

2021



TROY DOWNING

CSI

COMMISSIONER OF SECURITIES & INSURANCE  
OFFICE OF THE MONTANA STATE AUDITOR

# ANNUAL REPORT

STATE OF MONTANA  
840  
HELENA AVENUE

TROY DOWNING  
COMMISSIONER OF SECURITIES  
& INSURANCE  
STATE AUDITOR

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# Our Vision & Mission

## VISION

Safeguard Montana consumers by regulating the insurance and securities industries, investigating fraud, and prosecuting criminals.

## MISSION

- Inform consumers and industry through education and outreach.
- Provide responsive and meaningful customer service.
- Support Montana business by promoting industry innovation and removing unnecessary regulatory roadblocks and red tape.
- Manage State Trust Lands with long-term goals of stewardship for the ongoing benefit of public education.

## CSI Overview

We are entrusted with protecting all Montanans from bad actors by regulating two of the state's largest industries—securities and insurance. We strive to foster a thriving Montana industry marketplace through education, common-sense regulation, and equitable enforcement of the law with swift accountability for fraudsters and justice for their victims.

### WE ARE PRIMARILY A CRIMINAL JUSTICE AGENCY

#### INSURANCE

- We are a consumer protection agency.
- We ensure Montana's insurance industry abides by state law.
- We examine insurance companies for financial solvency and compliance with the Montana Insurance Code.
- We investigate insurance complaints and fraud.

#### SECURITIES

- We educate Montana's consumers and investors on securities.
- We investigate securities and financial fraud.
- We encourage capital investment in Montana.
- We promote uniformity in the market through oversight of the securities industry.
- We examine the securities industry for compliance with the Montana Securities Act.

#### LEGAL

- We advise CSI, industry, and the public on the law as it relates to regulation of insurance and securities.
- We oversee investigations into and prosecute violations of Montana's insurance and security codes.
- We are general counsel for CSI.

# \$179M

Revenue generated from fees and fines

# \$111M

Revenue transferred to the general fund

# \$36M

Provided to the Healthy Montana Kids Program

## COMMISSIONER'S LETTER



**From top to bottom, every member of our team does good, meaningful work. I'm humbled by the level of intelligence, heart, and work ethic that I see daily.**

—Commissioner Troy Downing

Last year was a very productive year for the Commissioner of Security and Insurance (CSI). This is directly correlated to the amazing team that makes up this agency. Personally, I have been blessed and humbled by a team of so many professionals who are smart, hard-working and have incredible hearts for the charge of this agency. We have taken opportunities, applied ourselves, and really advanced the ball in terms of defining what this office is capable of. I continue to be amazed by the impactful work the CSI team has accomplished in consumer protection, education, outreach, industry communication, and regulation in just twelve short months.

We had a successful 2021 legislative session and worked with stakeholders to get administrative rules vetted and posted. We pursued actions against bad actors and used these as teaching moments to inform and educate both consumers and industry regarding what to watch out for, what to expect when someone crosses the line, and how to work with our office.

We completed an incredible amount of outreach in combating elder abuse. We used the success of the Eastern Montana Elder Justice Council to lay the groundwork for three additional, regional councils across the State. Moving forward, all four councils will educate and protect our seniors.

As a member of the Montana Land Board, we worked tirelessly with stakeholders, natural resource developers, ranchers, and the Department of Natural Resources and Conservation (DNRC) to ensure we are truly being good stewards of our State Trust Lands to increase much needed public education funding.

We have implemented outreach programs to educate the public on securities fraud, insurance fraud, elder exploitation, multi-level marketing companies versus pyramid promotional schemes, and the federal No Surprises Act. Outreach and education will be a recurring theme in this administration.

The hard work, professionalism, and devotion to the mission of those who make up this agency shows not just in quantity and quality, but in the heart given by these team members. I smile every morning when I walk into the office knowing we are doing important, meaningful work and have fun doing it.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Troy Downing', written over a light blue horizontal line.

**Troy Downing**

Commissioner of Securities and Insurance  
Montana State Auditor



## LEADERSHIP TEAM



**Mary Belcher**  
Deputy Auditor



**Bob Biskupiak**  
Deputy Insurance Commissioner



**Lynne Egan**  
Deputy Securities Commissioner



**Molly Plummer**  
Chief of Staff



**Jen Adkins**  
Executive Assistant



**Ole Olson**  
Chief Legal



**Jackie Jones**  
Government Relations Director



**Sam Loveridge**  
Communications Director



**Laura Shirliff**  
Digital & Creative Services Director

**Ted Bidon**  
Investigations  
Bureau Chief

**David Dachs**  
Insurance Services  
Bureau Chief

**Nikki Davison**  
Central Services  
Administrator

**Mari Kindberg**  
Rates and Forms  
Bureau Chief

**Steve Matthews**  
Examinations  
Bureau Chief

**Sharon Richetti**  
Policyholder Services  
Bureau Chief

**Michael Sweeney**  
IT Manager

## HUMAN RESOURCES REPORT

**Human Resources** was on the frontline as the agency welcomed its new administration and staff back to the office in 2021. CSI was the first state agency to reunite team members in April under one roof. As a team and looking back, we did that very well. Agency success derives from having effective working relationships, built on mutual trust and respect for each other's skills and abilities.

19

Successful CSI positions filled, recruitments—classified & appointed staff.

1<sup>ST</sup>

State agency to implement a successful "return to office" work plan.

40+

Agency positions classified to State of Montana Occupational Standards.

# INSURANCE REPORT



*All CSI colleagues came together to form an incredible team. Leadership engagement and bureaus working side-by-side made 2021 a year for the record books. I am even more excited for what the CSI team will achieve in 2022.*

—Bob Biskupiak, Deputy Insurance Commissioner

## EXAMINATIONS AND CAPTIVES

The **Examinations Bureau** has three main responsibilities: monitoring the solvency or claim paying ability of insurance companies operating in Montana; licensing insurance companies; and collecting premium taxes. The Examination Bureau maintains strict procedures in the review of insurance companies in accordance with the NAIC accreditation standards.

The **Montana Captive Insurance Program** is the forth leading captive domicile in the U.S. The program generates millions in premium taxes, we estimate captive management services generate approximately \$5 million to the Montana economy.

CAPTIVES GENERATED  
**\$5 Million**  
TO THE MONTANA ECONOMY

**1,697**  
INSURANCE COMPANY ANNUAL  
FILINGS PROCESSED

 **26%**  
INCREASE IN CAPTIVE  
INSURER FORMATIONS  
OVER THE PRIOR YEAR

2020 PREMIUM TAX AUDITED/  
COLLECTED IN 2021:

- Property & Casualty  
**\$64,432,913**
- Life & Disability  
**\$39,205,496**
- Captives  
**\$1,410,590**

**\$105,048,999**

**4<sup>TH</sup>** LARGEST  
CAPTIVE  
DOMICILE IN  
THE U.S.

## PRODUCER LICENSING AND MARKET CONDUCT

The **Licensing Bureau** handles all licensing transactions of insurance producers, adjusters, consultants, and insurance agencies. Maintaining high quality licensure standards supports insurance industry professionalism. The Licensing Bureau oversees the quality of continuing education courses for licensees. Consumers benefit from enhanced knowledge of insurance professionals.

The **Market Conduct Bureau** monitors the insurance marketplace to ensure insurance companies comply with state laws and regulations. Market Conduct responds to consumer complaints and issues driven by the transactions and activities of insurance companies and insurance professionals.

### WORKING FOR MONTANA

<b>64,526</b>	Montana Licenses Approved or Renewed
<b>1,984</b>	Continuing Education Courses Reviewed
<b>\$6,040,568</b>	Licensing/CE Fees Collected
<b>\$4,673,830</b>	Surplus Lines Premium Tax Collected
<b>+24,000</b>	Requests for Information Processed

### MONITORING THE MARKET

<b>30</b>	Market Analysis Reviews Completed
<b>3</b>	Targeted Market Conduct Exams Reviewed
<b>121</b>	Data Breach Incidents Recorded
<b>528</b>	Market Conduct Annual Filings Processed

## MONTANA REINSURANCE PROGRAM

**The Montana Reinsurance Program** was established in 2019 to reimburse health insurance exchange insurers for certain high-cost claims in the individual health insurance market using a mix of federal pass-through funding and association member assessments. Under the law, individual health insurers will be reimbursed for a portion of the cost of certain high-cost claimants. The Montana Reinsurance Program is administered by CSI and a five-person Board of Directors of the Montana Reinsurance Association (MRA).

In 2021, the MRA reimbursed over \$25 million (\$7.7 million from insurer assessments and \$17.3 million from federal funding) to eligible Montana health insurers for certain claims incurred in 2020 (60% of claims between \$40,000 and \$101,750)—enabling insurers to lower, minimize or flatten premiums in the individual market.

## POLICYHOLDER SERVICES

**Policyholder Services (PHS)** is responsible for responding to and resolving consumer complaints involving all lines of insurance and surety products marketed in Montana. PHS is often at the front line of discovering insurance company unfair trade practices and other violations of law resulting in hundreds of thousands of dollars in recovery fines. Our goal is to provide Montana consumers direct access to assistance for most insurance-related issues. PHS also has a very important educational role in the agency—providing Montanans with a place to go to get answers to their important insurance related questions.

Anyone who walks into PHS will see a small group of people dedicated to helping Montana consumers. They are very passionate about insurance and regulating the insurance industry to provide fair and honest treatment for all consumers. **We are proud to have returned just shy of \$5.8 million in benefits to Montanans in 2021!**

### PROPERTY & CASUALTY

<b>761</b>	Complaints
<b>118</b>	Formal Inquiries
<b>\$4.4 Million</b>	Recovered for Montana Consumers

### LIFE & HEALTH

<b>185</b>	Complaints
<b>750</b>	Formal Inquiries
<b>\$1.4 Million</b>	Recovered for Montana Consumers

## RATES AND FORMS



**8,504**

RATE AND FORM  
FILINGS REVIEWED  
AND CLOSED

**The Rates Bureau** reviews insurer rates/premiums changes in Montana to ensure they are not inadequate, excessive, or unfairly discriminatory and are compliant with Montana statutes and administrative rules. The Rates Bureau publishes annual rate comparison guides for home, long term care, Medicare Supplement, and individual health to assist Montana consumers with purchasing insurance.



**\$1,976,897**

IN RATE INCREASE  
REQUESTS DENIED  
BENEFITING **35,761**  
MONTANANS

**The Forms Bureau** is responsible for ensuring every insurance contract, form, endorsement, and policy follows the Montana Insurance Code prior to marketing. The Forms Bureau performs complex and detailed review of insurance filing submissions. The primary goal of the form review process is to ensure policy language is clear and unambiguous to consumers.



# SECURITIES REPORT

*2021 was a year of record setting: an all-time high number of securities registrations, an all-time high number of examinations, and an all-time high for the Dow Jones Industrial Average.*

—Lynne Egan, Deputy Securities Commissioner

The Securities Division educates consumers and investors, investigates fraud, encourages capital formation, and oversees Montana's intrastate securities industry. In 2021, the Securities team hit the ground running in the courtroom with our Legal team, after indicting an individual with seven felony charges of securities fraud and elder exploitation. At the same time, the team was drafting and advancing bills through the legislature, including the nation's first adoption of the Model Whistleblower Award and Protections Act. Through investigations, examinations, and enforcement, the Securities team exemplifies the mission of this agency.

## CAPITAL FORMATION IN MONTANA

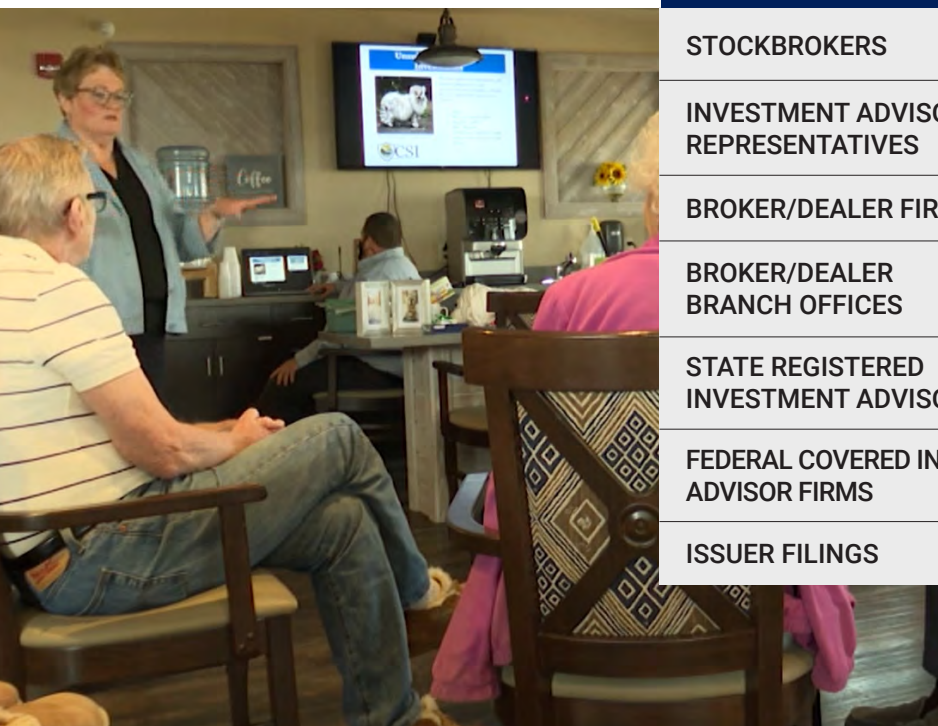
**34**  
COMPANIES

Obtained approval to raise \$802,855,557 in capital to grow their businesses.

2021 was an active year for capital formation in Montana. The Securities Division reviewed and approved filings from 34 domestic issuers seeking to raise money from Montana investors to start or grow their businesses and to create in-state jobs. The types of Montana businesses/companies seeking investment capital included agricultural, artificial intelligence, bioinformatics, biotechnology, commercial, defense training, healthcare, hospitals, industrial, information security, residential, technological, and a light beer manufacturer. In aggregate, the Securities team in 2021 approved 34 issuers to raise up to \$802,855,557.

## SECURITIES INVESTMENT ADVISOR EXAMINATIONS

<b>150%</b> INCREASE IN EXAMS CONDUCTED FROM THE PREVIOUS YEAR	<b>SECURITY FILINGS PROCESSED IN 2021</b>	<b>% INCREASE OVER 2020</b>
STOCKBROKERS	128,370	+9.09%
INVESTMENT ADVISOR REPRESENTATIVES	4,418	+3.20%
BROKER/DEALER FIRMS	1,298	+3.51%
BROKER/DEALER BRANCH OFFICES	594	+17.39%
STATE REGISTERED INVESTMENT ADVISOR FIRMS	124	+13.76%
FEDERAL COVERED INVESTMENT ADVISOR FIRMS	987	+7.40%
ISSUER FILINGS	36,127	+5.39%



Left: CSI's Lynne Egan educating seniors on elder exploitation and offering tips to avoid scams.



## LEGAL REPORT



*I am proud of what our incredible group of paralegals and lawyers accomplished in 2021. We filed almost eight times as many enforcement actions as were filed in 2020. Meanwhile, we considerably improved our accessibility and responsiveness to everyone in this agency.*

—Ole Olson, Chief Legal

### LEGAL & INVESTIGATIONS

The **Legal Services Division** enforces Montana securities and insurance laws, holds bad actors accountable through prosecution of criminal and civil cases, and represents the Commissioner and agency in legal matters. With COVID and administration and staffing changes, the Legal team in 2021 cleared its backlog of cases, charged an unprecedented number of enforcement actions, and implemented management systems to streamline, track, and balance the workload. This division includes the **Investigations Bureau**, which investigates complaints and ensures industry compliance with the Montana Insurance Code. The dedicated work of this bureau generates referrals to the Legal team for action, including civil enforcement and/or criminal prosecution.

50

#### ENFORCEMENT ACTIONS FILED

- 30 Administrative
- 20 Criminal

485

#### LEGAL MATTERS REFERRED

- 289 Closed
- 196 Currently Open

\$113K

#### FINES & FEES ORDERED

- Insurance Actions \$60,450
- Securities Actions \$44,500

\$63K

#### FINES & FEES COLLECTED

- Insurance Actions \$42,950
- Securities Actions \$22,416

\$45K

#### RESTITUTION ORDERED

- Insurance Actions \$35,789
- Securities Actions \$8,745

\$84K

#### RESTITUTION COLLECTED

- Insurance Actions \$100
- Securities Actions \$83,745

### CSI INVESTIGATIONS



#### TOTAL CASES

249

#### ENTITIES INVOLVED

Bail Bonds	5
Company	6
Consumer	203
Contractor	9
Medical Provider	18
Insurance Producer	7
Title Insurance	1

#### GRAND TOTAL

249

#### INVESTIGATIVE CATEGORY

Consumer Insurance After the Fact	79
General or Misc. Insurance	157
Insurance Producer License	13

#### GRAND TOTAL

249

## EVENTS IN 2021

*Our success is predicated on everyone—agency, leadership and staff—being unified and respectful in this shared commitment.*

—Commissioner Troy Downing

### 1. Legislative Lunch

Commissioner Troy Downing hosted lunch in the Capitol Rotunda to provide elected officials with further information about critical bills being considered by the 67th Legislature.

### 2. Land Board Tour

As a member of the Montana Land Board, Commissioner Troy Downing toured Public Trust Lands in Western Montana to better understand ways to grow Montana's economy and fund public education.

### 3. 2021 Montana Insurance Summit

Breaking attendance records, the Montana Insurance Summit brought hundreds of professionals from around the state and nation to learn more about insurance in Montana.

### 4. 2021 Boys State

Boys State helps Montana's next generation of leaders develop the skills and confidence to succeed. Commissioner Troy Downing spent an evening discussing his background in business and the Armed Forces while answering questions about CSI's mission to protect consumers.

### 5. Coffee with the Commissioner

A new outreach program launched by Commissioner Troy Downing, "Coffee with the Commissioner," reaches consumers and industry professionals face-to-face across the State to engage in meaningful discussion.



## COMMUNICATIONS & OUTREACH



**Communications and Outreach** by the CSI is a comprehensive effort to inform the public of the agency goals, plans, and activities through various media outlets. We deliver meaningful information to educate, inform, and empower consumers and the insurance and securities industries. In 2021, our team implemented multiple new educational programs, including a podcast series and public quarterly newsletter. The team sent weekly informational public service announcements to radio stations, prepared meaningful media press releases, and published bi-monthly opinion editorials to generate topic awareness surrounding the CSI. In addition, we expanded the agency's online and social media presence, which will include the launch of a complete website redesign for release in 2022. The team also produces a monthly internal newsletter to foster communication within agency staff and build strong team cohesion.

## 2022 ROADMAP

*A strategic plan is founded on a vision, continuing long after the initial groundwork is set—a tool to set a clear path for the future, while allowing for the vision to mature and change as time passes.*



### EXPANDED OUTREACH

Deliver meaningful communication to educate, inform, and empower consumers and industry.

- Enhance agency's online presence and ergonomics/information accessibility.
- Promote State Trust Land stakeholder engagement.
- Expand and develop robust education series.
- Promote Montana as a captive domicile.

### LEGAL—PROSECUTION & ENFORCEMENT

Ensure adherence to state laws and regulations and hold bad actors accountable and advocate victim justice.

- Expand in-house agency enforcement.
- Maintain CSI as the lead in white collar crime investigation and enforcement.
- Review and simplify agency administrative rules.
- Participate in and support statewide elder justice councils.

### INTRA-AGENCY EFFICIENCY

Promote effective, efficient, and transparent management and stewardship of state resources.





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