084	-	-	-	148,084
Insurance Producers' Administration Fund - 0922	25,024,207	436,943	(442,566)	-	25,018,584
Insurance Financial Regulation Fund - 0997	20,501,794	2,893,982	(65,255)	-	23,330,521
<b>Reconciliation Totals</b>	<u>\$ 414,158,251</u>	<u>\$ 3,530,087</u>	<u>\$ (863,896)</u>	<u>\$ -</u>	<u>\$ 416,824,442</u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

A comparative schedule of net appropriations, expenditures and lapsed balances is presented on pages 45 through 47. We considered fluctuations in excess of \$100,000 and 20% in expenditures to be significant. Explanations of significant expenditures fluctuations are as follows:

**FY 2012**

Senior Health Insurance Program Fund – 0396

The appropriated expenditures increased by \$1,604,224 or 88%. The increase was due to Federal grant money carried over from previous years. The carryover was a result of insufficient appropriation awarded the program in prior fiscal years. The Department had to spend this carryover to avoid termination of the program and loss of Federal funds.

The non-appropriated expenditures decreased by \$457,050 or 100% because this was appropriated under line item 1910 – Lump-Sum Operations during the current year.

Illinois Workers' Compensation Commission Operations Fund – 0534

The expenditures increased by \$108,049 or 29% due to additional contractual headcount hired and additional contractual expenses. The fund was appropriated and funded for six full-time employees but was held to only one authorized full time employee by the Governor's Office of Management and Budget (GOMB). All other hires were contractual and were investigators to investigate workers' compensation fraud allegations statewide.

Department of Insurance Federal Trust Fund – 0673

The expenditures increased by \$2,496,797 or 601% due to two new grants awarded to the Department in fiscal year 2012. These grants are Health Insurance Rate Review Grant Cycle II and State Operated Health Insurance Exchanges. In addition, there was an increase in draw downs and spending of Federal grant money from the grants initially received in fiscal year 2011.

**FY 2011**

Insurance Premium Tax Refund Fund – 0378

The expenditures increased by \$318,467 or 33%. Money in this fund may be expended to pay tax refunds due. Expenditures will vary year to year depending upon the total amount of tax paid and total refunds issued within the fiscal year.

Senior Health Insurance Program Fund – 0396

The appropriated expenditures increased by \$807,046 or 80%. The increase was due to Federal grant money carried over from previous years. The carryover was a result of insufficient appropriations awarded to the program in prior fiscal years. The Department had to spend this carryover to avoid termination of the program and loss of Federal funds.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

**FY 2011** (Continued)

The non-appropriated expenditures increased by \$457,050 or 100% because this was appropriated under line item 1910 – Lump-Sum Operations during the prior fiscal year.

Illinois Workers' Compensation Commission Operations Fund – 0534

The expenditures increased by \$120,388 or 47% due to additional contractual headcount hired. The fund hired up to four personal services contracts (PSC's) in fiscal year 2011 compared to fewer PSC's during the prior year.

Public Pension Regulation Trust Fund – 0546

The expenditures increased by \$209,679 or 20% due to increased personal services and travel expenditures. Additional hires were made to conduct public pension audits.

Department of Insurance Federal Trust Fund – 0673

The expenditures increased by \$415,330 or 100% due to three new grants awarded to the Department in fiscal year 2011. These grants are Consumer Assistance and Patient Protection Project, Affordable Care Act's Exchanges and State Health Insurance Premium Insurance Review Grant.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**

A comparative schedule of cash receipts by fund is presented on page 50. We considered fluctuations in excess of \$100,000 and 20% to be significant. Explanations of significant receipts fluctuations are as follows:

**FY 2012**

Senior Health Insurance Program Fund – 0396

The receipts increased by \$1,695,091 or 85%. The change in receipts was due to an increase in federal money received compared to the prior fiscal year for the implementation of this program.

Department of Insurance Federal Trust Fund – 0673

The receipts increased by \$1,791,811 or 468%. The increase was due to the federal money received for the implementation of the Affordable Care Act.

Insurance Producers' Administration Fund – 0922

The receipts increased by \$5,312,061 or 21%. This was attributable to two factors: 1) the increase in the collection of interest on late filing fees due to several multi-state settlement agreements during fiscal year 2012 and 2) increased receipts from Agent and Broker Examination fees due to hiring contractual examiners to conduct examinations which resulted in increased fees charged to companies.

**FY 2011**

Insurance Premium Tax Refund Fund – 0378

The receipts increased by \$1,450,600 or 100%. The increase was due to the transfer of collections from the General Revenue Fund to this fund starting fiscal year 2011.

Senior Health Insurance Program Fund – 0396

The receipts increased by \$998,200 or 101%. The change in receipts was due to an increase in federal money received compared to the prior fiscal year for the implementation of this program.

Protest Fund – 0401

The receipts decreased by \$11,444,164 or 100%. The decrease was due to the transfer of collections of the Industrial Commission Operation Fund Surcharge from Fund 401 (Protest Fund) to Fund 534 (Illinois Workers' Compensation Commission Operation Fund) starting fiscal year 2011. The Industrial Commission Operation Fund Surcharge are collections from the billings per Illinois Insurance Code 215 ILCS 5/416 to every company at the rate of 1.01% of its direct written premium for insuring employers' liabilities arising under the Workers' Compensation Act or Workers' Occupational Diseases Act.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**

**FY 2011** (Continued)

Illinois Workers' Compensation Commission Operation Fund – 0534

The receipts increased by \$8,761,133 or 59%. The increase was due to the transfer of collections of the Industrial Commission Operation Fund Surcharge from Fund 401 (Protest Fund) to Fund 534 (Illinois Workers' Compensation Commission Operation Fund) starting fiscal year 2011.

Department of Insurance Federal Trust Fund – 0673

The receipts increased by \$382,503 or 100%. The increase was due to the federal money received for the implementation of the Affordable Care Act.

Insurance Financial Regulation Fund – 0997

The receipts decreased by \$5,625,606 or 22% due to a reduction in the collection of the regulatory licenses and fees compared to the prior fiscal year.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**

The schedule of net appropriations, expenditures and lapsed balances by fund is presented on pages 37 through 44. We considered spending of \$100,000 and 15% or more of total expenditures to be significant. Explanations of significant lapsed period spending are as follows:

**FY 2012**

Department of Insurance Federal Trust Fund – 0673

Lapse period expenditures were \$805,682 or 28% of total expenditures. Lapse period expenditures pertained to Consumer Assistance and Patient Protection Project and State Operated Health Insurance Exchanges. Lapse spending occurred due to timing of billings and subsequent payment of vouchers for contractual services rendered in relation to an independent evaluation of Consumer Assistance Services.

**FY 2011**

Senior Health Insurance Program Fund – 0396

Lapse period expenditures were \$524,782 or 29% of total expenditures. Lapse period expenditures pertained to advertising and communication costs due to a large media campaign on television, radio and newsprint late in the fiscal year.

Department of Insurance Federal Trust Fund – 0673

Lapse period expenditures were \$307,671 or 74% of total expenditures. This lapse spending occurred within the Federal Funds associated with Health Care Reform. These lapse payments were made for the consulting services for a comprehensive report of the current state of health insurance coverage in Illinois and for services rendered in providing assistance in planning the implementation of an American Health Benefit Exchange, as provided by the Federal Affordable Healthcare Act. Additional lapse spending occurred due to timing of billings for Statistical Services Revolving Fund and payments for professional services associated with Health Care Rate Review.

**STATE OF ILLINOIS**  
**DEPARTMENT OF INSURANCE**  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
**For the Two Years Ended June 30, 2012**

The aging schedule of the Department's accounts receivables (expressed in thousands) at June 30, 2012 is presented below:

Aging Schedule	General Revenue Fund 0001	Fire Prevention Fund 0047	Public Pension Regulation Trust Fund 0546	Insurance Producers' Administration Fund 0922	Insurance Financial Regulation Fund 0997	Total
Current	\$ 14	\$ -	\$ -	\$ 35	\$ 17,915	\$ 17,964
31-60	65	-	174	9	-	248
61-120	416	-	-	116	31	563
121-180	8	-	-	51	5	64
181-365	10	-	-	80	4	94
Over 365	5,173	17	-	354	21	5,565
Accounts Receivable Gross Balance	<u>5,686</u>	<u>17</u>	<u>174</u>	<u>645</u>	<u>17,976</u>	<u>24,498</u>
Less: Estimated Uncollectibles	<u>(692)</u>	<u>(17)</u>	<u>-</u>	<u>(344)</u>	<u>(25)</u>	<u>(1,078)</u>
Accounts Receivable Net Balance	<u>\$ 4,994</u>	<u>\$ -</u>	<u>\$ 174</u>	<u>\$ 301</u>	<u>\$ 17,951</u>	<u>\$ 23,420</u>

STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
ANALYSIS OF ACCOUNTS RECEIVABLE  
For the Two Years Ended June 30, 2012

The aging schedule of the Department's accounts receivables (expressed in thousands) at June 30, 2011 is presented below:

Aging Schedule	General Revenue Fund 0001	Fire Prevention Fund 0047	Public Pension Regulation Trust Fund 0546	Insurance Producers' Administration Fund 0922	Insurance Financial Regulation Fund 0997	Total
Current	\$ 77	-	-	\$ 49	\$ 18	\$ 144
31-60	7	-	154	125	2	288
61-120	80	17	-	22	4	123
121-180	23	-	-	111	3	137
181-365	222	-	-	118	1	341
Over 365	4,958	-	-	6	44	5,008
Accounts Receivable Gross Balance	<u>5,367</u>	<u>17</u>	<u>154</u>	<u>431</u>	<u>72</u>	<u>6,041</u>
Less: Estimated Uncollectibles	<u>(735)</u>	<u>(17)</u>	<u>-</u>	<u>(243)</u>	<u>(47)</u>	<u>(1,042)</u>
Accounts Receivable Net Balance	<u>\$ 4,632</u>	<u>\$ -</u>	<u>\$ 154</u>	<u>\$ 188</u>	<u>\$ 25</u>	<u>\$ 4,999</u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**AGENCY FUNCTIONS AND PLANNING PROGRAM  
(Not Examined)**

The Department of Insurance (Department) was re-established on June 1, 2009 by Executive Order 2009-04 of the Governor. The Department was previously a part of the Department of Financial and Professional Regulation as the Division of Insurance. The Department is located at 320 West Washington Street, Springfield, Illinois, and at the James R. Thompson Center, 100 West Randolph Street Suite 9-301, Chicago, Illinois. Andrew Boron has been the Director since January 31, 2012.

Agency Functions

The mission of the Department is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace.

The Department carries out this mission through effective administration and enforcement of the Illinois Insurance Code (215 ILCS 5/1 et seq.), the Illinois Pension Code (40 ILCS 5/1-101 et seq.), and related laws and regulations, including Title 50 of the Illinois Administrative Code. The Department has ten Divisions. Each Division is described below:

Office of Legal Affairs Division

The Office of Legal Affairs Division provides a variety of legal services to the regulatory units of the Department of Insurance. The Division arranges and conducts formal hearings, conducts the rulemaking process, drafts contracts, and advises other areas of the Department on legal issues which arise in the course of their work.

The Office of Legal Affairs staff normally does not represent the Department in matters before the courts, but acts as liaison with the Attorney General's staff and outside counsel on litigation in which the Department has an interest. The Office of Legal Affairs responds to external inquiries from the Office of the Special Deputy Receiver, other agencies of government and the general public as needed.

Workers' Compensation Fraud Division

The Workers' Compensation Fraud Unit (WCFU) is charged with examining allegations of workers' compensation fraud and insurance non-compliance. Section 25, 5(c) of the Illinois Workers' Compensation Act specifically provides that it "shall be the duty of the WCFU to determine the identity of insurance carriers, employees, or other persons or entities that have violated the fraud and insurance non-compliance provisions of this Section."

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)  
(Not Examined)**

Financial/Corporate Regulatory Division

The Financial/Corporate Regulatory Division is responsible for analyzing and monitoring the financial strength of insurance companies and all other regulated insurance risk bearing entities. This task is accomplished via on-site financial examinations and intervening when developing problems are identified. The Division licenses authorized insurers in the State, and investigates and takes action against unauthorized companies illegally conducting the business of insurance. The Division is intricately involved in oversight of the management operations of Illinois insurers because by law many corporate transactions, such as entering reinsurance agreements, paying dividends, and transacting business with affiliates, require the prior approval of the Department.

Pension Division

The Pension Division regulates the suburban and downstate police and fire fighter pension systems and collects vital information from those funds, as well as from large State, Cook County and Chicago pension systems, including the Illinois Municipal Retirement System. The Division's field examinations of pension fund documents and desk audits of annual statements are the principal processes under which the State is able to protect the accrued pension benefits of active and retired public employees. The Division must also ensure the investments of Illinois public pension systems are in compliance with law.

Consumer Education Division

The Consumer Education Division is responsible for consumer protection and education programs and non-financial regulatory functions.

Operating under a federal grant, the Senior Health Insurance Program (SHIP) provides free insurance counseling service to Medicare beneficiaries and their caregivers. Senior volunteers are trained to assist Illinois citizens with Medicare and health insurance questions and problems by providing one-on-one counseling in local offices throughout the State.

Finance and Administration Division

The Finance and Administration Division provides support services to the entire Department and is responsible for revenue collections and fiscal functions except for accounting and Human Resources functions which were transferred to the Administrative and Regulatory Shared Services Center.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)  
(Not Examined)**

Information Technology Division

The Information Technology Division provides information technology services for the Department's Springfield and Chicago offices and for financial and market conduct examiners in the field, as well as consulting IT support for the Office of the Special Deputy and the Comprehensive Health Insurance Plan.

Producer Regulatory Services/Property and Casualty Products Division

The Property and Casualty Compliance Division reviews the manuals of rules and rates filed for those lines of insurance required by statute and oversees the operations of the Illinois Mine Subsidence Fund and the State's involuntary insurance markets: the Illinois Automobile Insurance Plan, the Illinois FAIR Plan Association and the Illinois Workers Compensation Assigned Risk Plan.

Life and Annuities Products Division and Health Products Division

The Divisions' functions are to receive from insurance companies, filings which contain product forms that will be sold in Illinois for review to determine compliance with the Illinois Insurance Code and Regulations. The two Divisions are required to interpret laws and regulations and respond to inquiries from insurance company representatives, attorneys and other Departmental staff.

The Department has three associated organizations. Each organization is described below:

Office of the Special Deputy (OSD)

The Office of the Special Deputy (OSD) assists the Director in carrying out his responsibilities as the statutory conservator, rehabilitator or liquidator of insurance companies that are declared insolvent or are otherwise impaired from managing their own affairs. When a company domiciled or licensed in Illinois is placed into receivership, the claims of Illinois residents are covered by one of the State's three insurance guaranty funds up to the limits allowed by statute. Coverage under the Life and Health Insurance Guaranty Association is triggered when an impaired or insolvent Life or Health company is placed under a final order of rehabilitation or liquidation. Coverage under the Illinois Health Maintenance Organization Guaranty Association law is triggered when an impaired or insolvent HMO company is placed under a final order of rehabilitation or liquidation. Coverage under the Illinois Insurance Guaranty Fund is triggered by the entry of a final order of liquidation with a finding of insolvency against a Property and Casualty company. Policyholders with claims against unauthorized, illegal, or unlicensed insurers are not generally afforded this protection.



**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)  
(Not Examined)**

Comprehensive Health Insurance Plan (CHIP)

The Comprehensive Health Insurance Plan (CHIP) is a State program which offers health insurance to a limited number of Illinois residents who can afford, but are unable to find adequate health insurance coverage in the private market because of their medical or physical condition. The plan also serves as the State's alternative mechanism for HIPAA portability requirements. CHIP is subject to its own enabling law and is governed by a Board of Directors which is chaired by the Director of Insurance or his designee. CHIP has a small staff which works for the Board of Directors. Claims are administered for CHIP by a private insurer.

National Association of Insurance Commissioners (NAIC)

The National Association of Insurance Commissioners (NAIC) is a central organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and four U.S. territories. The primary objective of this body is to strengthen and improve State regulation through the formulation of common goals and uniform policies.

The Illinois Department of Insurance maintains an active presence in the NAIC and was one of the first four states to become formally accredited as meeting the financial regulatory standards established by the NAIC.

Planning Program

Insurance regulation has two primary objectives, financial solvency and consumer protection, which are carried out through a number of programs designed to effectively serve the people of Illinois.

The following is a partial list of those programs:

- analysis of the financial statements of all companies, fraternal organizations, and public employee pension funds established in the State;
- periodic financial and market conduct examinations of insurance companies;
- examination and licensing of insurance producers;
- review and approval of policy forms;
- rate regulation and rate adjustment for select lines of insurance prescribed by statute;
- investigation of consumer complaints against insurance companies and producers;
- preparation of new legislation; and
- conduct hearings on complaints and violations of the Illinois Insurance Code.

The Department has formal strategic priorities outlined in their current Strategic Plan. The Department's Performance Metrics Summary includes target dates/periods and descriptions of criteria to help the Department evaluate their priorities and initiatives.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**AVERAGE NUMBER OF EMPLOYEES  
(Not Examined)**

The following information was prepared from Department records and presents the average number of employees for fiscal years ended June 30:

<u>Division/Unit</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Senior Health Insurance Program	9	3	3
Illinois Workers' Compensation Commission Operations	1	-	1
Public Pension Regulatory	12	12	11
Affordable Care Act Operation	1	-	-
Insurance Producer Administration	109	109	99
Insurance Financial Regulation	<u>131</u>	<u>136</u>	<u>126</u>
<b>TOTAL</b>	<u><u>263</u></u>	<u><u>260</u></u>	<u><u>240</u></u>

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**SERVICE EFFORTS AND ACCOMPLISHMENTS  
(Not Examined)**

**Division of Insurance, Consumer Market Division**

**Mission Statement:** To protect consumers by monitoring and ensuring the solvency of Illinois-based insurance companies; to make certain that insurance companies and producers adhere to state insurance laws and regulations; and to work with insurance regulators from other states to maintain and enhance the efficiency of state based insurance regulation.

**Program Goals:**

**Objectives:**

1. Ensure that insurance-related complaints and inquiries are handled in a timely and accurate manner.
  - a. To maintain the average number of days required to investigate and close a life, accident, and health (LA&H) insurance complaint at 60 days.
  - b. To maintain the average number of days required to investigate and close a property and casualty (P&C) insurance complaint at 35 days.
  - c. To handle external review requests within time-frames required by law, i.e. one business day for standard requests and immediately for expedited requests.
2. Ensure that regulated entities comply with applicable laws, regulations, and their policy contracts.
  - a. To protect Illinois insurance consumers by conducting examinations on insurers whose complaint volume suggests possible non-compliance with laws, regulations, and their policy contracts.
  - b. To schedule and complete follow-up market conduct examinations on insurers whose prior exams resulted in orders requiring corrective action to determine if the insurers have complied.
  - c. To schedule and complete targeted exams to determine market practices on issues of interest to the executive or legislative branches.
3. Enforce licensing and continuing education requirements for individuals and other licensed entities, determining, by investigation, that entities are in compliance with laws and regulations.
  - a. To process 100% of all new online license requests within one working day of the date on which the National Insurance Producer Registry (NIPR) receives the information. Depending on volume, licensing needs and other circumstances, process approximately 55% of the new paper applications received within 30 working days.
  - b. To process 100% of all renewed online license requests within one working day of the date on which the National Insurance Producer Registry (NIPR) receives the information. Depending on volume, licensing needs and other circumstances, process approximately 55% of the renewal paper applications received within 30 working days.

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

- c. To respond to potential licensing violations committed by applicants and licensees through investigations and examinations of selected insurance producers and other entities. Depending on complaint volume, regulatory needs and other circumstances, approximately 200 investigations and examinations will be conducted each year.
- 4. Protect consumers by providing information needed to make decisions on a broad range of insurance issues and assisting consumers with specific concerns pertaining to coverage, claims, underwriting and other consumer financial issues.
  - a. To educate and provide useful information to current and future insurance consumers by conducting 150 presentations at high schools across the State utilizing Driver Education and Consumer Education classes.
  - b. To provide specialized assistance during disasters by providing, within 24 hours of a declaration of the disaster, contact with necessary parties, and when necessary, on-site consumer education and information at all sites declared as state disaster areas in the fiscal year.
  - c. To maintain an annual base of 100 radio presentations, with an estimated audience of approximately 2.5 million listeners, through which questions are answered and information is provided to insurance consumers in Illinois during the fiscal year.
  - d. To attend Department of Commerce and Economic Opportunity Rapid Response meetings when called. We will provide laid-off or soon-to-be unemployed consumers with information regarding the importance of understanding Credit History and Scoring as used in insurance, options regarding 401K accounts, along with information regarding other financial decisions made by these consumers.
  - e. To make presentations at educational seminars conducted by trade groups, associations, labor unions and business organizations regarding the functions and duties of the Department of Insurance relating to insurance and financial issues.
  - f. To act as the Department's Outreach contact with communities, insurance companies, insurance trade associations and other entities seeking educational information or assistance from the Department of Insurance.
  - g. To assist the Senior Health Insurance Program with conferences, training, seminars and presentations regarding senior insurance issues, i.e. Medicare, Medicare Part D, Open Enrollment, etc.
- 5. Protect and inform Medicare beneficiaries through education, counseling, and access to health insurance information and services. During fiscal year 2012, SHIP counselors provided a wealth of information to people on Medicare and their caregivers by:
  - a. Conducting one-on-one counseling sessions with Medicare beneficiaries; and
  - b. Participating in health fairs to reach Medicare consumers in their local communities; and
  - c. Making presentations to community groups, clubs, churches, etc., to educate consumers regarding their rights and options regarding Medicare and related health insurance products; and

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

- d. Partnering with local, state and federal government entities, as well as community groups to share best practices and coordinate outreach to the Medicare population in Illinois; and
- e. Providing a toll-free number for consumers, which provides information and referral services regarding Medicare, senior health insurance and aging issues.

**Funds: Senior Health Insurance Program Fund, Insurance Producer Administration Fund**  
**Statutory Authority: 215 ILCS 5/500-135**

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target /Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target /Projected</u>
<b><u>Input Indicators</u></b>					
• Total expenditures – all sources (in thousands)	\$12,827.3	\$14,631.0	\$20,223.5	\$17,885.9	\$19,420.0
• Total expenditures – state appropriated funds (in thousands)	\$12,827.3	\$14,631.0	\$20,223.5	\$17,885.9	\$19,420.0
• Average monthly full-time equivalents	108.0	110.0	134.0	118.0	120.0
<b><u>Output Indicators</u></b>					
• Number of LA&H & P&C consumer complaints closed	9,715	8,822	8,900	8,788	9,000
• Number of written inquiries responded to (oral, written, internet) also includes Chicago	121,636	97,286	112,577	101,632	115,000
• Number of LA&H and P&C market conduct exams completed	11.0	42.0	42.0	19.0	30.0
• Number of market conduct corrective orders issued	10.0	5.0	15.0	12.0	15.0
• Number of new/renewal licenses processed by Producer Licensing Section	25,477	86,269	86,000	112,486	111,000
• Number of LA&H and P&C form and rate filings processed	50,545	56,708	62,378	44,773	47,613
• Number of volunteer hours (SHIP)	60,180	60,000	65,000	95,220	97,000
• Number of people reached by Senior Health Insurance Plan (SHIP) activities	2,900,000	2,566,000	3,000,000	3,025,000	3,050,000
• Number of SHIP 800 calls	36,800	33,627	36,000	26,622	26,000

**STATE OF ILLINOIS  
DEPARTMENT OF INSURANCE  
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For the Two Years Ended June 30, 2012**

**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target /Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target /Projected</u>
<b><u>Output Indicators</u></b> (Continued)					
• Utilization Review Applications Processed (URO renewals are based upon a two year cycle)	168.0	121.0	150.0	169.0	180.0
• PPO Annual Renewal Applications processed	170.0	123.0	175.0	31.0	50.0
• HMO complaints closed	569.0	461.0	450.0	344.0	355.0
• HMO policy form filings processed	290.0	382.0	350.0	170.0	182.0
• Number of people reached by Outreach's radio presentations	2,300,000	2,600,000	2,600,000	2,600,000	2,600,000
• Number of Fact Sheets available on Department Internet Site	86.0	92.0	100.0	96.0	115.0
• Number of Driver Education presentations by Outreach Unit	230.0	300.0	150.0	196.0	150.0
• Number of other and senior citizens presentations by Outreach Unit	120.0	162.0	225.0	300.0	325.0
• Number of External Reviews closed	N/A	N/A	N/A	685.0	960.0
<b><u>Outcome Indicators</u></b>					
• Reduction in number of P&C companies with over 5 complaints closed, whose average consumer complaint response time is greater than 21 days	2.0	2.0	2.0	2.0	3.0
• Reduction in number of LA&H companies with over 5 complaints closed, whose average consumer complaint response time is greater than 21 days	3.0	2.0	3.0	3.0	3.0
• Percentage of auto/homeowners insurers complying with prompt payment standards	95%	95%	95%	95%	95%

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target /Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target /Projected</u>
<b><u>Outcome Indicators</u></b> (Continued)					
• Percentage reduction in companies not in compliance with previous market conduct examination orders	75%	0%	50%	33%	25%
• Additional claim dollars paid to consumers (in dollars)	\$15,362	\$4,334	\$29,000	\$72,965	\$75,000
• Dollars saved for Illinois Medicare beneficiaries as a result of Medicare and health insurance counseling sessions (in dollars)	\$18,100,000	\$24,000,000	\$26,000,000	\$28,000,000	\$30,000,000
• Premium overcharges returned to consumers (in dollars)	\$34,492	\$614	\$5,000	\$300	\$5,000
<b><u>Efficiency/Cost-Effectiveness</u></b>					
• Percentage of new license applications processed electronically, within one working day	35%	96%	97%	100%	100%
• Percentage of renewal license applications processed electronically, within one working day	55%	96%	97%	100%	100%
• Percentage of new paper license applications processed electronically, within one working day	N/A	33%	33%	63%	63%
• Percentage of renewal paper license applications processed electronically, within one working day	N/A	33%	33%	63%	63%

**Explanatory Information**

Output Indicator "Number of Office of Consumer Health Insurance Calls" has been removed from this report. The Consumer Health Insurance Program reports data directly to the Comptroller. Additionally, the program does not track number of phone calls received.

Output Indicator "Number of External Reviews Closed" is new to this report. Therefore, no Fiscal Year 2010 or 2011 data was reported.

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

**Division of Insurance, Financial/Corporate Division**

**Mission Statement:** To protect consumers by monitoring and ensuring the solvency of Illinois-based insurance companies; to make certain that insurance companies and producers adhere to state insurance laws and regulations; and to work with insurance regulators from other states to maintain and enhance the efficiency of state based insurance regulation.

**Program Goals:**

**Objectives:**

1. Conduct periodic financial examinations, identify and work with companies on solvency problems and, when warranted, take corrective regulatory action.
  - a. To conduct financial examinations pursuant to a schedule which ensures that all domestic insurance companies are examined not less frequently than every five years as required by Illinois law and National Association of Insurance Commissioners (NAIC) Financial Regulation Accreditation Standards.
  - b. To conduct more frequent financial examinations of domestic insurance companies identified as priorities.
2. Ensure that regulated entities conduct business according to the incorporation, licensing, registration, and transaction approval requirements specified by applicable law and regulation.
  - a. To renew by July of each year certificates of authority for all authorized foreign and alien companies operating in Illinois, and all approved/accredited foreign and alien insurers operating in Illinois by September 1 of each year.
  - b. To review and process all transactions (e.g., new requests for incorporation, requests for corporate changes) within thirty (30) days of the date on which all information necessary to act on the request is available.
3. Provide advisory services to Illinois public pension funds, retirement systems and their participants and assess compliance with applicable law and regulation.
  - a. To conduct more frequent examinations of public pension funds in order to achieve a decrease the time interval between examinations.
  - b. To process all annual financial statements from public pension funds and retirement systems within ten (10) days of receipt of the annual statement.



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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

**Funds: Public Pension Regulation Fund, Insurance Financial Regulation Fund  
Statutory Authority: 215 ILCS5/408.3; 30 ILCS105/8f**

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target /Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target /Projected</u>
<b><u>Input Indicators</u></b>					
• Total expenditures -all sources (in thousands)	\$15,758.2	\$17,648.0	\$24,370.0	\$19,288.6	\$23,978.7
• Total expenditures -state appropriated funds (in thousands)	\$15,758.2	\$17,648.0	\$24,370.0	\$19,288.6	\$23,978.7
• Average monthly full-time equivalents	142.0	147.0	185.0	138.0	146.0
<b><u>Output Indicators</u></b>					
• LA&H and P&C financial exams started	79.0	75.0	69.0	71.0	80.0
• LA&H, P&C & HMO annual financial statements reviewed	376.0	386.0	N/A	369.0	370.0
• LA&H, P&C & HMO quarterly financial statements reviewed	926.0	962.0	N/A	913.0	920.0
• Corrective orders, stipulation and consent orders, and notices of impairment issued	0	4.0	N/A	4.0	N/A
• Certificates of authority renewed	1,457	1,571	N/A	1,407	1,425
• Cease and desist and consent orders issued	4.0	4.0	N/A	N/A	N/A
• Pension fund exams completed	81.0	119.0	125.0	89.0	100.0
• Pension fund annual statements reviewed	1,179	993.0	850.0	834.0	825.0
• LA&H/HMO/P&C limited exams started	9.0	10.0	6.0	8.0	8.0
• Service contract provider registrations-new & renewal	154.0	152.0	N/A	N/A	N/A
• Risk retention groups registered	7.0	10.0	N/A	N/A	N/A
• LA&H/HMO/P&C exams scheduled	64.0	63.0	69.0	80.0	80.0
• LA&H/HMO/P&C limited exams scheduled	7.0	6.0	6.0	8.0	8.0
• LA&H/P&C annual financial statements received	1,737	1,827	N/A	312.0	N/A

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target /Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target /Projected</u>
<b><u>Output Indicators</u></b> (Continued)					
• LA&H and P&C quarterly financial statements received	956.0	928.0	N/A	837.0	N/A
• Investigations initiated	N/A	10.0	N/A	N/A	N/A
• Pension Fund annual statements received	647.0	650.0	655.0	661.0	665.0
• Number of company transaction requests reviewed	847.0	781.0	N/A	819.0	800.0
• Number of certification transactions processed annually	11,181	11,215	N/A	9,356	10,000
• Number of corporate change transactions processed annually	427.0	491.0	N/A	415.0	425.0
• Number of surplus lines producers -licensing –new and renewal	1,492	1,563	N/A	1,597	1,500
• Number of summons issued - for service of process on foreign and alien insurers	1,327	1,530	N/A	2,277	1,500
• Number of purchasing group registrations	11.0	23.0	N/A	25.0	20.0
• Pension Fund exams started	77.0	116.0	125.0	90.0	100.0
<b><u>Outcome Indicators</u></b>					
• Percentage of financial analysis issues resolved	100%	100%	N/A	100%	100%
• Ten (10) year rolling average of Life, Accident & Health (LA&H) companies in receivership	3.09%	3%	N/A	2.9%	2.5%
• Ten (10) year rolling average of Property & Casualty (P&C) companies in receivership	4.76%	4%	N/A	3.24%	2.5%
• Ten (10) year rolling average HMOs in receivership	2.5%	0%	N/A	0%	0%
• Percentage of LA&H companies operating compared to previous year	101.25%	95%	N/A	95%	95%
• Percentage of P&C companies operating compared to previous year	100.08%	106%	N/A	106%	106%
• Percentage of HMOs operating compared to previous year	100.65%	107%	N/A	107%	107%

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**SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)  
(Not Examined)**

	<u>Fiscal Year 2010 Actual</u>	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Target /Projected</u>	<u>Fiscal Year 2012 Actual</u>	<u>Fiscal Year 2013 Target /Projected</u>
<b><u>External Benchmarks</u></b>					
• National Association of Insurance Commissioners Accreditation Awarded	Yes	Yes	N/A	Yes	Yes