

2009

# Annual Report

**MISSOURI**

Department of Insurance,  
Financial Institutions &  
Professional Registration



Insurance  
Consumer  
Affairs  
Division



Insurance  
Market  
Regulation  
Division



Insurance  
Company  
Regulation  
Division



Resource  
Administration  
Division



Finance  
Division



Credit Unions  
Division



Professional  
Registration  
Division



**Jeremiah W. (Jay) Nixon**  
Governor

**DIFP**

**John M. Huff**  
Director

A MESSAGE FROM DIFP DIRECTOR



John M. Huff

“It has been a privilege to lead a department charged with protecting consumers”

While the challenging economy of the past year dominated much of our work at the Department of Insurance, Financial Institutions and Professional Registration, I'm proud to report the DIFP moved forward aggressively with a number of initiatives to protect consumers, to provide clear marketplace direction to individuals and companies we regulate and to drive efficiencies in our agency.

**DIFP FOCUSES ON CONSUMER PROTECTION**

One of the most important consumer protection functions of our department is to examine and protect the solvency of insurance companies, banks and credit unions. While that job is always vital, the economy made it our top priority in 2009.

Insurance companies saw premium sales that were essentially flat, and their investments suffered in the stock market. Banks and credit unions are tackling mortgage and car loan delinquencies.

These factors are straining the balance sheets of the institutions we regulate, so the responsibilities on the shoulders of our financial examiners are heavier now than any time since the early 1990s.

These veteran regulators are working with insurers and financial institutions to shore up capital and clean up questionable lending and investment practices, in hopes of improving balance sheets and withstanding the economic downturn. While leading indicators suggest signs of an economic recovery, we expect this process will continue through 2010.



**CONSUMER EDUCATION,  
WEB PRIORITIES**

While our examination process has required intense focus, I am pleased to report impressive progress in other areas.

The DIFP has taken strong action against companies based either on solvency concerns or their treatment of consumers. We have provided much-needed education to consumers on issues ranging from health insurance to identity theft to buying preneed funerals.

We launched two websites that are significant upgrades from their predecessors, offering user-friendly menus and graphic elements. See [difp.mo.gov](http://difp.mo.gov) and [finance.mo.gov](http://finance.mo.gov). Three more division site overhauls will come in 2010, for the Insurance divisions, Credit Unions and Professional Registration.

**WEB-BASED TECHNOLOGIES MAKING  
OPERATIONS MORE EFFICIENT**

Finally, we have undertaken major modernization projects to increase the efficiency of our operations. With these efforts we have embraced dynamic Web-based technology, replacing aging internal databases. Some of these new systems are up and running smoothly (insurance divisions); others I hope to bring on board in 2010 (licensing at the Division of Professional Registration).

It has been a privilege to lead a department charged with protecting consumers through the regulation of professionals and businesses that impact Missourians' lives daily, and I look forward to a busy and productive 2010.

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## **Leadership**

The leadership team's No. 1 focus for 2009 has been the financial solvency and stability of the insurance companies and financial institutions DIFP regulates.

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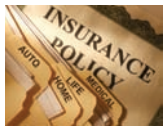


## **Insurance Consumer Affairs Division**

Helps the public resolve complaints, provides information on insurance policies and investigates insurance fraud.

Provides insurance education and outreach activities to Missouri consumers.

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## **Insurance Market Regulation Division**

Reviews insurance policies, rates, products and marketing strategies for compliance with Missouri law. Performs market conduct examinations to ensure fair treatment of policyholders, determines legal compliance and monitors the insurance marketplace.

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## **Insurance Company Regulation Division**

Monitors and analyzes the financial condition, accounting practices and legal compliance of insurance companies licensed in Missouri through financial analysis and examinations. Certifies and collects premium taxes due to the state.

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## **Resource Administration Division**

Licenses insurance agents, public adjusters, bail bond agents and surplus lines brokers.

Conducts departmentwide administrative support functions including accounting, human resources, budget and information systems.

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## **Finance Division**

Enforces laws for banks, trust companies, savings and loans, mortgage brokers and consumer credit lenders in Missouri.

Analyzes safety & soundness of financial institutions for Missouri depositors through financial exams. Helps consumers resolve complaints about licensees.

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## **Credit Unions Division**

Oversees the examination, supervision, chartering, merger and liquidation of credit unions.

Helps consumers resolve complaints about licensees.

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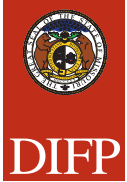


## **Professional Registration Division**

Licenses qualified professionals and enforces standards for more than 400,000 licensed professionals and companies in Missouri.

Thirty-nine professional licensing boards process applications, determine qualifications and conduct investigations into possible professional misconduct.

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# Leadership

The department hit the ground running on Jan. 12 with an acting director. Gov. Jay Nixon nominated John M. Huff as director in early February, and Huff was confirmed by the Missouri Senate on Feb. 19. Since then, Director Huff has assembled a leadership team that blends long-time veterans of the department with new faces.

## DIFP FOCUSES ON SOLVENCY, STABILITY

The leadership team's No. 1 focus for 2009 has been the financial solvency and stability of the insurance companies and financial institutions DIFP regulates. Today's economy has strained these institutions: the number of banks and insurance companies on our troubled lists has doubled since a year ago.

While Missouri saw two state-chartered bank failures in 2009 (compared with 140 nationally), we find that in general, banks, credit unions and insurers have adequate capital and reserves for the foreseeable future.

## INFORMATION ENTERS NEW AGE

In the insurance divisions, 2009 saw a massive technological upgrade to our systems for agent licensing, company admissions, complaints and investigations. The department has transitioned from an internal database to a Web-based software system run by the National Association of Insurance Commissioners, based in Kansas City.

This fully implemented management system, State-Based Systems, houses all data for insurance consumer complaints, agent investigations, agent licensing and company admissions.

Also, many other department functions have been converted to electronic format such as tax forms, financial statement filings and insurance policy filings.

## RECEIVERSHIP SECTION

The Receivership Section assists the department Director in rehabilitating or liquidating domestic insurance companies pursuant to receivership orders of state courts. The section also manages, monitors, advises and reports on the operations of Missouri domiciled insurers in rehabilitation or liquidation.

Companies in receivership: 11.



**John M. Huff**  
Director



**Jim McAdams**  
Deputy director



**Travis Ford**  
Communications  
director



**Melissa Palmer**  
Legislative  
coordinator

## DEPARTMENT LEADERSHIP TEAM

**John M. Huff**, Director

**Jim McAdams**, Deputy director

**Travis Ford**, Communications director

**Melissa Palmer**, Legislative coordinator

**Angela Nelson**, Insurance Consumer Affairs  
Division director

**Mary Kempker**, Insurance Market  
Regulation Division director

**Fred Heese**, Insurance Company Regulation  
Division director

**Rochelle Hendrickson**, Resource  
Administration Division director

**Richard J. Weaver**, Finance Division  
commissioner

**Ken Bonnot**, Credit Unions Division deputy  
director

**Jane Rackers**, Professional Registration  
Division director

## 2009 STATS

### Director's responsibilities

- Enforces the laws and regulations of the state and sets policies.
- Staff: 545 full-time employees
- Fiscal 2010 budget: \$36.7 million

### DIFP facts

- DIFP receives no general revenue. It is funded by fees paid by its licensees and regulated entities.
- Individuals and companies licensed or registered by DIFP: More than 530,000.



# Insurance Consumer Affairs

## What the division does

- Helps the public resolve complaints, provides information on insurance policies and investigates insurance fraud.
- Provides insurance education and outreach activities to Missouri consumers.

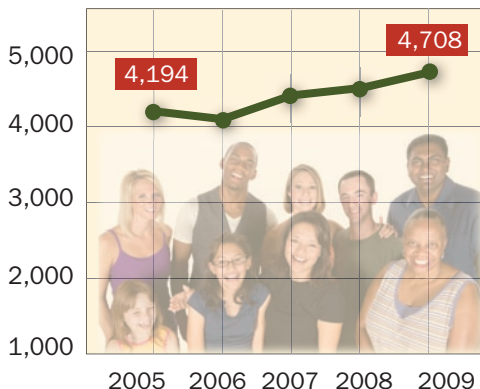
## CONSUMER SERVICES

The Consumer Services Section acts as a liaison for disputes between the consumer and the insurance company.

In 2009, the Consumer Services and Investigations sections opened 4,700 written complaints against insurance companies and agents. They also assisted more than 27,000 people by phone.

The division recovered more than \$14.4 million in 2009 for Missourians from insurance companies and agents who failed to meet their legal obligations to consumers.

## Consumer complaints filed from 2005 to 2009



## Insurance Consumer Hotline



**800-726-7390**

Consumers with questions can call the Insurance Consumer Hotline or visit [insurance.mo.gov](http://insurance.mo.gov).

A TDD line for the hearing impaired is 573-526-4536.

## INVESTIGATIONS SECTION

The Investigations Section handles complaints from consumers against insurance agents, bail bond agents and public adjusters. The section also investigates unlicensed activity and reviews agent license applications.

In 2009, the section conducted 960 agent investigations.

The Investigations Section took 186 enforcement actions. Those legal actions included:

License revocation	17
License suspended	1
Refusal to issue license	39
Forfeitures (fines)	137

## Consumer recoveries

The Consumer Affairs Division recovered a record \$14.4 million in 2009 for consumers.



# Consumer Affairs recovers record \$14.4 million in consumer restitution

Angela Nelson, a seven-year veteran of the Department of Insurance, was named division director in June. She most recently managed the department's Property and Casualty Section.

The division answers consumer inquiries and works to resolve disputes between the consumer and the insurance company. Efforts to resolve these disputes resulted in \$14.4 million in restitution to consumers in 2009 – \$2 million more than in 2008 and a record according to department files dating back to 2000.

In 2009, 4,700 formal complaints against insurance companies were opened and more than 27,000 people were assisted by telephone.

## THOUSANDS OF DOLLARS RECOVERED

**\$278,000:** A family of nine from southwest Missouri filed a complaint against their homeowners insurance company after a tornado loss left them in a hotel room for over a month. After the division's involvement, the family recovered nearly \$278,000 from the insurer.



Director **Angela Nelson**

**“ Consumers who filed complaints received a record \$14.4 million from their insurance companies in 2009 — a \$2 million increase over 2008. The department opened more than 4,700 formal complaints, and assisted over 27,000 consumers by phone. ”**

**\$250,000:** After being denied coverage for treatment of lymphoma, a consumer filed a complaint with the division. After mediation by the division, the insurance company overturned the denial and approved the procedure, which cost more than \$250,000.

**\$109,846:** After buying life insurance with the proceeds of her late husband's life policy, a consumer complained that her new policy did not include the benefits as promised. After the division's involvement, the consumer's policy was rewritten and her insurance company returned \$109,846.

**\$103,000:** The family of a teenager complained after being denied coverage for mental health treatment. After mediation by the division, his group health insurance carrier agreed to pay over \$103,000.

**\$900,000:** After a fire destroyed their house, a family of four was having problems getting their homeowners insurance claim paid. The division got involved, and the insurer paid over \$900,000.

## 2009 STATS

### Consumer Services Section

- Consumer restitution recovered: a record \$14.4 million
- Consumers assisted by phone: 27,131
- Formal complaints opened: 4,708

### Investigations Section

- Agent investigations conducted: 960
- Actions against agents: 186



## Consumer complaints

### By TYPE OF INSURANCE

Auto	1,079
Group accident and health	835
Individual accident and health	717
Homeowners	600
Individual life	348

### By REASON

Claim denial	1,044
Claim delay	715
Unsatisfactory settlement/offer	672
Agent misrepresenting policy/product	168
Premium notice/billing	161

# Insurance Market Regulation

## What the division does

- Reviews insurance policies, rates, products and marketing strategies for compliance with Missouri law.
- Performs market conduct examinations to ensure fair treatment of policyholders, determines legal compliance and monitors the insurance marketplace.

## MARKET CONDUCT SECTION

Unlike the Consumer Affairs Division, which handles individual complaints, the Market Conduct Section sends staff to thoroughly examine the overall practices of an insurance company.

Violations found during these exams may result in fines and restitution to policyholders or re-evaluation of the premium charged for the policy. Fines and penalties go to the Missouri State School Fund.

Market conduct examinations also ensure compliance with nationwide settlements, whether through the federal courts, federal agencies, another state's insurance department or mutual agreements.

### Market conduct fines, recoveries returned to consumers in 2009



## LIFE AND HEALTHCARE SECTION

The Life and Healthcare Section pre-approves all life and health policy forms that insurers use in the state. This prior-approval requirement extends to all group or individual insurance policies and annuity contracts issued by insurers, prepaid dental plans, HMOs and others.

Missouri does not require filing or prior approval of life and health insurance rates, but long-term care and Medigap (Medicare Supplement) rates must be filed with the department. The section reviews long-term care insurance policies to verify that rates are established in accordance with actuarially sound principles and that rates are determined in accordance with long-term care regulations.

Medigap rates are approved by the section. Federal and state laws require Medigap policies to return benefits equal to at least 65

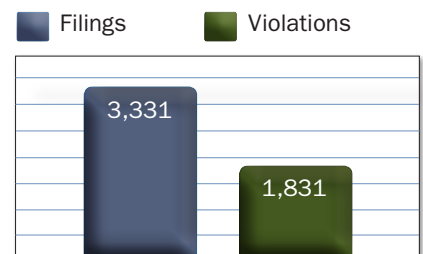
percent of the premium collected during the lifetime of the policy.

Credit insurance rates are reviewed only if an insurer's proposed rates exceed those in law or use rating methods different from the legal standards. The section monitors these deviations to maintain compliance with legal loss standards. Credit insurance covers debt and other credit obligations if an uninsured is unable to pay for various reasons, including accident, illness or loss of job.

The section also assures that insurers offering health insurance coverage to Missouri's small businesses comply with the Small Employer Health Insurance Availability Act and the federal Health Insurance Portability and Accountability Act. Missourians benefit from whichever provisions of state or federal laws are more favorable.

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### Life and Healthcare form and rate filings; violations for 2009



# Market Regulation working to increase company exams, consumer restitution

The division operated nearly a year without a director (the previous director was named acting department director in the summer of 2008). A new leader took the helm in June of this year when Mary Kempker, a 10-year veteran of the Department of Insurance, was named director. Kempker spent the previous six years as director of the Consumer Affairs Division.

The division analyzes insurance policy forms and rates for compliance with state law. It also, through the Market Conduct Section, examines past practices of insurance companies based on their handling of claims and complaints filed by policyholders.

## MARKET CONDUCT SECTION

The Market Conduct Section thoroughly examines the overall practices of an insurance company. Violations may result in fines and restitution to policyholders.

It is a priority for Director Huff to dramatically increase exams and consumer restitution, so a new chief market conduct examiner was named in November: Jim Mealer, a 19-year veteran of the department. Mealer headed the life and health arm of the Market Conduct Section for the past nine years.



Director **Mary Kempker**

“Our division provided technical expertise on two important legislative health care initiatives in Missouri: one that would require a specific treatment for autism and a study showing delayed insurance payments to hospitals despite a law requiring prompt payment.”

## PROPERTY AND CASUALTY SECTION

The Property and Casualty Section received 5,470 insurance policy filings. Letters of violation were written to insurers on 1,859 of these filings, with many violations being corrected. An encouraging development is the addition of 25 new companies offering workers' compensation insurance since the start of 2008, resulting in more competition.

## LIFE AND HEALTHCARE SECTION

The Life and Healthcare Section received 3,331 filings with 1,831 letters of violations written to insurers. Many of these violations were corrected.

Considerable staff time in 2009 was spent laying groundwork for new legislation requiring health insurers to cover a certain type of treatment for autism, known as applied behavioral analysis. The legislation did not pass, but much work was done researching the issue, providing education and helping to prepare legislation for 2010.

## STATISTICS SECTION TACKLES “PROMPT PAY”

The Statistics Section spent several months working on a study of Missouri's “prompt pay” law, which requires health insurers to pay claims filed by health care providers in a timely manner. Pursuant to Gov. Nixon's executive order in September, the department released research showing Missouri hospitals are suffering from long delays in receiving payment for patient care.

## 2009 STATS

### Market Conduct Section

- Exams completed: 30
- Restitution and refunds made to Missouri consumers: \$199,000
- Penalties paid by insurance companies to Missouri School Fund: \$2.1 million

### Property & Casualty Section

- Insurance policy filings: 5,470
- Percentage of filings submitted electronically: 96%
- Letters of violation sent to insurers: 1,859

### Life & Healthcare Section

- Insurance policy filings: 3,331
- Percentage of filings submitted electronically: 100%
- Letters of violations sent to insurers: 1,831



# Insurance Market Regulation

## PROPERTY AND CASUALTY SECTION

The Property and Casualty Section reviews forms and premium rates for auto, homeowners, workers' compensation, medical malpractice, other personal property lines and commercial property and liability coverage.

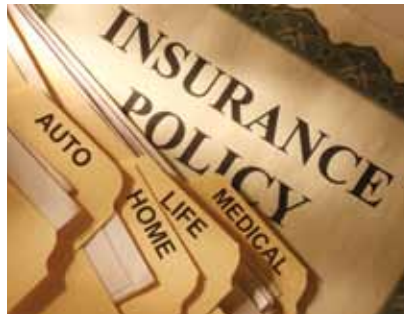
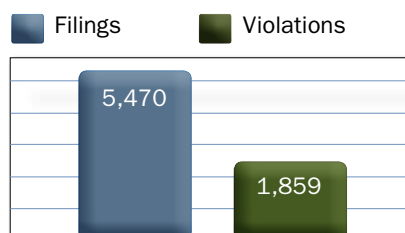
With few exceptions, Missouri has a use-and-file rate and form regulatory system. For most lines, companies are required to file new rates and forms within 10 days after their use. Workers' comp forms are filed on a prior-approval basis. Rates and rules are filed within 30 days.

With its use-and-file rate regulation, the DIFP monitors rates by reviewing premium volume, market share, loss and experience, investment income, profitability, inflation trends, historical data and other criteria.

Property and casualty insurers are required to file their underwriting guidelines, which gives the department a chance to monitor how an insurer treats the insurance-buying public.

The section also oversees rating and statistical organizations and joint underwriting associations,

### Property and Casualty form and rate filings; violations for 2009



### Number of companies writing policies in Missouri in 2009

Homeowners	120
Auto	220
Health (excludes HMOs)	390
Life & annuities	434
HMOs	20
Long-term care	103
Medical malpractice	41
Workers' comp	261

such as state pools that provide coverage for those who cannot obtain insurance in the voluntary market. The pools include:

Auto insurance through the Missouri Auto Insurance Plan

Dwelling insurance through the Missouri Property Insurance Placement Facility

Workers Compensation Assigned Risk Pool

Medical Malpractice Joint Underwriting Association

### Workers' compensation

The regulatory environment for most workers' compensation insurance rates in Missouri changed in 1994 when the state went from an administered rate system (under which the department set rates charged by insurers) to a competitive rating system (under

which insurers within the voluntary market set their own final premium rates).

Under this competitive system, the DIFP and National Council on Compensation Insurance annually develop loss costs for insurers to use in establishing final workers' comp premium rates.

## STATISTICS SECTION

Statisticians assemble databases, publish reports on insurance markets in Missouri and monitor the availability and affordability of insurance coverage in the state.

Capital stock, resources, insurance in force and the amount and nature of collateral deposited by each insurer doing business in the state may be obtained by visiting [insurance.mo.gov](http://insurance.mo.gov).

The Statistics Section is part of DIFP's market conduct operations, reflecting the integral role that in-office market analysis plays in targeting market conduct exams. DIFP annually prepares reports on:

Consumer Complaint Index

Market Share

Homeowners Insurance

Private Passenger Automobile

Medical Malpractice

Real Estate Malpractice

Legal Malpractice

Product Liability

Life, Accident & Health Supplement Data

Mortgage Guaranty Insurance

Property & Casualty Supplement

# Insurance Company Regulation

## What the division does

- Monitors and analyzes the financial condition, accounting practices and legal compliance of insurance companies licensed in Missouri through financial analysis and examinations.
- Certifies and collects premium taxes due to the state.

## FINANCIAL EXAM SECTION

In 2009, the Financial Examination Section completed 65 financial exams. The section works with financial analysts to determine each company's examination priority.

- The department examines most of the 206 domestic insurance companies based in Missouri about every three years.
- Missouri's 92 county and farm mutuals are examined every five years.

## FINANCIAL ANALYSIS SECTION

The Financial Analysis Section monitors the solvency and legal compliance of all insurance companies doing business in Missouri.

The section also controls joint deposits held by Missouri law as security for policyholders. The securities are in contracted bank accounts or safety deposit boxes. Security balances are verified through financial exams.

By year's end, the department held \$267.6 million in joint deposits.



## ADMISSIONS SECTION

The Admissions Section issues licenses, known as certificates of authority, to insurance companies doing business in Missouri. At the end of 2009, 1,900 insurance companies were licensed.

The section issues a license after financial and policy analysts review a company's financial health and proposed forms. The insurer's history also is tracked.

Annual statements of companies doing business in the state are available by calling 573-526-5001.

The section also enforces laws governing 1,561 regulated entities. These companies are not insurance companies, but they provide some type of risk-based product. Examples are providers of service contracts for motor vehicles and homes, discount medical plans, home warranty companies and vehicle-protection products (anti-theft devices).

## Insurance company changes in 2009

New insurance companies admitted	41
New non-insurance companies admitted	85
Redomestications	13
Mergers	19
Name changes	43
Lines of authority added	14
Company suspensions	7
Company dissolutions	1
Company withdrawals	29

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See companies licensed to do business in Missouri:  
**[insurance.mo.gov](http://www.insurance.mo.gov)**

# Insurance Company Regulation

## TAXATION SECTION

The Taxation Section performs desk audits and determines premium taxes, which insurance companies pay in lieu of income taxes. Insurers file tax returns with DIFP by March 1. After auditing the returns, the department certifies to the state Department of Revenue the tax due from each company.

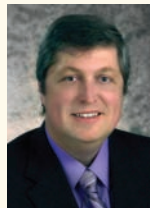
The Missouri premium tax rate is 2 percent. These taxes go to general revenue and state school funds.



### Insurers may reduce taxes by claiming tax credits for:

Exam fees  
Income taxes  
Franchise taxes  
Health insurance pool assessments  
Personal property taxes  
Insurance guaranty association assessments  
Other spending for projects ranging from historic preservation to low-income housing

The section also regulates the placement and collection of premium taxes on business written in the non-admitted market (known as surplus lines).



**Manager**  
**John Rehagen,**  
CFE, has directed Missouri's Captive Insurance Program since 2007.

**Companies interested** in bringing captive operations to Missouri may contact:

John.Rehagen@insurance.mo.gov  
573-522-2563

[insurance.mo.gov](http://insurance.mo.gov)

**Address:**  
Missouri DIFP  
Harry S Truman Building, Rm. 530  
301 W. High St.  
Jefferson City, MO 65101

## Tax collections in 2009

Premium sales: \$209.93 million

Workers' compensation:  
\$8.69 million

Surplus lines: \$21.92 million

Captive insurance companies:  
\$118,473

Tax credits (on premium tax only):  
\$75.38 million

## CAPTIVE INSURANCE PROGRAM

A captive insurance company allows a company or group to manage some of its own risks as part of an overall risk management strategy. A captive insurance company is an in-house self-insurance mechanism owned by a parent company that underwrites the insurance needs of the parent's subsidiaries.

New captive insurance laws in Missouri signed by Gov. Jay Nixon allow for a variety of flexible options to manage mainstream as well as non-traditional risks when traditional insurance coverage may not be readily available or best suited for particular needs.

- Written premium for 2008: \$123 million
- Written premium for 2009: \$1.1 billion

# Company Regulation ensures companies financially fit during tough times

The Insurance Company Regulation Division named Fred Heese as director in November 2009. Heese is a 25-year veteran of the department, a CPA, MBA and CFE (certified financial examiner). He had served as acting division director since May 2007.

Top priority for the division in 2009 was determining the financial solvency and stability of insurers doing business in Missouri. While the current economic climate has put stress on financial markets and insurance companies that invest in them, we are pleased with the overall conditions of our regulated insurers.

To ensure their ability to pay claims, the department placed some insurers under regulatory oversight in 2009, including suspension from doing business in Missouri.

## FINANCIAL ANALYSIS SECTION

The Financial Analysis Section worked with many companies to secure additional surplus to support their operations; processed and reviewed over 300 regulatory filings including acquisitions and formation of companies, affiliated agreements, dividend requests, and complex reinsurance agreements;



Director **Fred Heese**

**“ Our division’s top priority for the year was ensuring that insurance companies remained solvent and stable during these tough economic times. I am pleased with the overall condition of our insurers. ”**

and worked with companies, with particular emphasis on smaller insurance companies, to improve their oversight of investments in these trying economic times. The efforts have paid off: insurance premium sales were flat compared to 2008, but assets, capital and surplus are up slightly over the same period.

## FINANCIAL ADMISSIONS SECTION

The Financial Admissions Section licenses insurers and registers other insurance-related companies that conduct business in Missouri.

## TAXATION SECTION

The Taxation Section determines premium taxes, which insurance companies pay instead of income taxes. Annual tax returns are filed March 1 for the previous year’s business. After auditing the returns, the department certifies to the Missouri Department of Revenue the tax due from each company.

In 2009, insurance companies paid \$231.85 million in premium taxes. This is a decrease from \$242.12 million paid in 2008.

## 2009 STATS

### Financial Analysis Section

- Insurance premium sales in 2009: \$28.2 billion
- Total capital and surplus: \$857.9 billion at end of fourth quarter
- Total admitted assets: \$4.4 trillion at end of fourth quarter

### Financial Admissions Section

- Licensed insurance companies: 1,900
  - Domestic (Missouri) insurers: 206
  - Foreign (out-of-state) insurers: 1,566
  - Alien (non-U.S.) insurers: 128
- Registered entities (non-insurance companies regulated by DIFP): 1,561

### Taxation Section

- Missouri premium tax rate: 2%
- Premium taxes paid to general revenue and state school funds: \$231.85 million



# Resource Administration

## What the division does

- Licenses insurance agents, public adjusters, bail bond agents and surplus lines brokers.
- Conducts departmentwide administrative support functions including accounting, human resources, budget and information systems.

## PRODUCER LICENSING SECTION

The Producer Licensing Section reviews and processes applications from individuals and agencies seeking licensure as insurance and bail bond agents in Missouri.

With the implementation of electronic producer application and renewal through the National Insurance Producer Registry, insurance agents have the option to apply and renew online, rather than using paper applications.

Insurance licenses are issued every two years.



## HUMAN RESOURCES SECTION

Human Resources administers employee pay and benefits, develops and implements employee policies and procedures, recruits applicants and trains employees.

Although DIFP is not a state merit system agency, employees have titles and salaries based on a statewide classification and pay system in which job classifications are assigned to pay grids.

## BUDGET SECTION

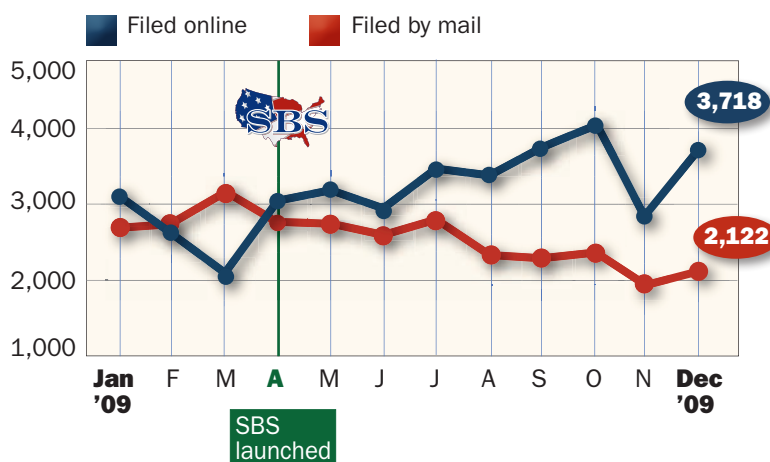
The fiscal year 2010 operating budget (excluding transfers) of the department is \$36.7 million with 545 full-time employees.

The department receives **no general revenue** and is funded through fees from industries the department regulates.

## SUPPORT SERVICES SECTION

The Support Services Section administers the receipt and expenditures of state insurance funds along with support functions, including accounts payable, accounts receivable, procurement, mailroom, storeroom, inventory and the department's car fleet.

## Online agent application filings, renewals up from a year ago



New Web-based licensing technology (SBS) launched in April has increased online agent filings. In December 2009, 64 percent of agents filed online. The percentage of online filings has increased since March 2009, when only 40 percent of licenses were filed online.

# License applicants benefiting from Web technology: Can get license in one day

This division provides support services to the department, including budget, human resources and accounting. It also includes the insurance agent Licensing Section, which spent much of 2009 implementing a major technological upgrade in the way agent license applications are processed.

The section has moved from an aging internal database to State-Based Systems, a Web-based platform provided by the National Association of Insurance Commissioners. This transition included not only a massive data migration, but also staff training and agent orientation.



## WEB TECHNOLOGY BRINGS RESULTS

The department already is getting results: agents who submit applications electronically can now receive renewal or new licenses in one business day.

Since implementation, almost 75 percent of continuing education providers upload their course rosters into SBS, resulting in real-time reporting. An insurance agent can take a class and renew his or her license a day before it expires.



Director  
**Rochelle Hendrickson**

**“ Our licensees have taken advantage of our transition to Web-based technology to renew their licenses online in one day. ”**

## FY 2010 budget

Insurance divisions:  
\$14.2M

Finance: \$7.2M

Credit Unions: \$1.3M

Professional  
Registration: \$15M

**Total: \$36.7 million**

## BAIL BOND STUDY

The division spent much of the fall working on a study of Missouri's bail bond industry, which is regulated by DIFP's insurance divisions. House Bill 577, signed by Gov. Nixon, directed DIFP to review the state's bail bond laws and regulations and submit a report to the insurance committees of the House and Senate. The report, submitted on Jan. 6, 2010, as ordered in the law, recommended an overhaul of Missouri bail bond regulation.

## FY 2010 BUDGET

The Budget Section oversees a fiscal 2010 budget of \$36.7 million. The department received an increase of 11 full-time employees. Most of the new staff works for the Division of Finance to implement HB 382, which regulates individuals involved in mortgage lending.

The DIFP received additional federal funding for the CLAIM program through a joint grant application with the Department of Health and Senior Services, and hired a CLAIM coordinator to monitor DIFP's contract with this nonprofit. CLAIM is administered by a Columbia nonprofit and provides free one-on-one Medicare counseling to Missouri seniors.



## 2009 STATS

### Licensing Section

- Percentage of insurance agents applying for or renewing licenses online at end of 2009: 64%.  
Percentage at end of 2008: 49%.
- How long it takes to get license online: 1 business day.

- Licensed insurance agents, bail bond agents, public adjusters and others: 134,520. It was 132,528 in 2008.

## Number of licensees in December 2009

Insurance producers (agents)	119,033
Business entity producers	12,879
Bail bond agents	886
General bail bond agents	146
General bail bond corporations	10

Surety recovery agents	30
Public adjusters	67
Public adjuster solicitors	6
Public adjuster corporations	20
Surplus lines producers	1,230

Organizational credit business entity provider	202
Temporary title producers	14
<b>Total licensees</b>	<b>134,520</b>

# Finance

## What the division does

- Enforces laws for banks, trust companies, savings and loans, mortgage brokers and consumer credit lenders in Missouri.
- Analyzes the safety and soundness of financial institutions for Missouri depositors through financial examinations.
- Helps consumers resolve complaints about licensees.

## BANKS AND TRUST SECTION

The Banks and Trust Section regulates state-chartered banks and trust companies. Missouri ranks fourth in the nation in the number of state-chartered commercial banks (282). About 90 percent of banks in Missouri are state-chartered. Customer deposits are insured by the Federal Deposit Insurance Corp. (FDIC).

Federally chartered banks are regulated by the Office of the Comptroller of the Currency.

- Required examinations for institutions rated satisfactory: at least once every 18 months
- Required exams for those rated less than satisfactory: at least once every 12 months.

On-site exams are conducted on commercial bank activities, trust operations and computer systems to evaluate an institution's risk profile and management practices. The section also conducts off-site statistical and financial reviews of each institution to identify emerging signs of elevated risk.

Examiners work with banks with abnormal risk concerns to develop proactive resolutions. Banks and trust companies with significant weaknesses receive close regulatory attention including the possibility of enforcement actions to address and



correct problems. The section also may take action to merge, close or otherwise address institutions with severe financial difficulties.

### S&Ls regulated

This section also regulates six state-chartered savings and loan associations (S&Ls). Periodic examinations determine safety of operations and compliance with laws. Federally chartered savings institutions are regulated by the Office of Thrift Supervision.

## MORTGAGE LICENSING SECTION

This section regulates 256 residential mortgage brokers through licensing and investigation. A license is required to broker residential real estate mortgages unless the individual or company qualifies for an exemption. Before issuing a license, the division investigates an applicant for character, general fitness, experience and financial responsibility.

## CONSUMER CREDIT SECTION

The Consumer Credit Section enforces state and federal laws governing consumer transactions. It also handles consumer complaints and inquiries. Companies licensed and examined by this section at the end of 2009 were:

Payday lenders	1,048
Consumer installment lenders	558
Small loan lenders	420
Title loan lenders	227
Motor vehicle time sales lenders	127
Missouri financing institutions	77
Premium finance companies	70
Companies that issue money orders, traveler's checks or transmit funds electronically	57
Debt adjusters	35
Credit service organizations	32

### Anti-discrimination enforced

The Consumer Credit Section also enforces anti-discrimination (redlining) laws for state-regulated lenders and mortgage brokers. These laws prohibit discrimination in residential real estate loans based on property location or race, age, sex, marital status, religion or national origin of the borrower.

The section issues reports to the Governor on payday lending and redlining laws. They can be found at [finance.mo.gov](http://finance.mo.gov).

# Finance Division closely monitors banks for solvency during challenging times

The division welcomed new leadership in early 2009. Richard J. Weaver, a 24-year veteran of the division, was nominated by Gov. Nixon and confirmed as commissioner of finance by the Missouri Senate on April 16.

Weaver had previously served in a number of positions at the division, including most recently as deputy commissioner.

## SOLVENCY, STABILITY TOP PRIORITY

The Division of Finance has made financial institution solvency and stability its No. 1 concern in 2009.

The economy has caused significant drops in profitability of banks nationally, and Missouri saw two failures of state-chartered banks.

While avoiding these closures would have been preferred, the division successfully oversaw a smooth process: both failing institutions' boards of directors voted to voluntarily turn the bank over to the division, rather than forcing the commissioner to seize them; both institutions were purchased by other banks; and most important, all customer deposits were assumed by the purchasing banks, providing a seamless transition for depositors.



Commissioner  
Richard J. Weaver

“Despite the challenges of handling two failed banks and twice as many troubled banks as a year ago, Missouri banks overall have strong capital and loan-loss reserves going into 2010.”

## BANKS CLOSELY MONITORED

The division continues to closely monitor the condition of state-chartered banks and has twice the number of institutions on the troubled bank list as it did this time in 2008.

But despite the challenges, overall, Missouri banks have strong capital and loan-loss reserves, which banks keep in place to offset any future loan delinquencies.

## DIVISION READIES FOR LICENSING OF MORTGAGE ORIGINATORS

Another priority for the division in 2009 has been implementation of the SAFE Act, provided by House Bill 382. Missouri has long licensed mortgage brokerage companies, but under this new law, Missouri for the first time will license individuals, known as mortgage originators.

These are typically individuals who originate residential loans for consumers, but don't work at a bank or credit union.

The division has hired new full-time staff, including an attorney, and has written regulations to implement the new licensing requirement.

## 2009 STATS

### Finance Division

- Total number of companies regulated: 3,200
- State-chartered banks in Missouri: 282
- Savings and loan associations: 6
- Nondeposit trusts: 6
- Licensed mortgage brokers: 256 (down significantly because of the struggling real estate market)
- Consumer credit lenders: 2,651
- Bank assets: \$79.6 billion



The Finance Division's website was redesigned to give consumers and other users easier and quicker access: **finance.mo.gov**



# Credit Unions

## What the division does

- Oversees the examination, supervision, chartering, merger and liquidation of credit unions.
- Helps consumers resolve complaints about licensees.

The Division of Credit Unions is responsible for the examination, supervision, chartering, merger and liquidation of all state-chartered credit unions. The division also responds to consumer requests or complaints about credit unions.

The division is an accredited agency through the National Association of State Credit Union Supervisors, and member deposits are insured by the National Credit Union Administration, an agency of the federal government.

By law, the division is required to examine qualifying state-chartered credit unions at least once every 18 months.

Exams are conducted to ensure the safety and soundness of credit unions and to ensure they are complying with applicable rules, regulations and statutes.

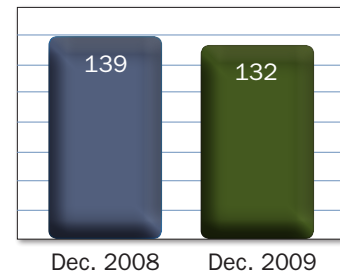


The division proactively performs off-site monitoring on an ongoing basis to help identify increasing risk.

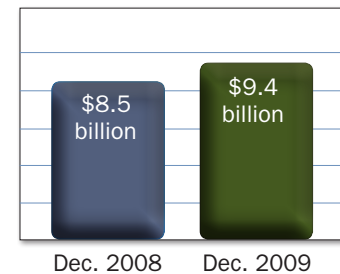
Credit unions facing financial, operational or compliance problems receive increased attention, which may come in the form of enforcement actions.

As of Dec. 31, 2009, Missouri ranked eighth in the nation in the number of state-chartered credit unions. About 1.2 million people are members of Missouri credit unions.

## Credit unions



## Credit union assets



# Upside of economic downturn is increased assets in stable credit unions

The Division of Credit Unions has had a vacancy in the director's office since the May retirement of Sandy Branson, who had served in the position since 2005. The department and division staff look forward to welcoming new leadership in the near future.

Much like the Division of Finance and the Division of Insurance Company Regulation, the Division of Credit Unions examines the solvency of the institutions it regulates.

## CREDIT UNIONS UNDER STRESS

This year has been a stressful time for credit unions in Missouri, much as it has been for banks and insurance companies. Credit unions have increased loan delinquencies, while at the same time paying increased assessments to the Federal Credit Union Insurance Fund, which insures deposits, much as the FDIC does for banks.



Deputy Director  
**Ken Bonnot**

**“Credit unions are under economic strain. Earnings are down due to losses on consumer and real estate loans. Still, assets are up as customers turn to them as a reliable place to invest.”**

Significant losses at two large federally insured “corporate” credit unions in 2009, due to severe declines in their mortgage-backed security portfolio, led to the increased assessment. This event created anxiety in the industry as credit unions sorted out the impact to their operations.

## ASSETS INCREASE

Assets of credit unions actually increased in 2009, most likely due to consumers’ preference for saving money in more conservative accounts, rather than in the volatile stock market.

During 2009, the division has seen a slight increase in consumer complaints as well as incoming consumer correspondence. Both increases can be attributed partly to the weakening economy and the correlated increase in repossessions and foreclosures.

## 2009 STATS

### Credit Unions Division

- State-chartered credit unions in Missouri: 132
- Credit union assets: \$9.4 billion
- Credit union membership: about 1.2 million in the nonprofit, member-owned institutions



View the Division of Credit Union's website:

**cu.mo.gov**

# Professional Registration

## What the division does

- Licenses qualified professionals, and enforces standards for over 400,000 licensed professionals and companies in Missouri.
- Thirty-nine professional licensing boards process applications, determine qualifications and conduct investigations into possible professional misconduct.

The division serves and protects the public by providing an accessible, responsible and accountable system for occupations and professions it regulates.

The professional licensing boards emphasize the importance of education in licensure requirements and continuing education. As a result, licensees better understand the regulations governing their profession.

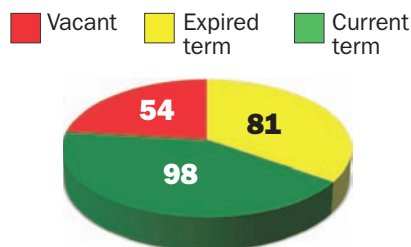
The emphasis on licensure requirements and continuing education ensures a higher level of competent service for Missourians, and reduces the number of complaints the boards receive.

Over the past several years, the division has combined and shared several staff positions and



## Board member status

The division and Governor's Office fill vacancies and replace board members whose terms have expired. At the end of 2009, 42 percent of the 233 professional licensing board seats were held by members serving current terms.



resources, allowing several boards to reduce licensing fees.

The division benefits from several other cost-saving measures including the negotiation of contracts for lodging costs for out-of-town board meetings, legal and investigation services, drug testing and examination services. Other cost savings come from the use of various electronic systems.

Electronic communication with board members saves printing, copying and postage costs, and online licensing renewal systems provide better customer service and reduce staff time spent on this process.

The 233 board members are appointed by the governor with the consent of the Senate for terms established by statutes governing each board.



View the Division of Professional Registration's website:

[pr.mo.gov](http://pr.mo.gov)

# Division assessing health care worker shortage, licensing preneed industry

The Division of Professional Registration began 2009 by welcoming a new leader. Jane Rackers, nominated by Gov. Nixon, was confirmed by the Missouri Senate on Feb. 12 as division director.

There have been 34 board members appointed this year. The division continues to work with the Governor's Office to fill the vacancies, taking the time necessary to find the best and brightest among Missouri professionals willing to volunteer their time and talents.

## STRONGER PRENEED FUNERAL REGULATIONS

In the last half of 2009, the division implemented Senate Bill 1, which overhauled regulation of Missouri's preneed funeral industry.

The new law requires licensing for preneed sellers and providers; registration of preneed agents; and authorizes the State Board of Embalmers and Funeral Directors to audit preneed funeral accounts to ensure they are adequately funded. The board has issued about 500 preneed provider licenses and 300 preneed seller licenses.



Director **Jane Rackers**

**“ Our division exists to serve and protect the public. It provides administrative support to 39 professional licensing boards and commissions responsible for licensing and regulating the activities of over 400,000 Missourians representing 240 trades and professions. ”**

## RESPONDING TO H1N1 FLU

Several boards were called on to respond to the H1N1 flu (swine flu) pandemic including Pharmacy, Nursing, and Healing Arts. The division has worked cooperatively with the Department of Health and Senior Services and others to ensure that Missouri citizens would receive timely vaccinations and information.

## ASSESSING HEALTH CARE WORKER SHORTAGE

The division and several boards have been involved in discussions about shortages in health care workers, and finding a way to collect data about the current status of workers so future projections can be made.

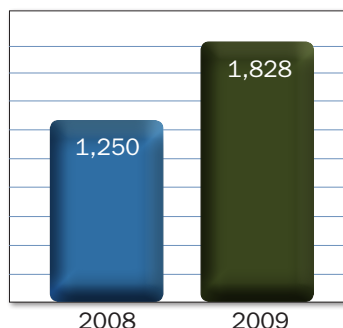
The Professional Registration Division continues to be a part of the discussion to find the best way to gather data.

## 2009 STATS

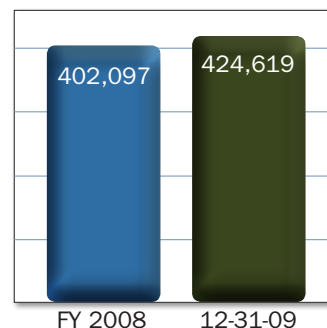
### Professional Registration Division

- Boards and commissions supported: 39
- Professions licensed: 240
- Licensed professionals and businesses: More than 400,000
- Licensing fees collected: \$20.38 million

### Licensee discipline initiated



### Number of licensees





# Professional Registration

## Professionals regulated by boards and commissions

The state's 39 professional licensing boards and commissions inspect everything from financial operations of CPAs to hygienic practices of hair salons and tattoo artists to fair treatment of consumers' finances through preneed funeral contracts.

- Accountants
- Acupuncturists
- Anesthesiologist assistants
- Athlete agents
- Athletic trainers
- Athletics (professional boxers, wrestlers and mixed martial arts)
- Architects, professional engineers, professional land surveyors and landscape architects
- Chiropractors
- Clinical perfusionists
- Cosmetologists and barbers
- Counselors
- Dentists
- Dental hygienists
- Dietitians
- Embalmers and funeral directors



- Endowed care cemeteries
- Geologists
- Healing arts (physicians and surgeons)
- Hearing instrument specialists
- Interior designers
- Interpreters
- Marital and family therapists
- Massage therapists
- Nurses
- Occupational therapists

- Optometrists
- Pharmacists, pharmacies and pharmacy technicians
- Physical therapists
- Physician assistants
- Podiatrists
- Private investigators
- Psychologists
- Real estate appraisers
- Real estate agents and brokers
- Respiratory care practitioners
- Social workers
- Speech language pathologists and clinical audiologists
- Tattoo, body piercing and branding artists
- Veterinarians and technicians





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 @ **difp.mo.gov**

## CONTACT DIFP FOR HELP

### Online complaint forms

are available for consumers who have complaints against **licensed professionals** such as doctors, nurses and barbers or **businesses** such as insurance companies, banks, credit unions, mortgage brokers, lenders and vehicle service contract providers:

**difp.mo.gov**

**573-751-4126**

### Insurance Consumer Hotline

is available for consumers who have questions about their insurance policy or want to file a complaint against an insurance company or agent:

**800-726-7390**



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Division



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Harry S Truman Building, Room 530  
301 W. High St.  
PO Box 690  
Jefferson City, MO 65102  
573-751-4126



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PRINTED MAY 2010