



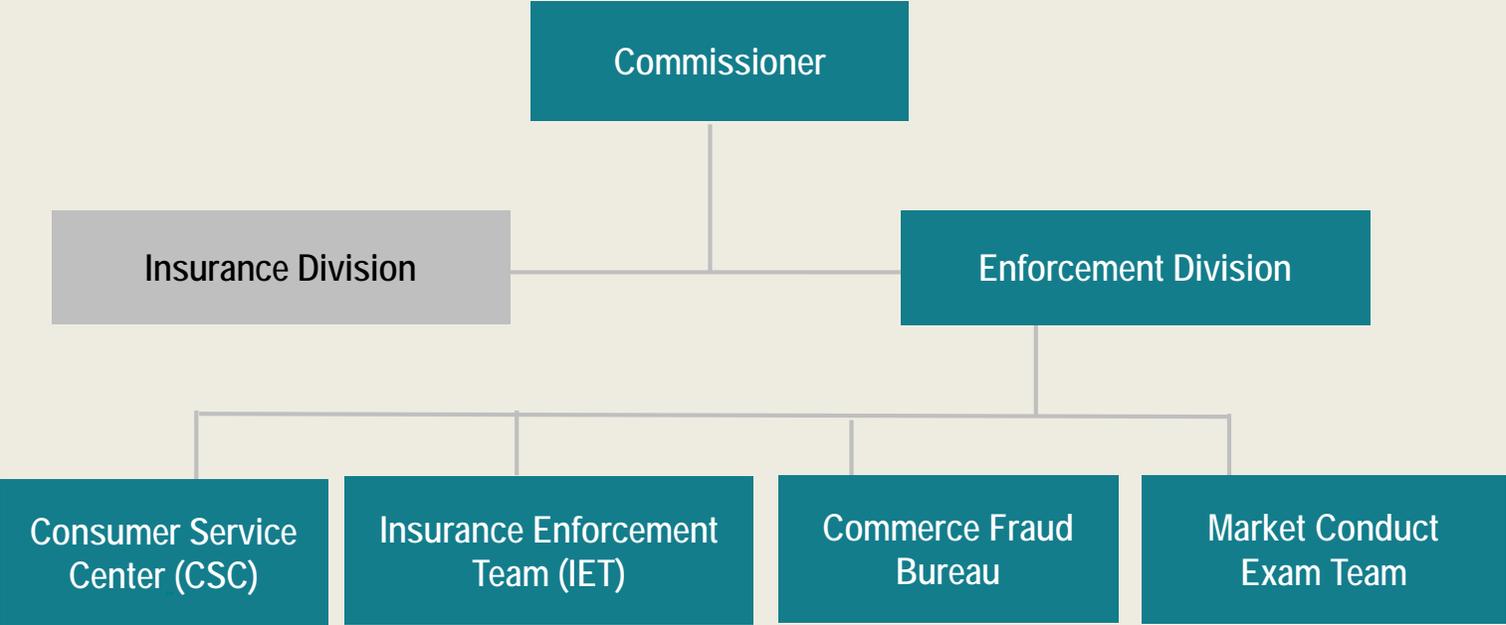
Department of Commerce's Civil Insurance Complaint Investigations

February 7, 2022

Key Findings

- Commerce has not adopted written policies for all civil insurance complaint investigations, leading to inconsistent practices.
- Commerce completed most civil insurance investigations within a reasonable period of time.
- The department does not enforce antifraud plan notification requirements for all insurers.

Structure of Insurance Regulation in Minnesota



Enforcement Division – Insurance Oversight

				
	<p>Consumer Service Center (CSC)</p>	<p>Insurance Enforcement Team (IET)</p>	<p>Commerce Fraud Bureau</p>	<p>Market Conduct Exam Team</p>
<p>Primary Responsibilities</p>	<ul style="list-style-type: none"> • Insurance questions • Simple civil investigations 	<p>Complex civil investigations</p>	<p>Criminal investigations</p>	<p>Reviews of insurance providers' operations</p>

Fraud Prevention Activities

The Enforcement Division largely focuses on responding to allegations of insurance fraud or misconduct, rather than preventing it.

- Required: Antifraud plan notification
- Not Required: Antifraud plan review

Recommendations

The Legislature should:

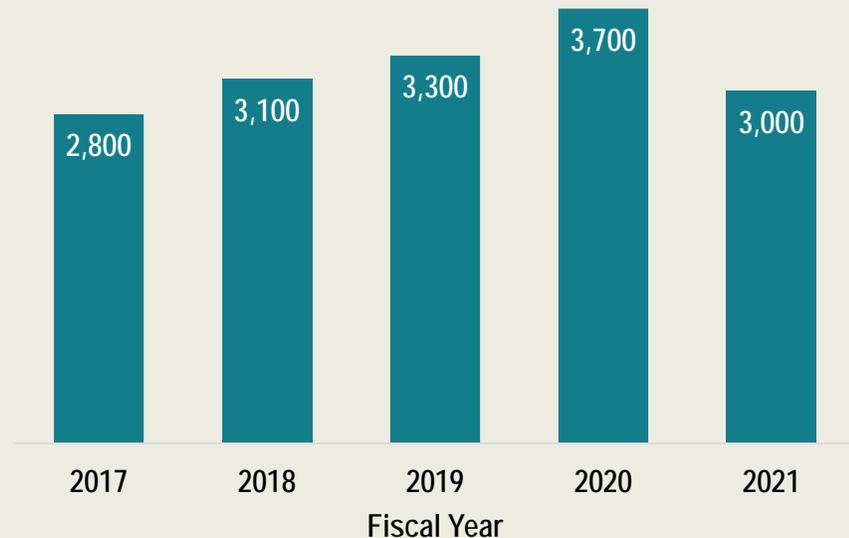
- Review Commerce's responsibilities related to antifraud plans.

The Department of Commerce should:

- Ensure all insurance companies comply with notification requirements.
- Coordinate antifraud plan review efforts across teams.

Civil Insurance Complaints Characteristics

Civil Insurance Complaints Closed By CSC and IET



- Closed about 16,000 complaints in FY 2017-2021
- Complaints were most frequently:
 - Submitted by insured individuals
 - Related to claims handling issues, including denials and delays
 - Regarding auto or accident and health insurance

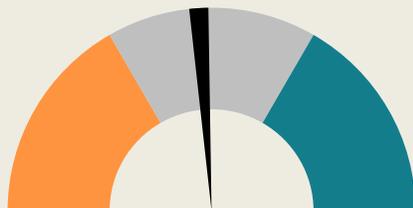
Policies

Commerce has not developed written policies to guide all of its civil insurance complaint investigations:

- Enforcement Division: Draft policies
- IET: No formal policies
- CSC: Formal policies; not well communicated

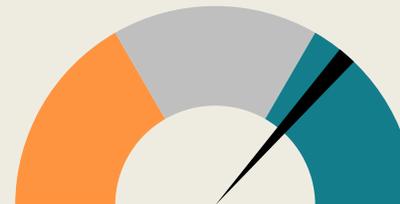
Policies

CSC Policies



47%

Enforcement Division Draft Manual



71%

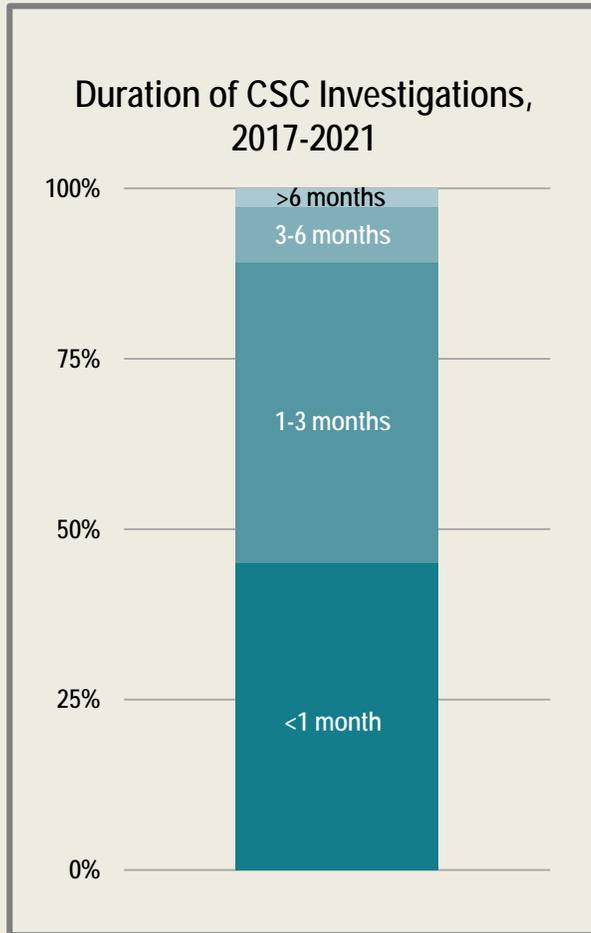
 Few recommendations reflected  Some recommendations reflected  Many recommendations reflected

Policies for investigating civil insurance complaints reflect some, but not all, key National Association of Insurance Commissioners (NAIC) recommendations.

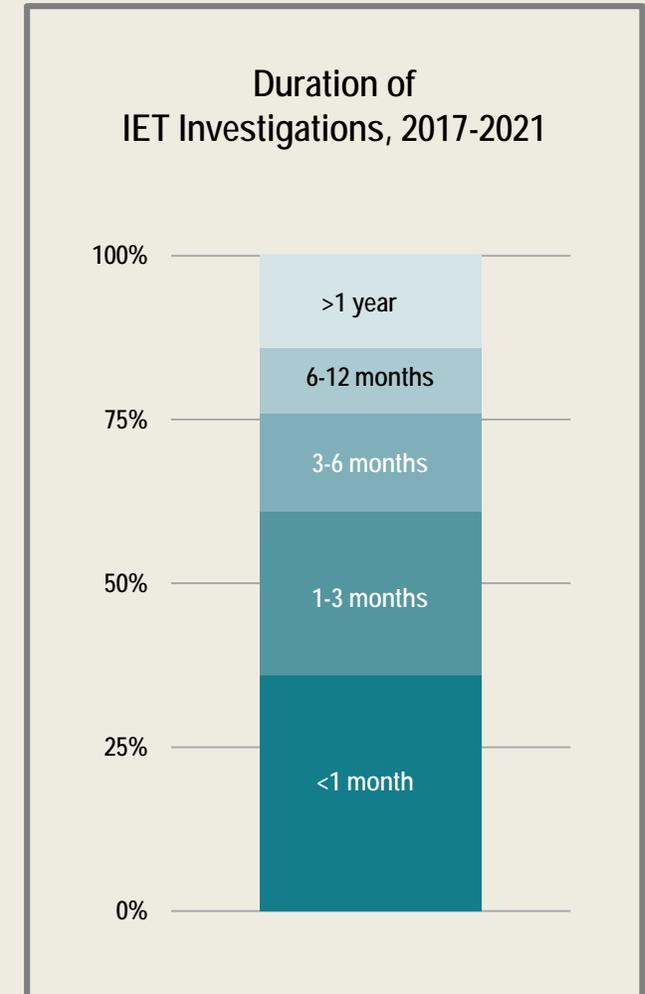
Investigative Activities

- Limited CSC expectations for investigative activities
- IET practices not always consistent:
 - Data on activities not consistently recorded
 - Incomplete documentation

Timeliness



- CSC closed complaints within a median of 35 days.
- IET closed complaints within a median of 58 days.



Communication and Data Practices

- CSC policies do not provide sufficient direction.
- IET does not provide complainants with consistent information after investigations.
- IET and CSC have different communication practices.

Recommendations

The Department of Commerce should:

- Adopt policies for key components of civil insurance investigations.
- Clearly communicate these policies to staff.
- Ensure investigators consistently follow these policies.

Recommendations

The Department of Commerce should establish:

- Formal timelines for completing key investigation activities.
- Written policies for reviewing complaints that are open for an extended period of time.
- Policies for communications with complainants and respondents.

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www.auditor.leg.state.mn.us