

State Auditor's Office

Agency Overview

September 2017

For the Economic Affairs Interim Committee

Elected Official: Matt Rosendale, State Auditor, also the Commissioner of Securities and Insurance

Constitutionally Designated Office: Under Article VI, section 1, the state auditor is listed with the other constitutionally named officers in the executive branch. Under Article VI, Section 4, subsection (5), the duties of the state auditor are as "provided by law". The statutory listing is under 2-15-601, MCA. A deputy state auditor is provided for in 2-15-602, MCA. The state auditor serves as the ex officio securities commissioner, pursuant to 2-15-1901, MCA, and as the ex officio commissioner of insurance, pursuant to 2-15-1903, MCA. The state auditor also serves on the Land Board and the Board of Hail Insurance.

Description and Responsibilities:

- Has authority under Title 30, chapter 10, parts 1 through 3 and part 10, to regulate certain securities activities in Montana, including registration or filing of securities, registration, examination, investigation, and discipline of broker-dealers, investment advisers described in 30-10-201, or other securities salespersons.
- Has authority under Title 33 to regulate certain insurance products, insurers, and insurance producers in Montana as well as certain aspects of health service corporations and health maintenance organizations.
- Collects premium taxes on insurance policies.
- Oversees transfers of insurance premium taxes to the various pension and disability trust funds. Another transfer from the general fund is required for fire department relief associations.
- Oversees a repository of information, including for public bonds issued for major economic development projects under 17-5-1506, transition bonds issued under Title 69, chapter 8, industrial development bonds issued under Title 90, chapter 5, part 1, or bonds issued by the Montana Facility Finance Authority.
- Oversees the Montana Living Trust Act and the Securities Restitution Assistance Fund.

Administratively Attached Entities:

- None

Legislative Audits:

- The latest [financial compliance audit](#) for the State Auditor's Office, presented in April 2017, had no recommendations for changes. The previous [financial compliance audit](#), presented in October 2014, contained three recommendations: improve internal controls related to computer access, review information after entry into a database of applicants seeking tax credits under the Insure Montana program, and require specific documentation to register as a securities offeror. The Legislature did not renew the Insure Montana program. The other recommended changes were implemented.
- A [performance audit](#) of Insure Montana was done in December 2010 with a [followup](#) in May 2012. The audit recommended enhanced verification of income and business size to determine eligibility and a determination of whether a recipient was delinquent in paying state income taxes. Other recommendations included changes in statutes so that spouses of the employer did not unfairly receive benefits.

For the Economic Affairs Interim Committee

Agency Bills Passed During 2017 Session:

This year featured a change in administrations, which means that the outgoing administration provided bill draft requests to the Economic Affairs Interim Committee in 2016 and the incoming administration had its own bills that could be brought in the 2017 Legislature, not necessarily in support of the previous administration's bill draft requests. This report will list all bills affecting the office under the next section.

Significant Bills Affecting the State Auditor's Office and Enacted in 2017

- [HB 73](#) - Treats air ambulance memberships as insurance. Effective 4/20/2017.
- [HB 120](#) - Revises insurance laws to retain National Association of Insurance Commissioners' accreditation. New sections of law related to corporate governance disclosure goes into effect 1/1/2018. Sections revising existing laws on such issues as a health organization's risk-based capita and examinations by the insurance commissioner go into effect 10/1/ 2017.
- [HB 137](#) - General housekeeping bill for insurance and securities laws administered by the State Auditor's Office. Various effective dates (passage and approval (4/4/2017) for certain sections and 10/1/2017, for others).
- [HB 138](#) - Revise licensing of general insurance agent laws to allow for appointment by affiliation, among other changes. Effective 2/20/2017.
- [HB 142](#) - Revise insurance law to give mental health coverage parity with physical health. Delayed effective date of 1/1/2018.
- [HB 145](#) - Adopts National Association of Insurance Commissioners' model legislation regarding annuities. Effective 1/1/2018.
- [HB 346](#) - Allows a fiscal agent to be designated as an employer for workers' compensation insurance. Allows third-party recipient of funds, as in veteran service providers, to hire employees and be considered the employer even though the client of the fiscal agent directs the work tasks. Effective 10/1/2017.
- [HB 449](#) - Revises the definition of wages in workers' compensation insurance to specify that lodging, rent, or housing is considered part of an employee's remuneration as further specified by rule, which is to address the geographic proximity of available housing and other reasonable factors affecting the valuation.. Effective 10/1/2017.
- [SB 44](#) - Provides process to hold patients harmless from balance billing by air ambulances. Effective 4/25/2017.
- [SB 58](#) - Prohibits the use of \$0 claims for insurance policy cancellation or nonrenewal. Effective 10/1/2017.
- [SB 77](#) - Revises terms of title insurance in tax deed laws. Effective 10/1/2017.
- [SB 129](#) - Requires insurance coverage of teledentistry. Effective 1/1/2018.
- [SB 142](#) - Revises laws related to volunteer emergency personnel and worker's compensation insurance to require notification if coverage provided. Effective 10/1/2017.
- [SB 167](#) - Generally revises laws pertaining to insurance offenses. Changes or adds penalties for various types of insurance fraud, theft, or hiding of assets related to insurance reporting. Treats all forms of insurance fraud or theft similarly, removing some issues from the unfair trade practices part of insurance law. Effective 5/19/2017.
- [SB 222](#) - Revises insurance laws relating to annuity surrender fees to set a 10-year limit on surrender charges unless a separate premium deposit is later added that was not part of the original annuity contract. Effective for contracts signed on or after 4/10/2017.
- [SB 245](#) - Generally revises Montana captive insurance laws to allow captives to have a certificate of dormancy, with an altered fee schedule. Effective 5/5/2017.
- [SB 291](#) - Revises lien filings for certain air ambulance bills. Effective 5/5/2017.

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- [SB 292](#) - Revises credit reporting laws for air ambulance debt from balance billing. Retroactive applicability for bills for which complaint recorded. Effective 5/5/2017.
- [SJR 27](#) - Study Montana's workers' compensation insurance.

State Auditor's Office - Biennium Budget for FY 2018 and FY 2019*

Divisions	FTEs	House Bill 2	Statutory Approps**	Total All Sources
		State Special Revenue		
Central Management	18.21	\$4,318,298.87		\$4,318,298.87
Insurance Division	51.4	\$10,277,031.43**		\$10,277,031.43
Securities Division	11.51	\$2,321,005.70	\$276,678	\$2,597,683.70
Other***			\$64,936,845	\$64,936,845
Total	81.12	\$16,916,336	\$65,213,523	\$82,129,859

*As noted in the Legislative Fiscal Report, p. A-80, the State Auditor's Office is funded from state special revenue derived from insurance and security fees, including a portion of captive account premium taxes.

**Includes \$387,334 from the captive insurance account.

***Transfers to the fire/police retirement funds

State Auditor's Office - Revenue Sources for FY 2017

Type	Amount	Distribution	
Insurance Premium Tax (excluding fire and captive insurance premiums)	\$93,882,770.39	General Fund: \$63,686,687.37 I	State Special -HMK: \$30,196,083.02
Fire Insurance Premium Tax	\$9,998,755.34	General Fund (all)	
Captive Insurance Premium Tax	\$1,759,059.25	General Fund: \$1,671,106.24	State Special: \$87,953.01
Insurance Licenses and Permits	\$5,539,616.31	General Fund: \$34,711	State Special: \$5,504,905.31
Captives Licenses and Permits	\$76,500		State Special (all)
Retaliatory Tax	\$141,993.64		State Special (all)
Insurance Fines	\$151,971.02	General Fund (all)	
Securities Licenses and Permits	\$7,327,295.39	General Fund (all)	
Securities Fines	\$50,509.99	General Fund (all)	
Securities Portfolio Registration Fees	\$8,702,054.97	(*receives transfer)	\$8,702,054.97*
Genetics Program	\$1,538,790		State Special (DPHHS)
Total Agency Revenue	\$129,538,429		

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Economic Affairs Interim Committee Areas of Interest:

- Interaction with national health insurance changes
- Possible updates on the viability of long-term care insurance

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