



Annual Report  
DIVISION OF  
Insurance

2016  
2017



**COLORADO**  
Department of  
Regulatory Agencies



# A Message From The Commissioner



## Marguerite Salazar

*Colorado Insurance  
Commissioner, Division  
of Insurance*

Colorado Department of Regulatory Agencies

Insurance continues to take center stage on many fronts, both here in Colorado, as well as across the nation. Health insurance has dominated the headlines through this past year, and because it is so important, and impacts so many people, it will continue to do so.

In Colorado, we have continued to make strides, getting more people covered with health insurance, which means those people are getting preventive services and treatment for new or chronic conditions, which will hopefully translate into reduced medical costs in the future.

The Division of Insurance (DOI) continues to collaborate with all of the stakeholders in the

realm of health insurance—the insurance companies, consumers, our Legislature, and the elected officials at other levels of government, such as county commissioners. We are all working toward the same goal, getting to a healthier Colorado.

It's that spirit of collaboration that imbues much of what the DOI does, and we've highlighted that in this annual report. The Division went through a sunset review this past year, and while that was a challenge, we persevered, and the DOI will now continue through 2030. It was a collaborative effort, working with former department executive director Joe Neguse, the DORA leadership and its legislative team to answer all of the questions from legislators.

We worked with the industries that supported us in this effort, but also those that had concerns about our processes. Throughout this report, the sunset process and the continuation of the Division will be invoked. It is an important lens with which to view our work and the Coloradans we will be able to help.

Another success in the 2017 legislative session was the passing of the Division's Market Conduct Bill. The friction caused by two competing pieces of law around the same process has been a challenge for the DOI and for the businesses we regulate for some time.

The article in this report regarding this bill focuses on the effort over the last few years, but understand such a change has been contemplated for many years. Because of the impact this bill would have on the companies we regulate, as well as consumers, the Division spent the last two years meeting with various types of insurance companies, as well as consumers. We sought their input, their questions, and when language for a bill was drafted, we looked to them for more input and more questions. All of which helped when the bill was finally debated in the legislature. Not only did we have answers to their questions, but we had partners who had been involved in the process who could also help.

Another effort I'm proud of was our work with Colorado's Life and Health Insurance Protection Association. This Association works like the Federal Deposit Insurance Corporation (FDIC) except that it maintains the stability of Colorado life, annuity and health insurance policies by protecting policyholders when an insurance company becomes insolvent. For the 2017 legislative session, with the input of health and life insurance companies, changes regarding the structure and participation in the Association were contemplated. But while discussions did not lead to successful legislation, the praise we received from health and

life insurance companies was important. The companies stated that they were impressed by the time and work the Division devoted to a challenging problem, seeking out information and answers from the industry and consumer groups.

Working with our stakeholders—consumers and consumer groups, insurance companies and industry groups, legislators and other elected officials—is key. We cannot meet the many challenges in the world of insurance without working together, hashing out the areas where we disagree so that we can find common ground where we do agree. That collaboration will help us to continue protect Colorado’s insurance consumers.

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## From DORA's Leadership

At the Colorado Department of Regulatory Agencies (DORA), we believe in promoting a Colorado in which consumers and service providers partner to forge common successes. With a sharp focus on streamlining and modernizing processes and enhancing end-to-end customer experiences, we strive to advance an environment and regulatory framework where both businesses and consumers are treated fairly and the economy thrives. DORA looks to deliver the fastest, easiest, and most enjoyable experience to our customers—the businesses and individuals who interact with us to get the services they need. We are committed to protecting customers, reducing unnecessary “red tape,” and ensuring that businesses thrive in an environment that protects consumers.

## Division Mission Statement

**The Colorado Division of Insurance (DOI) regulates the insurance industry in Colorado.**

**Our mission statement is “to promote compliance and enforce laws to help protect consumers.” We help consumers by answering their questions, investigating their complaints, and helping them to understand their insurance. We regulate and monitor the insurance companies in Colorado, as well as insurance agents, making sure everyone is following the law.**



# Overview

## DORA's Mission, Vision and Core Values

### OUR MISSION

Consumer protection is our mission.

### OUR VISION

To ensure Colorado has an effective regulatory landscape where both consumers are protected and businesses can thrive in a competitive and fair marketplace.

### OUR CORE VALUES

#### DEDICATION

We are dedicated to serving the people of Colorado. We know that with sensibility, patience, and a positive attitude, we can do great things. We are committed to making our strengths stronger, focusing on the added value we bring to state government.

#### OPENNESS

We know that the best outcomes are built from including diverse perspectives in decision making. We seek and provide honest feedback, learning from mistakes and successes, and building trust by listening.

#### RESPECT

We treat our team members, customers, and stakeholders with respect and sensitivity to different views and interests. We recognize people for their contributions, and approach every interaction with mindfulness and presence.

#### ACCOUNTABILITY

We are committed to personal responsibility, demonstrating credibility and sincerity in our work. The strength of our Department is built upon the trust and confidence we inspire in our community, and we pledge to uphold that trust through our professional conduct.





## The Sun Won't Set on the DOI

Colorado has great sunsets—Colorado natives and visitors alike will tell you about how spectacular the sky looks when the sun sets behind the great Rocky Mountains. But Colorado also has a Sunset process—a way for Colorado agencies, boards or governmental functions to undergo an independent analysis of regulatory necessity. Reviews are conducted by the Colorado Office of Policy, Research & Regulatory Reform (COPRRR). The term “sunset legislation” was coined in Colorado in the 1970s, and now many states have sunset provisions. In fact, in 2015, a White House report recognized Colorado for its sunset process and recommended our state’s approach to other states.

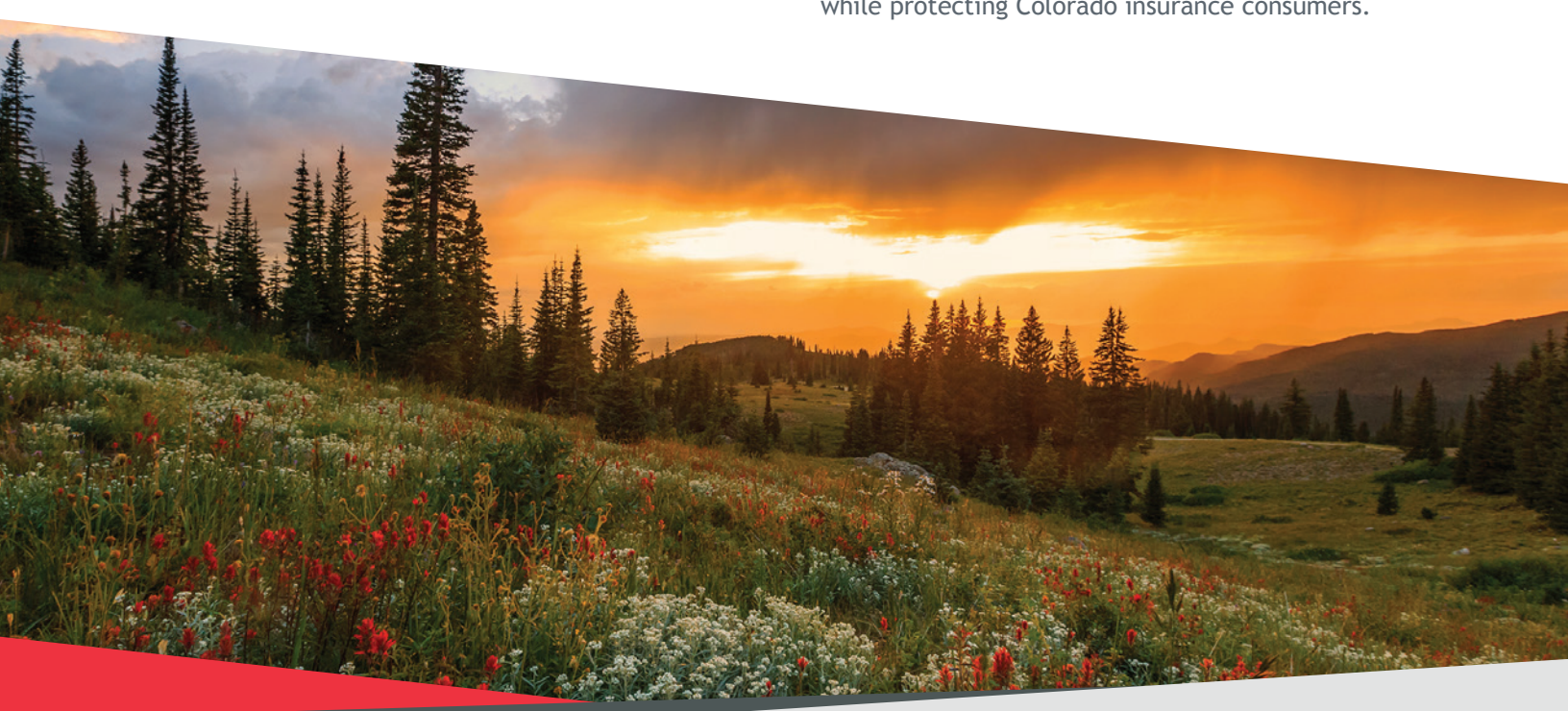
In 2017, it was the Division of Insurance’s (DOI) turn for a sunset review. COPRRR spent much of the previous year looking into the statutes that guide the Division’s administration and work to see how these laws meshed with the reality of the Division’s activities. In the end, it recommended the continuation of the DOI with only a few changes to its work and statutory provisions.

The Sunset process requires that COPRRR’s recommendation be put forth in a legislative bill, and during the 2017 legislative session, SB17-249



proposed the Continuation of the Division of Insurance. Legislation can be contentious, and a bill regarding such a large and important agency like the DOI can be difficult. Yet, in the end, due to an incredible amount of work and collaboration from the DOI, DORA’s executive leadership, DORA’s legislative team, and legislators, the bill was passed. The Division of Insurance will now continue until at least 2030, when it will come up for the sunset process again.

This annual report will discuss what the DOI does, and how it has helped Coloradans over the last year. It is important to recognize that this key piece of legislation will allow that work to continue, so that the Division can continue to promote compliance for the regulated insurance companies, while protecting Colorado insurance consumers.



## Complaints, Questions and Calls

Yes, the Division of Insurance (DOI) regulates insurance in Colorado. But it also helps the state's insurance consumers. Last year, the DOI recovered \$9,964,060 for Coloradans, took in 4,007 formal complaints, answered 10,514 calls and emails, and reinstated canceled policies for many consumers. It is a resource for consumers who are not getting what they have paid for, are experiencing poor service, or who just do not understand the complex world of insurance. We can make a real difference in people's lives.

In 2015, Melody Dalland contacted the Division about her family's health insurance. Her husband had suffered a debilitating injury that grounded an active family. They sought out specialists and jumped through the hoops to get a surgery approved by their insurance. But only days before the surgery, the insurance company rescinded its approval. Melody called the DOI, where our analyst, Meri Spencer, figured out the glitch and got the surgery re-approved by the company. It continued as planned.

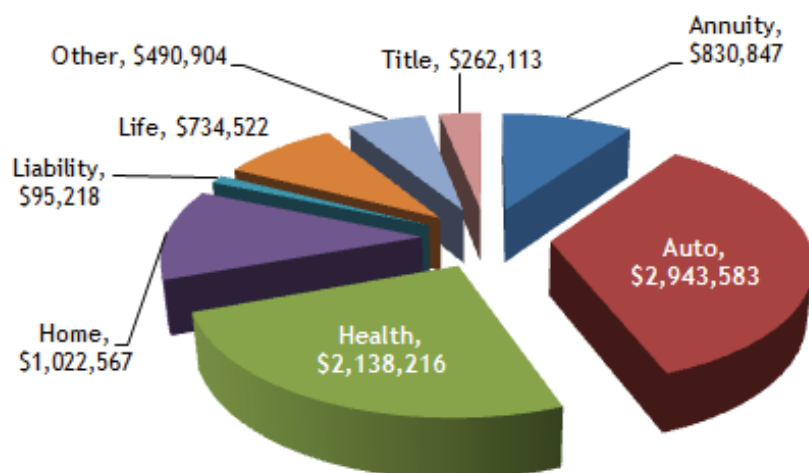
Melody was so happy with the DOI's help that she appeared in a public service announcement that



was part of a campaign in the spring and summer of 2017 to create awareness about the DOI and the Department of Regulatory Agencies (DORA).

If the DOI had not been continued through the Bill for Continuation of the Division of Insurance in the 2017 legislative session, Coloradans like Melody would not have somewhere to turn, 14,517 people could not get help with their insurance problems, and \$9,964,060 would not end up back in consumers' pockets.

### FY16-17 RECOVERIES FOR CONSUMERS FROM THE CONSUMER SERVICES TEAM





## A Dark and Stormy...Day

On May 8, 2017, the heavy clouds rolled into Denver in the late afternoon, as is common in the spring and summer. The rains came, and then the hail. At first it was pea-sized, sounding like microwave popcorn. But then the golf balls came down, and in some places even larger hailstones hit homes and cars. In the end, it would be Colorado's costliest hailstorm with estimated losses at \$1.4 billion according to the Rocky Mountain Insurance Information Association (RMIIA).

In the hours after the storm, the Division of Insurance (DOI) issued a consumer alert, "Tips to stay money smart after a storm" and supported it on DORA's social media channels. The alert provided tips on what to do after the storm, what to expect in terms of working with insurance companies, and told people to be on their guard for unscrupulous roofing and building contractors that emerge after hailstorms. A few Colorado media outlets picked up the alert and promoted the social media posts. In the end, it generated only a handful of actual media stories, but thousands saw the Facebook post and tweets about it.

While such disasters are unpleasant and certainly costly for many, they can serve as an opportunity for the DOI to talk to consumers about the complexities of insurance and remind them that the Division exists not only as a regulator, but as an insurance resource for everyone.

To remind people about its role as a resource in FY 2016-17, the DOI issued 14 consumer alerts and advisories on topics ranging from travel insurance to wildfires. We also issued 11 news releases and put up 54 Facebook posts and 45 tweets on DORA's Facebook and Twitter accounts.

Without the passing of the Bill for Continuation of the Division of Insurance, the Division would not be able to continue its work of informing consumers about the world of insurance and letting them know that the DOI is here to help them.





## Market Conduct Bill Highlights Collaboration

For the Division of Insurance (DOI), the Market Regulation section performs a critical function in ensuring that the insurance companies that serve Coloradans follow the law in terms of their business practices and in how they work with consumers. Scheduled examinations (similar to audits) are conducted on various companies, but exams are also conducted as-needed when an unusual pattern is noticed, especially when a number of consumer complaints seem to point to a trend.

But in recent years, the Market Regulation section was operating under two Colorado statutes that were essentially at odds with each other. Not only did this create confusion for the Division, but it was also confusing to the insurance companies regulated by the DOI. Out of that confusion, an attempt was born to clarify and ultimately harmonize the two competing statutes.

However, developing legislation that involves how insurance companies will be reviewed can be tricky. House Bill 17-1231, a bill for Market Conduct Examinations of Insurance Companies, which was passed in the 2017 legislative session, was the result of nearly three years of work, two years of stakeholder meetings, and two legislative sessions. After working internally to define the

regulatory issues, the DOI then began meeting with stakeholders throughout 2015, including with representatives from insurance companies for health, property, casualty, title, long-term care, bail, and workers compensation, as well as individual consumers and consumer groups.

By the end of 2015, and into early 2016, drafts of a potential bill were shared with these groups for comment, and still more stakeholder meetings were held to get additional feedback. The hope was to get the legislation included in the 2016 legislative session, but as the various groups still had questions and concerns, the decision was made to look to the 2017 session. The additional time allowed for more stakeholder input, and in the lead up to the 2017 legislative session, more comments were sought from all the groups.

The legislative process was also challenging, but due to the early and extensive collaboration, the Division was able to answer legislators' concerns thoroughly. Passing this bill allows the DOI to become more efficient through streamlining the regulatory process, while allowing the insurance industry to know what to expect when working with the DOI's Market Regulation section.



## DOI By The Numbers

### PROTECTING CONSUMERS

CONSUMER SERVICES	FY 2015-16	FY 2016-17
New Complaints received in Property, Casualty, Title Insurance	2,137	2,543
New Complaints received in Life & Health Insurance	1,698	1,464
<b>TOTAL COMPLAINTS RECEIVED</b>	<b>3,835</b>	<b>4,007</b>
Closed Complaints in Property, Casualty, Title Insurance	2,189	2,399
Closed Complaints in Life & Health Insurance	1,497	1,513
<b>TOTAL COMPLAINTS CLOSED</b>	<b>3,686</b>	<b>3,912</b>

### STATE HEALTH INSURANCE PROGRAM (SHIP-MEDICARE ASSISTANCE)\* FY 2016-17



\* numbers include efforts for both state office of SHIP and affiliates across the state

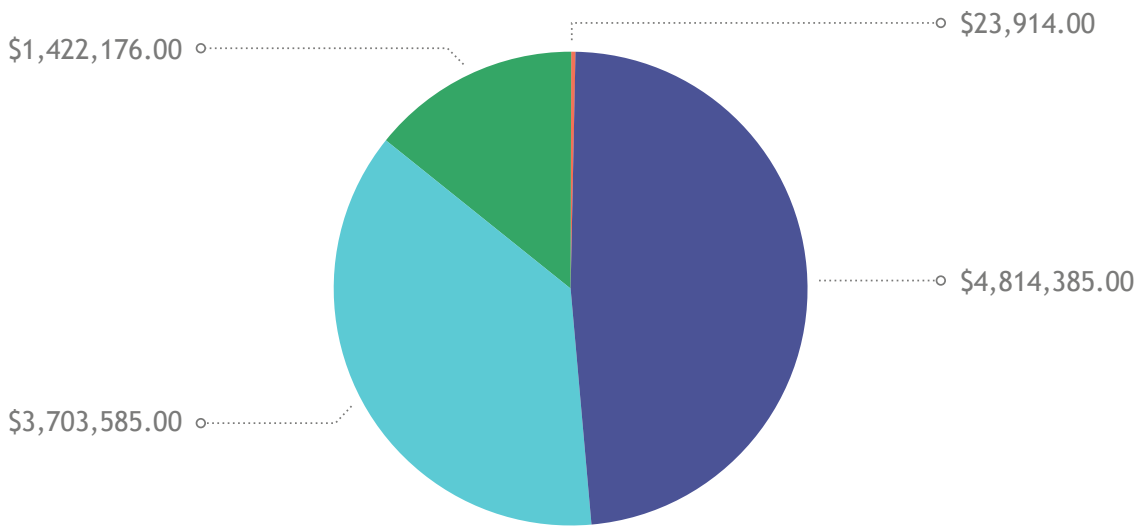
\*\* SMP = Senior Medicare Patrol, a Medicare fraud prevention program

### PRODUCER (AGENT) LICENSING & ENFORCEMENT FY 2016-17



RECOVERIES/RESTITUTION/FINES

**MONEY RECOVERED FOR CONSUMERS** **FY 2016-17**



**TOTAL RECOVERED FOR CONSUMERS \$9,964,060.00**

- Recovered through investigations of complaints for Property, Casualty & Title Insurance
- Recovered through investigations of complaints for Life & Health Insurance
- Restitution ordered through market regulation activities
- Restitution through regulation of insurance agents (producers)

FINES & PENALTIES OF INSURANCE INDUSTRY	FY 2016-17
Fines of Property, Casualty & Title Insurance companies resulting from investigations of consumer complaints	\$11,000
Fines of Life & Health Insurance companies resulting from investigations of consumer complaints	\$9,500
Penalties for late payment of premium taxes	\$48,445
Penalties resulting from market regulation activities (oversight of insurance companies)	\$791,943
Fines and surcharges resulting from review of plan and premium filings from Property, Casualty & Title Insurance companies	\$3,450
Fines and surcharges resulting from review of plan and premium filings from Life & Health Insurance companies	\$4,025
Fines and penalties of insurance producers (agents or agencies)	\$665,450
<b>TOTAL PENALTIES AND FINES</b>	<b>\$1,533,813</b>





## PROMOTING COMPLIANCE/ENFORCING LAWS

REVIEWING SUBMISSIONS FROM INSURANCE COMPANIES	FY 2015-16	FY 2016-17
Number of Life & Health Insurance filings received	3,159	3,203
Number of Property, Casualty, & Title Insurance filings received	4,384	4,959
<b>TOTAL FILINGS RECEIVED</b>	<b>7,903</b>	<b>8,162</b>
Number of Life & Health Insurance filings reviewed & closed	3,084	4,098
Number of Property, Casualty, & Title Insurance filings reviewed & closed	8,593	6,823
<b>TOTAL FILINGS REVIEWED &amp; CLOSED</b>	<b>11,677</b>	<b>10,921</b>

## REGULATING INSURANCE MARKETS FY 2016-17



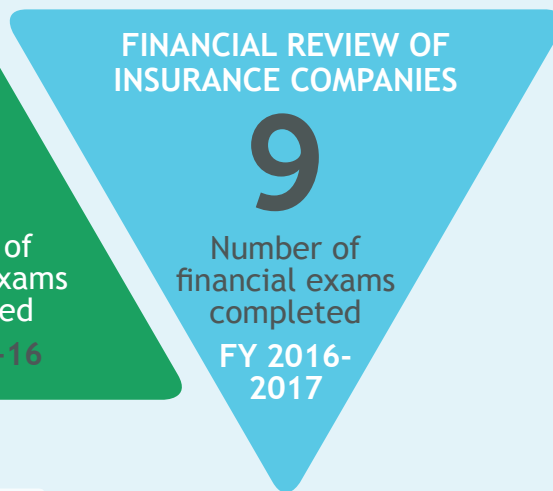
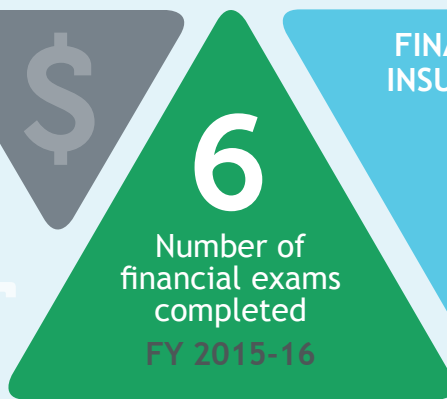
Number of new insurance company applications for state



Premium taxes and fees collected



# OVERSIGHT REVIEW ENFORCEMENT COMPLIANCE REGULATION



REGULATING INSURANCE AGENTS	FY 2015-16	FY 2016-17
New license applications received / approved	39,608 / 38,744	38,888 / 38,351
Renewal license applications received / approved	79,480 / 53,680	82,254 / 56,513
<b>TOTAL APPLICATIONS RECEIVED / APPROVED</b>	<b>119,088 / 92,424</b>	<b>121,142 / 94,864</b>

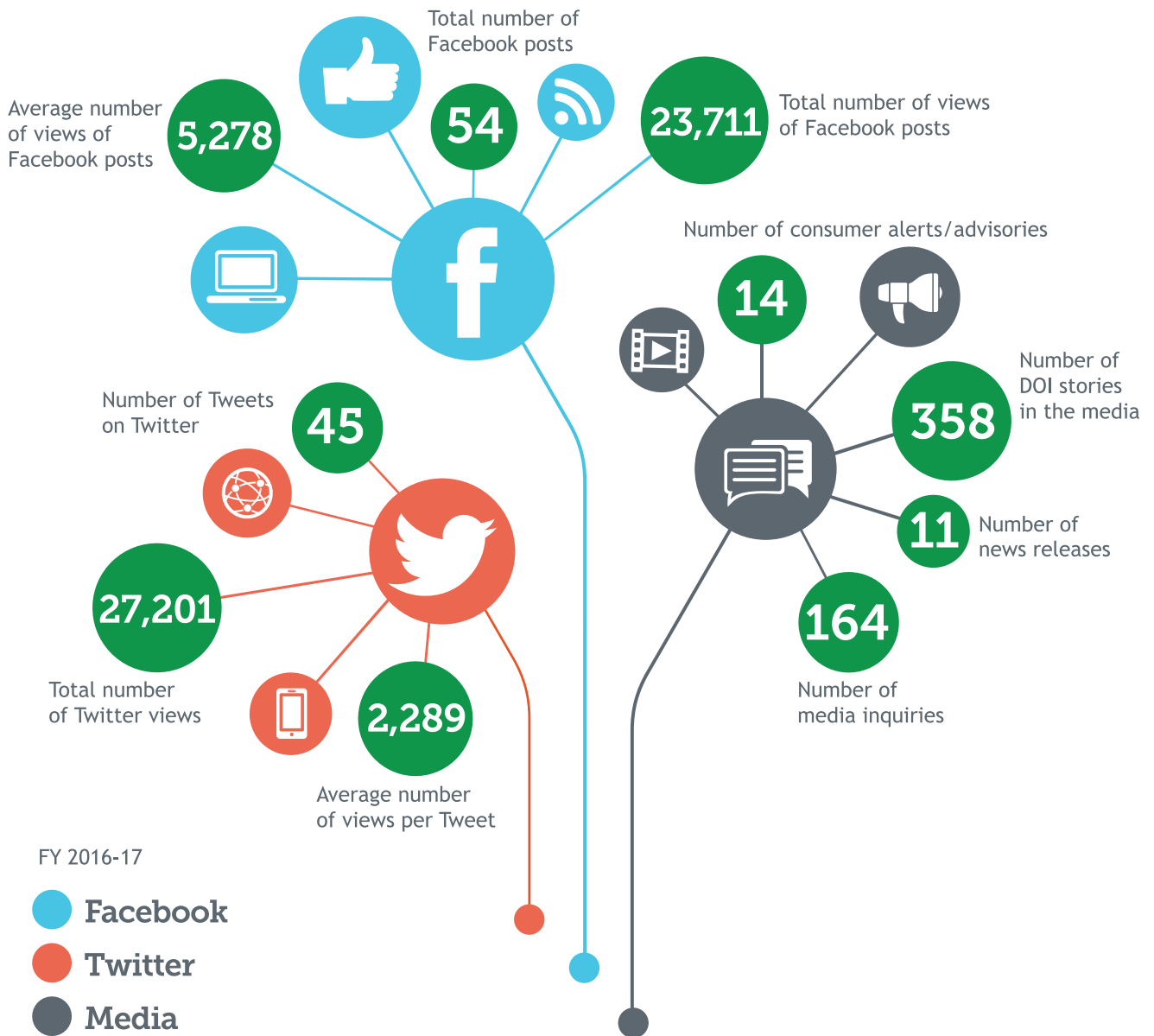
MARKET REGULATION—OVERSIGHT OVER INSURANCE COMPANIES	FY 2016-17
Number of market conduct surveillance activities opened*	58
Number of market conduct surveillance activities closed	54
Number of market conduct examinations closed**	6
Number of multi-state market conduct examinations closed	10

\* A market conduct surveillance is a set of activities that the Commissioner of Insurance may initiate to assess and address the market practices of any company licensed or registered to conduct business in Colorado, including market analysis, desk audits, company self-audits and market conduct examinations.

\*\* A market conduct examination is an assessment of a company's compliance with the laws, rules and regulations applicable to the company. These could include desk examinations, on-site examinations, comprehensive examinations and targeted examinations.



# COMMUNICATIONS ACTIVITIES





REGULATIONS* & BULLETINS**	FY 2015 -16	FY 2016-17
Number of regulations noticed for hearing (notice must be given prior to a hearing on proposed regulations)	32	35
Number of regulations with a public hearing	31	28***
Number of bulletins issued	25	31

\* Colorado Insurance Regulations (also called rules) interpret statutes passed by the Colorado Legislature, but do not exceed the scope of those statutes.

\*\* Colorado Insurance Bulletins are the Division's interpretation of existing insurance law, or are general statements of Division policy. Bulletins do not establish binding norms, nor do they determine issues or rights.

\*\*\* Difference between number of regulations noticed for hearing and number of regulations with a hearing is due to timing at the end of the fiscal year. Regulations were noticed for hearing in FY 2016-17, but the hearing was not until the next year.





**COLORADO**

Department of  
Regulatory Agencies

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