



2017 YEAR-IN-REVIEW

SUMMARY

2017 was a productive year for the Commissioner of Securities and Insurance, Office of the Montana State Auditor (CSI). Under the leadership of Commissioner Matt Rosendale, CSI successfully navigated the 2017 regular Montana legislative session, 2017 special session, state budget cuts and transfers, and evolving federal regulations under the Trump Administration.

This summary of key actions, statistics, and achievements from the agency in Calendar Year 2017¹ highlights CSI's successes under the agency's mission and the guiding principles outlined by Commissioner Rosendale at the beginning of his term.²

These achievements, along with the continuing day-to-day excellence of the CSI team, took place during a time³ in which:

- Total staff employed by CSI declined by approximately 6.3%.
- Staff appointed by the Commissioner declined by more than 18%.
 - Total salaries and benefits for appointed staff decreased by about 21% (this figure excludes Commissioner Rosendale's salary and his [decision to decline](#) his 3.7% statutory pay raise).
- CSI spent approximately 23% less on operating costs.
- CSI transferred over \$450,000 to the state general fund due to the 2017 special legislative session to help patch the state's revenue shortfall. This is in addition to other CSI cuts from the 2017 regular session, and the over \$7 million transferred to the general fund by CSI at the end of *Fiscal Year* 2017.
- CSI handled 53 public records requests (a few still in process at close of 2017).

MISSION

The Commissioner of Securities and Insurance, Office of the Montana State Auditor will diligently advocate for consumers while working to empower Montanans with more insurance options and timely information. We will endeavor to protect consumers from fraudulent and illegal practices, and to improve Montana's economy by ensuring the securities and insurance industries can operate in a fair and efficient regulatory environment. We are committed to serving all Montanans in a caring, professional, and ethical manner as we perform the duties of our office.

¹ Land Board statistics are for Fiscal Year 2017. All other statistics cover Calendar Year 2017.

² Click the links throughout the report to see top news stories, documents, and other information from 2017.

³ All spending and employee numbers are Calendar Year 2017 compared to Calendar Year 2016.

2017 ACHIEVEMENTS, STATISTICS, AND ACTIONS

ORGANIZED BY THE COMMISSIONER'S 5 GUIDING PRINCIPLES

1 ADVOCATE FOR CONSUMERS

Statistics & Achievements

- The Rates Bureau reviewed 4,354 rate filings and saved 56,286 Montanans over \$11 million in premium for rate increases that were not actuarially supported.
- Policyholder Services handled 1,149 new complaints, 279 inquiries, and recovered more than \$6.6 million for Montana consumers (Life/Health and Property/Casualty combined).
- The Examinations Bureau completed nine financial examinations of traditional companies, including the first-ever examination of the Montana State Fund by the CSI, and six financial examinations of captive insurance companies.
- The Legal Bureau closed 326 cases, matters, opinions, and reviews, resulting in \$136,700 in fines and over \$6.5 million in restitution.
- Securities and Legal resolved [five criminal matters](#) resulting in more than \$4.8 million in ordered restitution to victims and over 53 years in state and federal prison for perpetrators:
 - [Richard Brandt](#) (Miles City)– Restitution of \$1,987,139 with 40-year prison sentence (*longest securities-related prison sentence in Montana history*)
 - Commissioner Rosendale [presented](#) Claudette Manson of Adult Protective Services with CSI's Investor Protection Award for her role as a whistleblower on the matter.
 - [Kenneth Hatzenbeller](#) (Great Falls) – Restitution of \$1,761,897 with 6-year deferred sentence to run concurrently with his 30-month federal prison sentence
 - [Catherine Finberg](#) (Columbia Falls)– Restitution of \$1,014,538 with 10-year prison sentence
 - [Bruce Davidson](#) (Great Falls)– Restitution of \$22,000 with 3-year deferred sentence
 - [Matthew McClintock](#) (Missoula) – Restitution of \$24,232 with a 1-year prison sentence
- Seven securities administrative matters settled or defaulted resulting in \$400,200 in restitution and \$65,000 in fines.
- Commissioner Rosendale awarded more than \$312,000 in [securities restitution assistance](#) payments to 23 Montana victims of securities fraud. Sixteen of the victims were over 60 years of age (70%) and one victim was a vulnerable adult with a severe brain injury.
- Eleven Montanans [were matched](#) with over \$17,000 in lost or misplaced life insurance policies through the NAIC/CSI Life Insurance Policy Locator.

Actions and Legislation

- In order to advocate for and empower consumers, Commissioner Rosendale conducted numerous meetings with insurance companies, initiated rule changes, and issued advisory memos, such as re-issuing an [advisory memorandum](#) protecting Montanans from unfair insurance discrimination over alleged wildfire risks.
- CSI [offered insurance tips](#) to Montanans affected or threatened by the historic wildfire season. Over 100,000 people were reached on Commissioner Rosendale's [Facebook post](#) about the fires, CSI's top social media post of the year.
- Adopted administrative rules for the dispute resolution process between insurers and air ambulance companies. CSI oversees the dispute resolution process.
- [House Bill 24](#) (Ehli, R-Hamilton), to protect vulnerable Montanans from financial exploitation, passed the Legislature with bipartisan support and was signed into law.
- [Senate Bill 58](#) (McNally, D-Billings), prohibiting zero dollar claims from being considered for changes to personal insurance policies, passed the Legislature with bipartisan support, Rosendale's backing, and was signed into law.
- [House Joint Resolution 17](#) (Windy Boy, D-Box Elder), to create an interim study of prescription drug costs and pricing, passed the Legislature with Rosendale's support. CSI is actively engaged with the interim committee on this issue.
- [House Joint Resolution 20](#) (Kelker, D-Billings), to study health care price transparency, passed the Legislature with Rosendale's support. [CSI is engaged](#) with the interim committee.
- [Senate Bill 362](#) (Buttrey, R-Great Falls), to require transparency in health care pricing, passed the Legislature with bipartisan support and Rosendale's backing. It was [vetoed by the governor](#).
- [House Bill 123](#) (Curtis, D-Butte), to require transparency in health care and insurance pricing, passed both chambers of the Legislature with bipartisan support before dying in conference committee upon passage of Buttrey's SB 362.
- [House Bill 469](#) (Bishop, D-Livingston), giving mental health coverage parity with physical health coverage, passed with Rosendale's support and was signed into law.
- [House Bill 145](#) (Brown, D-Bozeman), revising annuity regulations to better protect consumers, passed the Legislature with Rosendale's support and was signed into law.



2 EXPAND MARKET OPTIONS TO REDUCE COSTS AND GROW THE ECONOMY

Statistics and Achievements

- The Examinations Bureau licensed or authorized 82 new entities to operate in Montana, including:
 - 20 foreign (domiciled in other states) property and casualty insurance companies.
 - Five foreign life and disability insurance companies.
 - Two certified reinsurers (the first ever in Montana).
 - 38 new captive insurance companies/cells, bringing the total number of captives licensed in Montana since 2001 passage of captive laws to 512.
- Securities approved 52 domestic (Montana) issuers to raise up to \$442 million in capital. The types of entities approved to raise capital include agricultural ventures, manufacturers, distilleries, cooperatives, churches, and hospitals.

Actions and Legislation

- Commissioner Rosendale took two executive actions that directly expanded Montanans' options to meet their health care needs:
 - Issued an [advisory memo](#) clarifying that direct primary care (DPC) provider agreements are non-insurance health care options. The memo removed uncertainties in Montana regulations, providing guidance to physicians who wish to establish and operate DPC practices. Rosendale's action is already having a positive impact in Montana—read about it [HERE](#) and [HERE](#).
 - Issued a [no-action letter](#) regarding Medi-Share, a nonprofit health care sharing program offered by Christian Care Ministry, allowing it to [operate in Montana](#).
- [Senate Bill 100](#) (Smith, R-Billings), affirmatively stating that direct primary care agreements are not insurance, passed the Legislature with Rosendale's support. It was [vetoed by the governor](#), but Rosendale later issued an advisory memo on the subject (see above).



3 COORDINATE WITH MONTANA'S CONGRESSIONAL DELEGATION, STATE LEADERS, AND THE INSURANCE AND SECURITIES INDUSTRIES

Statistics and Achievements

- The Forms Bureau reviewed over 76,600 forms with an average turnaround time of four days.
- Examinations completed 1,350 premium tax audits, collecting approximately \$100 million in premium taxes from traditional companies, collected \$1.7 million in premium taxes from captive insurance companies, and processed approximately 650 license renewals for third party administrators, charitable gift annuities and other insurance-related entities licensed or authorized by the CSI.
- Producer Licensing, along with business partners at the National Insurance Producer Registry (NIPR), processed nearly 128,000 transactions. Both NIPR and SBS allow users to submit most of their transactions online, which reduces turnaround time so licensees can focus on their own clients.
- There were nearly 106,000 active insurance licenses (both individual and business entity) in Montana in 2017.
- Nearly 110,000 individuals registered or renewed their registration as securities salespeople, including 1,242 who live in Montana.
- 1,319 broker-dealer firms registered or renewed their registration to do business in Montana, including two firms domiciled in Montana.
- 2,317 individuals registered or renewed their registration as investment adviser representatives (970 live in Montana).
- 964 investment adviser firms registered or renewed their registration as an investment advisory business. 70 of these firms are physically located in Montana and **six were new start-up firms** in Montana in 2017.
- Approximately 37,500 issuers registered or renewed their applications to offer their investment opportunities to Montanans.
- Commissioner Rosendale [approved](#) a nearly 8 percent overall average reduction in workers compensation loss costs. The decrease was filed by NCCI and took effect on July 1, 2017.



Actions and Legislation

- Commissioner Rosendale and the CSI team hosted the [2017 Montana Insurance Summit](#), attended by nearly 350 people from across Montana. Summit attendees received continuing education credit for learning about [many topics](#), including the legislative session, long-term care, and ethics.
- Commissioner Rosendale and CSI staff hosted an Investment Advisor Workshop and spoke at many [events around the state](#) to [educate](#) Montanans.
- Commissioner Rosendale and the CSI team worked with Montana's health insurers to keep all three existing insurers (Blue Cross, PacificSource, Montana Health CO-OP) offering plans in the individual market during a time that many other states lost participating insurers.
- Open enrollment for 2018 individual market health insurance policies [ran smoothly](#) via the federal exchange. CSI held two [public meetings](#) (in Billings and Helena) on proposed 2018 rates, provided [public comments](#) to the insurers, and shared rate and plan information to Montanans via [Montana Health Answers](#).
- Commissioner Rosendale met with all three members of Montana's congressional delegation, [exchanged letters](#) with Montana's delegation and congressional leaders, and [offered ideas to Congress](#) and President Trump's administration to [reform](#) the U.S. health care and health insurance system.
- [Senate Bill 245](#) (Salomon, R-Ronan), allowing inactive captive insurance companies to apply for dormant status, unanimously passed the Legislature with Rosendale's backing and was signed into law.
- [House Bill 652](#) (Cook, R-Conrad), to work toward a reinsurance program to stabilize Montana's health insurance market, reduce costs, and protect consumers, passed the Legislature with bipartisan support and Rosendale's backing. It was [vetoed by the governor](#). A similar bill supported by Rosendale was passed during the 2017 special session. It too was vetoed.
- [Senate Bill 167](#) (Vincent, R-Libby), placing the criminal provisions of state insurance code in one criminal section to make statute easier to read and understand, unanimously passed the Legislature with Rosendale's support and was signed into law.



4 REDUCE AND ELIMINATE UNNECESSARY REGULATIONS

Statistics and Achievements

- The Legal Bureau filed 10 rules notices which updated at least 40 rules and repealed at least another 40 rules that were superfluous or no longer necessary.

Actions and Legislation

- As mentioned above, Commissioner Rosendale removed regulatory barriers for two new health care options for Montanans: direct primary care and a Christian health care sharing ministry.
- CSI worked with the Legislature to allow the CSI's involvement in Patient-Centered Medical Homes to sunset. Removing CSI from the process allowed PCMH stakeholders to continue to operate on their own accord, and removed bureaucracy that had previously occupied a significant portion of one employee's time. [House Bill 121](#) (Curtis, D-Butte) to remove the sunset provision died in the Legislature.
- [House Bill 653](#) (Matt Regier, R-Kalispell), to streamline service of process regulations and eliminate unnecessary bureaucracy at the CSI passed the Legislature with Rosendale's support. It was vetoed by the governor.
- Commissioner Rosendale rescinded two ([1](#), [2](#)) CSI advisory memos that addressed issues that fall outside the scope of CSI's regulatory authority.

5 IMPROVE PUBLIC ACCESS TO PUBLIC LANDS AND RESPONSIBLY MANAGE NATURAL RESOURCES

State Land Board Statistics, Achievements, and Actions (*Fiscal Year 2017*)

- Completed acquisition projects resulted in access on 16 miles of road to a total of 46,943 acres of trust land, of which 44,700 acres are accessible by the public.
- Montana Trust Lands, overseen by the Land Board, generated \$43 million for Montana schools (\$295 per student), equating to just over 5 percent of the Office of Public Instruction's budget.
- Natural resource management by the Land Board included:
 - 35 coal leases, 1,441 oil and gas leases
 - 47 million board feet of timber harvested, 267,870 tree seedlings planted
- After the devastating fire season of 2017, the Land Board rapidly approved a fire salvage timber sale from the Lolo Peak Fire. Timber that has been through a forest fire has only a short window during which the timber is still merchantable.