

# MAINE STATE LEGISLATURE

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MAINE DEPARTMENT OF

# **Professional & Financial Regulation**

## **ANNUAL REPORT FROM THE SUPERINTENDENT OF INSURANCE TO THE LEGISLATURE**

**January 2006 through December 2006**

**PREPARED BY THE STAFF OF  
THE MAINE BUREAU OF INSURANCE**

**JOHN ELIAS BALDACCI  
GOVERNOR**

**ERIC A. CIOPPA  
ACTING SUPERINTENDENT**

EXECUTIVE DIRECTOR'S  
OFFICE  
2007 FEB 28 A 10:56

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JUN 18 2008 10:28 AM  
 OFFICE  
 EXECUTIVE DIRECTOR



## Work Units in the Bureau (see Appendix A for Bureau organizational chart and key personnel)

Administration

Alternative Risk Markets/Financial Analysis

Consumer Health Care

Financial Examination

Licensing

Life & Health Actuarial

Market Conduct

Property & Casualty Actuarial

Property & Casualty Technical Services

Support

Workers' Compensation

## Financial Examination

The Financial Examination work unit conducts detailed financial examinations of insurers domiciled in the State of Maine every three to five years. The work unit consists of a Director, two Examiners-in-Charge, three Senior Examiners, and four Examiners. Personnel are divided into two examination teams in order to conduct examinations concurrently. Exam reports for domestic insurers who have had an examination report issued can be found on the Bureau web site [www.maine.gov/insurance](http://www.maine.gov/insurance) at <http://www.maine.gov/pfr/insurance/company/domestic.htm>. Financial statements for Maine licensed HMOs may also be accessed from the Bureau web site from the same link.

Recent examinations by the work unit:

<i>Company</i>	<i>Report Issued</i>	<i>Company</i>	<i>Report Issued</i>
Acadia Insurance Company	April 12, 2006	Medical Mutual Insurance Company	Pending
Berkley Regional Specialty Insurance Co (formerly Chesapeake Bay)	April 20, 2006	Medomak Mutual Fire Insurance Company	March 13, 2006
Casco Indemnity Company	January 20, 2006	North East Insurance Company	January 12, 2006
Cigna HealthCare of Maine	Pending	Patrons Oxford Insurance Company	February 10, 2006
Delta Dental Plans of Maine	January 19, 2006	Unum Life Insurance Company	Pending
Jefferson Farmers Club	January 17, 2006	Warren Farmers Mutual Insurance Co	January 13, 2006
Maine Employers Mutual Insurance Co	Pending		

The schedule of upcoming financial examinations in 2007:

<i>Company</i>	<i>Financial Period Ending</i>
Farmington Mutual Fire	December 31, 2006
Gorham Farmers' Club	December 31, 2006
NYC Mutual Fire	December 31, 2006
Danville Mutual fire	December 31, 2006
Patriot Mutual Insurance Company	December 31, 2006
Patriot Life Insurance Company	December 31, 2006
MMG Insurance Company	December 31, 2006
Selective Insurance Company	December 31, 2006
Anthem Health Plans of ME	December 31, 2006



## Financial Analysis and Alternative Risk Markets

The Financial Analysis and Alternative Risk Markets work units are responsible for monitoring the financial solvency of insurers transacting business in Maine. Insurance companies seeking licensure and new workers' compensation self-insurers submit financial and operational information for review. Analysts review the information and make recommendations for insurance authority based on the financial strength of the company.

For new applicants, a full analysis of the financial statements is completed. Once the Bureau grants authority, the level of ongoing financial review is predicated on the entity's status as an insurance company or a workers' compensation self-insurer.

If the entity is an insurance company, the level of review is further determined by whether the company is a Maine domestic or a foreign insurer. Maine domestics are reviewed in detail on a quarterly basis; foreign insurers are prioritized based on select financial ratios.

For workers' compensation self-insured employers and groups, the work unit performs detailed annual reviews. Self-insurance authority is renewed annually unless evidence of deteriorated financial condition is found.

The Financial Analysis and Alternative Risk Markets work unit is also responsible for reviewing the following applicants: Health Maintenance Organizations, captive insurance companies, surplus lines companies, risk retention groups, risk purchasing groups, managing general agents, reinsurance intermediaries, accredited reinsurers, workers compensation reinsurers, fraternal benefit societies, third party administrators, multiple employer welfare arrangements, and continuing care retirement communities.

<b>Number of Self-Insurers for Workers' Compensation</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Individual Self-insurers	74	75	85
Group Self-insurers	20	20	20

### Number of Insurance Companies Licensed in Maine

As of December 31, 2006, there were 1,129 licensed insurers in Maine.

<b>Number of Insurance Companies Licensed in Maine</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Property & Casualty Companies	628	629	575
Life & Health and HMOs	376	387	370
Fraternal Companies	14	14	13
Surplus Lines Companies	106	101	19
Private Purchasing Alliance	2	1	1
Multiple Employer Welfare Arrangement (MEWA)	3	3	3
Captive	0	0	0



## Domestic Insurance Companies (Domiciled in Maine) 2005

(premium info for 2006 not available until April 2007)

Maine Domestics	12/31/05 PREMIUM	12/31/05 ASSETS
Acadia Insurance Company	\$295,928,677	\$153,931,536
Aetna Health Inc. (a Maine corporation)	\$175,108,348	\$38,221,662
Allied Augusta Mutual Insurance Company	\$0	\$9,852
Anthem Health Plans of Maine, Inc.	\$1,034,422,726	\$458,858,590
Berkley Regional Specialty Insurance Company (formerly Chesapeake Bay)	\$54,387	\$22,586,763
Casco Indemnity Company	\$16,016,686	\$25,103,847
Cigna Healthcare of Maine, Inc.	\$64,539,191	\$20,826,312
Maine Bonding and Casualty Company	\$257,084	\$24,064,147
Maine Dental Service Corp.	\$50,640,222	\$22,696,441
Maine Employers' Mutual Insurance Company	\$160,776,543	\$553,516,460
Medical Mutual Insurance Company of Maine	\$54,179,921	\$173,599,270
MMG Insurance Company	\$102,060,848	\$146,398,487
North East Insurance Company	\$22,968,647	\$37,985,283
Patriot Life Insurance Company	\$2,429	\$6,741,885
Patriot Mutual Insurance Company	\$37,203,436	\$49,308,189
Patrons Oxford Insurance Company	\$32,381,376	\$14,333,194
Selective Insurance Company of New England	\$218,029	\$25,733,170
State Mutual Insurance Company	\$1,567,733	\$1,574,364
UNUM Life Insurance Company of America	\$4,163,922,353	\$15,074,438,321
York Insurance Company of Maine	\$162,931,080	\$33,923,054

## Non Maine Health Maintenance Organizations 2005

HMOs	(State of Domicile)	12/31/05 PREMIUM	12/31/05 ASSETS
Harvard Pilgrim Health Care, Inc.	(MA)	\$12,553,456 (Maine only)	\$636,190,531

## New Company Licenses Issued in 2006

Companies/Insurers – 44 licenses issued in 2006

Life and Health Insurance Companies	
American Community Mutual Insurance Company	Parker Centennial Assurance Company
Anthem Insurance Companies Inc.	Silverscript Insurance Company
Berkshire Hathaway Life Insurance Co. of Nebraska	Starmount Life Insurance Company
HCC Life Insurance Company	Unified Life Insurance Company
Metlife Investors Insurance Company	
HMOs	
Martins Point Generations LLC	



### **Property & Casualty Insurance Companies**

21st Century Casualty Company	Ameriprise Insurance Company	Lyndon Property Insurance Co.
21st Century Insurance Company	Axis Insurance Company	Lyndon Southern Insurance Co.
Accident Fund General Insurance Company	Colonial Surety Company	Plans Liability Insurance Co.
Accident Fund National Insurance Company	Continental National Indemnity Co.	Progressive Direct Insurance Co.
Advantage Workers Compensation Ins. Co.	Euler Hermes American Credit Indem. Co	Riverport Insurance Company
American Agri Business Insurance Co.	Harleysville Insurance Company	Rural Community Insurance Co.
American Modern Select Insurance Co.	Harleysville Preferred Insurance Co.	Sequoia Insurance Company
American National Property & Casualty Co	HSBC Insurance Company of Delaware	The Guarantee Title & Trust Co.
American Sentinel Insurance Company	Insurance Company of the West	Title Resources Guaranty Co.

### **Private Purchasing Alliance**

Maine State Chamber Purchasing Alliance Inc.

### **Eligible Surplus Lines Insurance Companies**

American Modern Surplus Lines Insurance Company	HCC Specialty Insurance Company
Century Surety Company	Integon Specialty Insurance Company
Founders Insurance Company	USF Insurance Company

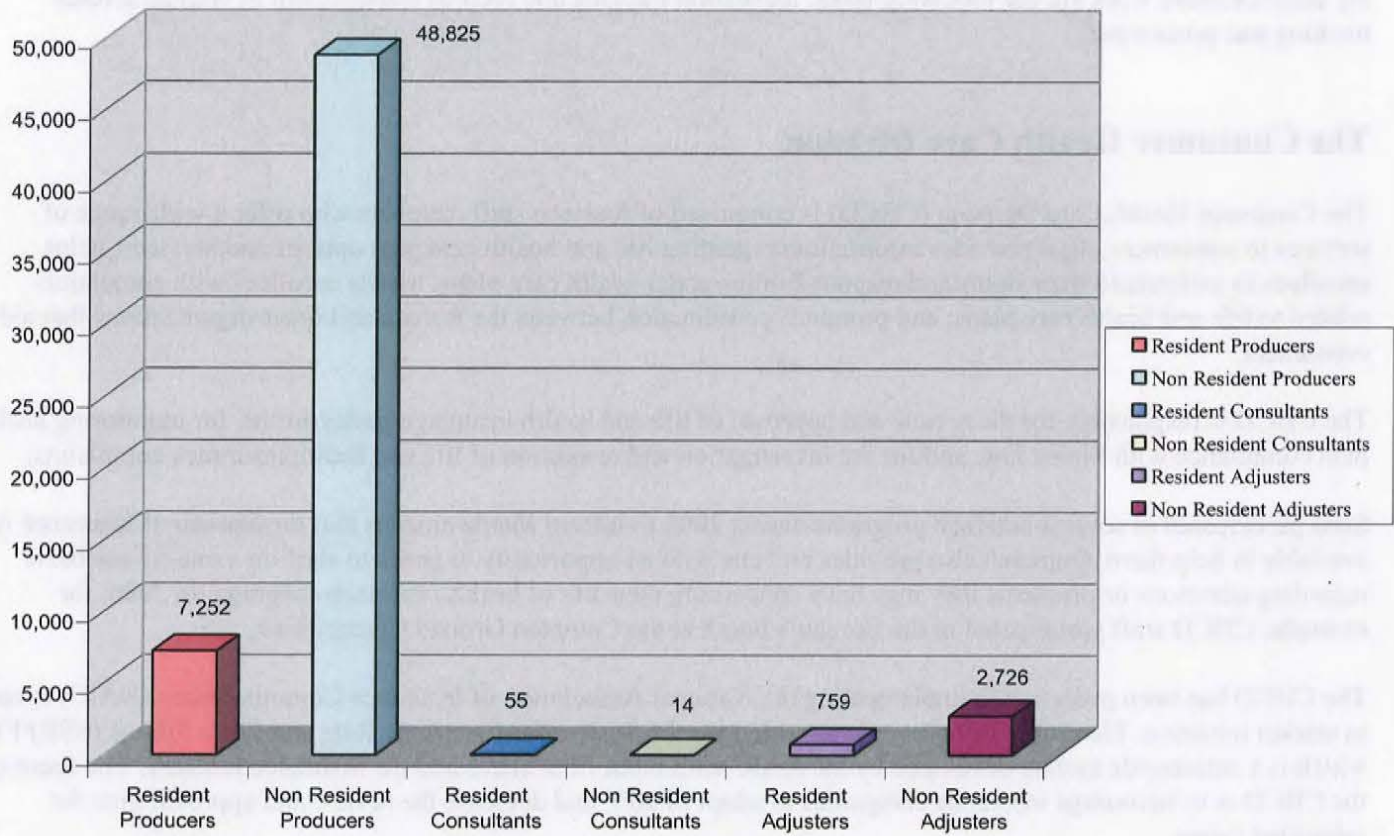
## **Producer Licensing**

The Producer Licensing work unit is responsible for the review and approval of applications to license individual insurance producers (agents), consultants, adjusters, and business entities, and to register structured settlement transferees. Processing includes a determination if eligibility requirements have been met and verification that no statutory preclusions exist. The unit's responsibilities also include the approval of continuing education courses submitted by education providers and monitoring completion of the education requirement of approximately 7,307 insurance professionals. Maine law requires each resident producer and resident consultant to complete 30 hours of continuing education every 2 years in order to maintain a license. (Effective 1/1/07 new Rule 542 changes the education requirement and compliance date.) Nonresidents must meet continuing education requirements in their resident state.

Electronic processing of producer appointments, appointment terminations, and non-resident license applications, as well as participation in the national producer database has made the licensing process more efficient, timely, and uniform.

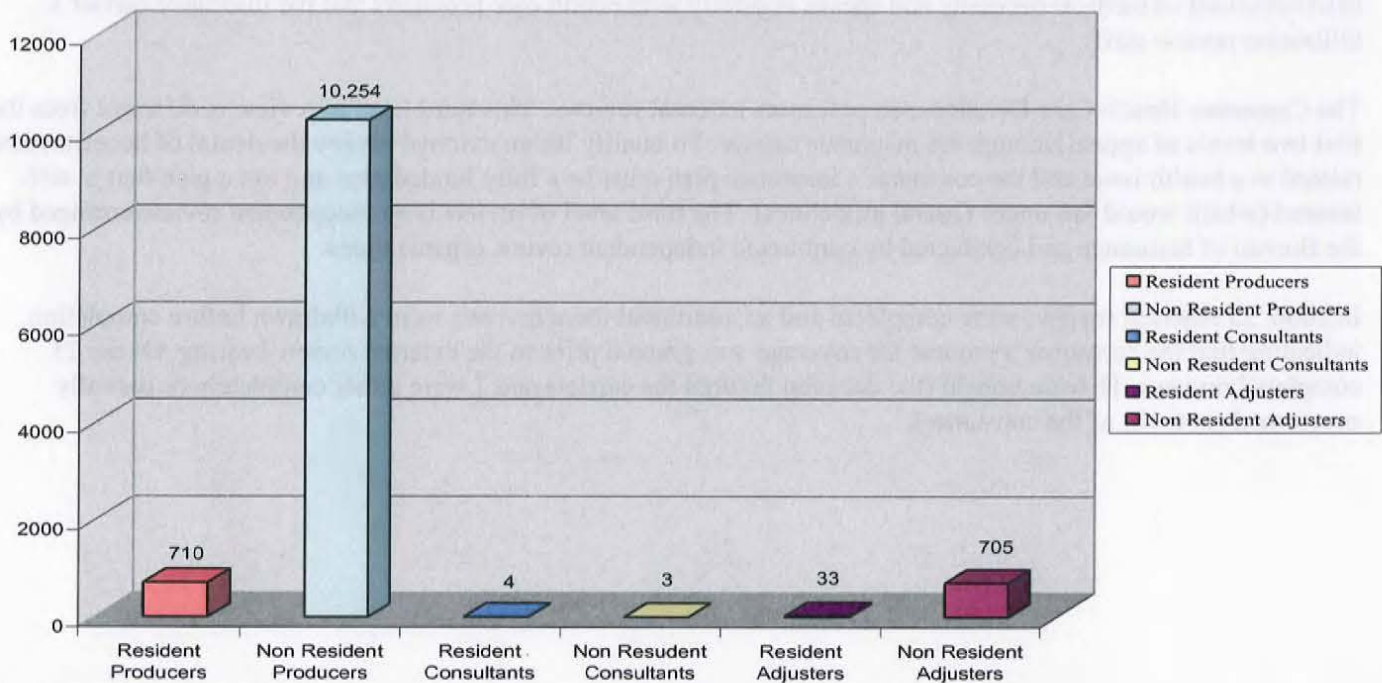
## Producer Licensing Statistics

**Number of Active Individual Licenses as of December 31, 2006**  
**Total 59,631**



**(Prior Years Totals: 2005 - 52,460 2004 - 45,564 2003 - 41,222)**

**New Licenses Issued to Individuals from January 1, 2006 through December 31, 2006**  
**Total 11,709**



**(Prior Years Totals: 2005 - 11,709 2004 - 8,338 2003 - 7,855)**



## **Support Unit**

The Support work unit provides administrative support for all functions within the Bureau of Insurance. Included in the administrative work are the following tasks: legislation tracking and records management as well as invoice tracking and processing.

## **The Consumer Health Care Division**

The Consumer Health Care Division (CHCD) is comprised of fourteen staff members who offer a wide range of services to consumers. Staff provides information regarding life and health care plan options and services; helps enrollees to understand their rights and responsibilities under health care plans; assists enrollees with complaints related to life and health care plans; and promotes coordination between the Bureau and other organizations that aid consumers.

The CHCD is responsible for the review and approval of life and health insurance policy forms, for monitoring health plan compliance with Maine law, and for the investigation and resolution of life and health insurance complaints.

Staff participated in several outreach programs during 2006 to inform Maine citizens that the Bureau of Insurance is available to help them. Outreach also provides citizens with an opportunity to speak to staff on a one-to-one basis regarding questions or problems they may have concerning their life or health insurance coverage. In 2006, for example, CHCD staff participated in the Bureau's booth at the Common Ground Country Fair.

The CHCD has been proactive in implementing the National Association of Insurance Commissioners (NAIC) speed to market initiative. Electronic filings were submitted via the System for Electronic Rate and Form Filings (SERFF) which is a nationwide system developed by the NAIC with input from states and the insurance industry. The focus of the CHCD is to encourage insurance companies to adopt SERFF and decrease the review and approval time for submitted forms.

The CHCD focuses much of its efforts on analyzing the underlying issues that often give rise to complaints. Identification of deficiencies in insurer processes provides an opportunity for the Bureau to work with health plans to prevent reoccurrence of identified problems. The CHCD investigates complex complaints involving adverse determinations of medical necessity and speaks regularly with health care providers and the insurance carrier's utilization review staff.

The Consumer Health Care Division also processes external reviews. This third level of review is different from the first two levels of appeal through the insurance carrier. To qualify for an external review the denial of benefits must be related to a health issue and the consumer's insurance plan must be a fully funded plan and not a plan that is self-insured (which would fall under federal guidelines). The third level of review is an independent review arranged by the Bureau of Insurance and conducted by contracted independent review organizations.

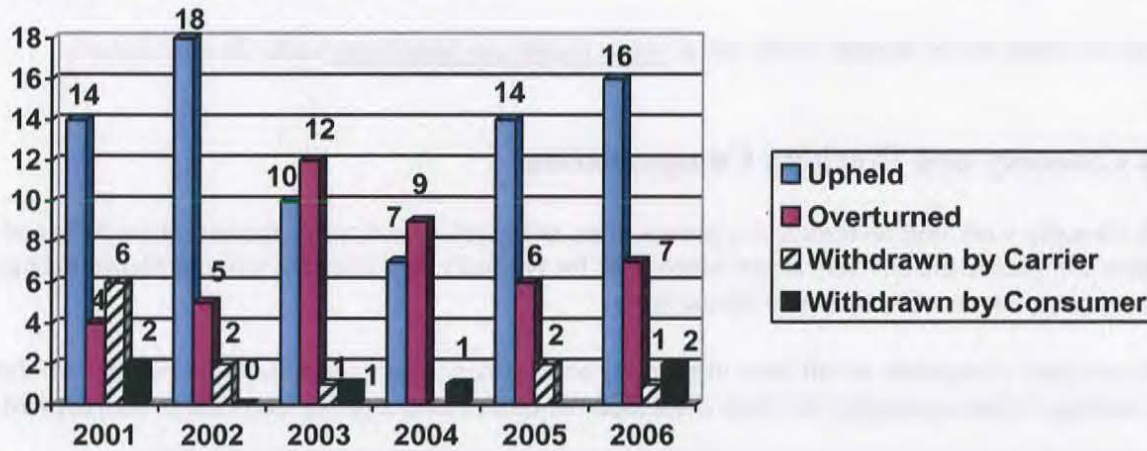
In 2006, 23 external reviews were completed and an additional three reviews were withdrawn before completion indicating that the consumer's request for coverage was granted prior to the external review hearing. Of the 23 completed reviews, 16 were upheld (the decision favored the carrier) and 7 were either completely or partially overturned (in favor of the consumer).



Figure 2 illustrates the number of external reviews that were overturned, upheld, or withdrawn by either the carrier or consumer prior to the review for the years 2001 through 2006.

Figure 2.

### External Review Outcomes by Year



Consumer Health Care Division - Totals *	2006	2005	2004
Consumer complaints received	524	580	636
Consumer inquiries/phone calls received	6,888	6,498	7,363
Restitution to consumers (in the form of health claims paid, or money returned, or fines)	\$977,681	\$3,435,037	\$1,562,235
Rate and form filings	2,776	4,659	7,378

\*See graphs in Appendix B for a comparison of the last four years.

### Life & Health Actuarial

The Life & Health Actuarial work unit provides actuarial and technical services to Bureau staff involving life and health insurance. Among its responsibilities, the unit:

- Reviews and takes appropriate action on rate filings for regulated lines of insurance, primarily individual health, small group medical, credit life and health, group and individual Medicare supplement, and long-term care;
- Provides reserve analysis of life and health insurance companies as required by Maine law;
- Provides technical assistance to insureds, consumers, other state agencies, and others on insurance matters;
- Prepares annual reports on mandated benefits claims experience;
- Prepares quarterly "market snapshots" for the small group and individual health insurance markets;
- Maintains database of required reports on small group and individual health insurance;
- Maintains database of claims paid by third-party administrators and by insurers administering employers' self-funded health plans;
- Compiles supplemental annual reports from health insurers;
- Studies proposed mandated benefit legislation as requested by the Legislature to determine the social impact, the financial impact, and the medical efficacy of the proposed mandate; and



- Estimates the impact on health insurance premiums of proposed expansions of health care services requiring a certificate of need ("CON") from the Maine Department of Health and Human Services.

In accordance with Title 24-A M.R.S.A. §2837-A, §2840-A, and §2843, the Bureau is responsible for issuing an annual report to the Legislature regarding selected *Mandated Benefits*, specifically mental health, substance abuse, chiropractic, and mammography. This report compares the amount of claims paid for mandated benefits to the total amount of health claims paid.

These reports are available on the Bureau's web site at [www.maine.gov/insurance](http://www.maine.gov/insurance) under *Bureau Reports*.

## Property & Casualty and Workers Compensation

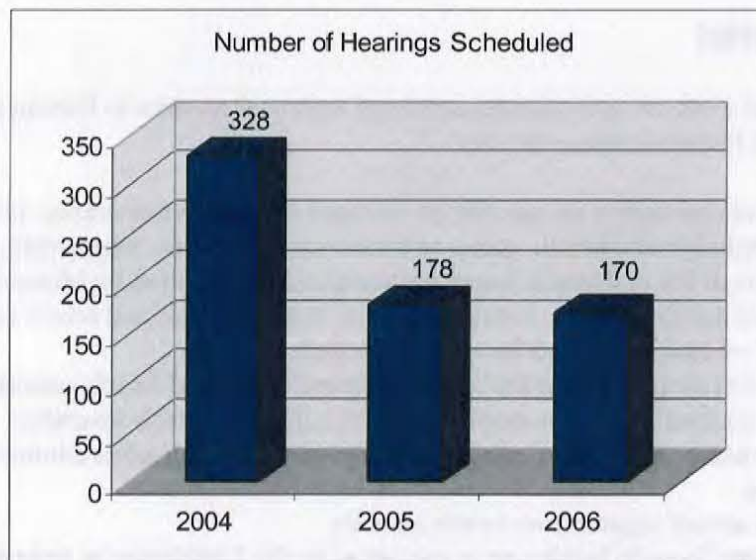
The Property & Casualty work unit reviews and approves rates, rating rules, and policy forms that property and casualty insurance companies and advisory organizations file for products they intend to write in Maine. Filings are reviewed to ensure compliance with applicable Maine law.

The unit also investigates complaints for all lines of property and casualty insurance. Often this includes conducting administrative hearings when a consumer has their automobile or homeowner's policy canceled or nonrenewed.

Property & Casualty Totals *	2006	2005	2004
Consumer complaints received	424	659	882
Consumer complaints closed	422	657	977
Consumer inquiries/phone calls received	6,415	8,233	8,538
Amount of restitution to consumers	\$475,532	\$557,690	\$531,603
Rate and form filings	3,090	3,095	3,159

\*See graphs in Appendix B for a comparison of the last four years.

**Hearings:** When an insurance company issues a notice of cancellation or nonrenewal of a homeowner or auto policy, the company is required to advise the insured that they may request a hearing to contest the action. The hearing provides a forum to dispute the reason(s) and requires the Bureau to rule whether the cancellation or nonrenewal was done in accordance with Maine law.





Hearing Results	2006	2005	2004
Number of Decisions Issued	60	84	212
Findings for the Consumer	36	49	94

The Workers' Compensation work unit is a sub-unit within the Property & Casualty unit. Workers' Compensation staff members are responsible for processing all rate, rule, and form filings presented to the Bureau involving workers compensation insurance, self-insurance reinsurance, and occupational disability policies. In addition to these filings, the work unit assists the actuarial staff with the workers' compensation loss cost filing.

The unit responds to general inquiries regarding workers' compensation premiums and policies and handles complaints regarding workers' compensation insurance rates, rules, and policy cancellations. Complaints regarding specific workers' compensation claims are under the jurisdiction of the Workers' Compensation Board. If the Workers' Compensation Board finds a pattern of abuse, however, it can refer the matter to the Bureau of Insurance.

## Property & Casualty Actuarial

The Property/Casualty Actuarial work unit provides actuarial and technical services to the Bureau staff for property and casualty lines of insurance. Among its responsibilities, the work unit:

- Reviews rate and rating rule filings for market leaders;
- Reviews and analyzes loss cost filings by industry advisory organizations that gather experience and file the advisory loss portion to be used by insurers in establishing rates and rating rules;
- Provides technical assistance to insureds, consumers, other state agencies, and others on insurance related matters;
- Reviews funding and reserves of workers' compensation self-insurance trusts;
- Provides reserve analysis of property/casualty insurance companies; and
- Provides technical assistance to the Superintendent in all aspects of casualty, property, and workers' compensation matters.

## Market Conduct and Market Analysis

One of the goals of the NAIC Modernization Plan is the integration of market conduct, market analysis, and interstate collaboration to form a cohesive, uniform oversight program for the states to use to regulate their markets. The Bureau uses its Market Conduct work unit and its Market Analysis team to accomplish this goal.

The Market Conduct work unit is responsible for conducting market related examinations for all licensees. This program includes both in-house exams and on-site examination of licensees. The examination process typically focuses on the following areas: (1) company operations/management; (2) complaint handling; (3) marketing and sales; (4) producer licensing; (5) policyholder service; (6) underwriting; and (7) claims. While the unit does not handle individual complaints, it does use complaint data and information to analyze licensee trends and business practices or patterns. This analysis is often a key factor in selection for the on-site examination process and is completed by utilizing the NAIC's market analysis techniques.

The Market Analysis team is comprised of four examiners from the Financial Analysis Division who are responsible for performing ongoing market analysis of companies that operate in Maine. The market analysis process is designed to provide tools for each state to review its entire market, identify companies operating in the market that may be potentially harming consumers, and assist in defining the scope of any regulatory action that may be used to address



the compliance problem. Once an issue is identified, the examiner will proceed with the continuum of regulatory actions using the most efficient method to identify the cause and extent of the problem. By using the market analysis approach described, states are more efficient and uniform in their approach to regulation. Market Conduct examinations can be found on the Bureau's webs site at: <http://www.maine.gov/pfr/insurance/reports.htm>.

Recent examinations by the work unit:

Company	Type of Examination	Report Issued
ESIS, Inc	Targeted, Limited in Scope	9/18/06
Gates & McDonald Company, Inc.	Targeted, Limited in Scope	1/17/06
St. Paul/Travelers	Targeted, Limited in Scope	12/4/06

Current examinations in process:

Company	Type of Examination
Crawford & Company	Targeted, Limited in Scope
Harleysville Worcester Insurance Company	Targeted, Limited in Scope
Hartford Insurance Companies	Targeted, Limited in Scope
National Grange Insurance Company	Targeted, Limited in Scope

## Bureau Publications

To help educate the public on insurance matters that can affect their daily lives, the Bureau publishes, distributes, and posts a number of consumer brochures.

**The following brochures are available from the Bureau. Most brochures, with the exception of the federal guide, are available online at the Bureau's web site ([www.maine.gov/insurance](http://www.maine.gov/insurance)):**

- Automobile Insurance Guide (*premium comparison*)
- Complaint Ratio Brochures for Auto, Homeowners, and Health Insurance
- Consumer Guide to Cancellation/Nonrenewal of Personal Auto & Property Insurance
- Consumer Guide to Homeowners' Insurance (*premium comparison*)
- Consumer Guide to Day Care Liability
- Consumer's Guide to Understanding How Insurers Use Credit Information for Personal Auto and Homeowners Insurance
- Consumer Guide to Youthful Drivers
- Consumer Health Care Division
- Guide to Individual Health Insurance (*premium comparison*)
- Insuring your Business – The Basics of Property & Liability Coverage
- Insuring your Farm – The Basics of Property & Liability Coverage
- Long Term Care Comparison Chart (*premium comparison*)
- Medicare Supplement Comparison Chart (*premium comparison*)
- Guide to People with Medicare (Federal Publication – not available online)
- Resolving Health Care Insurance Disputes (Internet only)
- What Maine Small Employers Should Know About Health Insurance (*premium comparison*)
- What Can I do if I Lose my Group Health Insurance?
- Workers' Compensation Brochure (*premium information*)

## **Bureau Web Site**

In an effort to provide the public and our regulated entities with information in a convenient and accessible format, the Bureau maintains a web site at [www.maine.gov/insurance](http://www.maine.gov/insurance). The site has recently been redesigned to make navigation easier.

A sample of the information on the web site includes the following:

### **Consumer Tools – provides links to:**

- Consumer information
- Brochures
- Filing a complaint
- Licensee search and status
- Dirigo Health information
- Glossary of terms

### **Industry Tools – provides links to:**

- Licensee search and status
- Company forms and information
- Producer forms and information
- Address change forms
- Fees
- Laws, rules, & decisions
- Bulletins
- Hearing notices
- Helpful links

### **Employer Tools – provides links to:**

- Workers compensation insurance
- Health insurance information
- Electronic health claims
- Rural Medical Access Program

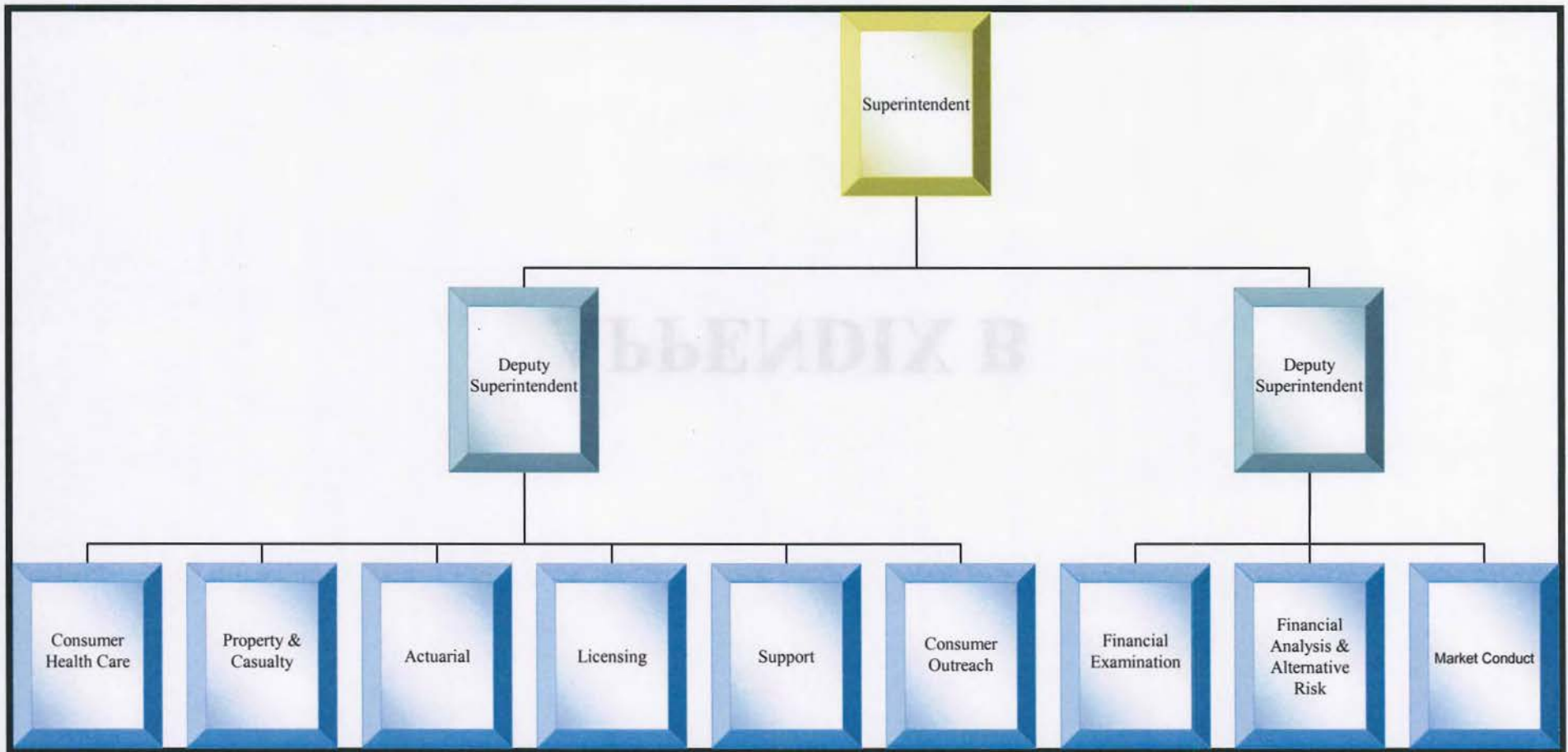
### **Featured – provides links to:**

- Bureau survey
- Legislative proposals
- Frequently asked questions about data breach
- Fight Fake Insurance PSA
- FAQs: Electronic Health Claims Submission
- UnumProvident Settlement
- Dirigo Health
- Maine RX Plus
- Request for Proposal



# APPENDIX A

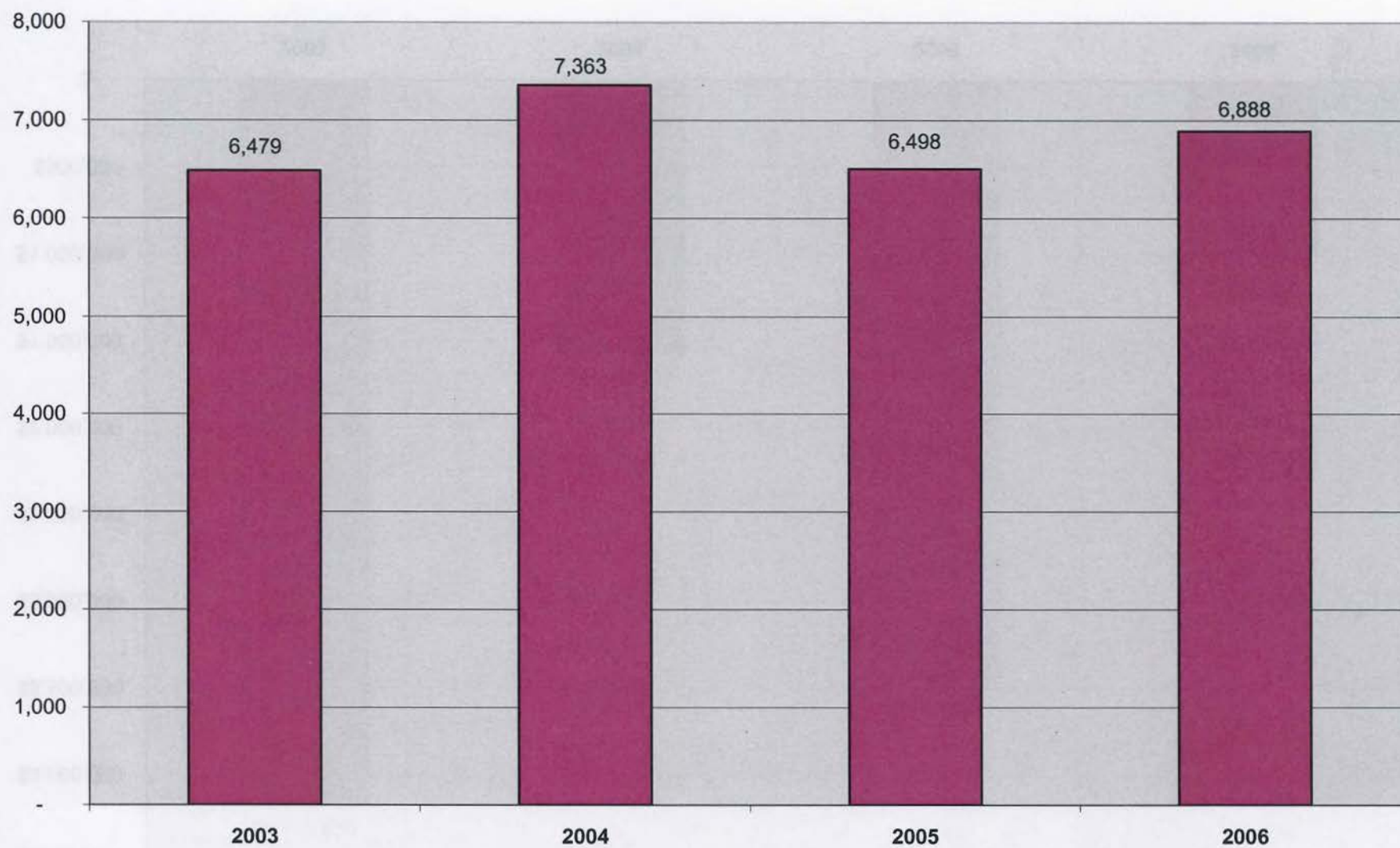
# Bureau of Insurance Organization Chart





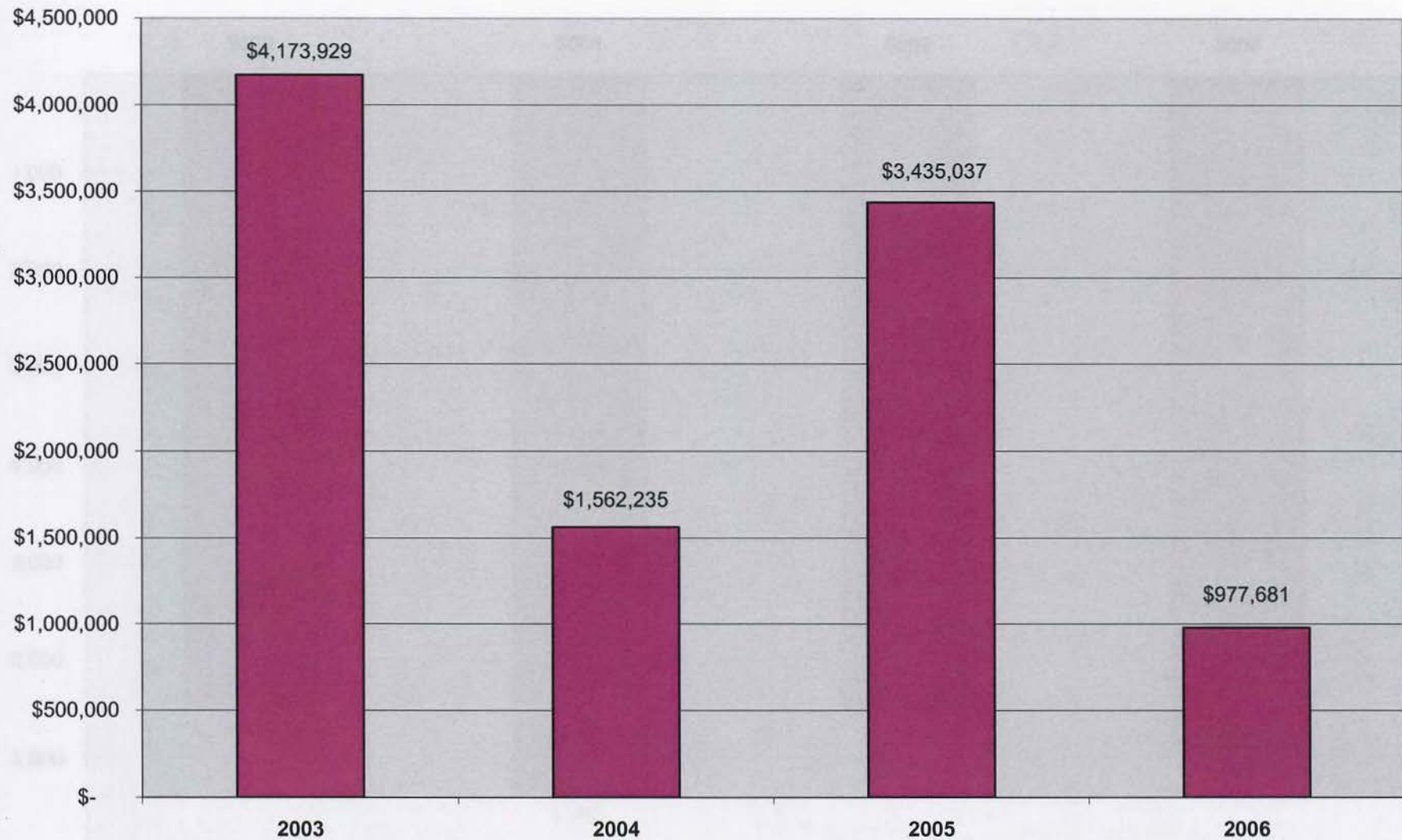
## APPENDIX B

## Consumer Health Care Inquiries/Calls for the Years 2003 - 2006

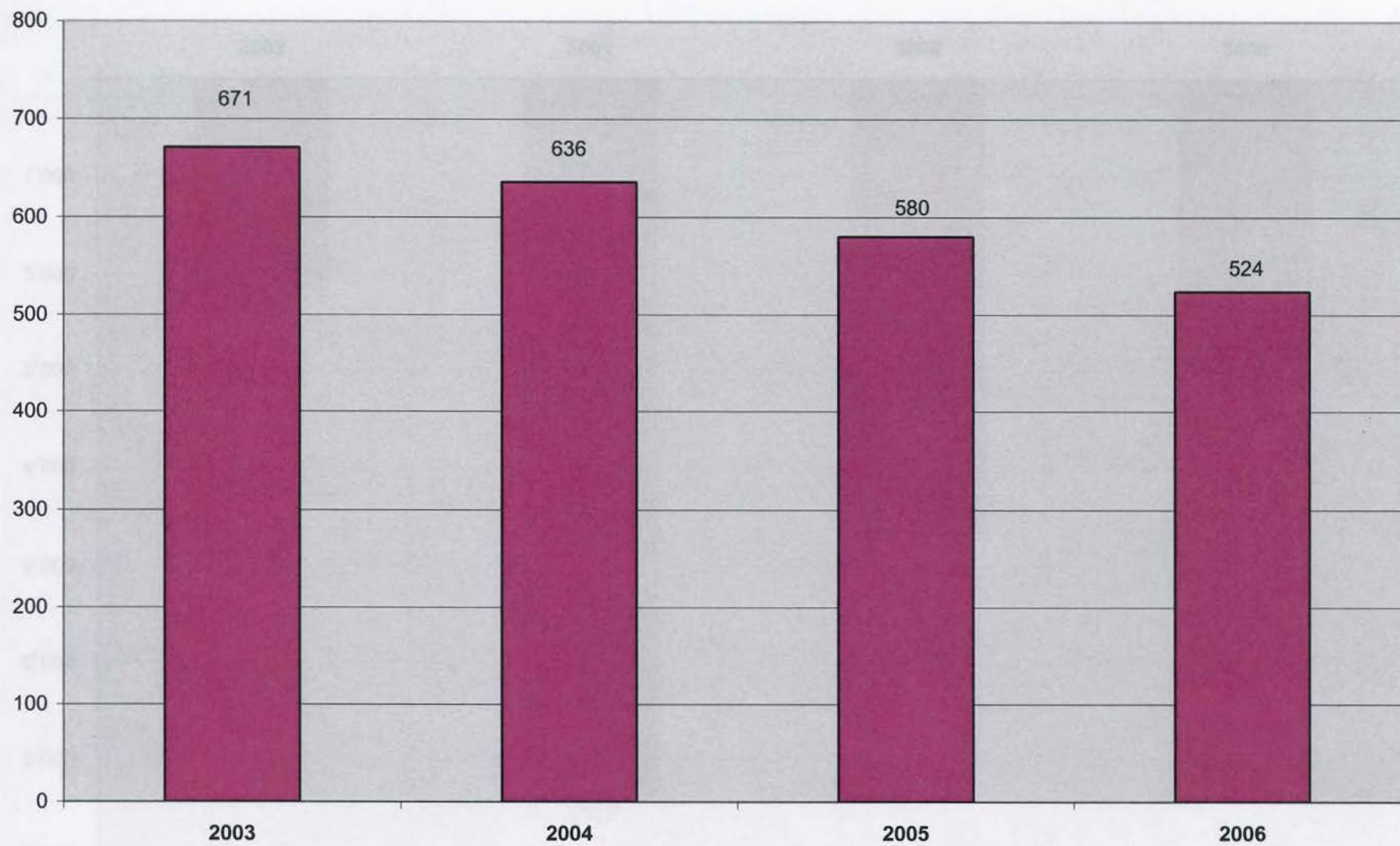




## Consumer Health Care Restitution for the Years 2003 - 2006

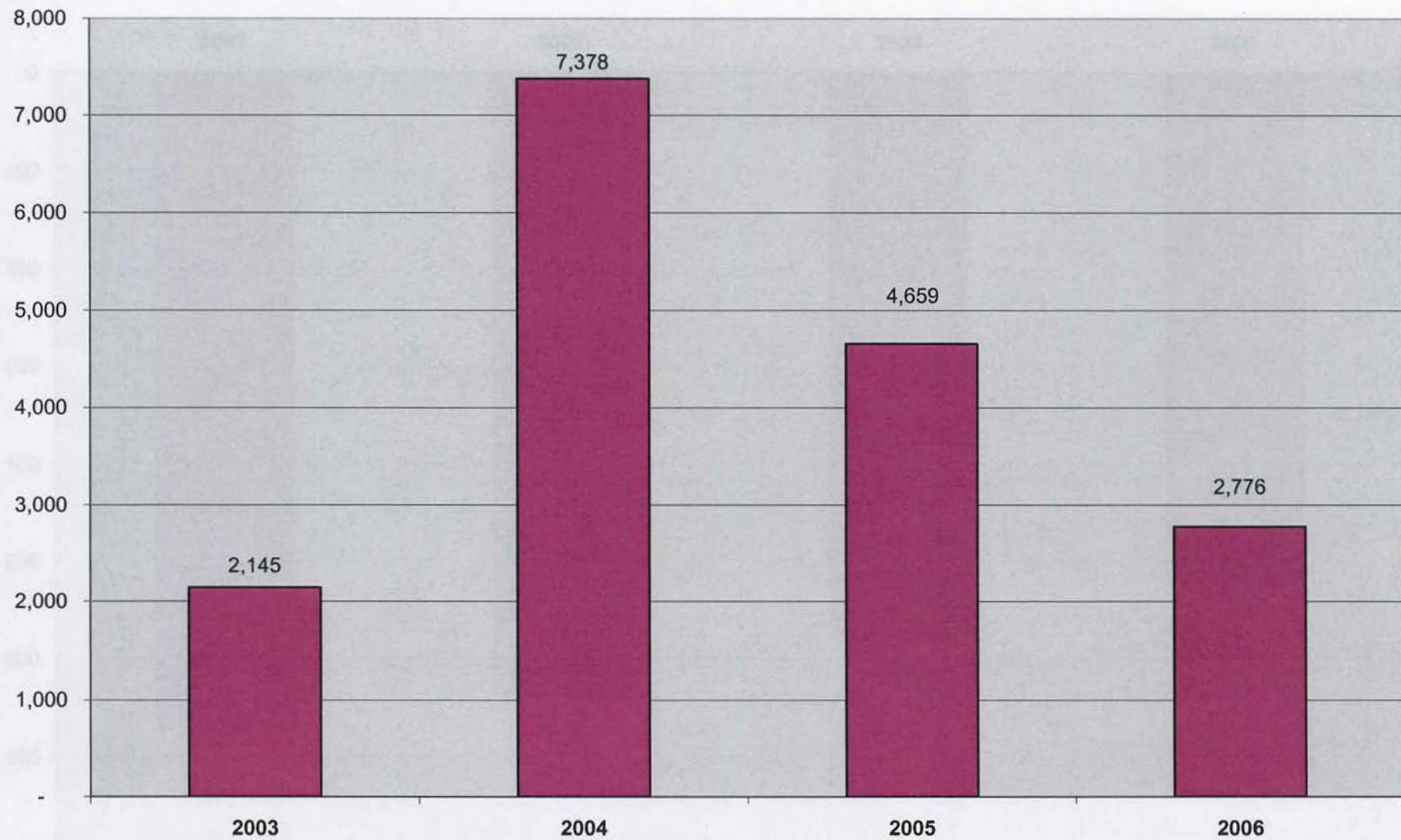


## Consumer Health Care Complaints for the Years 2003 - 2006

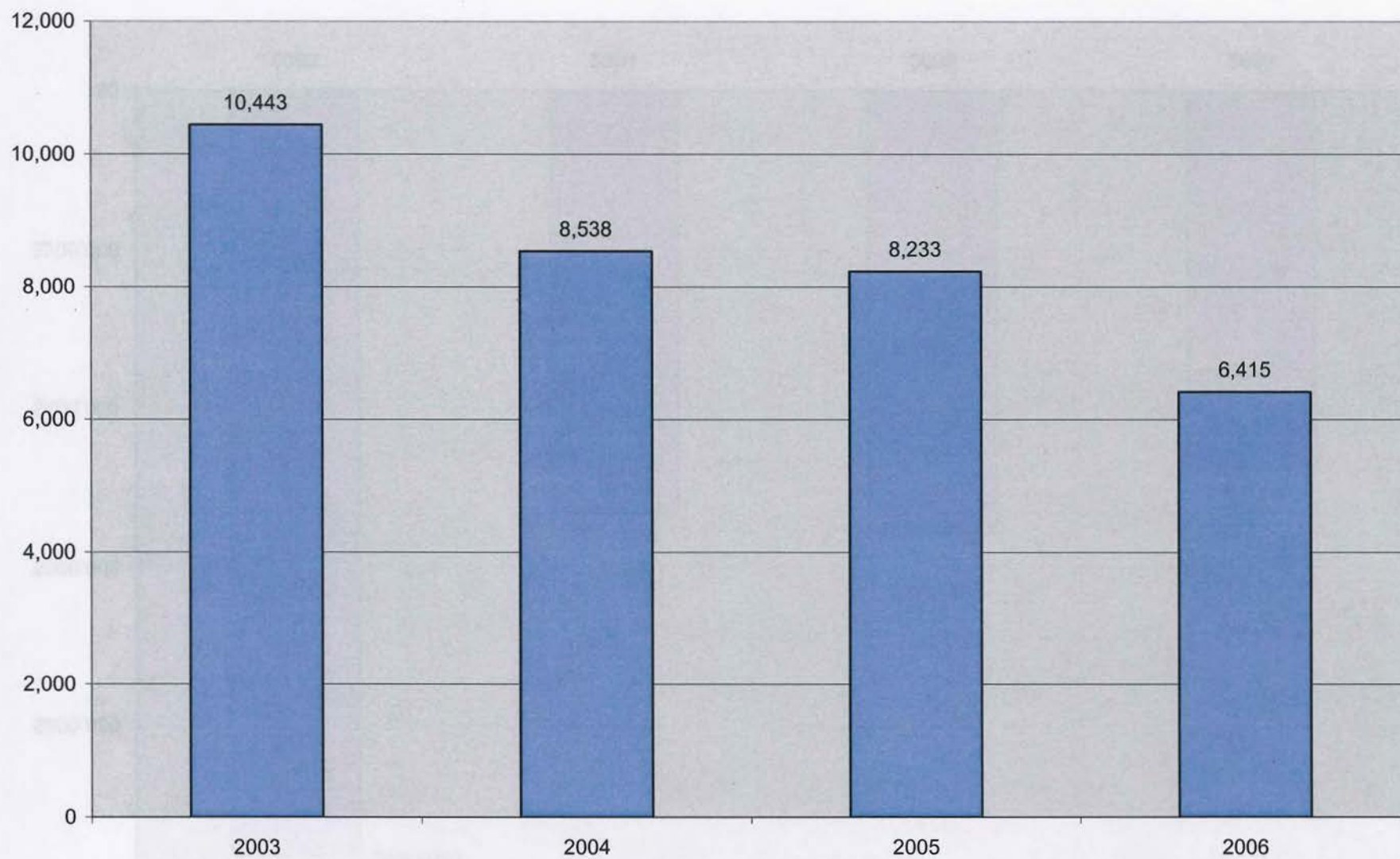




## Consumer Health Care Rate and Form Filings for the Years 2003 - 2006

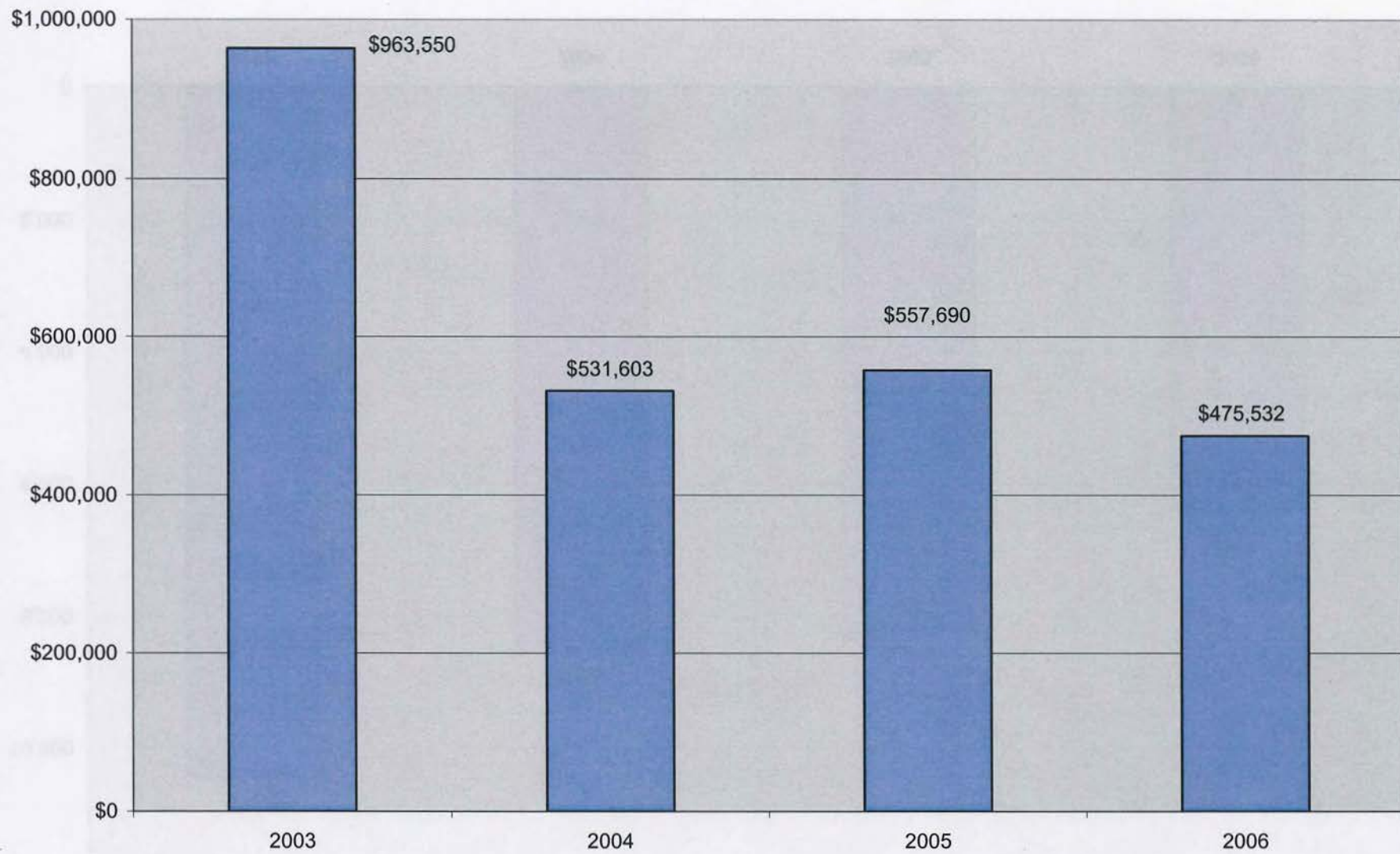


### Property & Casualty Inquiries/Calls for the Years 2003 - 2006

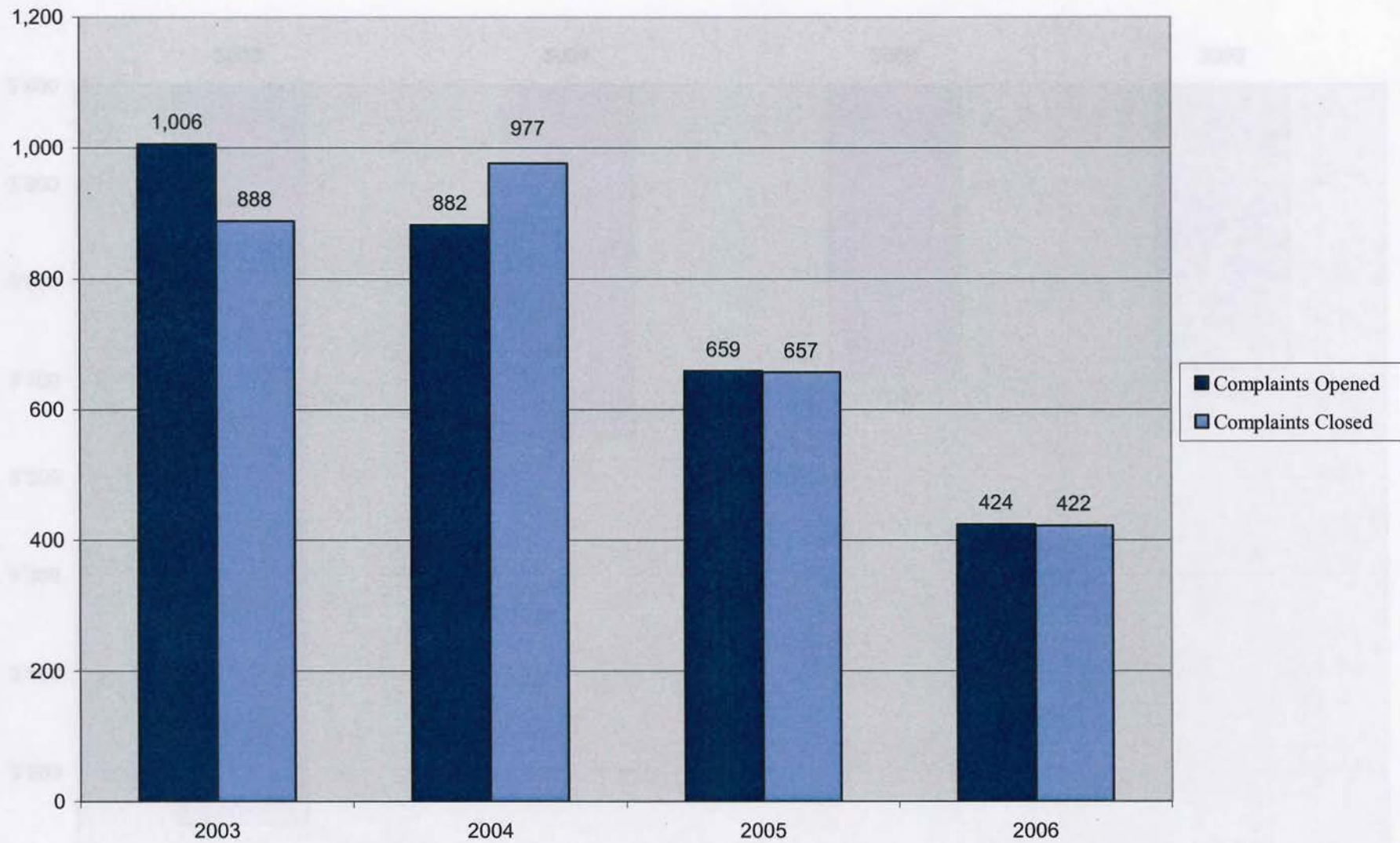




### Property & Casualty Restitution for the Years 2003 - 2006

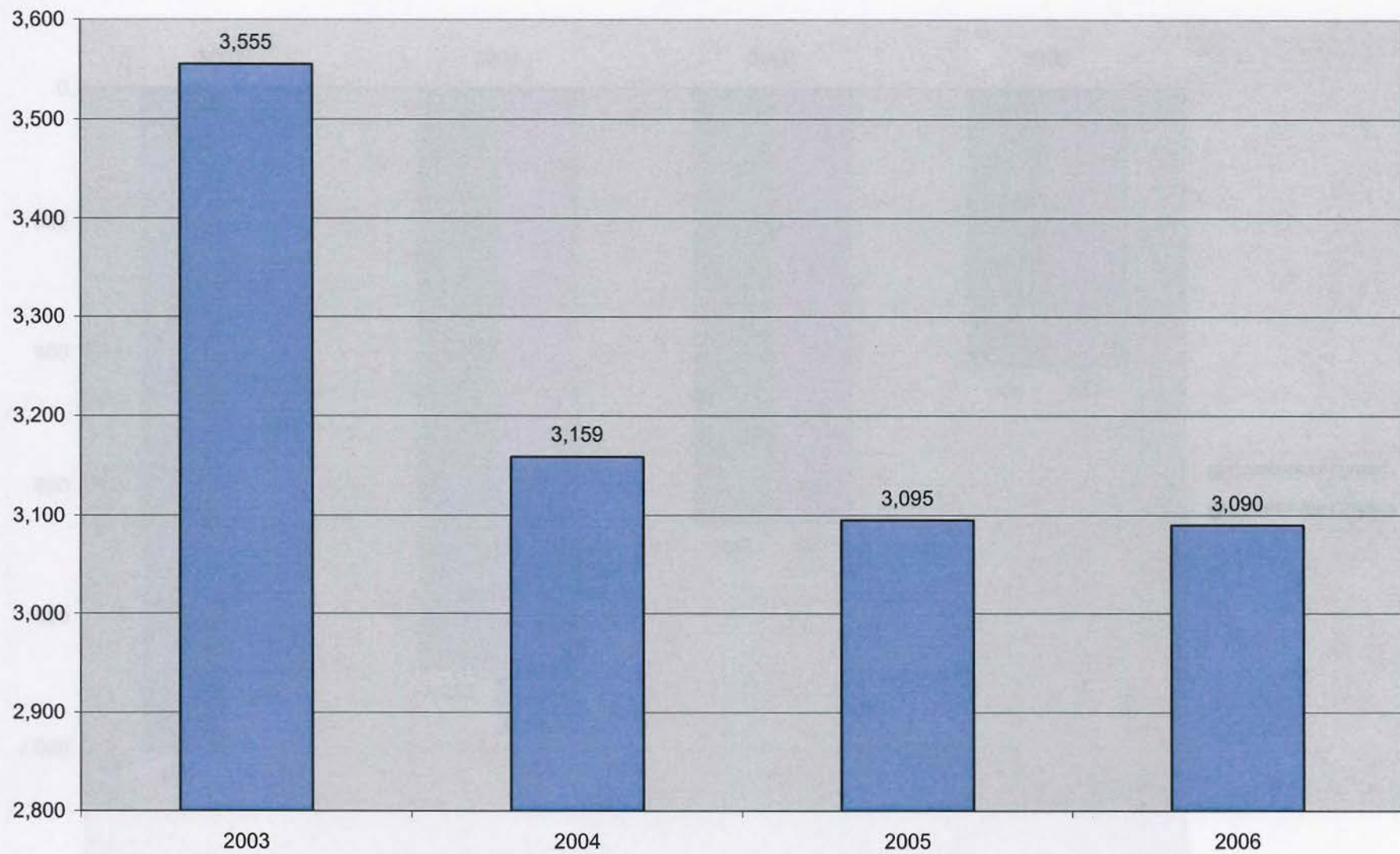


### Property & Casualty Complaints for the Years 2003 - 2006





**Property & Casualty Filings Received 2003 through 2006**



Maine Bureau of Insurance  
34 State House Station  
Augusta ME 04333

(800) 300 - 5000  
(207) 624 - 8475

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