



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**DEPARTMENT OF INSURANCE**

**Compliance Examination For the Year Ended: June 30,  
2010**

**Release Date: May 12, 2011**

**Summary of Findings:**

<b>Total this audit:</b>	<b>3</b>
<b>Total last audit:</b>	<b>*2</b>
<b>Repeated from last audit:</b>	<b>*1</b>

**INTRODUCTION**

The Department of Insurance (Department) was established on June 1, 2009 by Executive Order 2009-04. The Department was previously a part of the Department of Financial and Professional Regulation as the Division of Insurance. This was the initial compliance examination of the Department. \*Findings relating to the Division of Insurance were reported as a part of the compliance examination of the Department of Financial and Professional Regulation for the year ended June 30, 2008.

**SYNOPSIS**

- The Department did not timely approve or deny life, accident, and/or health insurance policy forms.
- The Department did not maintain time sheets for employees in compliance with the State Officials and Employees Ethics Act.

{Expenditures and Activity Measures are summarized on the reverse page.}

**DEPARTMENT OF INSURANCE  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2010**

<b>EXPENDITURE STATISTICS</b>	<b>2010</b>	
<b>Total Expenditures.....</b>	<b>\$</b>	<b>29,816,392</b>
<b>OPERATIONS TOTAL.....</b>	<b>\$</b>	<b>28,769,641</b>
% of Total Expenditures.....		96.5%
Personal Services.....		15,053,918
Other Payroll Costs (FICA, Retirement).....		8,598,203
All Other Operating Expenditures.....		5,117,520
<b>REFUNDS.....</b>	<b>\$</b>	<b>1,046,751</b>
% of Total Expenditures.....		3.5%
<b>Total Receipts.....</b>	<b>\$</b>	<b>424,006,958</b>
<b>Average Number of Employees.....</b>		<b>249</b>

<b>SELECTED ACTIVITY MEASURES</b>	<b>2010</b>
<b>Consumer Market Division</b>	
New/Renewal Licenses Processed	25,477
Market Conduct Examinations completed	11
Closed Consumer Complaint Files	10,284
<b>Financial-Corporate Regulatory Division</b>	
Financial Statement Analysis Annual	376
Field Financial Examinations	79
Pension Fund Examinations completed	81

<b>AGENCY DIRECTOR</b>
During Examination Period: Michael T. McRaith
Currently: Michael T. McRaith

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**UNTIMELY APPROVAL OR DENIAL OF LIFE,  
ACCIDENT, AND/OR HEALTH INSURANCE POLICY  
FORMS**

The Department failed to approve/deny life, accident, and/or health insurance policy forms submitted by insurance companies in a timely manner as required by the Illinois Insurance Code (Code).

**Insurance policy forms were not approved or denied timely**

We noted that 39 out of 50 (78%) policy forms reviewed were not approved or denied on a timely basis. These policy forms were approved or denied between 36 and 716 days later than the maximum 90 day time period. (Finding 10-1, page 10)

We recommended the Department implement procedures to ensure life, accident, and/or health insurance policy forms are properly approved or disapproved in a timely manner as required by the Code.

**Department concurs with auditors**

Department officials concurred with our recommendation and stated they have already implemented several critical path processes for expediting the approval/disapproval of certain filing types and expanded existing staff responsibilities to include the review and approval/disapproval of life, accident, and health insurance policy forms. They further stated they will continue to seek appropriate staffing levels needed to consistently meet the timeframes.

**TIMESHEETS NOT MAINTAINED IN  
COMPLIANCE WITH THE STATE OFFICIALS  
AND EMPLOYEE ETHICS ACT**

The Department did not maintain time sheets for employees in compliance with the State Officials and Employees Ethics Act (Act).

During testing of the Department's Ethics Timekeeping Work Diary, we noted the following:

**Time was not entered into the Ethics Timekeeping Work Diary**

- In 16 out of 25 (64%) employee Ethics Timekeeping Work Diary's reviewed, time was not entered for any days worked by the employee for the selected pay period.

- In 2 out of 25 (8%) employee Ethics Timekeeping Work Diary's reviewed, time was not entered in the work diary for every day worked by the employee for the selected pay period. (Finding 10-3, pages 12-13)

We recommended the Department monitor the entries made into the Ethics Timekeeping Work Diary to ensure compliance with the Act.

**Department concurs with auditors**

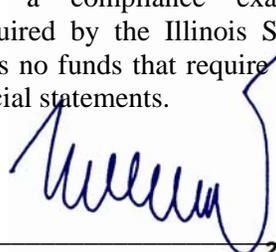
Department officials concurred with our recommendation and stated they will seek to implement improved methods to monitor the entries made into the Ethics Timekeeping Work Diary.

**OTHER FINDING**

The remaining finding is reportedly being given attention by the Department. We will review the Department's progress towards the implementation of our recommendations in our next engagement.

**AUDITORS' OPINION**

We conducted a compliance examination of the Department as required by the Illinois State Auditing Act. The Department has no funds that require an audit leading to an opinion of financial statements.



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WILLIAM G. HOLLAND  
Auditor General

WGH:PH:pp

**SPECIAL ASSISTANT AUDITORS**

Sikich LLP were our special assistant auditors.