

# FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

**TIMELINE:** October 1, 2009 through September 30, 2010

## **PROGRAM MISSION STATEMENT (Customer-Focus Direction)**

The mission of the Michigan Office of Financial and Insurance Regulation is to grow Michigan by creating a regulatory climate that promotes consumer protection and education and ensures the financial services industry is safe, sound and entitled to public trust.

## **PROGRAM STATEMENT**

The Office of Financial and Insurance Regulation (OFIR) is responsible for the regulation of Blue Cross Blue Shield, 25 HMOS, 118 banks, 2 BIDCOs, 172 domestic insurance companies, 204 credit unions, 1,455 foreign insurance companies, 3839 consumer finance companies, 2,511 loan originators, 198,342 insurance producers, 1,487 federally registered investment adviser firms (notice filing), 422 Michigan state registered investment adviser firms, 135,796 securities agents, 2,002 broker dealers, 8,888 investment adviser representatives, and 26 Living Care facilities.

## **FUND SOURCE:**

State Restricted Revenue Funds paid by Financial Industry doing business in Michigan

## **LEGAL BASIS:**

Public Act 251 of 2008

## **CUSTOMER IDENTIFICATION:**

Customers – Michigan Citizens; Legislature; Governor; Financial Institutions doing business in Michigan

## **CRITICAL GOALS/MAJOR OBJECTIVES and RESULTS**

### **Program Goals:**

- Educate, empower, and protect consumers.
- Ensure institutional solvency, safety and soundness, while maintaining a regulatory environment that fosters a competitive financial services industry.
- Foster public confidence in the industries, institutions, and individuals coming under our purview.
- Ensure that industries, institutions, and individuals comply with applicable laws and rules.
- Make health care coverage more accessible and affordable.
- Develop, empower, and retain a 21st century workforce.
- Make home and auto insurance coverage more accessible and affordable.

Results for these goals are reflected throughout the balance of this report.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### PROGRAM EFFECTIVENESS and Efficiency (Current Year)

#### Performance Measures

See attached charts for Performance Measures.

#### **Supervisory Affairs**

- The Supervisory Affairs & Insurance Monitoring Division received 44 applications during the year, 30 applications were approved, 5 were withdrawn, and 9 are still pending.
- The Supervisory Affairs & Insurance Monitoring Division received 2 applications for captive insurers during the year. We licensed 1 new captive insurer this year and 1 application recently received is still pending.
- The Supervisory Affairs & Insurance Monitoring Division received and processed 142 coverage document filings during the year.
- The Supervisory Affairs & Insurance Monitoring Division received and processed 22 provider contract filings during the year.
- Two multiple employer welfare arrangements submitted plans to run-off their business and to ultimately surrender their certificates of authority.
- The Supervisory Affairs & Insurance Monitoring Division received requests for prior approval (Form A) to purchase a domestic insurer for the following Michigan companies:
  - MIC General Insurance Corporation
  - Fremont Insurance Company - *still pending determination*
  - DENCAP Dental Plans, Inc.
  - Founders Insurance Company of Michigan
  - American Physicians Assurance Corporation
  - APSpecialty Insurance Corporation
  - Michigan Insurance Company – *still pending determination*
- The Supervisory Affairs & Insurance Monitoring Division received and processed 2 requests from Michigan insurers to redomesticate to other states, and two requests for companies to redomesticate to Michigan.
- The Supervisory Affairs & Insurance Monitoring Division in conjunction with Enterprise Monitoring Division implemented the NAIC risk focused approach for monitoring our domestic insurers.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### **Enterprise Monitoring Division**

- OFIR approved 33 applications from insurance companies to do business in Michigan. OFIR verifies that the companies approved for licensure operate in a manner that is safe, reliable and entitled to public confidence. As more companies enter the Michigan market, consumers are provided with more choice in selecting their insurance providers.
- OFIR approved a significant reorganization of Michigan's largest domestic life insurer, John Hancock USA (JHUSA), a part of Manulife Financial Corporation. Under the transaction, JHUSA redomesticated and merged two important U.S. subsidiaries into the Michigan domestic company effective December 31, 2009. The resulting company has assets of approximately \$200 billion.
- OFIR's Insurance Examination Section conducted 61 financial examinations of Michigan domestic insurance companies during the year.
- OFIR approved applications for 4,291 securities agents, 150 broker-dealers, 7,997, investment adviser representatives, and 49 investment advisers during the year.

### **Office of General Counsel**

- The Office of General Counsel (OGC) provided research and advice on 1167 issues to the staff, legislators, the public, and regulatees.
- OGC drafted 577 documents in furtherance of regulatory objectives.
- OGC prepared 276 documents initiating formal hearings against licensees and others that violated consumer protection laws.
- OGC prepared 72 Final Decisions mostly revoking licenses of persons that violated the consumer protection laws.
- OGC reviewed and recommended decisions in 239 matters involving health benefit carriers.
- OGC provided reviews in 543 securities matters.
- OGC made 22 civil referrals to the Attorney General involving consumer protection laws.
- OGC issued 101 record request denial letters, mostly to protect investigation and financially sensitive documents.
- OGC participated in 21 disability retirement decisions of State Employees Retirement System Board.

### **Health Plans Division**

- The Health Plans Division reviewed 97% of all HMO rate filings within 60 days.
- The Health Plans Division reviewed 88% of BCBSM rate and form filings within 30 days.
- The Health Plans Division reviewed 99% of Medicare supplemental filings within 30 days.
- The Health Plans Division forwarded within 5 days, 99% of PRIRA (Patients Right to Independent Review Act) decisions that required a review by an independent review organization.
- The Health Plans Division emailed 527 companies and mailed 76 companies regarding the Nonconforming Clause Certification.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### Program Improvements Made

#### Significant Regulatory Actions

##### Supervisory Affairs Division

- On April 8, 2010, the Commissioner petitioned and received an Order of Rehabilitation for American Community Mutual Insurance Company to protect the policyholders and creditors due to the company's hazardous financial condition. At the time of Rehabilitation, the company had approximately 54,616 individual and 7,918 group policyholders.

##### Bank & Trust Division

- OFIR in conjunction with federal regulators issued formal enforcement actions against 14 state-chartered Michigan banks to address noted deficiencies and require corrective action.
- The OFIR Commissioner closed 5 banks in FY 10: Warren Bank (Warren; October 2, 2009), Citizens State Bank (New Baltimore; December 18, 2009), Lakeside Community Bank (Sterling Heights; April 16, 2010), CF Bancorp (Port Huron; April 30, 2010), and New Liberty Bank (Plymouth; May 11, 2014).
- The Commissioner formed his first Bank Advisory Committee to better understand the bank conditions in Michigan.
- OFIR worked with an investor group to form a "shelf" bank charter that would enable investors that are not currently banks to bid on closed banks.
- Mortgage loan originator licensing requirements became effective in Michigan on July 31, 2010. Individuals that originate mortgage loans are required to meet education, examination, fingerprinting, criminal background check, personal character and financial fitness requirements to qualify for licensure. It is expected that this requirement will further protect borrowers from unfair and unlawful practices and reduce mortgage fraud in the state.
- The Mortgage Examination and Investigation Section assisted the Commissioner-appointed conservator of Northwestern Financial Corporation with operating the company and preparing for bankruptcy filing, which occurred on November 9, 2009. Staff continued servicing mortgage loans and other company operations until the court-appointed trustee accepted custody of all the remaining assets. Termination of the conservatorship order is expected in early FY11.
- The Mortgage Examination and Investigation Section conducted 126 examinations and 498 investigations of mortgage licensees and registrants in FY 10. OFIR mortgage examinations and investigations resulted in 27 prohibition orders and 17 license revocations in FY 10.
- The Mortgage Examination and Investigation Section opened 213 formal investigations of mortgage loan officers' compliance with the Michigan mortgage loan officer registration law.
- The Mortgage Examination and Investigation Section continued to work with law enforcement officials as a member of the Michigan Mortgage Fraud Task Force. The task force members share information and resources for the purpose of more effectively uncovering and prosecuting mortgage fraud in Michigan.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- The Mortgage Examination and Investigation Section conducted 18 investigations of non-profit organizations to gauge compliance with state and federal mortgage lending and servicing laws.

### **Credit Union Division**

- OFIR entered into one memorandum of agreement with a Michigan state-chartered credit union to address noted deficiencies and document required corrective actions.
- OFIR issued two letters to the industry.
  - [Letter 2010-CU-02](#) **PDF**  
Exclusion of CUSIP and CUHARP Assets from 2010 Credit Union Division Operating Fee Calculation
  - [Letter 2010-CU-01](#) **PDF**  
Exam Process and FFIEC Credit Classification
- OFIR reviewed 14 requests for waivers applicable under the MCUA and/or NCUA Rules and Regulations. Twelve requests related to MBL waivers, one related to MCUA Section 401(2)(hh) land and building investment exceeding 5% of assets, and one related to OFIR approval of continued director involvement under MCUA Section 342(7).
- OFIR met the criteria necessary to fulfill its statutory responsibility to charter, examine, supervise, and regulate credit unions chartered in Michigan and received continued accreditation from the National Association of State Credit Union Supervisors (NASCUS).
- OFIR Deputy Commissioner Roger Little was reelected to the NASCUS Board of Directors. Mr. Little has been a NASCUS Director since 1999, and served as Chairman of the organization in 2003 and 2004.
- OFIR participated in various committees representing the Michigan credit union industry on the national front including NASCUS, the Federal Financial Institution Examination Council, National Credit Union Administration's Supervisory System Work Group and Aires Development Team and the National Institute for State Credit Union Examination Trustees.
- OFIR Transmitted 274 reports including 166 Examinations, 69 Deficiency Status Reports, 46 Information Technology Examinations and two CUSO Contacts.

### **Licensing and Product Review Division**

- From 10-1-09 thru 9-30-10, we received 2,632 rate, rule, and policy form filings via the System for Electronic Rate and Form Filing (SERFF) and reviewed 2,608 within 30 days which equates to review of 99% of filings received.
- OFIR assisted in the review of 10 Life and Health filings with traces of property casualty coverage within them for travel related incidents.
- OFIR staff worked with a number of other state insurance department and insurance company representatives on the NAIC Speed to Market - Product Filing Review Handbook Working Group to establish a national model handbook for guiding states in the intricacy of analyzing rate, rule, and policy form filings.
- Bulletin 2010-02-INS was issued rescinding Bulletin 97-03 in order to require the filing of all personal and commercial insurance forms except those that are exempted pursuant to MCL 500.2236(8).

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Administrative Rules R 500.2231-2232 were filed to eliminate non-conforming clauses in new and revised property casualty and life health forms. Also, requires each insurer to submit its list of current forms with such clause or certify that its forms do not contain such clauses.
- The Licensing and Product Review Division mailed instruction to each insurer (approximately 1400) detailing the manner and form in which non-conforming clause certifications and reports must be submitted to OFIR.
- OFIR consulted with an actuarial firm to analyze the PIP options discounted rates of the insurers with #6 thru #11 market share in Michigan to determine whether or not their discounts complied with MCL 500.3107(2), MCL 500.3109, and 500.3109a. We found that four of the insurers had coordinated medical coverage discounts that were below the discount that should be offered to policyholders. Each one agreed to increase the discount in order to comply with the statute.
- The Licensing and Product Review Division reviewed all of policy forms of the 125 insurers that had filed personal automobile programs prior to July 1, 2009 for compliance with Michigan law. Twenty insurers did not actually write coverage and the programs were withdrawn. Disapproved approximately 2,000 policy forms for non-compliance.
- The Licensing and Product Review Division reviewed for compliance with Michigan law for all policy forms of the 113 insurers that had filed home insurance programs prior to July 1, 2009. Nineteen did not write coverage and the programs were withdrawn. Disapproved approximately 1,700 policy forms for non-compliance.
- OFIR disapproved all personal auto forms that charged PIP deductibles greater than \$500 per accident.
- The Licensing and Product Review Division staff consulted with the Office of General Counsel to determine if there was a need to revise our PIP Options review process. It was determined we should not at this time, but may need to in the future, if the court directs us to do so after its decision in Citizen's v Dahmer that MCL 500.3109 and MCL 500.3109a do not apply to coordination of benefits and deductible provisions for commercial auto policies.
- The Licensing and Product Review Division staff consulted with OGC to identify that risk retention groups authorized in other states with authority to write automobile coverage in those states are, per federal law, automatically authorized to write automobile coverage in Michigan after registering to write in Michigan. They must file a certification pursuant to MCL 500.3163 and we should notify the Michigan Automobile Insurance Placement Facility and the Property and Casualty Guarantee Fund of the existence and contact information. They are not required to be members of the Michigan Catastrophic Claims Association.
- OFIR continues to hold the line against the Michigan Basic Property Insurance Association's March 2008 and December 2009 filings that would otherwise increase its policyholders HO2 rates approximately 80%. A lawsuit challenging our disapproval is currently being heard by the court.
- The Licensing and Product Review Division staff consulted with an actuarial firm to analyze the Michigan Basic Property Insurance Association's May 2010 HO3 rate filing to ensure it was compliant with the law. We were able to motivate it to reduce its increase from 10.5% down to 5.6% and move the effective date from October 1, 2010 to December 1, 2010.
- The Licensing and Product Review Division staff consulted with OGC and Consumer Services Division to publish a memo to all companies instructing them concerning the prohibition against underwriting and policy changes using negative options or roll-ons.
- The Licensing and Product Review Division staff consulted with an actuarial firm to analyze the Michigan Automobile Insurance Placement Facility's April 2010 personal auto rate filing to ensure it was compliant with the law.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Bulletin 2010-01-INS was issued requiring a business entity to identify and maintain a single designated responsible producer (DRLP) or a combination of DRLPs for each line of authority held by the business entity.
- Bulletin 2010-05-INS was issued to waive the state-administered licensing examination requirement for an adjuster applying for a crop qualification who already has a current Federal Crop Insurance Corporation certification.
- Bulletin 2010-06-INS was issued approving a new residential adjuster for the insured contract that was drafted in conjunction with the Michigan Association of Public Insurance Adjusters.
- Bulletin 2010-09-INS was issued clarifying how OFIR processes alien Third Party Administrator applications for a certificate of authority.
- Bulletin 2010-14-INS was issued clarifying how OFIR processes insurance producer licensing applications for the Variable Annuities line of authority.
- Effective January 1, 2010, Michigan's continuing education review dates for insurance producers were converted to dates assigned based on the birth month and year, which brings Michigan into compliance with NAIC uniform licensing standards.
- Insurance Licensing and the OGC worked together to revise the Guiding Principles for the processing of resident and non-resident insurance producer license applications. The Guiding Principles advise applicants of the specific provisions of Michigan law that govern licensure and how they are interpreted and enforced by OFIR.
- All licensed adjusters for the insured filed contracts consistent with the new Commissioner approved residential adjuster for the insured contract with their 2010 renewals.
- On January 8, 2010, the Insurance Code was amended to specify that a guaranteed asset protection waiver that was subject to the Guaranteed Asset Protection Waiver Act would not be insurance or the business of insurance and would not be subject to the code.
- Insurance Licensing management attended the National Association of Insurance Commissioners (NAIC) E-REG conference and Securities and Insurance Licensing Association (SILA) conferences.
- Loan officer registration statutory language was repealed July 31, 2010.
- Loan originator licensure became effective July 31, 2010. Individuals originating mortgages are required to be licensed, educated, and tested through the Nationwide Mortgage Licensing System (NMLS). Bonding and Credit reports are now required to be obtained, and the individual's character, financial responsibility, and general fitness are evaluated.
- Loan officers that requested transition to a loan originator status and had previously taken the Michigan loan officer registration test and pre-registration education had the testing and education certified by the Commissioner; therefore, not requiring additional testing and education under the new loan originator program.
- Bulletin 2010-3-CF was issued setting the maximum allowable loan processing fee that can be charged under the Regulatory Loan Act at \$300.
- Bulletin 2010-13-CF was issued clarifying that mortgage loan modification providers that only provide mortgage loan modification services are not required to be licensed or registered as a mortgage broker, lender, servicer.
- Bulletin 2010-17-CF was issued informing the mortgage industry that OFIR will accept a company bond in lieu of an individual bond in licensing a company's loan originators.
- Bulletin 2010-18-CF was issued on July 30, 2010, notifying the public that the Commissioner would not enforce unlicensed mortgage origination violations for 60 days.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- 192 examinations were conducted in fiscal year 2010 under the deferred presentment, money transmission, regulatory loan, debt management, motor vehicle, and consumer financial services programs.
- The Mortgage Brokers, Lenders, and Servicers Licensing Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Secondary Mortgage Loan Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Consumer Financial Services Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Motor Vehicle Sales Finance Act was amended in fiscal year 2010 to comply with the guaranteed asset protection waiver act.

### **Securities Division**

- On October 1, 2009 the 2002 Uniform Securities Act, P A 551, 2008 (the “Act”) became effective. The Act is administered by the Commissioner of the Office of Financial and Insurance Regulation (OFIR). One of the Act’s most significant statutory provisions concerns Investment Adviser Representatives (IARs). Under the Act, IARs who conduct business in Michigan with Michigan clients, must register as an IAR with OFIR. The Securities Division estimated that 10,000 IARs would seek registration in Michigan.
- To ensure an orderly registration process, and to assist the IARs seeking registration, the Securities Division established registration criteria and the Administrator (Commissioner) issued several transition orders – Transition Order No. 1, dated August 31, 2009, Transition Order No.2, dated September 30, 2009, Transition Order No, 3, December 18, 2009 and Transition Order No. 4, dated March 11, 2010. These orders explained how the IAR registration process worked, established registration criteria (examination or waiver requirements) and set forth registration deadlines. The Securities Division has approved approximately 8,000 IAR applications.
- In addition to promulgating orders, the Securities Division has been working on rules to implement the Act. A Request for Rulemaking for Article 2 of the Act was submitted to the Department of Energy, Labor and Economic Growth (DELEG), which was approved by DELEG and subsequently the State Office of Administrative Hearings and Rules. .
- The Commissioner issued approximately 12 Cease & Desist orders to persons acting in violation of the Act (or its predecessor).
- OFIR entered into a number of securities settlements with registered broker-dealer firms relating to the national collapse of the auction rate securities market in 2008. Generally, the settlement agreements provide that each firm will offer full buybacks to any eligible customer who purchased an auction rate security and subsequently could not liquidate the investment as expected. The firms also paid penalties as part of the settlement agreements. The settlements for FY2009-2010 are as follows:

## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)                      **PROGRAM:** OFIR

### **Auction Rate Securities Settlements**

Fiscal Year 2010

<b>Date</b>	<b>Entity</b>	<b>General Fund</b>	<b>Investor Protection</b>	<b>Total</b>
11/10/2009	RBC Capital Markets	\$53,846.69	\$5,982.96	\$59,829.65
11/23/2009	Morgan Stanley	\$367,508.22	\$40,834.25	\$408,342.47
12/2/2009	Deutsche Bank Securities	\$27,650.45	\$3,072.27	\$30,722.72
5/13/2010	UBS Securities, LLC	\$2,004,446.99	\$222,716.34	\$2,227,163.33
5/26/2010	Credit Suisse Securities (USA), LLC	\$118,474.03	\$13,163.78	\$131,637.81

Total revenue credited to the General Fund was \$2,571,926.38; total revenue credited to the Investor Protection Fund was \$285,769.60. The total settlement was \$2,857,695.98

### **Office of General Counsel**

- OFIR entered into a number of securities settlements with registered broker-dealer firms relating to the national collapse of the auction rate securities market in 2008. Generally, the settlement agreements provide that each firm will offer full buybacks to any eligible customer who purchased an auction rate security and subsequently could not liquidate the investment as expected. The firms also paid penalties as part of the settlement agreements. Five settlements were reached in FY2010 with RBC, Deutsche Bank, Morgan Stanley, UBS, and Stifel Nicolaus. In total, the settlements have resulted in offers to Michigan consumers for full auction rate securities buybacks, and settlement penalties of more than 2.7 million to the State of Michigan.
- OFIR issued an order rescinding the 1997 exemption order. This restored the agency's review of automobile, home, life, and annuity policy forms. OGC attorneys trained and assisted the staff in reviewing these new form filings.
- OGC drafted contractual agreements necessary for establishment of Michigan's Pre-Existing Condition Insurance Program, as required under the Patient Protection and Affordable Care Act.
- OGC drafted proposed legislation for implementation of Military Personnel Financial Services Protection Act.
- OGC advised staff regarding strategic implementation of health care reforms required under Patient Protection Affordable Care Act.
- OGC advised staff regarding legality of proposed merger between two of Michigan's largest health maintenance organizations.
- OGC issued a Cease and Desist Order against American Benefit Concepts to keep them from engaging in the sale of unregistered securities; and, a Cease and Desist Order to keep them from engaging in securities transactions as unregistered broker-dealers, agents, and advisors.
- OGC issued a Cease and Desist Order against Infinity Capital Group, Inc., to keep them from engaging in the sale of securities without registration and licensure; and, a Cease and Desist Order to keep them from employing investment schemes to defraud the public.
- OGC issued a Cease and Desist Order against Guarantee Trust Life Insurance Company to keep them from terminating health insurance coverage of Michigan residents in violation of the Insurance Code.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- OCC issued a Cease and Desist Order against Select Financial Group to keep them from engaging in the sale of unregistered securities and to keep them from engaging in securities transactions as unregistered broker-dealers, agents, and advisors.
- OGC issued a Cease and Desist Order against American Trade Association and Serve America Assurance to keep them from operating an unlicensed health insurance agency and from selling health insurance to Michigan residents.
- OGC issued Cease and Desist Orders to prohibit advance loan fee scams from continuing business operations and to effectively shut down website operations.
- OGC held a public hearing on April 27, 2010, for revisions to R 500.1124, Requirements for Letters of Credit. In recent talks with the National Association of Insurance Commissioner's Reinsurance Task Force, additional revisions are being made to the rule as the industry continues to revise standards for standby letters of credit.
- The Health Benefit Plan Reform rules took effect on September 22, 2010. OGC drafted the emergency rules required under the Patient Protection and Affordable Care Act, PL 111-148. Implementation of the rules preserves the public health, safety, and welfare of Michigan citizens by allowing a reduction in health care costs, an increase in access to health care, and an increase in the quality of health care in Michigan. OGC is currently drafting the request for rule making and other promulgation documents for these rules prior to the expiration of the emergency rule.
- OGC continued implementation in 2010 of OFIR Insurance Policy Forms initiatives involving Discretionary Clauses and Shortened Limitation of Action Clauses, prohibited by administrative rules R 500.2201 - R 500.2202 and R 500.2211 – R 500.2212, by assisting staff in disapproving both types of clauses when found in form filings submitted for review, by supplying copies of insurer certifications to attorneys representing claimants, and by addressing consumer complaints alleging continued use of such clauses. Disputes continue and are expected to continue over claims denied on forms in use before the 2007 effective dates of these rules.
- OGC represented OFIR successfully on May 4, 2010, before the Legislature's Joint Committee on Administrative Rules and finished promulgating administrative rules prohibiting 3 types of Nonconforming Clauses in insurance policy forms, R 500.2231 - R 500.2232. These rules prohibit changing definitions of disability in disability income policies, blank endorsements, and arbitration provisions that require a policyholder to arbitrate outside his or her county of residence. The prohibitions on these clauses in new and revised policy forms took effect on August 1, 2010, and the certifications from insurers of forms containing such clauses were due by September 1, 2010.
- OGC finished processing administrative rules setting minimum standards for clauses in insurance policy forms for independent medical examinations and submitted the rules to the Legislature's Joint Committee on Administrative rules, where they await action.
- OGC has participated in the National Association of Insurance Commissioners' Interstate Insurance Production Regulation Commission, a national effort to develop uniform product standards and forms for annuities and for group life and ancillary coverages, such as accidental death and dismemberment and accelerated death benefits. Upon completion and approval by the Commission, insurers will be able to sell these products in all 36 Interstate Compact states, including Michigan, without getting individual approval from each state.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### **Consumer Services Division**

- Insurance Investigations staff opened 138 investigations and completed 149 investigations in fiscal year 2010.
- OFIR issued cease and desist orders last year against out-of-state individuals who were selling, soliciting and negotiating bogus health insurance plans under various “companies” -- American Trade Association, Serve America Assurance Ltd, American Consumers Insurance and Real Benefits Association. If the insurance company is located offshore or in Karachi, Pakistan, that’s a clue that something is not quite right. This “crime syndicate” continues to operate in a number of states, including Michigan. A law firm in New York filed a RICO lawsuit in federal court against the individuals and “companies” who continue to operate this widespread insurance scam. The RICO filing indicates that this crime syndicate has been operating since 2001. The amount of premium dollars stolen since 2004 is estimated to be \$20 million. Various other states issued Cease and Desist orders against these thieves in 2009 and 2010. If the RICO case is successful, this may be the death blow necessary to shut them down permanently. The Insurance Investigation staff is monitoring this situation.
- Consumer Assistance Unit Director, Kristie Taber, was asked to serve on the Advisory Council for the ICAE (Insurance Consumer Assistance Exchange). She has been a participant with the exchange since 2000.
- The Market Conduct Unit (MCU) continued the survey of 17,500 Michigan-licensed resident and non-resident insurance agencies to obtain information as to their conduct in the state and to identify those requiring further evaluation.
- The insurance agency survey resulted in 3,060 referrals to enforcement for failure to respond to the survey. Of these, 3,027 settlement agreements were negotiated, and \$120,300 was collected in fines.
- The insurance agency survey resulted in the inactivation of over 700 agencies no longer doing business in Michigan.
- The MCU conducted the following additional surveys: (1) NAIC Climate Risk Disclosure survey of nine insurance company groups, (2) NAIC Private Mortgage Insurance survey of insurance companies domiciled in Michigan, (3) premium finance companies, and (4) rescission rates of Blue Cross Blue Shield of Michigan and American Community Mutual Insurance Company.
- The MCU completed 40 Level 1 and three Level 2 analyses of insurance companies authorized to do business in Michigan to determine whether or not the companies appear to pose any risk to Michigan consumers.
- The MCU staff conducted examinations of Auto Owners Insurance Company and Invescor Ltd; vendor INS Regulatory Insurance Services Inc conducted an examination of Golden Rule Insurance Company.
- The MCU conducted nine full audits of surplus lines (SL) individual producer and agency/business entity licensees, resulting in an interest payment of approximately \$40,000, and additional taxes of \$12,000.
- Two MCU staff earned Market Conduct Manager designations from the Insurance Regulatory Examiners Society.
- Surplus lines premium tax & regulatory fee receipts generated a total of \$11,516,718.95 for the fiscal year 2010.
  - o \$9,880,594.14 generated from surplus lines individual and agency producers based on the total reported premium written of \$387,853,467.77.
  - o \$1,065,986.12 generated from direct placements by insureds and purchasing groups based on the total reported premium written of \$41,280,845.22.
  - o \$570,138.69 generated from risk retention groups based on the total reported premium written of \$ 570,138.69.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Consumer Assistance Consumer Finance Complaint Analysts participated in the Treasury Making Home Affordable Roundtable held in Grand Rapids, Michigan. This Roundtable Meeting has led to follow up conference calls for meeting participants.
- Consumer Assistance Consumer Finance Complaint Analysts participate in a weekly conference call with other state banking authorities. The purpose of the conference call is to make states aware of any new issues which arise and discuss possible resolutions to outstanding issues.
- Consumer Services Division management and staff participate in quarterly meetings with the Michigan Attorney General's Office and the Michigan State Housing Development Authority to discuss issues related to mortgage companies, scams, foreclosure, etc.
- Consumer Assistance staff present the "Complaints" section of the Seminar provided by OFIR to The Mortgage Industry.
- Melanie Near is a member of the Michigan Foreclosure Task Force. The **Michigan Foreclosure Task Force** is a statewide clearinghouse and unified voice to keep families, including homeowners and renters, in their homes despite the foreclosure crisis currently plaguing Michigan communities. The Task Force also is focused on addressing the impacts of concentrated foreclosures on neighborhoods across the state.
- Of the 3,807 complaints handled by the Consumer Services Division, 3,720 or 98% were opened within 7 business days of receipt of the complaint.
- The Consumer Assistance Unit obtained recoveries in the amount of \$38,422,167 on behalf of Michigan consumers. This recovery amount encompassed all individuals and entities regulated by OFIR.

### Significant New Business in Michigan

#### Enterprise Monitoring Division

- OFIR approved the consolidation of Paragon Bank & Trust, Holland, and Bank of Auburn Hills, Auburn Hills, with and into Michigan Commerce Bank, Ann Arbor, effective March 31, 2010.
- OFIR approved the consolidation of United Bank & Trust-Washtenaw, Ann Arbor, with and into United Bank & Trust, Tecumseh, effective April 1, 2010.
- OFIR approved the application of First Michigan Bank, Troy, to purchase all deposits, acquire certain assets, and assume certain liabilities of CF Bancorp, Port Huron, effective April 30, 2010. First Michigan Bank was also granted trust powers.
- OFIR approved the consolidation of Byron Bank, Byron Center, with and into Chemical Bank, Midland, effective July 23, 2010.
- OFIR approved the merger of Monroe Area Federal Credit Union, Monroe, with and into Monroe County Community Credit Union, Monroe, effective October 1, 2009.
- OFIR approved the merger of Mid Michigan Family Credit Union, Saginaw, with and into COPOCO Community Credit Union, Bay City, effective January 1, 2010.
- OFIR approved the merger of Education First Credit Union, Southgate, with and into First Community Federal Credit Union, Parchment, effective April, 1, 2010.

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)                      **PROGRAM:** OFIR

---

- OFIR approved the merger of NuUnion Credit Union, Lansing, with and into Detroit Edison Credit Union, Plymouth, effective April 1, 2010.
- OFIR approved the merger of Citizens Credit Union, Kalamazoo, with and into Lake Michigan Credit Union, Kentwood, effective June 1, 2010.
- OFIR approved the merger of Muskegon Teachers' Credit Union, Muskegon, with and into Community Schools Credit Union, Muskegon, effective June 10, 2010.
- OFIR approved the merger of Kramer Homes Federal Credit Union, Center Line, with and into Unity Credit Union, Warren, effective June 11, 2010.
- OFIR approved the merger of Hanchett Employees Credit Union, Big Rapids, with and into West Michigan Credit Union, Grand Rapids, effective July 10, 2010.
- OFIR issued a Certificate of Authority to PrimeOne Insurance Company, Farmington Hills, to write various lines of insurance under Chapter 6 of the Insurance Code, effective December 22, 2009.
- OFIR issued a Certificate of Authority to McLaren Health Plan Insurance Company, Flint, to write disability insurance under Section 606 of the Insurance Code, effective June 8, 2010.

### **Licensing and Product Review Division**

- A new non-group-rated personal auto program submitted by Starr Indemnity and Liability Company.
- A new group-rated home insurance program submitted by Great Lakes Casualty Insurance Company
- A new non-group-rated home insurance program submitted by Great Lakes Casualty Insurance Company
- A new workers' compensation insurance program submitted by Plaza Insurance Company
- A new excess workers' compensation insurance program submitted by Plaza Insurance Company
- A new workers' compensation insurance program submitted by Preserver Insurance Company
- A new workers' compensation insurance program submitted by Tri-State Insurance Company of Minnesota

Approved licenses and registrations issued from October 1, 2009 through September 30, 2010:

- |   |        |
|---|--------|
| • Non-Resident Adjuster for the Insured | 29     |
| • Non-Resident Insurance Adjuster       | 1,408  |
| • Non-Resident Counselor                | 7      |
| • Non-Resident Producer                 | 15,677 |
| • Non-Resident Surplus Lines            | 249    |
| • Resident Adjuster for the Insured     | 16     |

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

---

• Resident Insurance Adjuster	195
• Resident Counselor	32
• Resident Producer	6,699
• Solicitor	187
• Surplus Lines Producer	34
• Non-Resident Producer Agency	800
• Non-Resident Surplus Lines Agency	93
• Resident Producer Agency	403
• Resident Surplus Lines Agency	<u>12</u>
• TOTAL NEW LICENSEES	25,841

- Mortgage loan originator licensure became effective July 31, 2010. Loan officers were required to transition to a loan originator status or apply for a new loan originator license. Individuals that originate mortgage loans in manufactured housing communities are now required to be licensed.

Approved licenses and registrations issued from October 1, 2009 through September 30, 2010:

• Consumer financial service providers – Class I	1
• Consumer financial service providers – Class II	0
• Credit card providers	0
• Credit card providers	0
• Debt Management providers	3
• Deferred Presentment providers	40
• First mortgage licensees	56
• First mortgage registrants	23
• Loan originator licenses	2,511
• Motor vehicle installment sellers	152
• Motor vehicle sales finance companies	78
• Money transmission providers	8
• Regulatory loan providers	1

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

- |                                   |           |
|-----------------------------------|-----------|
| • Secondary mortgage licensees    | 4         |
| • Secondary mortgage registrants  | <u>21</u> |
| • TOTAL NEW LICENSEES/REGISTRANTS | 2,898     |

### **Securities Division**

- The registration of approximately 8,000 investment adviser representatives generated funds of \$520,000.00.

### **Significant Streamlining Of Processes or “Bureaucracy Busters”**

#### **Enterprise Monitoring Division**

- OFIR has partnered with the FDIC to develop and maintain a “shelf charter” application program, to facilitate new equity investments in troubled depository institutions from qualified parties that do not currently have a bank charter.
- OFIR held a Fairness Hearing pursuant to Section 3707 of the Banking Code, relating to an application filed by a Michigan state-chartered bank to convert its shares of bank stock into holding company stock. The Commissioner subsequently approved the transaction, which provided the bank with a streamlined process to form a bank holding company without requiring registration under federal securities laws.
- OFIR successfully completed the interim annual review process to maintain the national accreditation of its insurance financial regulation program. The National Association of Insurance Commissioners (NAIC) formally approved Michigan’s continuing status as an accredited state for another year.
- OFIR entered into two new multi-year contracts necessary to support the insurance financial examination program. One contract supports OFIR’s required out-of-state examination work, and the other provides required professional actuarial services.
- OFIR executed Memorandums of Understanding (MOUs) with the Financial Services Authority of the United Kingdom and the Office of the Superintendent of Financial Institutions Canada. These agencies represent OFIR’s regulatory counterparts in their respective countries. Under the MOUs, OFIR will be able to freely exchange pertinent regulatory information with each agency.
- Work is continuing to implement OFIR’s new enterprise-wide computer system. A vendor for the project has now been selected. Proper design and implementation of the new system will be critical to support our daily business operations.

#### **Bank & Trust Division**

- The Mortgage Examination and Investigation Section developed a tool that quantifies mortgage company risk factors to facilitate efficient prioritization of mortgage company examinations and investigations.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### **Licensing and Product Review Division**

- The Licensing and Product Review Division created seven new forms review checklists to be used in the review of twenty different types of personal and commercial insurance forms.
- The Licensing and Product Review Division consulted with an actuary to help identify how to write the Rate Justification Exhibit - SERFF Submission Requirement so that we obtain from insurers the type of information needed to show whether or not rates for the same coverage are unfairly discriminatory.
- The Licensing and Product Review Division consulted with an assistant attorney general on every decision that could move us to file enforcement notices in order to ensure accuracy in the identification of legal requirements and to avoid alleging violations that could not be proven.
- OFIR continues to work with DTMB programmers to create a web based portal from which constituents can view any rate, rule, and policy form filing submitted to OFIR.
- As of March 22, 2010, business entity license applicants began filing electronic applications via the National Insurance Producer Registry (NIPR). An electronic application filed through NIPR streamlines the license application process and allows applicants to apply for licenses in multiple jurisdictions at the same time. Electronic application filing reduces work and provides efficiencies for the applicant and OFIR.
- The Licensing and Product Review Division worked to move the adjuster, solicitor and counselor application process to electronic filing through NIPR.
- Mortgage loan originator license application, testing, education, and FBI background check completed electronically through NMLS. Applicants can apply for a loan originator application, submit payment, schedule tests and education, and obtain fingerprints and FBI checks through NMLS.
- Companies can now apply for a 1<sup>st</sup> and secondary mortgage license or registration application or a Class I or Class II consumer financial services license using an electronic application through NMLS. Applicants can submit the application and license fees through NMLS.

### **Consumer Services**

- The Market Conduct Unit conducted an online survey of all licensed resident and non-resident agencies, the first time such a project has been undertaken. A result was the voluntary surrender or inactivation of over 700 agency licensees which were found to no longer be in business.

### **Education and Outreach**

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### **Enterprise Monitoring Division**

- Enterprise Monitoring Division staff attends NAIC quarterly meetings and participates in various NAIC initiatives. We serve as members on several committees and working groups, including the Examination Oversight Task Force, Financial Examiners Coordination Working Group, Blanks Working Group, and the Accounting Practices and Procedures Task Force. Membership and participation in these groups allows us to work with industry representatives and our regulatory counterparts from other states on important industry issues at the national level.

### **Bank & Trust Division**

- Mortgage Examination and Investigation Section staff members presented information about reverse mortgage lending at an AARP-sponsored event in Flint.
- The Mortgage Examination and Investigation Section developed and posted answers to additional frequently asked questions on the OFIR web site to assist customers with mortgage compliance issues.
- OFIR conducted quarterly informational seminars designed to educate the mortgage industry about licensing, complaint processing, examination/investigation, and enforcement matters.
- OFIR and the Michigan Association of Community Bankers co-sponsored two sessions of the Bank Directors College in FY10.
- OFIR's Bank and Trust Division conducted a four-day examiner training conference on current banking issues and regulatory procedures.
- Bank and Trust Division staff contributed to improving financial regulation through presentations and committee participation. Regional Supervisor Karen Lawson served as Conference of State Bank Supervisors (CSBS) District 2 Information Technology Committee Chairperson. Examiner Shelley Brown taught a CSBS Problem Bank School and presented at the Michigan Banker's Association Commercial Lending and Retail conferences. Division Assistant Director Gary Thielsen taught at the MBA School of Banking. Division staff coordinated a one-day session with representatives of federal bank regulators and Michigan CPA firms to discuss accounting issues impacting the banking industry. Mortgage Examination and Investigation Section employees served on the Reverse Mortgage Committee of the American Association of Residential Mortgage Regulators (AARMR) and assisted the Conference of State Bank Supervisors (CSBS)/AARMR multi-state mortgage regulator committee to assess and improve loan analysis software for more efficient examinations.
- OFIR' Commissioner presented at several symposia that facilitated direct discussion with bank executives regarding their concerns.

### **Credit Union**

- OFIR provided education to directors, executive management, and certified public accounting firms through presentations or panel discussion at MCUL conferences and chapter meetings, Michigan Association of CPA conferences and meetings, and specifically themed sessions on specific credit union industry issues.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### **Licensing and Product Review**

- OFIR updated the Insurance Products/Filing Review webpage to provide better instructions for rate, rule, and policy form filing requests and to identify that electronic copy of some filings may be available.
- Licensing and Product Review Division staff attended meetings held by the following organizations in order to remain informed of the organization's and member company's activities in the particular segments of the insurance market in which they operate and in order to help them meet regulatory requirements as they operate and initiate change: Michigan Automobile Insurance Placement Facility, Michigan Basic Property Insurance Association, Michigan Workers' Compensation Placement Facility, Michigan Workers' Compensation Data Collection Agency, and the Workers Compensation Research Institute.
- OFIR Staff served as speaker at the fall 2010 regional meeting of the Association of Insurance Compliance Professionals with regard to hot button / current insurance issues in Michigan.
- OFIR Licensing and Product Review staff met with the State Fire Marshal and Policy Division staff to address issues and misunderstandings regarding home insurance companies' use of the fire protection classes for rating purposes across the state. OFIR conducted a short research project on fire protection class rating factors to provide that information to them.
- Licensing and Product Review staff met with industry representatives during the Licensing Best Practices Forum on April 13, 2010 to discuss policy, processes and procedures for insurance licensing. Industry, educators and individual licenses were in attendance and able to raise questions and issues pertinent to the current laws.
- OFIR Insurance Licensing, Insurance Investigations, and Consumer Assistance staff held free quarterly Insurance Regulation Seminars for insurance licensees in fiscal year 2010. Upon request by various insurance trade associations, staff presented special request seminars, focused on suitability, ethics and rebating, to trade associations in Muskegon, Troy, Ann Arbor, Farmington Hills, Lansing, and Highland.
- OFIR participated along with other state and industry representatives in the National Association of Insurance Commissioners (NAIC) telephone conferences pertaining to uniform standards for licensing criteria and processes.
- Free quarterly mortgage seminars were conducted by OFIR staff presenting licensing, examination, complaint, and legal/enforcement action information. Significant time was spent during the seminars providing SAFE Act and loan originator licensing explanation and instruction.
- OFIR provided mortgage broker, lender, servicer, and loan originator information presentations to the Michigan Mortgage Brokers Association and the Michigan Mortgage Lenders Association.
- OFIR participated in education boards and committees that initiated policies, procedures and provided oversight to mortgage loan originator testing, education, and call reports in NMLS.
- OFIR facilitated mortgage industry advisory board meetings throughout fiscal year 2010.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- OFIR presented mortgage loan originator seminars in four meetings with the Michigan Manufactured Housing Association, Michigan Builders Association, and the Michigan Real Estate Association.

### **Securities Division**

- The Securities Division's Investor Education in Your Community program is funded through two funds: the Investor Protection Trust Account and the Michigan Specific Investor Protection Trust. The Investor Protection Trust Account is comprised of Michigan's portion of the settlement funds related to the "Global Settlement of 2001". This settlement was the result of New York Attorney General Elliott Spitzer's action against various Wall Street firms for committing investment fraud.
- The second account, the Investor Protection Trust Michigan Fund is comprised of the Michigan specific funds related to the "Global Settlement of 2001" and any monies received from the NASAA negotiated auction rate securities settlements. During 2010, the auction rate securities settlements contributed approximately \$700,000.00 to this fund.
- The funds described above allow the Securities Division to develop programs aimed at investor education in Michigan. This includes the "Investor Education In Your Community" outreach program that consists of (1) Investing Fundamentals; (2) Principles for Structuring a Portfolio, (3) IRAs & 401(k)s, and (4) 10 Steps To Protect Your Money. The foregoing is funded through the Investor Protection Trust Account (non-Michigan specific). As of October 31, 2010, the fund balance was approximately \$8,800.00.
- The Michigan specific Investor Protection Trust funds were used to expand investor education, including television advertisements and the "Con Man" radio advertisement. We also added a booklet aimed at high school/college students entitled "It's Your Financial Life". Michigan will also use these funds in connection with its participation of a new program developed by Baylor Medical College entitled "Elder Investment Fraud and Financial Exploitation (EIFFE)", which focuses on educating doctors, other health care professionals and adult protective services workers to identify/recognize the signs of financial abuse associated with the elderly. The fund balance is approximately \$400,000.00 as of October 31, 2010.
- A third fund is available for investor education under Section 602 of the Act. This section of the Act states that all civil fines, costs of investigations, and other administrative assessments are to be credited into this Michigan Investor Education and Training Fund. This fund has a balance of approximately \$6,000.00.
- The OFIR Investor Education liaison is working on an application for grant money from the Investor Protection Trust Account (general and Michigan specific) for the 2011 fiscal year. Also, the Securities Division is reviewing the Dodd-Frank Act to determine how to apply for the Senior Investment Education monies that have been appropriated for state investor education training.

### **Consumer Services Division**

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- OFIR Insurance Investigations, Insurance Licensing and Consumer Assistance staff held quarterly Insurance Regulation Seminars for insurance licensees in fiscal year 2010. Upon request by various insurance trade associations, Insurance Investigations staff presented special-request seminars, focused on suitability, ethics and rebating, to trade associations in Grand Rapids, Troy, Ann Arbor, Detroit, Southfield and Lansing. The Troy seminar drew close to 300 attendees, and many compliments to staff for continuing to meet, greet and educate licensees.
- Consumer Outreach Coordinator participated in five town hall meetings sponsored by Legislative offices; three education seminars sponsored by the Federal Reserve; and, three Attorney General sponsored symposiums on mortgage foreclosure.
- Three Market Conduct Unit staff participated in the annual Examination Review Workshop to develop questions for the insurance licensing title and variable annuities examinations

### PROGRAM IMPROVEMENT PLANS FOR FY11

#### **Enterprise Monitoring Division**

- A specialized insurance contract to provide OFIR with expertise in complex investments and derivatives products is expected to be in place in January 2011. This contract will provide OFIR with needed resources to assist us in regulating our most complex domestic insurers.

#### **Licensing and Product Review Division**

- Review of more commercial insurance rate, rule, and form filings.
- Review of more personal lines insurance forms (inland marine, umbrella, recreational vehicle, etc.).
- Greater emphasis on ensuring that documents contained in personal lines insurance filings show that rates for the same coverage are not unfairly discriminatory.
- Activation of a web based portal that constituents can use to review and download electronic rate, rule, and policy form filings.
- Expansion of the lists of items to review for statutory compliance within all personal lines forms.
- Hire and train two new analysts to review rate, rule, and policy form filings in order to expand our reach.
- OFIR obtaining a statutory requirement for applicant fingerprinting as a basis for conducting a criminal record background investigation is a pressing issue. Insurance Licensing will seek legislation requiring fingerprinting for producer, solicitor, counselor and adjuster license applicants to come into compliance with the uniformity standard with the NAIC and to shorten the application processing time by reducing the time and cost to OFIR to conduct the criminal background search.
- OFIR is seeking legislation to eliminate the \$3.00 address change fee to be in compliance with the NAIC uniform standards.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Full implementation of on-line application filing through NIPR for insurance adjuster, counselor, and solicitor license types.
- Implementation of renewal filing through NIPR for surplus lines producers, adjusters, counselors, and solicitor license types.
- Significant time will be devoted to development of advance electronic features for applicants, licensees, and OFIR staff members.
- The Licensing and Product Review Division will put out a new Request For Proposal for the insurance and debt management license examinations.
- Modernize the Motor Vehicle Sales Finance Act.
- Modernize the Debt Management Act and regulate debt settlement companies.
- OFIR will obtain and review credit reports, annual reports, and financial statements through NMLS.
- OFIR continues to phase in examination programs for all consumer finance programs regulated by the Consumer Finance Section.
- OFIR is working to obtain statutory authority to fingerprint and obtain FBI criminal background checks for mortgage brokers, lenders, and servicers.

### **Securities Division**

- Our Investor Education liaison is working on an application for grant money from the Investor Protection Trust Account (general and Michigan specific) for the 2011 fiscal year. Also, the Securities Division is reviewing the Dodd-Frank Act to determine how to apply for the Senior Investment Education monies that have been appropriated for state investor education training.
- The Securities Division has four investigators that are working on approximately 200 investigations. These matters are referred to the Securities Division from other sections within OFIR, local governmental officials, and law enforcement. Additional FTEs will be added to enhance the efficiency of the investigations program.
- The Securities Division continued to be an active participant in the North American Association of Securities Administrators (NASAA) during fiscal year 2010. Securities Division employees served on several of NASAA's committees: Standardized Training, Certification and Technology; Investment Adviser Operations Project Group; Continuing Education Project Group; Investment Adviser Section; and Investment Adviser Regulatory Policy and Review Project Group. The Securities Division's membership in NASAA allows it to participate in the development of laws, regulations and the inter-face between federal regulators and state regulators. Dave Massey, NASAA President for 2010-2011 announced his leadership staff during the NASAA fall conference. Linda Cena, Director of the Securities Section has been named the Investment Adviser Section Chair for the upcoming year. She will be responsible for investment adviser activity during a critical year when more than 4,000 federally registered investment advisers switch over to state registration and regulation.
- Beginning January 1, 2011, the Examinations section of the Securities Division will begin its cyclical examination program for investment adviser firms, scheduling routine examinations every 2 to 3 years for the firms domiciled in Michigan. To ensure the examinations are conducted efficiently and with the objective of ensuring that the examinees are educated with respect to any deficiencies so that they can

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

conduct compliant operations, additional examiners will be recruited. It is estimated that an additional 6 examiners will be needed to implement the examinations program. These individuals will undergo a four plus month training program, which the Securities Division has designed, based in large part on existing NASAA examination modules.

### **Consumer Services Division**

- Implementation of a risk focused agency audit program in the Market Conduct Unit using data collected through the agency survey in 2010.
- Work toward Michigan's participating in the NAIC Market Conduct Annual State (MCAS) filing.
- Prepare for process of the National Association of Insurance Commissioners (NAIC) Market Regulation Accreditation. This accreditation is broad and touches on areas of OFIR including insurance investigations, consumer assistance (complaints), licensing, and market conduct.

### **CHALLENGES FOR FY11 and BEYOND**

#### **Enterprise Monitoring Division**

- Contracts essential to the performance of OFIR's regulatory functions are very difficult to navigate through DELEG and DMB, which causes delays in implementing needed contractual services.
- Restraints on out-of-state travel hamper training of professional staff and diminish Michigan's voice in national organizations that contribute to formulation of national policy and development of regulatory tools.

#### **Bank & Trust Division**

- Mortgage licensee/registrant and loan activity decreases in fiscal year 2010 with potential additional decreases in fiscal year 2011 have and will continue to challenge mortgage entity viability and funding for mortgage industry regulation.
- Restraints on travel, both within Michigan and out-of-state, seriously hamper training of professional staff and diminish Michigan's voice in national organizations that contribute to formulation of national policy and development of regulatory tools.
- The state employee early retirement law enacted in 2010 will have a significant impact in FY 11 on the OFIR bank regulation program. A large number of retirements will divert resources from regulatory activities to hiring and training new examiners, reduce the number of experienced staff to work with troubled banks, and increase reliance on federal agency support to achieve examination mandates.

#### **Credit Union Division**

- Credit unions continue to experience weak earnings and other operational stresses during the current weak economic environment.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Problem credit unions are defined as those with CAMEL composite ratings of 3, 4, or 5. Fifty-two of the 204 state-chartered credit unions were problem institutions at September 30, 2010.
- Although total assets and the number of credit union members continue to grow, no new credit unions have been chartered under Michigan law in 24 years.
- The NCUA is the regulator of federally-chartered credit unions and administrator of the National Credit Union Share Insurance Fund. As insurer, NCUA examiners participate in joint contacts with Division examiners at selected credit unions. Although NCUA also uses the CAMEL rating system, only the Credit Union Division's rating is disclosed to the credit union.
- There has been recent discussion of possible federal legislation to limit the powers of state-chartered credit unions to only those powers afforded to federally-chartered credit unions due to allegations of ineffective oversight by various state regulators.
- Significant growth in credit union assets has lowered net worth ratios.
- NCUSIF assessments have substantially impacted Michigan credit unions earnings performance; however, on average Michigan credit unions are profitable.
- Mortgage backed investment losses at federally regulated corporate credit unions has significantly impacted earnings and net worth ratios at natural person credit unions due to write-down of member investment in the corporate system and the impact of replenishing the National Credit Union Share Insurance Fund.

### **Licensing and Product Review**

- Regulating insurance rate, rule, and form filings to the extent required by law in order to protect Michigan consumers while making sure that we do not over-regulate and thwart growth of the insurance industry in Michigan.
- To establish a legislative priority to pass legislation requiring fingerprinting for producer, solicitor, counselor and adjuster license applicants to come into compliance with the final uniformity standard with the NAIC.
- Michigan has proposed legislation, which will eliminate the \$3.00 address change fee and bring Michigan Insurance Licensing into compliance with the NAIC uniform licensing standards. If passed, the legislation will also mandate the collection and recording of current email addresses.
- Ongoing attendance in the NAIC producer committee teleconferencing; monitoring, analysis and providing input on proposed changes in the NAIC uniform standards; continued efforts to change state law and/or rules to remain in compliance with uniform standards.
- Continued efforts to modernize the applicant fee structure that has not been updated since 1956.
- Maintaining sufficient revenue streams during a period of significant decreases in revenue due to decreases in the licensee population.
- Regulating industries with statutes that have not been modernized to meet today's standards and technology.
- Obtaining amendatory language to statutory limitations and caps in generating revenue.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

---

- Creating and implementing electronic application and payment processes.
- Interpreting federal and state statutes such as the S.A.F.E. Mortgage Licensing Act of 2008 without receiving rules promulgated by the federal regulator.

### State Economic Conditions

#### **Bank & Trust Division**

- Michigan's protracted economic downturn and subsequent malaise have significantly impacted the condition of the state's financial institutions. The high rate of unemployment has engendered real estate loan delinquency and high residential foreclosure levels. This has resulted in declining real estate values and a build-up of real estate inventory, which, in turn, has led to a high default rate on residential construction and development loans as builders find no buyers for their product. Michigan's unemployment is among the highest in the country and the state's challenge is attracting new business. Southeast Michigan has been particularly hard hit by auto industry lay-offs. This has both short and long-term implications for Michigan financial institutions.

#### **Licensing and Product Review Division**

- The number of consumer finance licensees and registrants continue to decline greatly impacting the OFIR revenue and the number of examiners in the mortgage programs. State residential real estate loan delinquency and foreclosure levels are still high due to the high level of unemployment and decreased appraisal value of homes.

#### **Consumer Services Division**

- As the Michigan economy stagnates, Insurance Investigations staff continues to open investigations on commercial agents and agencies. These agents and agencies, in their desperate attempts to keep their businesses open, continue to misappropriate their clients' premium money.

### Impacts

#### **Enterprise Monitoring Division**

- Economic conditions have significantly slowed the organization of new financial institutions. No new state-chartered banks opened during fiscal year 2010. There were no new state-chartered credit unions. Two domestic insurance companies received their Certificates of Authority during fiscal year 2010. Significant de novo activity is not expected until the economy improves.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRY\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Financial institution consolidation and merger activity, as expected in difficult economic times, has occurred across all industries. Credit union merger activity is expected to continue at a fairly steady pace. Conversions of credit unions from a federal to a state charter are also expected to continue due to the relative attractiveness of the Michigan charter under the modernized Credit Union Act. Further bank consolidations are also expected, but in smaller numbers due to the fairly large number of transactions that have already occurred over the past several years.
- Unfavorable conditions in the financial markets have significantly impacted the life insurance industry nationally, including our Michigan domestics. Financial results for calendar year 2008 were particularly hard hit, with the industry reporting substantial net losses. Results for 2009 were significantly better overall, with the industry returning to profitability.

### **Bank & Trust Division**

- The poor condition of the state's economy has contributed to significant decline in the number of licensees and registrants in the mortgage industry. It should be noted that the decline slowed somewhat in 2010 vis-à-vis 2009.
- Michigan's economic condition threatens the health of its depository and non-depository financial institutions, resulting in a need for increased regulatory oversight.
- Stressed lenders have tightened credit standards for both consumers and businesses, constraining economic development and causing existing businesses to scale back employment.
- Financial institution regulators are encouraging loan servicers to work with borrowers to modify loan terms to make them affordable in order to enable homeowners to stay in their homes.
- Falling home values and slower home sales have made it difficult for homeowners who can no longer afford their mortgages—whether prime, subprime, adjustable rate or fixed rate—to refinance or sell their homes.
- The continuing problems in the mortgage financing industry have largely eliminated the market for second mortgages, with the result that very few home equity lines of credit (HELOCs) were approved in fiscal year 2010.

### **Licensing and Product Review Division**

- The decrease in licensee population results in a decrease in revenue which will impact staffing. Reduction in staffing will be necessary unless the license population stabilizes or increases.
- The new examination programs and the violations found in the motor vehicle and debt management programs will enhance OFIR's position to request modernization of the licensing statutes.
- The federal government's failure to provide rules to the S.A.F.E. Mortgage Licensing Act of 2008 will continue to cause burden to OFIR in providing interpretation of the Michigan Mortgage Loan Originator Licensing Act.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- The subprime mortgage fiasco will continue to impact Michigan economically in the high level of real estate foreclosures.

### Regulatory Issues

#### **Supervisory Affairs Division**

- Federal Health Care Reform requirements on coverage documents for health maintenance organizations and possible financial impact to all health writers.

#### **Enterprise Monitoring Division**

- OFIR is continuing implementation of the new NAIC risk-focused financial surveillance framework into its insurance examination and analysis process. The new process became an accreditation standard on January 1, 2010. This initiative represents a dramatic change in the financial oversight process for insurance companies.
- Depressed financial market conditions continue to impact operating results for our domestic insurance companies. We must proactively monitor investment portfolios and investment returns, which directly impact company profitability and financial stability.
- The merger of the John Hancock companies previously domiciled in Massachusetts into JHUSA, our Michigan domestic, occurred on January 1, 2010. As a result of the merger, OFIR is now the primary regulator of John Hancock's operations in the United States. The size and complexity of the merged company, with approximately \$200 billion in assets, will require significant, ongoing monitoring and supervision by OFIR.
- A number of provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act are relevant to the insurance industry, and will have implications particularly for our large life insurers. These federal changes will require monitoring and evaluation by OFIR, with changes made to OFIR's supervisory programs as appropriate.

#### **Bank & Trust Division**

- The Mortgage Loan Originator Licensing Act was enacted in July 2009 to comply with the federal S.A.F.E. Mortgage Licensing Act of 2008. The requirement to license mortgage loan originators was effective on July 31, 2010. The commissioner established a regulatory forbearance period from August 1, 2010 through Oct 15, 2010 to allow mortgage loan originators additional time to complete the licensing process.
- Consolidation of the Mortgage Brokers, Lenders, and Servicers Licensing Act and the Secondary Mortgage Loan Act would simplify compliance and provide a basis for more efficient oversight of the nondepository mortgage sector.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- The Dodd-Frank regulatory reform act has restructured, at the federal level, regulation of financial service providers. New regulatory bodies and new consumer protection and financial soundness regulations will create greater regulatory burden for financial organizations, bring new organizations under state oversight, and require state regulators to adapt regulatory oversight to accommodate changed requirements and new regulatory partners.
- The protracted economic decline in Michigan is eroding the strong capital that Michigan's banks held at the beginning of the century. Economy-induced deterioration in asset quality, in turn, negatively affects bank earnings and capital levels. It has become very difficult for many institutions to raise additional capital. OFIR has observed a significant increase during the past two-and-a-half years in the number of banks facing such challenges.

### **Licensing and Product Review Division**

- Establish criteria for agency owners, officers and directors that are equal to that of individual producers through legislation.
- The Insurance Code does not provide a means to charge pre-licensing providers for services and licensure. A legislative initiative is needed to charge pre-licensing providers in the same manner as continuing education providers.
- Need legislative initiative to immediately suspend, or to suspend after a specific period of time, the business entity license when the agency is out of compliance with Designated Responsible Licensed Producer (DRLP) requirements.
- Legislation is needed to mandate fingerprinting for insurance producer, solicitor, and adjuster applicants as well as eliminate the \$3.00 address change fee to meet two of the NAIC uniform standards.
- Legislation is needed to eliminate solicitor licensing. It is believed all states except Michigan have eliminated the license type.
- Continued efforts to modernize the applicant fee structure that has not been updates since 1956.
- The pending bills concerning the Debt Management Act and the licensing of debt settlement providers are high on OFIR's priority list.
- OFIR continues to request re-codification of the Mortgage Brokers, Lenders, and Servicers Licensing Act and the Secondary Mortgage Loan Act, and the elimination of the operating fee cap under the Mortgage Brokers, Lenders, and Servicers Licensing Act.
- OFIR with the assistance of the Michigan Attorney General's office won on appeal the MDPSA vs. Ross case.
- The Dodd-Frank federal legislation creates conflict with definitions in the S.A.F.E. Mortgage Licensing Act of 2008.
- The Dodd-Frank federal legislation reverses the Watters US Supreme Court decision.
- The Mortgage Brokers, Lenders, and Servicers Licensing Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Secondary Mortgage Loan Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Consumer Financial Services Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Motor Vehicle Sales Finance Act was amended in fiscal year 2010 to comply with the guaranteed asset protection waiver act.

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

### **Consumer Services Division**

- Passage of the Non-admitted and Reinsurance Reform Act (NRRRA) of 2009, as subtitle of the Dodd-Frank Wall Street Reform and Consumer Protection Act, will require legislative amendments if Michigan is to participating in the national collection and allocation of surplus lines premium taxes. Legislative changes must be enacted prior to June 16, 2010; otherwise Michigan faces the possibility of losing millions of dollars in revenue in the form of taxes which are collected by other states on multi-state risks.
- Prepare for process of National Association of Insurance Commissioners (NAIC) Market Regulation Accreditation. This accreditation is broad and touches on areas of OFIR including insurance investigations, consumer assistance (complaints), licensing, and market conduct.
- Begin participation in the NAIC Market Conduct Annual Statement (MCAS) filing, with the goal of providing a uniform system of collection of market relation information by gathering confidential information from domestic insurers and sharing this information with the NAIC and other states participating in the MCAS to help determine market conduct actions.

### **Administrative Issues**

#### **Supervisory Affairs Division**

- The Supervisory Affairs & Insurance Monitoring Division in conjunction with the Enterprise Monitoring Division will be subject to an on-site NAIC Accreditation review that will cover the last five years. In a state-based regulatory scheme, it is imperative to Michigan insurers that OFIR maintain its NAIC Accreditation.

#### **Bank & Trust Division**

- Economic conditions significantly slowed the organization of new financial institutions; no new state-chartered banks opened in Michigan in fiscal 2010.
- Not unusual side effects of current economic conditions are greater interest in industry consolidation and loss of charters through bank closures. The number of FDIC-insured Michigan state-chartered banks declined during over the course of FY'10 from 116 to 110 at the end.
- Funding for mortgage regulation has declined due to steep declines in numbers of licensees and registrants under the Mortgage Brokers, Lenders, and Servicers Licensing Act and the Secondary Mortgage Loan Act. The resulting reduction in revenue prompted OFIR to reduce the number of mortgage examiners during fiscal year 2010.
- Funding for bank regulation has declined due to recent conversions of two large banks and the reduction in numbers of banks. At the same time, regulatory oversight of banks facing challenges is more labor-intensive due to increased frequency of examinations and more

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

intense interim monitoring. This has placed a strain on OFIR's already limited bank regulation staff.

### **Licensing and Product Review Division**

- OFIR Insurance Licensing is decreasing the use of paper products and postage costs by utilizing online licensing notifications. Licensees will no longer receive warning letters for continuing education, continuing education suspension letters, requests for additional information for licensure, licensure notifications, and document requests through the mail. It is the section goal to be completely electronic by December 31, 2011.
- Implementation of the new Enterprise System will create process improvement and efficiencies in processes for Insurance Licensing staff, for licensees and educators.
- Due to staffing issues, Insurance Licensing was unable to meet all performance standards during this year. The Licensing Section had a 43% turnover in staff this fiscal year; three positions remain vacant at the end of the FY with action initiated to fill the positions.
- The decrease in licensee population results in a decrease in revenue which will impact staffing. The non-filling of vacant positions or reduction in staffing will be necessary unless the license population stabilizes or increases.
- Staff is still waiting the implementation of the new Enterprise System. Administrative procedures and duties will be evaluated as the new system implemented.
- Additional administrative duties were introduced with the examination and billing in the motor vehicle and debt management programs.

### **Legislative Accomplishments**

#### **Policy Division**

- OFIR tracked 282 bills as Lead Agency.
- OFIR reviewed the FIS 0118s in preparation for issuance of the report entitled, The Availability and Pricing of Liquor Liability Insurance in the State of Michigan.
- Revised form FIS 0322, Michigan Health Insurance Enrollment, Premiums & Losses in an attempt to capture more useful health insurance data. The data fields are now more clearly defined which will allow for more specific data reporting and reducing confusion of the data.
- The Policy Division completed work with its vendor, AMI Risk Consultants, Inc., to evaluate the data for the Medical Malpractice Claims Report. The Commissioner determined that the Medical Malpractice Competition and the Medical Malpractice Claims Reports will be combined as directed by statute. AMI with OFIR completed the report and determined reasonable competition exists in Michigan. Staff

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

has begun the process to automate Form A and Form B and is seeking input from our vendor how to obtain better data and study trends in the industry.

- The Policy Division worked with Health Management Associates and completed the annual report required by MCL 500.3515 entitled, HMO Enrollment Related to Increased Consumer Cost Sharing Provisions. HMA recommended revamping the form used to create the report. OFIR plans to rework the form to more clearly define the data fields to reduce confusion in the industry. We are hopeful these changes will be made in time for the filings required by March 1, 2010.
- The new Mortgage Loan Originator Licensing Act, 2009 PA 75, is effective July 31, 2010. Three additional Public Acts, 2009 PA 76, 2009 PA 77 and 2009 PA 78, amend the Mortgage Brokers, Lenders, and Servicers Act, 1987 PA 173, the Secondary Mortgage Loan Act, 1981 PA 125, and the Consumer Financial Services Act, 1988 PA 161 effective July 31, 2010 to align with the new Mortgage Loan Originator Licensing Act.
- OFIR provided health data to legislative staff upon request.
- OFIR provided statistical data on auto insurance that had been requested by the legislature.
- OFIR provided analyses on a myriad of health related issues, stranger originated life insurance, Medicare supplement, sales of insurance products to military personnel, and other miscellaneous legislation.
- OFIR participated in approximately eight meetings of the Michigan Automobile Insurance Placement Facility (MAIPF) as the commissioner's representative.
- Responds to federal and NAIC surveys on the topics of autism, group health insurance, mini-COBRA and benefit mandates.
- Triennial filing on Michigan's state Alternative Mechanism for HIPAA compliance with the Center for Medicare/Medicaid Services, an agency within the federal Department of Health and Human Services
- Acts as a liaison throughout the year between the MAIPF and OFIR on various insurance related issues including assisting the Commissioner in the board member reappointment process and responding to procedural and policy questions from the MAIPF.
- Compiled and provided pertinent insurance data to the Auto Theft Prevention Authority (ATPA), organized within the Department of State Police. The data was used by the ATPA to prepare and release its legislatively mandated biennial report on the impact of auto theft trends on auto insurance rates in the State of Michigan.
- Researched methods of interoperability of health information by looking at what other states are doing to coordinate health information as well as the steps that Michigan has taken toward that goal.
- Calculated, using data from the United States Bureau of Labor Statistics on the Consumer Price Index, the following minimum and maximum economic adjustments:
  - Regulatory Loan Act Loan Processing Fee
  - Documentary Preparation Fee Adjustment under the Motor Vehicle Sales Finance Act

1/20/2011

C:\DOCUMENTS AND SETTINGS\OBERRYK\LOCAL SETTINGS\TEMPORARY INTERNET

FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

## FY 2010 Annual Program Performance Measures

---

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank) **PROGRAM:** OFIR

---

- Surplus Lines Licensee Fee
- Cemetery/Funeral Assignment Maximum
- Fire Insurance Withholding Maximum
- Personal Injury Protection (PIP) Maximum Work Loss Benefit
- Substance Abuse Minimum Benefit Level
- Michigan Property and Casualty Guaranty Association's Annual Adjustment of the Net Worth Limit and Claim Cap.

### **Licensing and Product Review**

- Effective January 1, 2010, Michigan's continuing education review dates for insurance producers were converted to dates assigned based on the birth month and year, which brings Michigan into compliance with NAIC uniform licensing standards.
- The Mortgage Brokers, Lenders, and Servicers Licensing Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Secondary Mortgage Loan Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Consumer Financial Services Act was amended effective in fiscal year 2010, repealing loan officer registration.
- The Motor Vehicle Sales Finance Act was amended in fiscal year 2010 to comply with the guaranteed asset protection waiver act.

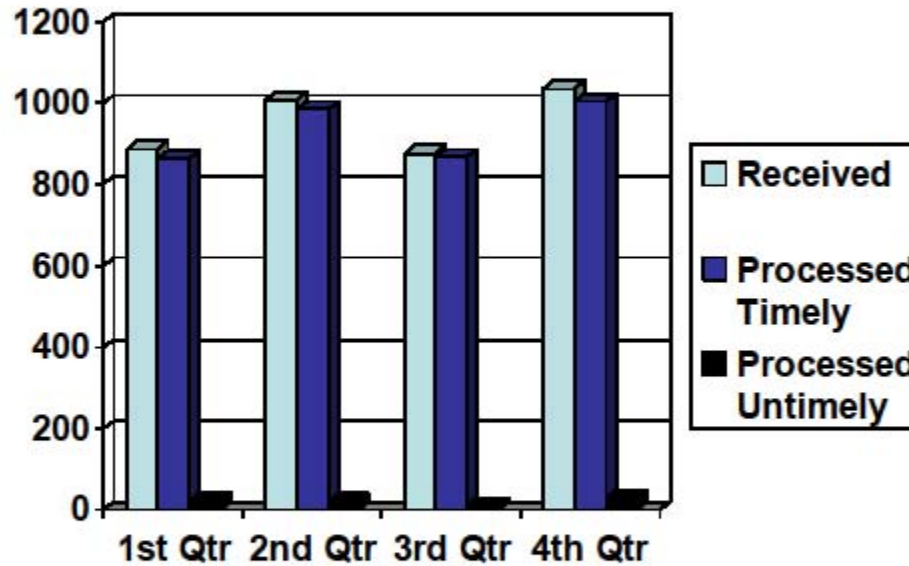
## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

Process 90% of new consumer complaints within seven business days of receipt for FY'10.



INTERNET  
FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

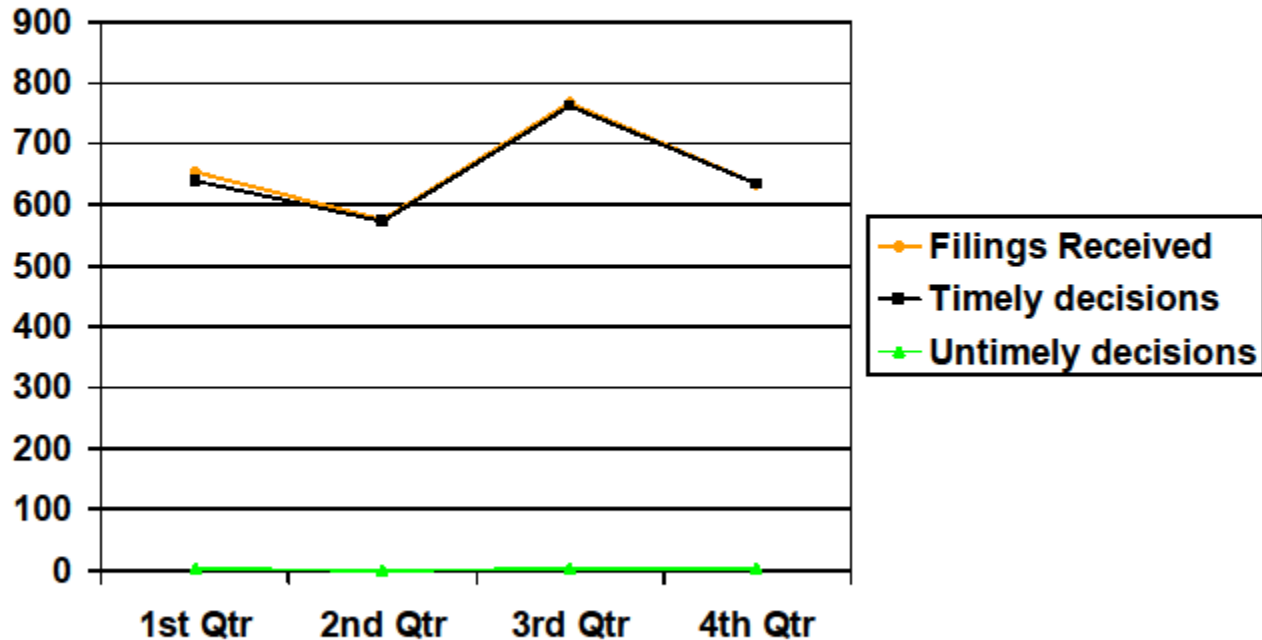
## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

Review 80% of property and liability rate, rule and form filings within 30 days for FY'10.



INTERNET  
FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

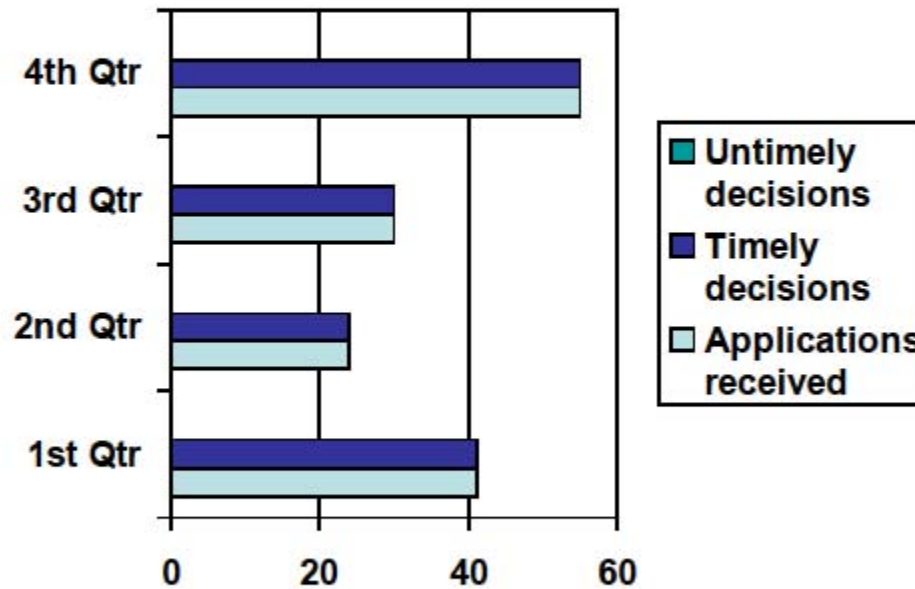
## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

Act upon 90% of installment seller applications  
within 25 business days for FY'10.



INTERNET  
FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC

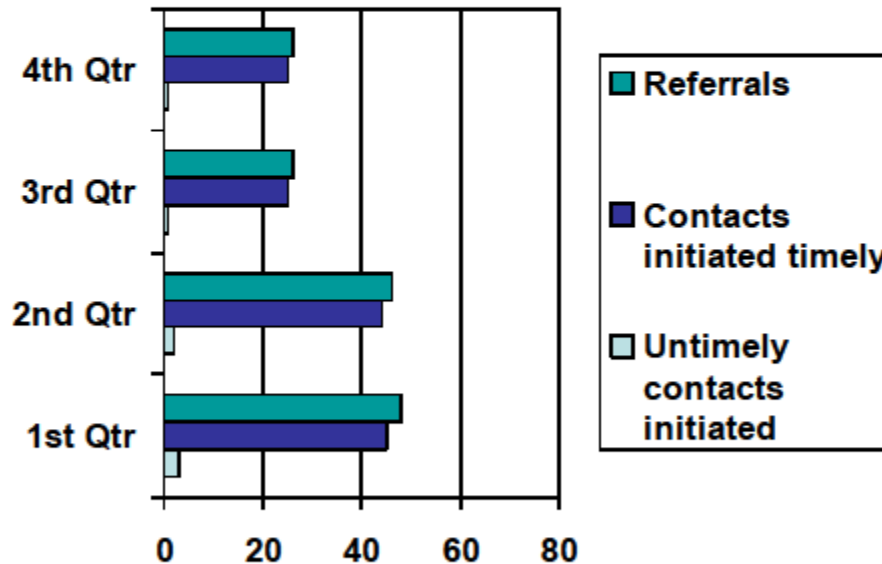
## FY 2010 Annual Program Performance Measures

**DEPARTMENT:** MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

**APPROPRIATION UNIT:** (Leave Blank)

**PROGRAM:** OFIR

Contact 95% of investigation respondents within 7 working days of a referral for an investigation for FY'10.



INTERNET  
FILES\OLK47\2010  
PERFORMANCE  
REPORT (2).DOC