STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Department of Insurance:
Analysis of Program Authority
and Performance Data

February 1998

Performance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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State of Louisiana

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February 4, 1998

The Honorable Randy L. Ewing,
President of the Senate
The Honorable H. B. "Hunt" Downer, Jr.,
Speaker of the House of Representatives

Dear Senator Ewing and Representative Downer:

This report gives the results of our performance audit of the Program Authority and Performance Data of the Louisiana Department of Insurance. The audit was conducted under provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. In addition, this audit is one step toward meeting requirements of the Louisiana Performance Audit Program (R.S. 24:522).

The report represents our findings, conclusions, and recommendations. We have also identified matters for legislative consideration. Appendix F contains the Louisiana Department of Insurance's response. Appendix G contains the response from the Division of Administration - Office of Planning and Budget. I trust that this report will be of use to you in your legislative decision-making process.

Sincerely,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK/dl

[INSURANCE]

Office of Legislative Auditor

Executive Summary

Performance Audit
Department of Insurance:
Analysis of Program Authority and Performance Data

Article IV, Section 11 of the Louisiana Constitution created the Department of Insurance. In the 1997-98 executive budget, the department is divided into two programs containing three offices each. For that fiscal year, the department was appropriated nearly $22.4 million, which includes $5.8 million in pass-throughs, and 242 staff positions. Our performance audit of the department's program authority and performance data found that:

- The layout of performance data in the 1997-98 executive budget is confusing. As a result, readers may have difficulty understanding the activities and duties of individual offices.
- The overall mission for the department and the six office missions are generally consistent with state law and meet nearly all established criteria. However, four missions could be improved to more closely track legislative intent.
- No goals are provided for any of the offices. Furthermore, no performance data is given for the Office of Minority Affairs in the 1997-98 executive budget.
- The objectives are not measurable or timebound. Because of this, none of the performance indicators measure progress toward the objective. In addition, most of the performance data do not provide enough information to be useful for making budgetary decisions.
- Potential overlap may exist in four broad areas, potential duplication may exist between two offices, and potential outmodedness may exist in four entities.

Daniel G. Kyle, Ph.D., CPA, CFE, Legislative Auditor
Phone No. (504) 339-3800

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this performance audit of the Department of Insurance's executive budget program information in response to certain requirements of R.S. 24:522 (Act 1100 of 1995).

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- Determine if the department's missions and goals as reported in the fiscal year 1997-98 executive budget are consistent with legislative intent and legal authority
- Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1997-98 executive budget are consistent with established criteria
- Determine if the department's objectives and performance indicators as reported in the fiscal year 1997-98 executive budget collectively provide useful information for decision-making purposes
- Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded

Department Background

Article IV, Section 11 of the Louisiana Constitution of 1974 created the Department of Insurance (DOI) under a commissioner. The commissioner administers the Insurance Code (Title 22), which regulates the business of insurance in the state. DOI's appropriation for fiscal year 1997-98 is approximately $22.4 million and 242 staff positions.

In the 1997-98 executive budget, DOI is divided into two programs, each comprising three offices. A seventh office, the Office of Minority Affairs, is not identified in the executive budget.

The department and each of its six reported offices have missions in the executive budget that are generally consistent with state law authorizing them. However, four office missions could be reworded or improved to more closely reflect their legal basis.

(See pages 18-23 of this report.)

Recommendations:

2.1 **The Department of Insurance should report the Office of Minority Affairs in its operational plan so that the Division of Administration - Office of Planning and Budget can include it in the executive budget.**

2.2 **The Department of Insurance, with assistance of the Division of Administration - Office of Planning and Budget, should consider rewriting four missions to be more clear or inclusive. Specifically:**

- **The mission of the Office of the Commissioner might be broadened to include the public and the industry as part of its clientele.**
- **The mission of the Office of Receiverships might be broadened to include conservation, if this activity is an integral part of what it does.**
- **The mission of the Office of Licensing/Market Compliance should be rewritten so that it is not confusing.**
- **The mission of the Office of Financial Solvency should indicate that the department is able to promote insurer solvency, but not necessarily produce it.**

Potential Overlap, Duplication, and Outmodedness of Boards, Commissions, and Like Entities

We identified 46 boards, commissions, and like entities related to DOI. Of these, 30 are under DOI or Title 22. The rest include DOI participants, but are administered by other state agencies or outside groups. Some of these entities may overlap with each other or with DOI offices in four broad areas. In addition, two DOI offices may have some duplicative functions, and four entities related to DOI may be outmoded.

Specifically, we found the potential for overlap in the following four broad areas: Premium Tax Audit, Insurance Education, Health Insurance, and Assigned Risk Pools. We found the potential for duplication with the Office of Licensing/Market Compliance and the Office of Minority Affairs, since both are involved with agent training and educational opportunities. In addition, the following four entities may be potentially outmoded: the Division of Health Insurance Policy, Research, and Development; the Task Force for the Reduction of Automobile Insurance Rates; and two legislative committees that still remain in state law.

(See pages 23-31 of this report.)

Recommendations:

2.3 If the Department of Insurance uses R.S. 36:694 as part of the statutory structure for an office of health, the statute should be amended to reflect any changes from its original intent. If the department decides not to use this statute for such a purpose, it should propose legislation to repeal the statute.

2.4 The Department of Insurance should determine if aspects of its offices and related boards, commissions, and like entities actually do overlap. The department should also determine if the Office of Licensing/Market Compliance and the Office of Minority Affairs actually duplicate one another's efforts. The department should develop strategies to streamline any areas found to be overlapping or duplicative. The department should pay particular attention to the following areas of potential overlap:

- **Premium Tax Audit**
- **Insurance Education**
- **Health Insurance**
- **Assigned Risk Plans**

2.5 The Department of Insurance and the Division of Administration - Office of Planning and Budget should ensure that performance data accurately reflect the responsibilities of programs and offices. Doing so will ensure that the data do not give the appearance of overlap, if none exists.

2.6 As part of the annual budget process, the Department of Insurance should report any legislatively authorized programs or activities established by legislative acts for which implementing funds were not appropriated, as required by R.S. 49:191.1(A).

Matters for Legislative Consideration

2.1 The legislature may wish to review areas mentioned in Recommendation 2.4 that are potentially overlapping or duplicative. In addition, the legislature may wish to further review the interaction of boards, commissions, and like entities with each other and with offices of the Department of Insurance. If the legislature identifies overlap or duplication, it may wish to direct the department to develop coordinating strategies or eliminate some entities.

2.2 The legislature may wish to consider whether the *Joint Legislative Committee on Insurance* and its task force, the *Joint Legislative Committee on Insurance Advisory Task Force,* are actually outmoded. If entities are no longer needed, the legislature should consider whether there is any advantage in leaving their statutory structures in place (R.S. 22:1450.1 *et seq.*). If the legislature finds no such advantage, it may wish to repeal the statutes.

Analysis of Performance Data

Strategic Plan. The Department of Insurance does not have a comprehensive strategic plan to coordinate the activities of its various programs. Department officials told us they were in the process of developing one. Such a plan would help the department develop or improve goals, objectives, and performance indicators.

Layout of Performance Data. The layout of DOI's performance data in the 1997-98 executive budget is confusing. While each office under the two programs has a mission, the objectives and performance indicators cannot be easily related to the corresponding office. This layout makes it difficult to determine which activities and accomplishments are associated with each office.

Omitted Performance Data. The Office of Minority Affairs does not have any performance data in the 1997-98 executive budget.

Missions. The overall department mission and the office missions in the 1997-98 executive budget meet all of the established criteria with one exception: the Office of Management and Finance's mission does not identify the office's clients.

Goals. DOI has no goals in the executive budget. Without goals, which give information on a program's direction, legislators may not know programs' intentions. Although there are no goals, the program objectives closely resemble goals.

Objectives. The major weakness in DOI's performance data is the objectives. Neither of the objectives contains measurable targets or timeframes for their achievement. Without measurable and timebound objectives, decision makers cannot determine what should be achieved and by when.

Performance Indicators. Some performance indicators do not provide enough information to be useful to decision makers. While most indicators are consistent with their objectives and are easily understood, none of the indicators measure progress toward their objectives. This is because none of the objectives offer targets to strive toward. In addition, some indicators are placed under the wrong program in the executive budget.

Performance Indicator Types. Most performance indicators measure output. While the Administration/Fiscal Program has indicators that measure outcome, efficiency, input and quality, the Market Compliance Program does not have an outcome or a quality indicator. A balanced mix of indicator types provides more complete performance information.

For these reasons, the department's performance data may not collectively provide useful information for evaluating program progress and for budgetary decision making.

(See pages 33-49 of this report.)

Recommendations:

3.1 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop a comprehensive strategic plan and in the process, improve the quality of its performance data.**

3.2 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that all performance data are included in the executive budget in a clear, understandable and consistent manner.**

3.3 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to decide if performance data should be listed by program or by office.**

3.4 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that performance data for the Office of Minority Affairs are clear, accurate and included in future editions of the executive budget.**

3.5 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that the mission statement for the Office of Management and Finance includes its clients or customers.**

3.6 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should consider making the departmental mission more concise. They should also ensure that the more concise mission meets, at a minimum, criteria established in this report.**

3.7 **The Department of Insurance and Division of Administration - Office of Planning and Budget should work together to develop goals that provide a sense of direction on how to address the mission and reflect the destination toward which the program is striving.**

3.8 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop objectives that are measurable, timebound, and consistent with goals.

3.9 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop objectives clearly associated with higher level statements. They may wish to have at least one objective for each office, since each office has its own mission.

3.10 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that all performance indicators are clear, non-technical, and consistent with as well as measure progress toward measurable and timebound objectives.

3.11 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that each program develops a mix of indicators that communicates all relevant performance information, particularly program outcome.

3.12 If the Department of Insurance and the Division of Administration - Office of Planning and Budget want to use reaccreditation as an outcome indicator for the Administration/Fiscal Program, they should mention reaccreditation in the objective.

3.13 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that missions, goals, objectives, and performance indicators meet, at a minimum, the established criteria described in this report.

3.14 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that performance data are not excessive and confusing in the executive budget. Only key or essential data should be included in external documents.

3.15 The Department of Insurance and the Division of Administration - Office of Planning and Budget *should work together to ensure that indicators* appear under the program they actually measure in the executive budget.

Chapter 1: Introduction

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this performance audit of the executive budget program information for the Department of Insurance in response to certain requirements of Act 1100 of 1995. This act amended the state audit law by adding Louisiana Revised Statute (R.S.) 24:522, which created the Louisiana Performance Audit Program. Although the legislative auditor has been conducting performance audits since 1986, R.S. 24:522 formalizes an overall performance audit program for the state. In addition to finding solutions to present fiscal problems, the legislature created the Performance Audit Program to identify and plan for the state's long-term needs.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- Determine if the department's missions and goals as reported in the fiscal year 1997-98 executive budget are consistent with legislative intent and legal authority
- Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1997-98 executive budget are consistent with established criteria
- Determine if the department's objectives and performance indicators as reported in the fiscal year 1997-98 executive budget collectively provide useful information for decision-making purposes
- Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded

Report Conclusions

Article IV, Section 11 of the Louisiana Constitution of 1974 created the Department of Insurance (DOI) under a commissioner. The commissioner administers the Insurance Code (Title 22), which regulates the business of insurance in

the state. DOI's appropriation for fiscal year 1997-98 is approximately $22.4 million.

In the 1997-98 executive budget, DOI is divided into two programs, each comprising three offices. We also identified 46 boards, commissions, and like entities related to DOI. Some of these entities may overlap with each other or with DOI offices in four broad areas. Two DOI offices may have some duplicative functions, and four entities related to DOI may be outmoded. Overlapping and duplicative functions may consume more resources than necessary, while outmoded entities may cause confusion for legislators making programmatic decisions.

The layout of DOI's performance data in the 1997-98 executive budget is confusing. While each of the six reported offices under the two programs has a mission, the rest of the performance data is compiled together under the programs. This layout makes it difficult to determine which objectives and performance indicators are associated with each office. Thus, activities and accomplishments are not easily related to the proper office.

A seventh office, the Office of Minority Affairs, is not reported in the executive budget. No performance data for this office appears in the executive budget or in the department's operational plan. As a result, users of the executive budget may not know this office exists and would not know of its activities or accomplishments.

Missions in the executive budget for the department and each of the six reported offices are generally consistent with the statutes authorizing them, with four minor exceptions. The overall department mission and most office missions in the 1997-98 executive budget also meet our established criteria, with one exception.

However, DOI has no goals listed in the executive budget. Without goals, which give information on a program's direction, legislators may not know the intentions of programs. Although there are no goals, the program objectives closely resemble goals.

The major weakness in DOI's performance data is the objectives. Neither of DOI's two objectives contains measurable targets or timeframes for achievement. Without

measurable and timebound objectives, decision makers cannot determine what should be achieved and by when.

Finally, the department's performance indicators may not collectively provide useful information for evaluating program progress and for budgetary decision making. This occurs primarily for two reasons. First, none of the indicators measure progress toward their objectives because none of the objectives offer targets to strive toward. Second, most performance indicators measure output. A balanced mix of indicator types would provide more complete performance information.

Accountability Initiatives

Article XIV, Section 6 of the 1974 Louisiana Constitution reorganized the executive branch into 20 departments. State law says that the structure of the executive branch of state government is to, in part, promote economy and efficiency in the operation and management of state government. Since the reorganization, additional efforts have been undertaken to eliminate duplicative, overlapping, and outmoded programs and activities. Some of these efforts require internal reviews of programs, policies, and services of state agencies while others provide for external reviews.

R.S. 24:522 requires the legislative auditor to annually make recommendations to the legislature relative, in part, to the effectiveness and efficiency of programs and services that the various state agencies provide. In particular, it directs the auditor to evaluate the basic assumptions underlying all state agencies, programs and services to assist the legislature in identifying those that are vital to the best interests of the people of Louisiana and those that no longer meet that goal. The act also requires state agencies to produce certain information during the budgetary process.

In July 1996, the Office of the Legislative Auditor issued a report that examined the performance and progress of Louisiana state government. That report followed up on all recommendations made in performance audits and staff studies issued by the legislative auditor during the previous three years. In that report, we tracked the progress of agencies in implementing recommendations contained in the performance studies and identified related legislation. We also identified a number of problem areas in state government including inadequate oversight and inadequate planning.

As part of our continuing efforts to meet the requirements of R.S. 24:522, we have issued this report that examines the legal authority for the department's programs and services. This report also examines the program information contained in the fiscal year 1997-98 executive budget and builds on the need for better planning. As previously mentioned, similar performance audit reports are to be issued on all other executive branch departments.

State law (R.S. 49:190 *et seq.*) also requires agencies to provide the legislature with certain information to justify their existence in order to continue. This is referred to as the sunset review process. This process allows the legislature an opportunity and mechanism to evaluate the operations of state statutory entities.

State law also requires an annual report by department undersecretaries on their department management and program analysis. These reports, required by the provisions of R.S. 36:8, are referred to as Act 160 reports, since Act 160 of 1982 originally enacted this law. This law requires agencies to conduct evaluations and analyses of programs, operations, and policies to improve the efficiency, economy, and effectiveness of the departments.

Other performance legislation includes an accountability act for colleges and universities. Also, various agency performance related reports are required to be submitted with the agency budget request. One of these reports is referred to as the "Sunset Review Budget Request Supplement."

Program Budgeting and Strategic Planning Focus on Outcomes

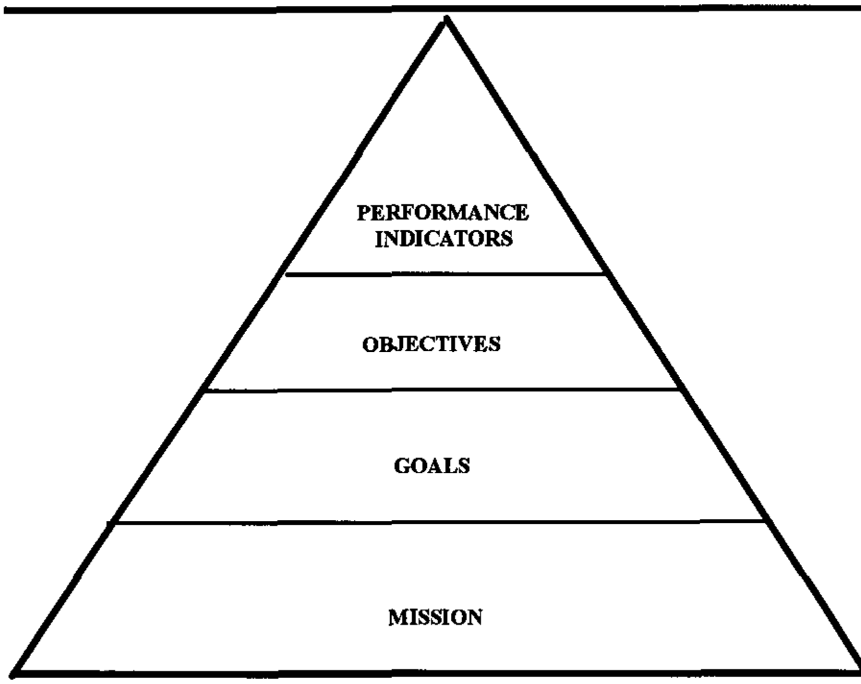
Act 814 of the 1987 Regular Legislative Session required the state to adopt a program budgeting system beginning in fiscal year 1988-89. R.S. 39:36 requires the executive budget to be in a format that clearly presents and highlights the programs operated by state government. According to *Manageware*, a publication of the Division of Administration's Office of Planning and Budget (OPB), program budgeting is a budget system that focuses on program objectives, achievements, and cost-effectiveness. *Manageware* also states that program budgeting is concerned with outcomes or results rather than with individual items of expenditure.

Strategic planning is a process that sets goals and objectives for the future and strategies for achieving those goals and objectives, with an emphasis on how best to use resources. Act 1465 of the 1997 Regular Session enacted R.S. 39:31. This law requires each state department to engage in the strategic planning process, produce a strategic plan, and submit it to the commissioner of administration and the appropriate legislative oversight committees by July 1, 1998. Program budgeting involves the development of missions, goals, objectives, and performance indicators. These factors are components of the strategic planning process.

Exhibit 1-1 below shows how missions, goals, objectives, and performance indicators relate to each other. As can be seen in this exhibit, the mission is the base from which goals are derived. Objectives flow from the goals, and performance indicators flow from the objectives.

Exhibit 1-1

Major Components of Strategic Planning Process



Source: Prepared by legislative auditor's staff using a similar diagram in *Manageware*.

Manageware defines these terms as follows:

- **Mission:** a broad, comprehensive statement of the organization's purpose. The mission identifies what the organization does and for whom it does it.
- **Goals:** the general end purposes toward which effort is directed. Goals show where the organization is going.
- **Objectives:** specific and measurable targets for accomplishment. Objectives include a degree or type of change and a timetable for accomplishment.
- **Performance Indicators:** the tools used to measure the performance of policies, programs, and plans.

Furthermore, *Manageware* categorizes performance indicators into five types:

1. **Input indicators** measure resource allocation and demand for services. Examples of input indicators are budget allocations and number of full-time equivalent employees.
2. **Output indicators** measure the amount of products or services provided or the number of customers served. Examples of output indicators include the number of students enrolled in an adult education course, the number of vaccinations given to children, and the number of miles of roads resurfaced.
3. **Outcome indicators** measure results and assess program impact and effectiveness. Examples of outcome indicators are the number of persons able to read and write after completing an adult education course and the change in the highway death rate. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved.
4. **Efficiency indicators** measure productivity and cost-effectiveness. They reflect the cost of providing services or achieving results. Examples of efficiency indicators include the cost per student enrolled in an adult education course, the bed occupancy rate at a hospital, and the average

processing time for environmental permit applications.

5. **Quality indicators** measure effectiveness in meeting the expectations of customers, stakeholders, and other groups. Examples of quality indicators include the number of defect-free reports compared to the number of reports produced, the accreditation of institutions or programs, and the number of customer complaints filed.

Manageware also points out the benefits of program budgeting. According to *Manageware*, program budgeting streamlines the budget process. *Manageware* also says that program budgeting supports quality management by allowing managers more budgetary flexibility while maintaining accountability for the outcomes of programs. Since appropriations are made at the program level, program managers can more easily shift funds from one expenditure category to another to cover unanticipated needs, according to *Manageware*.

The need for accountability in government operations is gaining recognition both domestically and internationally. According to a recent report issued by the United States General Accounting Office, the federal government is currently implementing the Government Performance and Results Act of 1993. This act requires agencies to set goals, measure performance, and report on their accomplishments. The report also cites several states including Florida, Oregon, Minnesota, Texas, and Virginia and foreign governments such as Australia, Canada, New Zealand, and the United Kingdom that are also pursuing management reform initiatives and becoming more results-oriented.

In Louisiana, the 1996 general appropriation bill and resulting act included program descriptions for the first time. The 1997 general appropriation bill also includes key performance indicators. For fiscal year 1997-98, this information will be presented for informational purposes only. However, in the future, it will serve as a starting point for the full implementation of performance based budgeting.

Beginning in fiscal year 1998-99 and all subsequent fiscal years, key objectives and key performance indicators contained in the General Appropriations Act will be included in the agency's appropriation. Each agency will be required to provide quarterly performance progress reports. The agency's appropriation will be issued conditioned upon the agency preparing and submitting these reports.

Executive Budget Is Basis for General Appropriations Act

Article VII, Section 11(A) of the Louisiana Constitution requires the governor to submit a budget estimate to the legislature that sets forth the state expenditures for the next fiscal year. This budget estimate, the executive budget[1], must include recommendations for appropriations from the state general fund, dedicated funds, and self-generated funds.

R.S. 39:36 requires the executive budget to be configured in a format that clearly presents and highlights the programs operated by state government. This statute also requires the executive budget to include:

(1) an outline of the agency's programmatic structure, which should include an itemization of all programs with a clear description of the objectives of each program;

(2) a description of the activities that are intended to accomplish each objective; and

(3) clearly defined indicators of the quantity and quality of performance of these activities.

OPB develops the executive budget based on voluminous material contained in various documents prepared by the departments as part of their budget requests. The budget request packages are made up of six separate components, which are listed as follows. These packages contain both financial and program information.

1. **Operational plans** describe the various programs within state agencies. They also give program missions, goals, objectives, and performance indicators. Operational plans are derived from long-range strategic plans. Operational plans tell what portions of strategic plans will be addressed during a given operational period.

[1] The governor also submits a capital outlay budget. However, the scope of this audit includes only the executive budget.

2. **Existing operating budgets** describe the initial operating budgets as adjusted for actions taken by the Joint Legislative Committee on the Budget, the Interim Emergency Board, the legislature, and/or the governor.

3. **Continuation budgets** describe the level of funding for each budget unit that reflects the resources necessary to carry on all existing programs and functions at the current level of service in the ensuing fiscal year. These budget components include any adjustments necessary due to the increased cost of services or materials as a result of inflation and increased workload requirements resulting from demographic or other changes. Continuation budgets contain program information.

4. **Technical/other adjustment packages** allow for the transfer of programs or functions from certain agencies or departments to other agencies or departments. However, total overall revenues and expenditures cannot be increased. The technical/other adjustment packages also contain program information.

5. **New or expanded service requests** are designed to provide information about the cost of new and/or expanded services that departments will provide. These service changes can come about as a result of regulation or procedural changes that are/were controlled by the agency or by the addition of services that were not previously provided. The new or expanded service requests also contain program information.

6. **Total request summaries** provide a cross-check of the total budget request document. These forms are designed to provide summaries of all the requested adjustments made to arrive at the total budget requests.

According to *Manageware,* the total budget request must be accompanied by the Sunset Review Budget Request Supplement (i.e., BRS forms). The BRS forms list all activities that a budget unit has been directed to administer (through legislatively authorized programs and acts of the legislature) for which no implementing funds were appropriated in the existing operating budget. The BRS forms must be submitted to OPB, the Legislative Fiscal Office, and the Joint Legislative Committee on the Budget.

For fiscal year 1997-98, OPB prepared and published several volumes of the executive budget using the departments' budget request packages. For the first time, the financial information was presented along with the program information. The program information includes program descriptions, missions, goals, objectives, and performance indicators related to the services and products of each department resulting from spending state revenues.

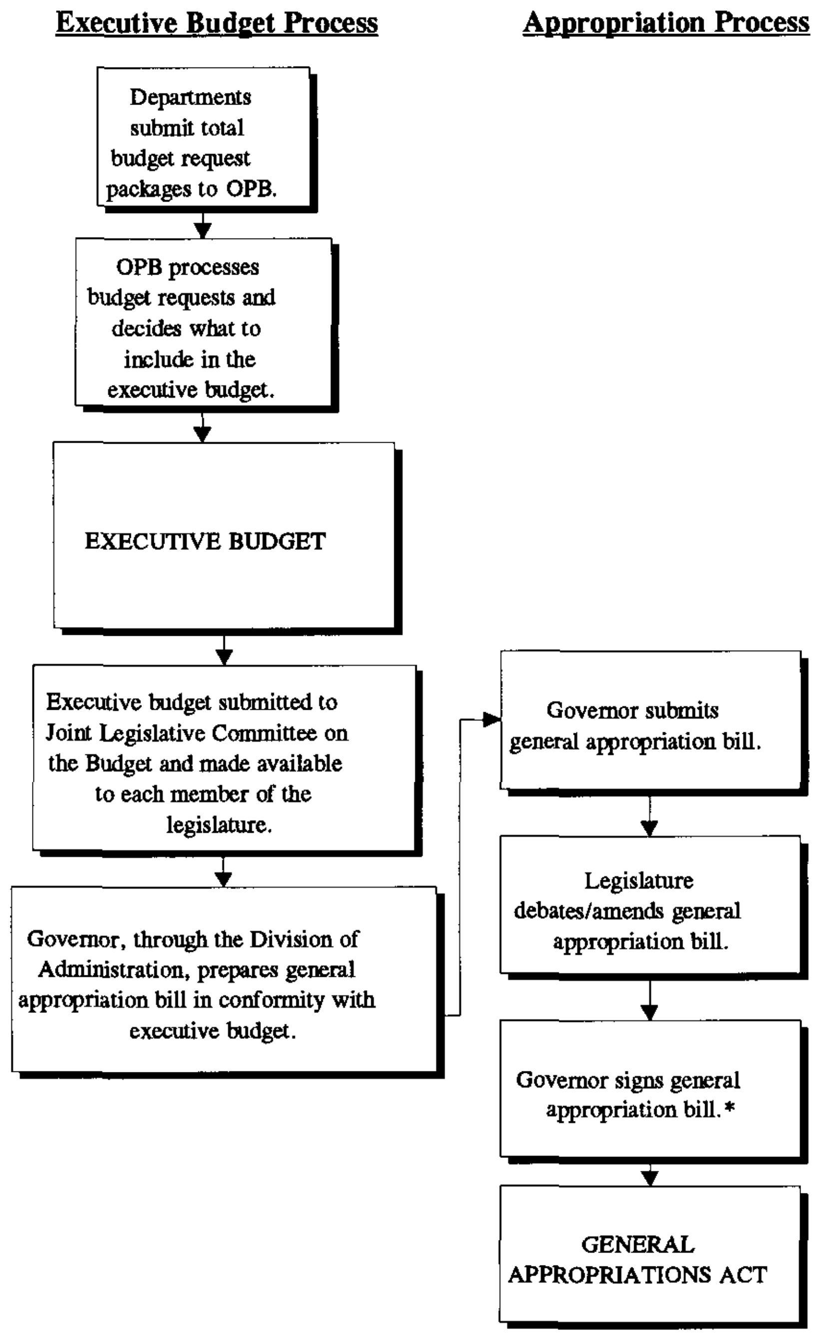
According to R.S. 39:37, the governor must submit the executive budget to the Joint Legislative Committee on the Budget. The governor must make a copy of the executive budget available to each member of the legislature. The constitution requires that the governor submit a general appropriation bill for proposed ordinary operating expenditures in conformity with the executive budget document that was submitted to the legislature.

The general appropriation bill moves through the legislature similar to any other bill. The Appropriations Committee in the House of Representatives initially hears the bill and then it moves to the Senate Finance Committee. Both the House and Senate may amend the bill. The bill is voted upon in its final form by the full membership of both chambers. OPB monitors any amendments the legislature makes to the bill.

After the general appropriation bill passes the legislature, it is forwarded to the governor. Once the governor signs the bill, it becomes law in the form of the General Appropriations Act. After the governor signs the bill, OPB reports to the state departments any amendments made by the legislature. The state constitution allows the governor to veto any line item in the appropriation bill. A veto can be overridden by a two-thirds vote of the legislature. Exhibit 1-2 on the following page illustrates the executive budget and appropriation processes.

Exhibit 1-2

Executive Budget and Appropriation Processes



* The governor has line-item veto power.

Source: Prepared by legislative auditor's staff using the state constitution, state law, *Manageware,* and *House Legislative Services - State and Local Government in Louisiana: An Overview* (December 1995).

Scope and Methodology

Overview. This performance audit of the Department of Insurance's program information was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

This section provides a summary of the methodology used in this audit. Based on planning meetings held by legislative audit staff, we formulated audit objectives that would address issues specific to the program information contained in the executive budget. The audit focused on the 1997-98 executive budget program information.

References Used. To familiarize ourselves with performance measurement, program budgeting, and accountability concepts, we reviewed various publications including the following:

- *Manageware* published by the Office of Planning and Budget (1991 and 1996 editions)
- *Research Report - Service Efforts and Accomplishments Reporting: Its Time Has Come, An Overview* published by the Governmental Accounting Standards Board (GASB)
- *Executive Guide: Effectively Implementing the Government Performance and Results Act* published by the U.S. General Accounting Office (June 1996)
- Various reports by the Canadian Comprehensive Auditing Foundation
- Reports from various states related to program budgeting and strategic planning

These publications are listed in detail in Appendix A. We also conducted interviews with personnel of the Urban Institute, the federal Office of Management and Budget (OMB), and GASB. These individuals represent both the theoretical and practical sides of current performance measurement and accountability efforts.

To gain an understanding of the state's budget process, we reviewed state laws regarding program budgeting. In addition, we interviewed staff of OPB and the Department of Insurance regarding their budget processes.

Legal Basis for Missions. We searched state laws to determine whether there was legal authority for missions of the department and its programs. We also reviewed applicable laws to determine legislative intent related to the creation of the department and the functions that the department and its programs are intended to perform. In addition, we reviewed and organized data obtained from the department on its structure, functions, and programs. We also interviewed key department personnel about these issues. We also prepared a listing, which is contained in Appendix C, of all related boards, commissions, and like entities we identified, regardless of whether funding was recommended through a specific line item.

Comparison of Performance Data to Criteria. We developed criteria against which to compare the department's missions, goals, objectives, and performance indicators as reported in the 1997-98 executive budget. To help develop these criteria, we gathered information from GASB, OMB, the Urban Institute, and *Manageware*. During our criteria development process, we obtained input from GASB. We also obtained concurrence from GASB on our final established criteria. We then compared the missions, objectives, and performance indicators to the established criteria. We did not compare goals because no goals were presented for DOI.

In addition, we evaluated the objectives and performance indicators to determine if they collectively provide useful information to decision makers. When deficiencies or other problems were identified, we discussed them with appropriate personnel of the department and OPB. We did not assess the validity or reliability of the performance indicators.

Although other documents contain performance data on the department, we only compared the missions, objectives, and performance indicators contained in the executive budget to the criteria. This decision was made because the executive budget is the culmination of OPB's review and refinement of the budget request components. It also represents the governor's official recommendation to the legislature for appropriations for the next fiscal year.

Potentially Overlapping, Duplicative, or Outmoded Areas. Finally, we reviewed the program descriptions and legal authority for the department's programs and related boards, commissions, and like entities to identify areas that appeared to be overlapping, duplicative, or outmoded. We defined these terms as follows:

- **Overlapping:** instances where two or more programs appear to perform different activities or functions for the same or similar purposes
- **Duplicative:** instances where two or more programs appear to conduct identical activities or functions for the same or similar purposes
- **Outmoded:** those programs, activities, or functions that appear to be outdated or are no longer needed

We did not conduct detailed audit work on the areas we identified as potentially overlapping, duplicative, or outmoded. We only identified them for further review at another time.

Areas for Further Study

During this audit, we identified the following areas that require further study:

- As previously mentioned, assessing the validity and reliability of performance indicators was not within the scope of this audit. However, if the legislature intends to include performance indicators in future appropriation bills and acts, validity and reliability become increasingly important. Consequently, in the future, the legislature may wish to direct a study of the validity and reliability of performance indicators included in appropriation bills.
- The programs, functions, and activities that appear to be overlapping, duplicative, or outmoded should be assessed in more detail to determine whether they are truly overlapping, duplicative, or outmoded. Once these assessments are completed, the legislature may decide whether any of these programs, functions, or activities should be altered, expanded, or eliminated.
- The availability of management information systems that can readily integrate data from a variety of sources is essential to a successful program budgeting system. Capturing accurate and

meaningful performance data is important, in part, because of the increased emphasis the legislature is placing on program information. Therefore, the capabilities of the department's management information system as related to program data should be addressed.

Report Organization

The remainder of this report is divided into the following chapters and appendixes:

- **Chapter 2** describes the Department of Insurance. This chapter gives the legal authority for the department and its programs as well as other information that describes the department and related boards and commissions. This chapter also gives the results of comparing the missions of the department as reported in the 1997-98 executive budget to their legal authority. In addition, this chapter discusses programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded.
- **Chapter 3** gives the results of our comparison of the department's missions, objectives, and performance indicators as reported in the 1997-98 executive budget to established criteria. In addition, this chapter discusses whether the objectives and performance indicators collectively provide useful information for decision-making purposes.
- **Appendix A** is a list of references used for this audit.
- **Appendix B** is a comparison of department and office missions with legal authority.
- **Appendix C** is a listing of boards, commissions, and like entities that are related to the Department of Insurance.
- **Appendix D** is a listing of performance data in the 1997-98 executive budget for the Department of Insurance's Program A - Adminstration/Fiscal.

- **Appendix E** is a listing of performance data in the 1997-98 executive budget for the Department of Insurance's Program B - Market Compliance.
- **Appendix F** is the Department of Insurance's response to this report.
- **Appendix G** is the Division of Administration - Office of Planning and Budget's response to this report.

Chapter 2: Department Overview

Chapter Conclusions

Article IV, Section 11 of the Louisiana Constitution of 1974 created the Department of Insurance (DOI) under a commissioner. The commissioner administers the Insurance Code (Title 22), which regulates the business of insurance in the state. DOI's appropriation for fiscal year 1997-98 is approximately $22.4 million.

In the 1997-98 executive budget, DOI is divided into two programs, each comprising three offices. The department and each of the six reported offices have missions in the executive budget that are generally consistent with the statutes authorizing them, with four minor exceptions. However, a seventh office, the Office of Minority Affairs, is not reported in the executive budget. As a result, users of the executive budget may not know this office exists.

We identified 46 boards, commissions, and like entities related to DOI. Of these, 30 are under the DOI or its title. The rest include DOI participants, but are administered by other state agencies or outside groups. Some of these entities may overlap with each other or with DOI offices in four broad areas. Two DOI offices may have some duplicative functions, and four entities related to DOI may be outmoded. Overlapping and duplicative functions may consume more resources than necessary, while outmoded entities may cause confusion for legislators making programmatic decisions.

DOI Regulates Insurance Industry

DOI was created by Article IV, Section 11 of the Louisiana Constitution of 1974. The constitution says that DOI is headed by a commissioner. Pursuant to his constitutional authority, the commissioner administers the provisions of the Insurance Code. State law (R.S. 22:2) provides that insurance is a business affected with the public interest. The Insurance Code, which is Title 22, Chapter 1 of the Louisiana Revised Statutes, regulates that business in all of its phases.

Not All DOI Offices Listed in Executive Budget

DOI is a single budget unit with two programs in the 1997-98 executive budget. Each program is composed of three offices, all established in state law. However, we identified a seventh office, the Office of Minority Affairs, which is not reported separately in the executive budget. As a result, users of the executive budget may not know the office exists.

While other DOI offices were separately identified in the executive budget, the Office of Minority Affairs was not. This office may have been omitted because the department did not submit any performance data for it to OPB in its 1997-98 operational plan. As discussed in Chapter 1, OPB uses data in the operational plan to develop the executive budget. As a result of Act 1403 of the 1997 Regular Session, each budget unit is now legally required to submit a detailed operational plan as part of its budget request.

The Office of Minority Affairs has an unusual organizational structure. According to department officials, the office is funded through another office, the Office of Licensing/Market Compliance. However, by statute and in practice, the Deputy Commissioner of Minority Affairs reports directly to the Commissioner of Insurance rather than the Deputy Commissioner of Licensing/Market Compliance. Finally, while R.S. 36:687 establishes Minority Affairs as a division, R.S. 22:1921 refers to it as an office. DOI officials told us they refer to Minority Affairs as an office.

The seven offices and their legal authority are listed below. The organization chart in Exhibit 2-1 on the following page shows their functions and reporting relationships. The Administration/ Fiscal Program is generally responsible for internal operation and the collection of funds, while the Market Compliance Program deals with issues related to regulation and consumer protection.

Program A: Administration/Fiscal

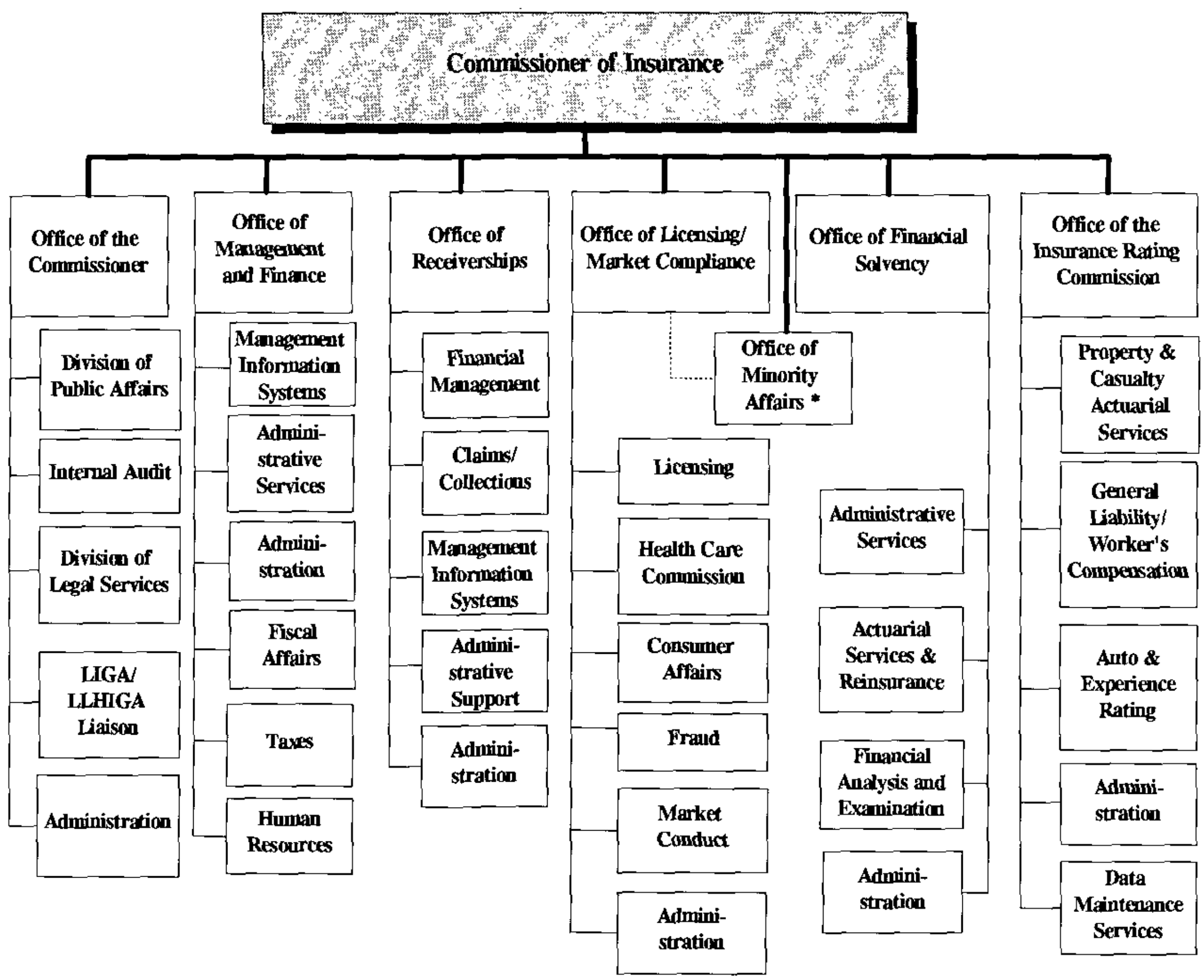
- Office of the Commissioner (R.S. 36:682)
- Office of Management and Finance (R.S. 36:684)
- Office of Receiverships (R.S. 36:691)

Program B: Market Compliance

- Office of Financial Solvency (R.S. 36:693)
- Office of Licensing/Market Compliance (R.S. 36:692)

- Office of Insurance Rating Commission (R.S. 36:688)
- Office of Minority Affairs (R.S. 22:1921 and R.S. 36:687).

Exhibit 2-1
Department of Insurance
Organization Chart as of August 5, 1997



*Note: The Office of Minority Affairs is funded through the Office of Licensing/Market Compliance, but reports directly to the Commissioner of Insurance.

Source: Prepared by the legislative auditor's staff from information provided by the Department of Insurance.

Recommendation:

2.1 The Department of Insurance should report the Office of Minority Affairs in its operational plan so that the Division of Administration - Office of Planning and Budget can include it in the executive budget.

Department Expenditures and Staffing

For fiscal year 1997-98, DOI was appropriated nearly $22.4 million and 242 staff positions. This is five more positions than were recommended in the 1997-98 executive budget. The additional positions are allocated to the Insurance Rating Commission for actuarial assistance.

Exhibit 2-2 below shows the department's actual expenditures and staffing by program for fiscal year 1996-97 as well as recommended and appropriated amounts and staff for 1997-98.

Exhibit 2-2

Department of Insurance
Expenditure, Budget, and Appropriation Data

Program	1996-97 Actual*		1997-98 Recommended		1997-98 Appropriated	
	Funding	Staffing	Funding	Staffing	Funding	Staffing
Administration**	$7,327,266	104	$10,316,601	89	$10,367,978	89
Market Compliance	$12,071,374	153	$11,252,320	148	$11,997,730	153
Total	**$19,398,640**	**257**	**$21,568,921**	**237**	**$22,365,708**	**242**

Source: Created by legislative auditor's staff from information supplied by the Department of Insurance and from the 1997-98 executive budget.

*Actual numbers are not audited.

**Totals include pass-through amounts as follows: $4.5 million for 1996-97 actual and $5.8 million for both recommended and appropriated amounts for 1997-98. The department collects Insurance Premium Bail Bond Fees, deposits them in the state treasury, and issues payments to district attorney offices.

Exhibit 2-3 on the following page shows how funding and personnel are distributed among DOI offices. Staff is concentrated in the Market Compliance Program, while appropriations are more evenly distributed between the two programs. Approximately two-thirds of the staff and more than half of the department's appropriation are in Market Compliance. In terms of office appropriations, the Office of Management and Finance claims nearly one-third of appropriated dollars. The largest staffing allocations are in the Offices of Insurance Rating Commission and Licensing/Market Compliance, which together account for about half of DOI's staff positions.

Exhibit 2-3

Department of Insurance
1997-98 Funding and Staffing by Office

Office	1997-98 Appropriation			1997-98 Staffing		
	Amount	% of Program	% of Dept.	Positions	% of Program	% of Dept.
Office of the Commissioner	$2,466,315	24%	11%	27	30%	11%
Office of Management and Finance	$6,972,460	67%	31%	43	48%	18%
Office of Receiverships	$929,203	9%	4%	19	22%	8%
Administration Program Total	**$10,367,978**	**100%**	**46%**	**89**	**100%**	**37%**
Office of Financial Solvency	$4,435,603	37%	20%	42	27%	17%
Office of Licensing/Market Compliance	$2,337,177	19%	11%	*52	34%	22%
Office of Insurance Rating Commission	$5,224,950	44%	23%	*59	39%	24%
Market Compliance Program Total	**$11,997,730**	**100%**	**54%**	**153**	**100%**	**63%**
Department Total	**$22,365,708**		**100%**	**242**		**100%**

***Note:** According to DOI officials, new positions were subsequently added through budget amendments: 14 in the Office of Licensing/Market Compliance for the Health Insurance Portability and Accountability Act (HIPA), 5 in the Office of Insurance Rating Commission for the Council on Automobile Rates and Enforcement (CAIRE).

Source: Prepared by legislative auditor's staff using information obtained from the Department of Insurance.

DOI Missions Generally Consistent With State Law

DOI's overall mission and the six office missions as presented in the 1997-98 executive budget are generally consistent with state law. This means that the executive budget is reporting offices as legally authorized. However, four missions could be reworded to include additional functions and clientele or to be clearer. If missions do not closely reflect legal intent, they may not clearly communicate the office's purpose or client groups.

As part of our review of the executive budget program information, we compared missions for the department and six of its offices with state law. We considered whether the department's missions were consistent with their statutory and constitutional authority. Although the missions are generally consistent with the law, four could be improved to more closely track legislative intent.

- The mission of the Office of the Commissioner might be more inclusive with respect to its clientele. The mission names the department (through its programs) and policyholders as clients. State law also implies that the department, the insurance industry, and the public could be clients of the commissioner and his associated office. The public is a broader concept because not all members of the public may be insured. Department officials told us that the public is also a client of the office.

- The mission of the Office of Receiverships does not technically include conservation, in which an insurer must have the office's approval for all transactions. Officials told us this office handles conservation, rehabilitation, and liquidation. The legal definition of "receivership" includes rehabilitation (in which the department takes title to a failing insurer's assets) and liquidation, but not conservation. The office's deputy commissioner said that as of now, rehabilitation is their primary emphasis. He also said the office may do more conservations in the future.

- The wording in the second sentence for the mission of the Office of Licensing/Market Compliance is confusing. When read literally, it can be taken to mean the office will eliminate claim payments and premium returns. The sentence should describe prohibited activities by insurers.

- The mission of the Office of Financial Solvency says it will ". . . insure and produce . . ." solvency, fair and proper treatment of policyholders, and statutory adherence. DOI is empowered to examine companies in order to regulate these things. However, the department may be able to promote but not necessarily produce insurer solvency, because other factors may influence it (i.e., catastrophic losses, insurer mismanagement).

In addition, the Office of Minority Affairs did not have a mission or any other performance data in the 1997-98 executive budget. The lack of performance data for this office is further discussed in Chapter 3.

Appendix B contrasts each mission with its legal authority.

Recommendation:

2.2 The Department of Insurance, with assistance of the Office of Planning and Budget, should consider rewriting four missions to be more clear or inclusive. Specifically:

- **The mission of the Office of the Commissioner might be broadened to include the public and the industry as part of its clientele.**
- **The mission of the Office of Receiverships might be broadened to include conservation, if this activity is an integral part of what they do.**
- **The mission of the Office of Licensing/Market Compliance should be rewritten so that it is not confusing.**
- **The mission of the Office of Financial Solvency should indicate that the department is able to promote insurer solvency, but not necessarily produce it.**

Boards, Commissions, and Like Entities in DOI

We identified 46 boards, commissions, and like entities involved with DOI. Though many are under state laws that affect DOI (Title 22 of the Louisiana Revised Statutes), others may only have a DOI representative. All entities we identified are listed as follows by categories. Those marked with a single asterisk (*), according to state law, are not to be considered state agencies.

Appendix C shows the legal authority and purpose for each entity we identified.

16 Statutorily Established Entities Under DOI or Title 22

- Council on Automobile Insurance Rates and Enforcement (CAIRE)
- Basic Health Insurance Plan Pilot Program Development Council
- Examination Review Council
- Insurance Education Advisory Council
- Louisiana Automobile Insurance Plan (Governing Committee)
- Louisiana Consortium of Insurance and Financial Services
- Louisiana Health Care Commission
- Louisiana Health Insurance Association
- Louisiana Insurance Rating Commission
- Louisiana Insurance Underwriting Plan (Governing Committee)
- Louisiana Joint Reinsurance Plan (Governing Committee)
- Property Insurance Association of Louisiana
- Advisory Committee on Equal Opportunity
- Louisiana Health Advisory Committee
- Louisiana Insurance Guaranty Association (LIGA)*
- Louisiana Life and Health Insurance Guaranty Association (LLHIGA)*

7 Ad Hoc Entities and Task Forces Under DOI

- Agent's Task Force
- Commissioner's Advisory Committee
- Commissioner's Managed Healthcare Advisory Board
- Home Service Insurance Working Group
- Health Insurance Portability & Accountability Act (HIPA) - Ad Hoc Committee
- Local Government Insurance Advisory Committee
- Louisiana Surplus Lines Task Force

7 Abolished, Inactive, or Expired Entities Under DOI or Title 22

- Louisiana Advisory Board of Insurance Agents and Brokers**
- Universal Health Care Commission**
- Louisiana Anti-Fraud Advisory Board**
- Insurance Liability Labor Law Task Force
- Louisiana Task Force for the Reduction of Automobile Insurance Rates
- Joint Legislative Committee on Insurance
- Joint Legislative Committee on Insurance Advisory Task Force

***Abolished by Act 1116 of the 1997 Regular Session*

9 Entities Under Other State Agencies

- Louisiana State Interagency Coordinating Council for Childnet
- Louisiana Deferred Compensation Commission
- Employee Payroll Benefits Committee
- Advisory Committee on Pain
- Louisiana Workers' Compensation Second Injury Board
- Louisiana Workers' Compensation Corporation*
- Governor's Arson Strike Force
- Children's Health Insurance Program Task Force
- Governor's Advisory Council on Disability Affairs

4 Ad Hoc Committees and Task Forces Under Other State Agencies

- Citizens Task Force for the Elderly (not active according to DOI)
- Consumer Fraud Task Force
- Mayor's Military Advisory Committee
- Governor's Office on Elderly Affairs Steering Committee

3 Entities Under Private or Local Groups

- Louisiana Aging Network Association
- Louisiana Safe Kids Coalition Advisory Board
- Louisiana Health Care Alliance (a/k/a Louisiana Business Group on Health)

Potential Overlap, Duplication, and Outmodedness Within DOI

We identified several instances of potential overlap and outmodedness and one instance of potential duplication within DOI. In these instances, the state may be using more resources than necessary to provide services in these areas. In addition, DOI officials and legislators may be making decisions without full knowledge of the interaction among programs. Potentially outmoded programs may mislead some DOI officials and legislators making programmatic decisions.

As mentioned in Chapter 1, we defined overlap as instances where two or more entities appear to perform different activities or functions for the same or similar purposes. We defined duplication as instances where two or more entities appear to conduct the same activities or functions for the same or similar purposes. We defined outmoded to mean those programs, activities, or functions that appear to be outdated or no longer needed. Since we interpreted these criteria very broadly, areas identified as potentially overlapping, duplicative, or outmoded should be further reviewed.

To identify potential overlap or duplication, we examined the missions and statutory authorizations of DOI's offices and related boards, commissions, and like entities. We then compared these provisions with each other. To identify whether any entities appear to be outmoded, we searched applicable statutes, reviewed performance data in the 1997-98 executive budget, and asked departmental officials about an entity that appeared to be outmoded. We also asked DOI and OPB officials whether unfunded entities were reported on budget forms required by OPB or through any other means for fiscal year 1997-98.

DOI offices are shown in Exhibit 2-1 on page 19. Related boards, commissions, and like entities are explained in detail in Appendix C. The appendix shows each entity's legal authority, purpose, and representation from the department.

Potential Overlap

Specifically, we found the potential for overlap in four broad areas. Those areas are premium tax audit, education, health insurance, and assigned risk plans.

Premium Tax Audit. Both the **Office of Financial Solvency** and the **Office of Management and Finance** appear to audit premium taxes, based on similar language in missions and performance indicators in the 1997-98 executive budget. However, DOI officials told us Financial Solvency performs on-site audits of insurers every three years to confirm that premium taxes have been paid properly, while the Office of Management and Finance performs desk audits and evaluates what each insurer owes.

Insurance Education. The following statutory entities have responsibilities in the area of insurance education. Therefore, some of these responsibilities may overlap.

- The **Office of Licensing/Market Compliance,** through its **Registered Insurance Agent and Bail Agent Prelicensing Program,** reviews and certifies prelicensing courses.
- The **Insurance Education Advisory Council** reviews and evaluates educational certification programs and requirements for a registered insurance agent or bail agent prelicensing program. The council also specifies rules and regulations for the qualifications of instructors.
- The **Office of Minority Affairs** establishes educational and informational services regarding opportunities for minority agents and the skills, training, and education required to take advantage of them. The office is also charged with developing a pilot training program for minorities and women.
- The **Advisory Committee on Equal Opportunity** helps establish educational and informational services to foster a greater awareness of opportunities available in the insurance industry, as well as an awareness

of the skills, training, and education needed to prepare for these opportunities.

- The **Examination Review Council** makes recommendations to the commissioner as to the scope, type, and quality of written exams and other study materials.

- The **Louisiana Consortium of Insurance and Financial Services** is charged with promoting the development of academic courses and a degree program in insurance. It is also charged with developing, promoting, and administering continuing education courses and professional development in the insurance industry.

Health Insurance. One DOI division, two commissions, and two committees (one with an associated council) have responsibilities related to health insurance. A DOI official told us they may establish a division under Licensing/Market Compliance to encompass DOI's health insurance responsibilities. The potentially overlapping entities are discussed below.

- The **Universal Health Care Commission** was abolished by Act 1116 of the 1997 Regular Legislative Session. Still, there might have been some overlap during the audit period. This commission was to conduct a narrow focus study concerning the feasibility of a universal health insurance plan for Louisiana.

- The **Louisiana Health Care Commission** was also created to study the availability and affordability of health care and submit a recommendation regarding a universal health care access program. State law requires the commission to cease to exist on June 30, 1999.

- The **Division of Health Insurance Policy, Research and Development**, as established in state law, includes responsibilities similar to those of the Louisiana Health Care Commission. A department official said that legislation establishing this division may be used as part of the framework for the entity that will encompass DOI's health insurance responsibilities. This division is discussed as potentially outmoded on page 30.

- The **Health Insurance Portability and Accountability Act (HIPA) Ad Hoc Committee**, which was set up to review requirements associated with the federal HIPA, could have some potential overlap with these other areas.
- The **Basic Health Insurance Plan Pilot Program Development Council** is a legislative agency that oversees the **Louisiana Health Advisory Committee.** It is charged with developing a model basic benefit health insurance plan pilot program for low-income people. Also, the council is to develop a separate pilot program to provide preventive health care services and comprehensive health insurance coverage to children.

Assigned Risk Plans. The **Louisiana Joint Reinsurance Plan** (the Fair Access to Insurance Requirements, or FAIR plan) and the **Louisiana Insurance Underwriting Plan** (the coastal plan) are insurer groups. Property insurers must belong to both as a condition of their authority to do business in Louisiana. The plans offer property coverage in high-risk areas, apportioning risks among their members. Both plans have associated governing committees.

According to department officials, the plans currently offer identical services and coverages. However, the FAIR plan was created to serve urban areas, while the coastal plan was created after Hurricane Betsy to serve coastal areas. Though the plans are similar now, officials cautioned that they may deviate from one another in the future.

Officials also told us the statutes allow the industry to manage these plans as they see fit. In return, insurers are expected to continue to write business in these problem areas, which is a valuable service to the residents of the state. Because of this, the industry would be the major decision maker regarding any possible combination of the plans.

Potential Duplication

We found the potential for duplication in one area. Two DOI offices may not only overlap with respect to education, but might also be duplicative. Both the **Office of Licensing/Market Compliance** and the **Office of Minority Affairs** are involved with agent training and educational opportunities. The officials in charge of both offices told us they answer agents' inquiries and calls. Thus, two different offices could be providing similar services for the same agents. Because both entities are set up as offices in state law (R.S. 36:692 and R.S. 22:1921, respectively), they appear to be potentially duplicative.

Although the Deputy Commissioner for Minority Affairs reports directly to the commissioner, the office's budget comes from Licensing/Market Compliance. While two officials told us the two offices work closely together, another said the offices have no functional involvement with each other.

Potential Outmodedness

We found the potential for outmodedness in four entities. These four entities are discussed below.

One Division in DOI. The *Division of Health Insurance Policy, Research, and Development* (R.S. 36:694) was created in connection with a federal healthcare initiative, according to a department official. It is unfunded and inactive, according to DOI officials. Though unfunded during fiscal year 1997-98, it was not reported as unfunded as required by state law (R.S. 49:191.1). The department now plans to use the statute as part of the framework for the proposed Office of Health. DOI officials we spoke with were aware of the need to amend the statute to reflect any organizational changes. In addition, according to a department official, the responsibility to gather and collect data demonstrating the availability and affordability of health insurance coverage in the state per R.S. 22:9.1 was designed as a function of this division.

Task Force Whose Work Is Complete. The *Louisiana Task Force for the Reduction of Automobile Insurance Rates* is still legally authorized by executive order. However, it has completed its assigned work and no longer meets, according to a DOI official. Because it was created by executive order, the task force will expire

60 days after the end of the legislative session following the current governor's final term.

Legislative Committee and Task Force Remaining in State Law. State law establishing the *Joint Legislative Committee on Insurance* specifies a 1992 expiration date. Yet, the committee and its task force, the *Joint Legislative Committee on Insurance Advisory Task Force,* are still in state law. Neither has met since they expired, according to a legislative official. However, leaving them in state law might be confusing.

Recommendations:

2.3 If the Department of Insurance uses R.S. 36:694 as part of the statutory structure for an office of health, the statute should be amended to reflect any changes from its original intent. If the department decides not to use this statute for such a purpose, it should propose legislation to repeal the statute.

2.4 The Department of Insurance should determine if aspects of its offices and related boards, commissions, and like entities actually do overlap. The department should also determine if the Office of Licensing/Market Compliance and the Office of Minority Affairs actually duplicate one another's efforts. The department should develop strategies to streamline any areas found to be overlapping or duplicative. The department should pay particular attention to the following areas of potential overlap:

- **Premium Tax Audit**
- **Insurance Education**
- **Health Insurance**
- **Assigned Risk Plans**

2.5 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop performance data that accurately reflects the responsibilities

of programs and offices. Doing so will ensure that the data do not give the appearance of overlap, if none exists.

2.6 As part of the annual budget process, the Department of Insurance should report any legislatively authorized programs or activities established by legislative acts for which implementing funds were not appropriated, as required by R.S. 49:191.1(A).

Matters for Legislative Consideration

2.1 The legislature may wish to review areas mentioned in Recommendation 2.4 that are potentially overlapping or duplicative. In addition, the legislature may wish to further review the interaction of boards, commissions, and like entities with each other and with offices of the Department of Insurance. If the legislature identifies overlap or duplication, it may wish to direct the department to develop coordinating strategies or eliminate some entities.

2.2 The legislature may wish to consider whether the *Joint Legislative Committee on Insurance* and its task force, the *Joint Legislative Committee on Insurance Advisory Task Force,* are actually outmoded. If entities are no longer needed, the legislature should consider whether there is any advantage in leaving their statutory structures in place (R.S. 22:1450.1 *et seq.*). If the legislature finds no such advantage, it may wish to repeal the statutes.

Chapter 3: Analysis of Performance Data

Chapter Conclusions

The layout of the Department of Insurance's (DOI) performance data in the 1997-98 executive budget is confusing. While each office under the two programs has a mission, the rest of the performance data is compiled together under the programs. This layout makes it difficult to determine which objectives and performance indicators are associated with which offices. Thus, activities and accomplishments are not easily related to the proper office.

The overall department mission and most office missions in the 1997-98 executive budget meet all of the established criteria. However, one mission does not identify a client. In addition, DOI has no goals listed in the executive budget. Without goals, which give information on a program's direction, legislators may not know the intentions of programs. Although there are no goals, the program objectives closely resemble goals.

The major weakness in DOI's performance data is the objectives. Neither of DOI's objectives contains measurable targets or timeframes for achievement. Without measurable and timebound objectives, decision makers cannot determine what should be achieved and by when.

In addition, some performance indicators do not provide enough information to be useful to decision makers. While most indicators are consistent with their objectives and are easily understood, none of the indicators measure progress toward their objectives. This is because neither of the objectives offers targets to strive toward.

Finally, most performance indicators measure output. While the Administration/Fiscal Program has indicators that measure outcome, efficiency, input, and quality, the Market Compliance program does not have an outcome or a quality indicator. A balanced mix of indicator types provides more complete performance information. For these reasons, the department's performance data may not collectively provide useful information for evaluating program progress and for budgetary decision making.

Criteria for Analyzing Performance Data

Exhibit 3-1 below shows the criteria we used to analyze the department's missions, goals, objectives, and performance indicators as they appear in the 1997-98 executive budget. The results of our specific program analysis follow this exhibit.

Exhibit 3-1

Criteria Used to Evaluate the Fiscal Year 1997-98 Executive Budget Performance Data

MISSION: A broad, comprehensive statement of purpose

- ✓ Identifies overall purpose for the existence of the organization, department, office, institution, or program as established by constitution, statute, or executive order
- ✓ Identifies clients/customers of the organization or external and internal users of the organization's products or services
- ✓ Organizationally acceptable

GOAL: The general end purpose toward which effort is directed

- ✓ Consistent with department, program, and office missions
- ✓ Provides a sense of direction on how to address the mission; reflects the destination toward which the entity is striving

OBJECTIVE: A specific and measurable target for accomplishment

- ✓ Consistent with goals
- ✓ Measurable
- ✓ Timebound
- ✓ Specifies desired end result

PERFORMANCE INDICATOR: Tool used to measure performance of policies, plans, and programs

- ✓ Measures progress toward objective or contributes toward the overall measurement of progress toward objective
- ✓ Consistent with objective
- ✓ Clear, easily understood, and non-technical

Note: The criteria were established based on input from *Manageware*, GASB, the federal Office of Management and Budget, and the Urban Institute.

Source: Prepared by legislative auditor's staff to show established criteria used to evaluate the department's performance data.

Overall Strategic Plan Could Benefit DOI

According to a DOI official, the department does not have an overall strategic plan. Act 1465 of the 1997 Regular Legislative Session requires that each state department submit a strategic plan. This plan will be used to guide ongoing and proposed activities over five years. While DOI did not develop a strategic plan for 1997, a DOI strategic planning committee is currently working on a plan for 1998. DOI is planning to provide training and assistance to those involved with the strategic planning process. In addition, the agency's managers will provide more input on performance data than in previous years.

Recommendation:

3.1 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop a comprehensive strategic plan and in the process, improve the quality of its performance data.

Layout of Performance Data Is Confusing

The layout of performance data in the 1997-98 executive budget is confusing. For both programs, three office missions funnel into one objective. Performance indicators are generally not identified as belonging to a specific office or mission. As a result, this layout makes it difficult for legislators or other users of the executive budget to see which activities are associated with which mission.

As described in Chapter 1 of this report, performance indicators should flow from objectives, objectives should flow from goals, and goals should flow from missions. In addition, R.S. 39:36 requires that the executive budget's configuration clearly present and highlight department programs. As mentioned in Chapter 2, DOI's 1997-98 executive budget reports two programs. Each program is composed of three offices. Although each of these offices has a mission statement, the three offices under the Administration/Fiscal Program share one objective, and the three offices under the Market Compliance Program share one objective. No goals are presented. The objective for each program resembles a list of responsibilities assigned to each office. Performance indicators for all three offices are grouped under this one objective.

This presentation makes it difficult to determine which office's performance the indicators are intended to measure.

Since the offices have their own mission statements, they should also have their own goals, objectives, and performance indicators. These should be organized so that legislators can see a clear progression from each office's mission statement. Because DOI's performance data do not clearly flow from mission statements, it is confusing for users of the executive budget to interpret information about the performance of each office. In addition, legislators may not be able to make informed budgetary or programmatic decisions.

Recommendations:

3.2 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that all performance data are included in the executive budget in a clear, understandable and consistent manner.

3.3 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to decide if performance data should be listed by program or by office.

Office of Minority Affairs Needs Performance Data

While the Office of Minority Affairs is set up in state law as an office within DOI, it does not have any performance data listed in the 1997-98 executive budget. Each of DOI's other six offices has a mission. Because performance data are not specified for Minority Affairs, users of the executive budget may not know that this office exists, or what its responsibilities and achievements are.

According to GASB's assistant director of research, all programs should have goals, objectives, and performance indicators that highlight their major activities. Department officials in Minority Affairs and the Office of Management and Finance have confirmed that Minority Affairs does not have performance data in the executive budget.

Minority Affairs' unique situation adds to the confusion. While this office reports directly to the Commissioner of Insurance, according to a Minority Affairs official, its funding and staff allocations come from the Office of Licensing/Market Compliance. Without performance data, legislators may not know of the existence, purpose, or activities of this office.

Recommendation:

3.4 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that performance data for the Office of Minority Affairs are clear, accurate and included in future editions of the executive budget.

Missions Generally Meet Criteria

Most mission statements for DOI meet all established criteria and all are clearly identified in the executive budget. However, one mission does not identify a client. As a result, this statement does not fully communicate who the office serves.

Missions should identify a program's overall purpose and its clients or customers and be organizationally acceptable. We consider missions to be organizationally acceptable if the mission in the executive budget also appears in the department's operational plan. We also asked departmental officials if the missions in the executive budget were acceptable to them.

DOI's departmental mission identifies the overall purpose, specifies its clients, and is organizationally acceptable. All DOI office missions meet these criteria, with the exception of the Office of Management and Finance. This office does not explicitly identify its clients. Although the whole department is implied as this office's client, the mission statement does not clearly state this.

All of DOI's missions are consistent with the higher-level mission statement and are labeled as missions in the executive budget and the operational plan. The departmental mission in the executive budget appears to consist of three sentences. The OPB planning analyst for DOI said that the first sentence is the mission, and the remaining sentences are the vision or philosophy. However, DOI considers all three sentences its mission. Therefore, external users of the executive budget may also be confused as to what constitutes the mission for the department. Clear, concise mission statements that specify program direction and clients are vital for understanding the purpose and accomplishments of programs.

Recommendations:

3.5 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that the mission statement for the Office of Management and Finance includes its clients or customers.

3.6 The Department of Insurance and the Division of Administration - Office of Planning and Budget should consider making the departmental mission more concise. They should also ensure that the more concise mission meets, at a minimum, criteria established in this report.

No Goals Specified in Executive Budget

No goals are listed for DOI in the 1997-98 executive budget. OPB and DOI officials have confirmed that no goals exist for DOI programs. Without goals, readers of the executive budget may not be able to understand a program's functions or direction.

As shown in Exhibit 3-1 on page 34, goals should provide a sense of direction on how to address the mission. They should also reflect the destination toward which the program or entity is striving. The executive budget does not provide this information as no goals are listed. Further, the department has no goals in its operational plan.

We observed that the objective for each program fits our criteria for goals better than it fits our criteria for objectives. Both objectives are consistent with department and office missions and provide a sense of direction. However, they meet only one criterion for objectives. The OPB analyst has also commented that DOI's objectives would make good internal goals.

Recommendation:

3.7 The Department of Insurance and Division of Administration - Office of Planning and Budget should work together to develop goals that provide a sense of direction on how to address the mission and reflect the destination toward which the program is striving.

Objectives Are Not Measurable or Timebound

Neither objective included in the 1997-98 executive budget is measurable or timebound. Therefore, legislators may not be able to determine if the programs meet their desired levels of performance on time.

As shown in Exhibit 3-1 on page 34, objectives should provide a quantified target measurement and a timeframe for accomplishment. Objectives should also include a desired end result and be consistent with goals. DOI's two objectives specify end results, but do not meet any other criteria. Because there are no goals in the 1997-98 executive budget, it is not possible to determine consistency with objectives. Objectives that specify only results without measurable targets and timeframes give the program nothing for which to aim. In addition, performance indicators cannot measure progress toward these objectives.

Instead of providing targets for accomplishments, DOI's objectives list program functions. According to GASB staff, multiple ideas or topics should not be linked together in one objective unless the objective is clear, not too long, and supported by meaningful performance indicators. As a general rule, objectives should cover only one area and be brief, measurable, and timebound. The Administration/Fiscal Program and the Market Compliance Program each have one objective encompassing three offices. This format makes it difficult to determine which part of the objective corresponds to which office mission.

Recommendations:

3.8 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop objectives that are measurable, timebound, and consistent with goals.**

3.9 **The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to develop objectives clearly associated with higher level statements. They may wish to have at least one objective for each office, since each office has its own mission.**

Performance Indicators Cannot Measure Progress Toward Objectives

The majority of performance indicators in the 1997-98 executive budget are consistent with the stated objectives. In addition, the majority of indicators are easy to understand. However, none of the indicators can measure progress toward the objectives because the objectives are not measurable and timebound. When indicators do not measure progress toward objectives, users of the executive budget may not be able to determine how well the programs did what they intended to do.

As shown in Exhibit 3-1 on page 34, performance indicators should measure progress toward the objective, be consistent with the objective, and contain clear, non-technical language. The majority of indicators are consistent with stated objectives and are easy to understand. Specifically, 74% of indicators (55 of 74) were consistent with the objective and 73% (54 of 74) contain clear language that could be understood by someone with little knowledge of the insurance industry. If the objective were improved to include target measures, then the performance indicators would meet most of the criteria.

Therefore, objectives that provide a measurable target and a timeframe for accomplishment are vital to programs because they provide a context in which to view a program's effectiveness and efficiency. The quantified targets in objectives serve as a reference point for evaluating success. Without this reference point, performance indicators cannot describe program results.

Recommendation:

3.10 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that all performance indicators are clear, non-technical, and consistent with as well as measure progress toward measurable and timebound objectives.

Performance Indicators Primarily Measure Output

The majority of performance indicators in the 1997-98 executive budget measure output. Only one of the two programs has an outcome indicator. When programs do not have a balanced mix of indicators, users of the executive budget may not be able to see all aspects of a program's performance.

According to both GASB and *Manageware*, programs should develop a mix of the different types of indicators. When such a mix is properly developed, the indicators communicate more comprehensive information on program performance relevant to the process of budgetary decision making.

Specifically, we found that 54 of DOI's 74 performance indicators (73%) measure output. Nine indicators (12%) measure input, five indicators (7%) measure efficiency, four indicators (6%) provide explanatory information, and one indicator (1%) measures quality. Only the Administration/Fiscal Program has an outcome indicator. However, the objective for this program is not measurable or timebound. For outcome indicators to be useful for decision making, the objective must provide a target clearly specifying the desired outcome.

Efficiency indicators are also useful for decision making in order to understand what resources are consumed in producing program outputs and outcomes. The Administration/Fiscal Program has two efficiency indicators and the Market Compliance Program has three. Consequently, legislators can understand some of the costs of producing results associated with these indicators.

Only the Administration/Fiscal Program has a quality indicator reported in the executive budget. If quality indicators are not reported, users of the executive budget may not be able to determine the effectiveness in meeting the expectations of customers. Although reaccreditation is labeled as an outcome for this program in the executive budget, it meets our criteria of a quality indicator. For this indicator to be readily understood as an outcome indicator, attaining reaccreditation should be specified in the objective.

Input indicators reflect the demand for services as well as the resources expended to provide those services. The Administration/Fiscal Program has six input indicators and the Market Compliance Program has three. Therefore, the indicators provide some information about the workload and effort used to perform program activities.

Explanatory indicators include a variety of information about the environment and other factors that might affect an organization's performance. These factors either can be within or outside the agency's control. The Administration/Fiscal Program has one of these indicators and the Market Compliance Program has three explanatory indicators.

We found three indicators listed under the Market Compliance Program that should be under the Administration/Fiscal Program. These indicators relate to consumer publications, the Internet homepage, and litigation, which are all associated with the Office of the Commissioner. For the purposes of this analysis, we show these indicators in the correct program.

Performance indicator types are explained on page 6 of this report. Exhibit 3-2 on the following page shows the number of each type of indicator included for each DOI program in the 1997-98 executive budget.

Recommendations:

3.11 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that each program develops a mix of indicators that communicates all relevant performance information, particularly program outcome.

3.12 If the Department of Insurance and the Division of Administration - Office of Planning and Budget want to use reaccreditation as an

outcome indicator for the Administration/Fiscal Program, they should mention reaccreditation in the objective.

Exhibit 3-2

Performance Indicator Types Included in the 1997-98 Executive Budget for the Department of Insurance

Programs	Type of Performance Indicator						
	Input	Output	Outcome	Efficiency	Quality	Explanatory	Total
Administration/Fiscal (Program A)	6	13	1	2	1	1	24
Percentage	25%	54%	4%	9%	4%	4%	100%
Market Compliance (Program B)	3	41	0	3	0	3	50
Percentage	6%	82%	0%	6%	0%	6%	100%
Total	9	54	1	5	1	4	74
Percentage	12%	73%	1%	7%	1%	6%	100%

Source: Created by legislative auditor's staff using analysis done of performance indicators listed for the Department of Insurance in the 1997-98 executive budget.

Administration/ Fiscal Program Data Could Be Improved

The Administration/Fiscal Program's three missions meet all the established criteria with one exception: the Office of Management and Finance's mission does not identify clients. However, no goals are provided in the 1997-98 executive budget. Also, the objective is not measurable or timebound. Finally, the performance indicators do not measure progress toward achieving the objective because the objective has no target. Consequently, the performance data do not enable executive budget users to determine what the program is attempting to accomplish or to make budgetary decisions about this program.

The performance data for the Administration/Fiscal Program are presented in Appendix D.

Missions. The three mission statements correspond to the three offices under the Administration/Fiscal Program. The mission for the Office of the Commissioner meets all three criteria.

However, while this mission identifies policyholders of Louisiana as clients, the mission could be expanded to include the public and the insurance industry. The mission for the Office of Management and Finance does not identify clients, but does meet the other criteria. This office could meet all criteria if it specified its clientele. The mission for the Office of Receiverships meets all three criteria.

Goals. No goals are listed in the 1997-98 executive budget for the Administration/Fiscal Program.

Objective. The three offices within the Administration/ Fiscal Program share one objective. This objective cannot be consistent with goals since no goals are specified. The objective is also not measurable or timebound, though it does specify an end result. In addition, the objective does not mention collections functions associated with the Office of Management and Finance or functions associated with the Office of Receiverships. As a result, legislators receive no information on what levels of performance these offices should achieve.

Performance Indicators. Twenty-four performance indicators are listed for this program in the 1997-98 executive budget. Three of these indicators are listed under the Market Compliance Program. None of the 24 performance indicators measure progress toward the objective because the objective did not specify a measurable target or timeframe for accomplishment. Only nine indicators are consistent with the objective. The remaining 15 indicators are related to collections functions and the duties of the Office of Receiverships. Since the objective does not contain any information related to these functions, none of the 15 indicators are consistent with it. However, the majority of indicators (23) are clear, understandable and non-technical.

The program's objectives and performance indicators do not collectively provide useful information for budgetary decision making. The objective is neither measurable nor timebound and omits significant functions. These weaknesses in the objective, in turn, limit the effectiveness of the performance indicators.

Exhibit 3-3 on the following page summarizes the results of comparing the Administration/Fiscal Program's performance data to the criteria in Exhibit 3-1.

Exhibit 3-3
Results of Comparing Administration/Fiscal Program Performance Data to the Established Criteria

Mission: **Office of the Commissioner**	• Identifies purpose • Identifies customers • Is organizationally acceptable
Mission: **Office of Management and Finance**	• Identifies purpose • Does not identify customers • Is organizationally acceptable
Mission: **Office of Receiverships**	• Identifies purpose • Identifies customers • Is organizationally acceptable
Goal	• No goals are specified.
Objective	• 0 of 1 is consistent with the goal * • 0 of 1 is measurable • 0 of 1 is timebound 1 of 1 specifies a desired end result
Performance Indicators	• 0 of 24 measures progress toward the objective • 9 of 24 are consistent with the objective • 23 of 24 are clear and easily understood

***The objective has no goal with which to determine consistency.**

Source: Prepared by legislative auditor's staff based on analysis performed on performance data in the 1997-98 executive budget.

Market Compliance Program Data Could Be Improved

The mission statements for the three offices in the Market Compliance Program meet all of the established criteria. However, as with the Administration/Fiscal Program, no goals are provided in the 1997-98 executive budget. Also, the single objective is neither measurable nor timebound. The performance indicators do not measure progress toward achieving the objectives because the objectives have no measurable targets or timeframes for accomplishment. Consequently, the performance data may not enable executive budget users to determine what the program is attempting to accomplish. Without this knowledge, it is difficult to make budgetary and programmatic decisions.

The performance data for the Market Compliance Program are presented in Appendix E.

Missions. The mission statements for all three offices under this program meet all the established criteria. The missions identify the overall purpose for the existence of the offices as well as the offices' clients and customers of the offices. Both are organizationally acceptable. Therefore, these missions could help legislators and other users of the executive budget understand the purpose, functions, and clientele of these offices.

Goals. No goals are listed in the 1997-98 executive budget for the Market Compliance Program.

Objective. Like the objective for the Administration/Fiscal Program, this objective specifies an end result. However, it is not measurable or timebound. It cannot be consistent with a goal because there is no goal. Without measurable and timebound objectives, there is no frame of reference for judging a program's performance.

Performance Indicators. None of the 50 performance indicators for the Market Compliance Program measure progress toward the objective. While all of the indicators provide a numerical result, the objective does not specify a measurable target or timeframe for accomplishment.

Forty-six indicators (92%) are consistent with the objective. The four indicators that are not consistent deal with activities that are not mentioned in the objective. One of these indicators, "insurance premium taxes collected," is found in both programs.

Thirty-one indicators (62%) are clear, understandable and non-technical. However, the remaining 19 indicators contain technical language or jargon relating to the insurance industry. Terms such as "Administrative Supervision," "Surplus Lines," and "Foreign/Alien" are difficult to comprehend without prior experience in insurance. In addition, some indicators are vague. For example, "Number of In-office Face-to-Face Interviews" and "Number of Telephone Inquiries" do not specify the nature and purpose of these activities. Therefore, legislators are only partially informed of the program's activities.

Most of the indicators (41, or 82%) in this program measure output. Few indicators measure efficiency. However, some groups of output indicators could be collapsed into efficiency indicators. For example, the indicators "Number of Policy Forms Received," "Number of Policy Forms Approved," and "Number of Policy Forms Disapproved" may be combined as an efficiency indicator measuring the percentage of policy forms approved.

The number of indicators under the Market Compliance Program (50) may result in readers losing focus and missing key data. According to the assistant director of research at GASB, it is important not to provide too much performance data in external documents such as the executive budget. Too much data can be confusing to legislators and other readers. DOI may want to consider omitting some indicators or collapsing several indicators into one.

For the reasons given, the objectives and performance indicators do not provide useful information for budgetary decisions. While the Market Compliance Program has three efficiency indicators, the objective is not measurable or timebound. Therefore, none of the performance indicators can measure progress toward it.

Exhibit 3-4 on the following page summarizes the results of comparing the Market Compliance's performance data to the criteria in Exhibit 3-1.

Exhibit 3-4

Results of Comparing Market Compliance Program Performance Data to the Established Criteria

Mission **Office of Financial Solvency**	• Identifies purpose • Identifies customers • Is organizationally acceptable
Mission **Office of Licensing/ Market Compliance**	• Identifies purpose • Identifies customers • Is organizationally acceptable
Mission **Office of the Insurance Rating Commission**	• Identifies purpose • Identifies customers • Is organizationally acceptable
Goal	• No goal is specified
Objective	• 0 of 1 is consistent with the goal* • 0 of 1 is measurable • 0 of 1 is timebound • 1 of 1 specifies a desired end result
Performance Indicators	• 0 of 50 measures progress toward the objective • 46 of 50 are consistent with the objective • 31 of 50 are clear and easily understood

***The objective has no goal with which to determine consistency.**

Source: Prepared by legislative auditor's staff based on analysis performed on performance data in the 1997-98 executive budget.

Recommendations:

3.13 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that missions, goals, objectives, and performance indicators meet, at a minimum, the established criteria described in this report.

3.14 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that performance data are not excessive and confusing in the executive budget. Only key or essential data should be included in external documents.

3.15 The Department of Insurance and the Division of Administration - Office of Planning and Budget should work together to ensure that indicators appear under the program they actually measure in the executive budget.

Appendix A

List of References Used

Appendix A: List of References Used

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Appendix B

Missions Reported for the Department of Insurance and Their Legal Authority

Appendix B: Missions Reported for the Department of Insurance and Their Legal Authority

Office	Mission	Legal Authority
Department of Insurance	The mission of the Department of Insurance is to enforce the insurance laws and regulations of the state impartially, honestly, and expeditiously. To this end, the highest ethical, professional and work quality standards will be exercised in all formal and informal relationships with individuals, agencies, and companies affected by the policies and actions of the department. It is the department's commitment to be the best insurance regulatory agency in the United States.	Article IV, Section 11 of the Louisiana Constitution of 1974 creates DOI and says its commissioner shall have powers and perform duties authorized by this constitution or provided by law.
Office of the Commissioner	The mission of the Office of the Commissioner is to administer and enforce the provision[s] of the Louisiana Insurance Code (Title 22 of the Louisiana Revised Statutes); provide management oversight and administrative support to the programs making up the Department of Insurance; set policies; and provide the proper oversight to help and protect policyholders of Louisiana.	R.S. 36:682(A): the Commissioner of Insurance shall have the responsibility for the policies of the department and for the administration, control, and operation of the functions, programs, and affairs of the department . . . R.S. 36:682(B)(4): The commissioner of insurance . . . shall . . . organize, plan, supervise, direct, administer, execute, and be responsible for the functions and programs vested in the department, in the manner and to the extent provided by this Title. R.S. 22:2(A)(1): Insurance is a business affected with the public interest and it is the purpose of this Code to regulate that business in all its phases. Pursuant to the authority contained in the Constitution of Louisiana, the office of the commissioner of insurance is created. It shall be the duty of the commissioner of insurance to administer the provisions of this Code.
Office of Management and Finance	The mission of the Office of Management and Finance is to meet its responsibilities, which include the following functions: human resource management; management information system[s]; internal audit; insurance premium tax auditing and collections; administrative services; fiscal affairs (fourth largest revenue collection in the state, payroll, purchasing, accounts payable, appropriations, financial reporting, property control, professional services contracts); and program evaluations.	R.S. 36:684(B): The deputy commissioner for management and finance shall be . . . responsible for accounting and budget control, procurement and contract management, management and program analysis, data processing, personnel management, and grants management for the department and all its offices . . . R.S. 36:684(C): The deputy commissioner shall perform such additional duties and functions as are assigned by the commissioner. R.S. 22:2(C): All fees, revenues, appropriations, dedicated revenues and other funds having to do with insurance matters. . . are hereby transferred to the Office of the Commissioner of Insurance. R.S. 22:1071(A): The license taxes levied under the provisions of this Part shall be paid to the commissioner of insurance at Baton Rouge and shall be remitted on a quarterly basis.

Office	Mission	Legal Authority
Office of Receiverships	The mission of the Office of Receiverships is to manage all insurance companies placed in receivership as effectively and efficiently as possible.	R.S. 36:691: An office of receiverships is created, the duties and functions of which shall be as provided in this Title and as assigned by the commissioner. R.S. 22:733(B): The commissioner of insurance may apply . . . for a rule to show cause why an order to rehabilitate, conserve, liquidate, or dissolve such insurer as provided in this Part should not be entered and for other such relief as the nature of the case and the interest of the insurer's policyholders, members, stockholders, creditors, or the public may require.
Office of Financial Solvency	The mission of the office of Financial Solvency is to meet its constitutional obligations, required by Title 22 of the Louisiana Insurance Code, which require the financial examination of licensed insurance companies to insure and produce solvency of insurance companies, fair and proper treatment of policyholders, and adherence to all statutory requirements; to minimize loss[es]; to reduce the number of companies placed in liquidation; to assure that reserve requirements are maintained and that investments are made in accordance with Louisiana insurance statutes; and to determine that all insurance premium taxes and fees are reported and collected.	R.S. 36:693: An office of financial solvency is created, the duties of which shall be as provided in this Title and as assigned by the commissioner. R.S. 22:1301(A)(1): The commissioner of insurance shall make an examination, not less frequently than once every five years, of all insurers doing business in this state at such times as prescribed by the provisions of this Part and at any other time when in the opinion of the commissioner it is necessary for such an examination to be made. R.S. 22:1303(A): In addition, the commissioner shall conduct annual office reviews of insurers other than life, health, and accident insurers and nonprofit funeral associations. Such office reviews shall include the annual statement of the insurer reviewed and company financial reports rendered.
Office of Licensing/ Market Compliance	The mission of the Office of Licensing/Market Compliance is to regulate the licensing of individuals, partnerships and corporations engaged in the insurance business in Louisiana, in accordance with the provisions of the Louisiana Insurance Code. The office also attempts to eliminate unfair trade practices, misrepresentations, claim payments, and premium returns.	R.S. 36:692: An office of licensing and compliance is created. R.S. 22:1113(A)(1): No person shall act or hold himself out to be an insurance agent, insurance broker, surplus lines insurance broker, or insurance solicitor unless licensed by the Department of Insurance. R.S. 22:1191(A)(1): The commissioner certifies and promulgates rules for educational prelicensing programs for registered insurance agents and bail agents. R.S. 22:1191(B): The commissioner also promulgates rules and regulations setting forth the content and conduct of such programs. R.S. 22:1214 defines methods, acts and practices which are defined as unfair or deceptive, including (but not limited to) misrepresentations and false advertising of insurance policies, rebates of premiums, fraudulent insurance acts, and unfair claims settlement practices.
Office of the Insurance Rating Commission	The Office [of Insurance Rating Commission]'s mission is to regulate rules and rates of property, casualty, surety and inland marine insurance to the end that rates are not excessive, inadequate, or unfairly discriminatory; and to audit casualty and surety policies to ascertain that the insurance-buying public is not overcharged.	R.S. 36:688(B): The deputy commissioner of insurance rating shall be responsible for the regulation of insurance rates, the review of insurance rates, the licensing of insurance rating organizations, and such additional duties and functions as are assigned by the commissioner.

Source: Prepared by legislative auditor's staff from missions in the 1997-98 executive budget and Louisiana Revised Statutes.

Appendix C

Boards, Commissions, and Like Entities Related to the Department of Insurance

Appendix C: Boards, Commissions, and Like Entities Related to the Department of Insurance

Entity	Authorization	Purpose	Number of Members
Statutorily Created Entities Under DOI's Title			
Council on Automobile Insurance Rates and Enforcement (CAIRE)	R.S. 22:15 Act 1433 of 1997	To undertake a comprehensive study and provide oversight and enforcement recommendations on a continuing basis of the effectiveness of law enforcement and implementation of programs aimed at enforcement in the various parishes of those laws and programs which affect automobile insurance rates	About 15 members - still awaiting appointments
Basic Health Insurance Plan Pilot Program Development Council	R.S. 22:245 Re-enacted by Act 947 of 1997	To develop a model basic benefit health insurance plan pilot program that enables low income persons to obtain inexpensive health care	8 members (includes representative from DOI)
Examination Review Council	R.S. 22:1118 (A)(4)	To make recommendations as to the scope, type, and quality of written examinations, as well as the content of study materials, as provided in R.S. 22: 1192	Membership changes annually and composed of insurance industry personnel
Insurance Education Advisory Council	R.S. 22:1192	• To review and evaluate each educational program that applies for certification as a registered insurance agent or bail agent prelicensing program • To recommend to the insurance commissioner with respect to applicants for certification and educational requirements for insurance agents • To perform other duties as required by the commissioner with respect to educational requirements for insurance and bail agents • To approve regulations specifying instructors' qualifications [R.S. 22:1193(B)]	13 members (includes representative from DOI)
Louisiana Automobile Insurance Plan	R.S. 22:1417(A), (B)	To equitably apportion among casualty insurers insurance applicants who are in good faith entitled to but are unable to procure auto insurance	9 members (chairman is from DOI)
Louisiana Consortium of Insurance and Financial Services	R.S. 22:1194 *et seq.* (public nonprofit unincorporated legal entity)	To promote the development of academic and continuing education courses in insurance and financial services	Not fully established at this time

Entity	Authorization	Purpose	Number of Members
Louisiana Health Care Commission	R.S. 22:9	• To undertake a comprehensive study of the availability and affordability of health care in the state • To make specific recommendations to include (but not be limited to) the cost of administrative duplication, excess capacity and duplication of medical services, and medical malpractice and liability • To examine the formation and implementation of insurance pools • To submit a recommendation regarding a universal health care access program	43 members (includes representative from DOI)
Louisiana Health Advisory Committee	Act 947 of 1997 re-enacts and amends R.S. 22:245 to create this committee	To make recommendations regarding the development of a model basic benefit health insurance plan that enables low income persons to obtain inexpensive health care	16 members (includes representative from DOI)
Louisiana Health Insurance Association	R.S. 22:233	• To establish a mechanism to insure the availability of health and accident insurance coverage to those citizens of this state who, because of health conditions, cannot secure this coverage • To select an insurer through a competitive bidding process to administer the benefits plan	16 members (includes representative from DOI)
Louisiana Insurance Rating Commission	R.S. 22:1401	To approve in whole or in part any application for rate change brought by the insurer before the commission	Commissioner is ex officio chairman. 7 members (includes DOI representative)
Louisiana Insurance Underwriting Plan	R.S. 22:1433	• To provide a mandatory program to assure an adequate market for fire, extended coverage, and if necessary, homeowners insurance in the coastal areas of Louisiana • To cause insurance policies to be issued, assume reinsurance from and cede reinsurance to plan participants, and purchase reinsurance on behalf of participants	4 members (includes DOI representative)
Louisiana Joint Reinsurance Plan	R.S. 22:1406.3(A)	• To provide a mandatory program to assure an adequate market for fire, extended coverage and vandalism and malicious mischief and, if necessary, homeowners insurance in the designated areas of Louisiana. Areas covered by the plan are those designated as FAIR (Fair Access to Insurance Requirements) plan areas • To cause insurance policies to be issued, assume from and cede reinsurance to plan participants, and purchase reinsurance on behalf of participants	4 members (includes DOI representative)

Entity	Authorization	Purpose	Number of Members
Property Insurance Association of Louisiana	R.S. 22:1405	Including, but not limited to: • To promulgate rates of fire insurance, approved by the Insurance Rating Commission • To make rates on fire and extended coverage insurance • To design and file policy forms • To inspect every risk rated for property damage insurance and make a written survey of this risk • To audit policies written by member companies • To survey municipal areas for publication of fire protection grading • To review building plans	4 members (includes DOI representative)
Advisory Committee on Equal Opportunity	R.S. 22:1921-23	To assist the commissioner of insurance and the office of minority affairs in establishing educational and informational services to foster a greater awareness of the opportunities available in the insurance industry and of the skills, training, and education necessary to prepare for opportunities in employment, appointment as agents, and contracting for services with insurance companies transacting business in Louisiana	9 members (includes DOI representative)
Louisiana Insurance Guaranty Association (LIGA)	R.S. 22:1380 (not a state agency)	• To assess insurers amounts necessary to pay the association's obligations • To investigate claims brought against the association and adjust, compromise, settle and pay covered claims to the extent of the association's obligation	11 members (includes DOI representative/liaison)
Louisiana Life and Health Insurance Guaranty Association (LLHIGA)	R.S. 22:1395.5 (not a state agency)	• To maintain life insurance, annuity, defined contribution plan, and health insurance accounts • To guarantee, assume, or reinsure, (or cause to be guaranteed, assumed, or reinsured) policies and contracts of impaired insurers • To provide money or other financial guarantees to assure payment of the contractual obligations of impaired insurers	11 members (includes DOI representative/liaison)
Ad Hoc Committees and Task Forces Under DOI			
Agent's Task Force	Created by DOI	• To review and renew agent applications • To give advice to the department on improvements	9 members (includes DOI representative)
Commissioner's Advisory Committee	Created by DOI	To provide information to the insurance industry and to obtain expertise from the insurance business community	15 members (includes DOI representative)
Commissioner's Managed Healthcare Advisory Board	Created by DOI	To advise the commissioner on matters related to the regulation, compliance and market conduct of managed health care organizations operating in Louisiana	23 members (includes 4 DOI representatives)

Entity	Authorization	Purpose	Number of Members
Home Service Insurance Working Group	Created by DOI	• To develop company and agent codes of ethics • To review new licensing laws and educate agents on them • To instruct agents on how to cancel appointments and how to file properly documented complaints	14 members (includes DOI representative)
Health Insurance Portability and Accountability Act - Ad Hoc Committee (HIPA)	Created by DOI	To review the federal Health Insurance Portability and Accountability Act in order to address changes that this act will make to Louisiana's current statutes and regulations	24 members (includes 5 from DOI)
Local Government Insurance Advisory Committee	Created by DOI	To discuss issues of concern, such as tax collection and insurance coverage, with local governments	12 members (includes commissioner as representative)
Louisiana Surplus Lines Task Force	Created by DOI	To advise the commissioner on special issues in the area of surplus line	15 volunteer members (includes DOI representative)
Expired or No Longer Active Entities			
Louisiana Advisory Board of Insurance Agents and Brokers	R.S. 22:10 Abolished by Act 1116 of 1997	• To advise the commissioner on the adoption of such rules and regulations as are necessary to enforce the provisions of the Insurance Code relative to all insurance agents and brokers • To advise the commissioner on the qualifications or disqualifications for licenses for insurance agents and brokers.	12 members (includes commissioner as representative)
Universal Health Care Commission	R.S. 22:1450.22 Abolished by Act 1116 of 1997	To conduct a narrow focus study of the outstanding facts concerning the feasibility of a universal health insurance plan for Louisiana (The commissioner's report was to be completed in 1994.)	None given
Anti-Fraud Advisory Board	R.S. 22:14(A) Abolished by Act 1116 of 1997	To advise the commissioner on rules and regulations necessary to enforce the Insurance Code and other relevant state laws regarding insurance fraud and on any actions to be taken as a result of its findings	Was to consist of 12 members, including one DOI representative
Joint Legislative Committee on Insurance	R.S. 22:1450.1 Expired 9/1/92	To undertake a comprehensive study of and recommend changes to the insurance laws of the state	10 members from the House and Senate Committees on Insurance
Joint Legislative Committee of Insurance Advisory Task Force	R.S. 22:1450.8 Since the committee has expired, so has its task force.	To undertake a comprehensive study and revision of the insurance laws of the state	Membership primarily association and industry representatives appointed by the committee
Insurance Liability Labor Law Task Force	Executive Order MJF 96-28	Part of the School to Work Council established by Executive Order MJF 96-28, although the order does not mention the Department of Insurance	None given
Louisiana Task Force for the Reduction of Automobile Insurance Rates	Executive Order MJF 96-15 Work ended 6/30/97, according to the department.	• To research and analyze the factors which contribute to the escalating automobile insurance rates in this state • To develop a comprehensive, detailed and actuarially sound plan which will cause dramatic reduction of automobile insurance rates in this state	10 members appointed by the governor from nominees submitted by various organizations

Entity	Authorization	Purpose	Number of Members
Statutorily Established Entities Under Other State Agencies			
Louisiana State Interagency Coordinating Council for Childnet	R.S. 17:1979 Department of Education	To advise and assist the Department of Education in the performance of the responsibilities . . . particularly the identification of the sources of fiscal and other support for services for early intervention programs, assignment of financial responsibility to the appropriate agency, and the promotion of interagency agreements	Between 15 and 25 members that reasonably represent the state population, including one representative from DOI
Louisiana Deferred Compensation Commission	R.S. 42:1302-1309 Department of Treasury	To insure proper administration of the Deferred Compensation Plan, including choosing and evaluating custodial financial institutions	8 members (with DOI representative)
Employee Payroll Benefits Committee	R.S. 42:455, LAC 4: III.1, Section 103 Division of Administration	To address insurance vendors and payroll deductions	12 members, including one DOI representative
Advisory Committee on Pain	Act 1470 of 1997 enacts R.S. 37:1285.2 Louisiana State Board of Medical Examiners	To examine current and proposed practice guidelines on pain management, identifying problems in current treatment and recommending changes in practice guidelines to the board	Including, but not limited to representatives from the health care and medical fields
Louisiana Workers' Compensation Second Injury Board	R.S. 23:1372 Department of Labor	To encourage the employment of physically handicapped employees who have a permanent, partial disability by protecting employers, group self-insurance funds, and property and casualty insurers from excess liability or workers' compensation for disability when a subsequent injury to such an employee merges which his preexisting permanent physical disability to cause a greater disability than would have resulting from the subsequent injury alone	5 members (includes DOI representative)
Governor's Arson Strike Force	Executive Order MJF 96-46 Office of the Governor	To assist local fire departments in investigating "suspicious fires," and compiling information about arsonists, arson prevention and arson investigation techniques.	No more than 20 members, including 1 representative from DOI
Children's Health Insurance Program Task Force	Executive Order MJF 97-37 Department of Health and Hospitals	• To advise the Secretary of DHH regarding the options available for a Children's Health Insurance Program, as authorized by the Balanced Budget Act, 111 Statute 251, P.L. 105-33 • To look at expanding Medicaid coverage of children near or below the poverty level • To explore the feasibility of a pilot project providing private and/or school-based health insurance	15 members, including 1 representative from DOI
Governor's Advisory Council on Disability Affairs	Executive Order MJF 96-55 Office of Disability Affairs	• To coordinate state compliance with the Americans with Disabilities Act • To advise the governor on the needs of individuals with disabilities and on other concerns relative to that issue	26 members (includes DOI representative)

Entity	Authorization	Purpose	Number of Members
Ad Hoc Committees and Task Forces Under Other State Agencies			
Citizen's Task Force for the Elderly		Not active	DOI sends representative
Consumer Fraud Task Force		• To discuss different types of fraud in the New Orleans area • To bring together postal inspectors, attorney general office representatives, assistant district attorneys, insurance department representatives, and other law enforcement to discuss what needs to be done to prevent or assist in stopping fraud	42 members (includes DOI representative)
Mayor's Military Advisory Committee		To discuss different type problems of all branches in the military	49 members (includes DOI representative)
Governor's Office on Elderly Affairs Steering Committee	Act 1182 of 1997	To develop a plan for the delivery of services to the elderly	Has not begun
Louisiana Aging Network Association		To train agencies on how to best serve the senior population	14 members on Board of Directors, including DOI representative
Louisiana Safe Kids Coalition Advisory Board		To prevent unintentional injuries to children age 0-14 through a multi-faceted approach to increasing public awareness, providing education, and advocating for environmental and public policy changes	20 members (includes DOI representative)
Louisiana Health Care Alliance (a/k/a Louisiana Business Group on Health)		Brings employers and providers together to address rising health care costs	Over 200 members of employers' groups

Source: Prepared by legislative auditor's staff using Louisiana Revised Statutes, documents from the Department of Insurance, and interviews with department officials.

Appendix D

Performance Data Analyzed for the Administration/Fiscal Program

Appendix D: Administration/Fiscal Program Performance Data

Mission/Office of the Commissioner: To administer and enforce the provisions of the Louisiana Insurance Code (Title 22 of the Louisiana Revised Statutes); provide management oversight and administrative support to the programs making up the Department of Insurance; set policies; and provide the proper oversight to help and protect policyholders of Louisiana.

Mission/Office of Management and Finance: To meet its responsibilities; which include the following functions: human resource management; management information system; internal audit; insurance premium tax auditing and collections, administrative services; fiscal affairs (fourth largest revenue collection in the state, payroll, purchasing, accounts payable, appropriations, financial reporting, property control, professional services contracts); and program evaluations.

Mission/Office of Receiverships: To manage all insurance companies placed in receivership as effectively and efficiently as possible.

Objective: The Administration/Fiscal Program will continually evaluate the Department of Insurance's effectiveness and efficiency for the purpose of insuring compliance with Louisiana statutes and all laws, rules and regulations; provide management oversight and administrative support to all programs in the department; monitor expenditures to insure the department is spending its appropriated funds wisely and according to all laws, rules, and regulations; and to determine if the existing internal system needs enhancement and/or modification.

All Offices in Program A	**Performance Indicators** • Number of Department Programs • Administration/Fiscal Appropriation • Market Compliance Appropriation • Total Appropriation • Number of Positions in Department of Insurance (Authorized Full-time Equivalents) • Number of Positions in the Administration Program
Office of the Commissioner	**Performance Indicators** • The Department of Insurance was granted reaccredidation by the National Association of Insurance Commissioners (NAIC) in fall 1996, for demonstrating compliance with the NAIC's rigorous standards of regulation and organization. Only 22 other states were accredited by the NAIC before Louisiana. • As part of its continuing consumer education effort, the Department of Insurance produced a number of new publications in 1996, including the 1996 Auto/Home Rate Comparison Guide, Do's and Don'ts of Worker's Compensation, Questions and Answers About Trucking Insurance in Louisiana, the Louisiana Insurance Update (the Department's quarterly

Office of the Commissioner (Cont.)	newsletter), and the Louisiana Insurance Fraud Investigator. These publications are mailed to industry and government officials and to interested citizens. They are also distributed at conferences, fairs, festivals, and other events. Single copies of all publications are available upon request at no cost to the consumer. • In March 1996, the Department of Insurance developed a homepage for the World Wide Web to aid in the distribution of insurance information to consumers, media, and insurance-related professionals. The site contains department news releases since January 1996, the commissioner's weekly question-and-answer column, an e-mail center, department publications available for downloading, a fraud report center, and general department information. In December 1996, the commissioner of insurance announced a settlement agreement with Prudential Insurance Company of America in which the company agreed to pay $550,000 in fines and penalties. The fine is the largest ever imposed in Louisiana in the history of insurance regulation. Sixty thousand (60,000) policyholders in Louisiana were notified that they may have been victims of misleading sales practices and may be entitled to reimbursement by participating in a pending class action suit.
Office of Management and Finance	**Performance Indicators** • Number of different taxes collected • Number of different, fees, surcharges, and assessments collected • Amount of insurance premium taxes collected • Amount of fees, surcharges, and assessments collected • Tax collections as a percentage of premium amounts written in Louisiana • Assessment collections as a percentage of premium amounts written in Louisiana • Number of surplus lines companies audited for tax purposes • Collections resulting from audit activities
Office of Receiverships	**Performance Indicators** • Number of companies in some form of receivership • Total number of companies in receivership handled by department employees • Total number of companies in receivership handled by professional service contract • Number of companies liquidated • Total recovery from assets from liquidated companies • Average recovery from liquidation of assets (recovery/companies liquidated)

Source: Prepared by legislative auditor's staff using the 1997-98 executive budget and interviews with department officials.

Appendix E

Performance Data Analyzed for the Market Compliance Program

Appendix E: Market Compliance Program Performance Data

Mission/Office of Financial Solvency: To meet its constitutional obligations, required by Title 22 of the Louisiana Insurance Code, which require the financial examination of licensed insurance companies to insure and produce solvency of insurance companies, fair and proper treatment of policyholders and adherence to all statutory requirements; to minimize losses; to reduce the number of companies placed in liquidation; to assure that reserve requirements are maintained and that investments are made in accordance with Louisiana Insurance statutes; and to determine that all insurance premium taxes and fees are reported and collected.

Mission/Office of Licensing/Market Compliance: To regulate the licensing of individuals, partnerships and corporations engaged in the insurance business in Louisiana, in accordance with the provisions of the Louisiana Insurance Code. The office also attempts to eliminate unfair trade practices, misrepresentations, claim payments, and premium returns.

Mission/Office of Insurance Rating Commission: To regulate rules and rates of property, casualty, surety and inland marine insurance to the end that rates are not excessive, inadequate, or unfairly discriminatory; and to audit casualty and surety policies to ascertain that the insurance-buying public is not overcharged.

Objective: The Market Compliance Program will continually evaluate the program's effectiveness and efficiency for the purpose of ensuring compliance with Louisiana statutes and to determine if the existing internal system needs enhancement and/or modifications; and protect policyholders of Louisiana by monitoring the financial condition of all licensed insurance companies, ascertain that insurance rates are not excessive, inadequate, or unfairly discriminatory, assure that only those qualified to transact insurance do so, and eliminate unfair trade practices and misrepresentations in the insurance industry.

Indicators Applying to All Offices	***Performance Indicators*** • Market Compliance Program appropriation • Number of positions in the Market Compliance Program
Office of Financial Solvency	• **Performance Indicators** • Number of licensed domestic insurance companies • Number of licensed foreign/alien insurance companies • Number of surplus line companies licensed in Louisiana • Number of surplus line brokers in Louisiana • Total number of companies licensed • Number of domestic insurance companies audited • Number of foreign/alien insurance companies audited • Number of insurance companies under administrative supervision • Number of insurance companies placed under administrative supervision • Average time a company is under administrative supervision (in months)

Office of Financial Solvency (Cont.)	• Number of companies under administrative supervision that are "restored to good health" • Property & casualty and life & health insurance premiums written by domestic insurance companies (in millions) • Insurance premium taxes collected • Audit fees collected • The Department of Insurance licenses and regulates all Health Maintenance Organizations (HMOs) in Louisiana. The number of HMOs in Louisiana has more than doubled in the past three years. Between 1985 and 1993, there were a total of 11 HMOs in Louisiana. As of December 31, 1996, there are 24 HMOs in the state. In addition, the department handled only one HMO acquisition/merger between 1985 and 1995. In 1996 alone, the department handled six. • HMO acquisitions/mergers
Office of Licensing/ Market Compliance	**Performance Indicators** • Number of license renewals • Number of company appointments • Number of agent examinations • Number of new agents licensed • Number of policy forms received • Number of policy forms approved • Number of policy forms disapproved • Number of complaints from insured received and processed • Average number of days to resolve a complaint • Number of telephone inquiries • Number of in-office face-to-face interviews • Certificate of authority collected • Penalties and miscellaneous collected • Examination (new companies) collected • Amount collected for license renewals • Amount collected for agents' examination • Amount collected for policy approval • Number of errors found (violations issued) • Violations cited as a percentage of policies reviewed • The total number of complaints received by the Department of Insurance during Calendar Year 1996 increased by less than 100 over 1995. The slight increase reflected the continuing stability in the state's insurance market. There was an understandable difference in the areas of coverage that prompted the 1996 complaints. Auto insurance complaints were down, life insurance

Office of Licensing/ Market Compliance (Cont.)	complaints were up, and HMO complaints increased by 50%. The increase in life insurance complaints was affected by the charges of misleading sales practices against major life insurers, which occurred nationwide. The increase in HMO complaints was anticipated because of the significant increase in the number of people enrolled in HMOs. • The Senior Health Insurance Information Program (SHIIP) published two new publications on Medicare Managed Care: To HMO or Not to HMO and Talking to Your Managed Care Plan in 1996. These publications are being distributed in anticipation of Medicare HMOs being available to most Medicare beneficiaries statewide in the near future. Also in 1996, SHIIP staff and volunteers counseled 4,300 individuals over a time span of 1,100 hours and distributed 44,000 federal and state-produced publications. Estimated figures show that Louisiana seniors and Medicare beneficiaries saved *approximately $300,000 in 1996 because of SHIIP's efforts.* • Insurance Companies Licensed in Louisiana (total-graph) • Fines Levied and Fines Paid (table & graph) • Complaints Filed with the Department of Insurance (table & graph)
Office of the Insurance Rating Commission	**Performance Indicators** • Number of policies audited • Number of endorsements and cancellation items audited • Number of experience rating modifications issued • Submissions acted upon by rating commission during regularly scheduled monthly meetings and hearings • Number of rate changes approved • *Number of rate actions with reductions* • Number of rate requests rejected or reduced • Average time to approve/reject a rate increase (in days) • Written premiums regulated by Insurance Rating Commission (in millions) As a result of tort reform passed in 1996, insurance rates were reduced directly or held down indirectly by 3.1% to 12.9%, depending on the line of insurance and the coverage. For example, requests approved for private passenger automobile liability insurance were reduced by 6.2%, homeowner liability by 7.7%, and general liability by at least 5.0%.

Source: Prepared by legislative auditor's staff using the 1997-98 executive budget and interviews with department officials.

Appendix F

Department of Insurance's Response

JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

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January 6, 1998

98 JAN 7 P2:54
RECEIVED

Daniel Kyle, Ph.D., Legislative Auditor
Office of the Legislative Auditor
1600 Third Street
Baton Rouge, Louisiana 70802

Re: Performance Audit
Louisiana Department of Insurance

Dear Dr. Kyle:

The Louisiana Department of Insurance is in the process of writing its Strategic Plan, which will address all of the findings, comments and recommendations set forth in the Performance Audit Report.

Please call me at (504) 342-5350 if you have any questions.

Sincerely,

Brenda St. Romain

Brenda St. Romain
Assistant Commissioner
Office of Management and Finance

BSR/cb

Appendix G

Division of Administration - Office of Planning and Budget's Response

State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF PLANNING AND BUDGET

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

February 2, 1998

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Analysis of Program Authority and Performance Data for Department of Insurance

Dear Dr. Kyle:

Thank you for the opportunity to respond to the audit report, Department of Insurance Analysis of Program Authority and Performance Data.

Our office generally agrees with audit recommendations regarding ways to improve planning and performance accountability for the Department of Insurance. As you are aware, the Office of Planning and Budget maintains a standing offer to all state agencies of training and technical assistance in planning, budgeting, and performance accountability. Several managers from the Department of Insurance have attended our recent workshops on Act 1465 requirements and Deputy Commissioner of Administration Don Hutchinson's management workshops for undersecretaries. The FY 1998-99 operational plan submitted by this department shows definite improvement, and further refinements in planning and budgetary information should result from the department's strategic planning initiative.

We appreciate the efforts your auditors have expended during this compliance phase of the Act 1100 performance audit. Among our recommendations to agencies undertaking strategic planning is the suggestion that they consider the information presented in your performance audits.

Sincerely,

Stephen R. Winham
State Director of Planning and Budget

SRW/CSL

c: Hon. James H. "Jim" Brown
Commissioner of Insurance

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