



**STRATEGIC VISION, COMMISSIONER INITIATIVES
AND POLICY GOALS AND OBJECTIVES**

OVERVIEW

The California Department of Insurance (CDI) has a two-fold mission. First, it is responsible for regulating the vast majority of insurance activity in the state. CDI licenses and monitors over 1,500 insurance companies and more than 300,000 agents and brokers, approves insurance products before they reach the market and ensures the overall health of the insurance market by carefully monitoring the fiscal health of those companies that do business in the state.

In the normal course of business, CDI annually processes more than 8,000 rate applications, issues more than 170,000 licenses (new and renewal), and performs financial reviews and examinations of several hundred financial insurer exams.

Second, the Department is the largest consumer protection agency in the state. CDI's 1,270 employees work to ensure that insurance companies honor their contractual commitments to policyholders. Their regular workload includes arbitrating disputes; investigating and prosecuting those engaged in insurance fraud; and empowering consumers with information necessary to protect themselves from natural disasters, unscrupulous agents, brokers, companies and policies. CDI also intervenes on behalf of policyholders to obtain money owed and to reinstate insurance policies wrongly cancelled. CDI enforces existing laws that prevent insurance companies from charging excessive rates.

The Department's consumer protection function is massive. In the normal course of business, CDI annually receives more than 300,000 consumer assistance calls, issues approximately 170,000 agents/brokers licenses, investigates more than 35,000 consumer complaints and, as a result, recovers more than \$48 million per year for consumers. The fraud function receives and processes roughly 24,000 suspected fraudulent referrals and initiates investigations that result in over 2,000 arrests. CDI's consumer education efforts include the publication of 39 different brochures in 11 languages covering such topics as California Low Cost Auto, senior issues, disaster preparedness and response, and, of course, where to go for help with your Insurance problems. In addition to hotline and office services, the Department holds over 400 community events around the state, providing education on topical insurance-related issues.

I. STRATEGY FOR SUCCESS

The Department must maintain focus on its core responsibilities and develop a structure to provide for continuous process improvement. This requires a constant review of activities and priorities, always keeping abreast of developing events and trends to make sure that our resources are able to meet problems as they arise.

CDI must also ensure effective communication, both internally and externally. It is imperative that Department employees can communicate quickly and efficiently with one another and know who to contact when they have questions that relate to another part of its business. The Department must also ensure that specific stakeholders, as well as the general public have clear channels of communication with CDI staff throughout the department.

CDI is part of the larger world and recognizes its environmental responsibilities through the use of goods, services, commodities, and appropriate resource allocation for overall operational efficiencies. We will look to implement changes that will reduce wastefulness on our own where possible and seek legislative assistance when statutory changes are required.

To be successful in the long-term, the CDI must:

Continue to increase efficiencies, maximize resources, and better meet the needs of specific stakeholders and of the public.

- ❖ Keep priorities straight and in alignment with changing needs.
- ❖ Make information available as quickly as is responsible while protecting legitimate privacy interests – and agree to accept fair criticism when it does not meet this challenge.
- ❖ Constantly review Department activities and emerging technology to identify and implement environmentally friendly policies.
- ❖ Challenge management team within the organization to ask “why”. Apply best practices to ensure optimal operational efficiencies through continuous review of existing resource allocation as positions become vacant.
- ❖ Always monitor lines of communication to ensure enhanced internal and external communication.

The Department’s strategic vision focuses on meeting the challenges of the present and the needs of the future. CDI must work to constantly improve the way it carries out its daily operations – both internal and external – while keeping an eye on emerging business practices, personnel needs and technological advances that will sustain and improve CDI in the years ahead.

Three overarching elements are critical to CDI's present and future success: human resources, technology and fiscal accountability.

HUMAN RESOURCES

Like most state agencies, CDI faces tremendous personnel challenges in the coming years. 43% of current CDI employees are 50 years of age or older and 25% of CDI employees currently qualify for retirement. As such, the next decade will see a dramatic change in its workforce.

Succession planning will be the single most important strategic activity that CDI undertakes in the next five years. Key to this plan will be developing the next generation of executive leaders. Of the 15 members of the Executive Staff, five have more than 30 years of state service and will likely retire within the next several years. This, combined with the relatively transient nature of exempt ("political") appointees suggests that well over half of the Executive Staff will turn over in the next five years.

Objective: Develop and aggressively implement a succession and workforce plan designed to identify and train the next generation of CDI management.

Success Metric: Have adequate number of CDI employees (from the next generation) who have received appropriate knowledge transfer and continue to receive on-going training on department functions and the latest management practices.

Target Completion Date: July 2009

Objective: Implement recruitment and retention strategies to ensure that CDI is staffed with qualified personnel to carry out its mission.

Success Metric: CDI has a low turn-over rate and high retention rate-decrease in vacancy rate. Vacancy rate drops from 14% to 10%, after mandated salary savings rate factored.

Target Completion Date: July 2009

Objective: Develop a streamlined application and testing processes for those interested in careers at CDI.

Success Metric: CDI has a full eligibility list for all classifications in demand.

Target Completion Date: On-going

Objective: Engage with the Department of Personnel Administration, the State Personnel Board and other state agencies to address the challenges arising from the changing nature of the state workforce.

Success Metric: CDI makes the necessary adjustments to its business practices, resource allocation levels, and right-sizing efforts through continuous review in order to meet the needs of the new state workforce and mission critical mandates.

Target Completion Date: On-going

Objective: Develop a robust training program for management focused on increased personal accountability, teambuilding, and career development within the agency.

Success Metric: Completion of training program including implementation timeline.

Target Completion Dates: Plan due June 2008; Implementation by January 2009

TECHNOLOGY

Technology continues to play an increasing role in all CDI activities. The Department will continue to identify technology solutions that will result in cost savings, greater employee and consumer assistance and improved communications.

The Department will continue to enhance its communications infrastructure – most notably its Internet site – to serve as a key informational resource, a first-class communications portal, and a way to promote operational transparency.

Objective: Ensure that CDI's Internet site and technological capabilities are state-of-the-art and able to meet the public's needs and expectations.

Success Metric: 1) CDI approval of web solution functional tests for live streaming video, survey, and interactive web services – all complete and approved. 2) Information Technology Executive Committee (ITEC) approved prioritized roadmap of public needs and expectations, defined through focus group meetings, aligned with Branch business needs.

Target Completion Date: Functional readiness by 07/15/08 and approved plan by November 2008

Objective: Eliminate barriers to electronic submission of applications, renewals, payments, and other business documents.

Success Metric: Passage of SB 1279 (Insurance: electronic records) and additional regulations and legislation if needed.

Target Completion Date: 2008 and 2009 legislative sessions

Objective: Continually automate work and support processes to assist employees and external constituents to improve efficiency in order to electronically submit and retrieve data and documents.

Success Metric: 1) Automation of two applications groups for external customers (Insurers) of CDI's Corporate Affairs Bureau; 2) Completion of automated workflow processes for internal CDI staff in order to process applications; and 3) Develop a roadmap for the automation of the remaining major application groups.

Target Completion Date: November 2008

BUDGET – FISCAL RESPONSIBILITY

In January, 2007, a funding sub-account within CDI's annual support operating budget had a \$5 million structural imbalance – expenditures were outpacing revenues. The current Administration immediately implemented key fiscal accountability measures including an analysis of operations, spending practices, and instituting cost savings measures.

As the Department works toward correcting the aforementioned sub-account funding imbalance, it will also begin to implement two long-term strategic imperatives:

Objective: Implement performance-based budgeting to ensure that resources are aligned, allocated and spent in a manner consistent with the Department's performance level objectives.

Success Metric: Budget funding allotments are in balance with performance level objectives.

Target Completion Date: July 2009

Objective: Ensure that expenditures do not exceed available revenues.

Success Metric: Fiscal Year Budget Plan is balanced and does not exceed available revenues.

Target Completion Date: July 2010

A qualified workforce, a first class technology and communications system and fiscal accountability and efficiency are essential for the Department to succeed in its core mission and meet the challenges of the 21st Century.

II. COMMISSIONER'S INITIATIVES

The Commissioner has identified several major initiatives, both state and national, that he will pursue in the current term. These initiatives are designed to bring the Department into the 21st Century in dealing with emerging technology, environmental concerns, our personal and civic duty to deal with catastrophic risks, and the growing international insurance market.

Initiative: Pay as You Drive The Department will adopt regulations to allow insurers to offer voluntary "pay as you drive" policies. Such policies assure more accurate insurance rates and, by creating an incentive to drive less, benefit the environment.

Success Metric: Development and completion of regulations

Target Completion Date: August 2009

Initiative: Catastrophe Mitigation The Department will aggressively pursue a number of coordinated efforts (public awareness campaigns, interagency working groups, training, and legislation/regulation) to ensure that California is better prepared for wildfires and earthquakes and is proactive in addressing global warming/climate change.

Success Metric: Creation of incentives to address mitigation/preparedness agreed upon by insurers, fire officials and consumers. Create Blue Ribbon Commission to develop statewide strategy for earthquake mitigation/preparedness. Continue public awareness campaign for both wildfire and earthquake preparedness. Creation of a global warming/climate change disclosure requirement, whether within or outside of the National Association of Insurance Commissioners (NAIC).

Target Completion Date: Fire mitigation incentives by December 2009. Blue Ribbon Commission created by December 2008. Public awareness campaign is ongoing. Global warming/climate change disclosure by December 2009.

Initiative: Paperless Operations Improve services and reduce waste of State resources by eliminating a large volume of paper-based transactions that exists throughout the department. Install a Document Management System, automated workflow and imaging system to transform CDI business operations. The goal is 100% paperless interaction with agents, brokers and insurance companies by 2010.

Initiative Owner: Administration and Licensing Services Branch

Success Metric: Convert most incoming paper to electronic format at the point of receipt and move to an electronic workflow-based system to streamline CDI business processes. Success will be measured through passage of SB 1279, future legislation, if needed, and insurance

regulation modifications and achievement of the benefits promised in the Paperless Workflow FSR.

Target Completion Dates:

- Feasibility Study Report approved by Office of the Chief of the Information Officer – April 2008
- Vendor Solution Procurement – February 2009
- Deploy Document Repository, Internal eForms and workflow – July 2010
- Implement scanning to repository and deploy external eForms and workflow – May 2011

Initiative: Insurance Regulatory Modernization Prevent federal preemption of state insurance law by taking a leading role at the National Association of Insurance Commissioners to develop a structure using existing state regulators and the NAIC's current resources that can address the issues faced by insurers in the national and international marketplace while maintaining appropriate local regulation and enforcement.

Initiative Owner: Financial Surveillance Bureau

Success Metric: Creation of a national structure (whether within or outside of the NAIC) that is state-based, rather than federal, with appropriate regulatory authority over issues that are national and international in scope, while maintaining the historic structure of state-based insurance regulatory authority.

Target Completion Date: December 2009

Initiative: Fraud Fusion Center Create a fusion center for insurance fraud investigations to allow law enforcement to (1) share information more rapidly and efficiently and (2) identify emerging trends and crime patterns.

Initiative Owner: Enforcement Branch

Success Metric: Design and implement a fusion center that will provide a tool for stakeholders to reduce insurance fraud in California.

Target Completion Date: June 2009

- Initiation – November 2008
- Develop/Design – February 2009
- Training/Testing – May 2009
- Implementation – June 2009

Initiative: Increasing Access to the High Risk Pool Seek to identify and implement a system in which all people with preexisting health problems can get insurance from a high risk pool

Initiative Owner: Health Policy Advisor

Success Metric: Enactment of a bill to fully fund the Managed Risk Medical Insurance Program and allow it to offer a more consumer friendly set of policies than current law allows.

Target Completion Date: October 2008

III. 2008 OPERATIONAL AND POLICY OBJECTIVES

The Commissioner seeks to increase operational efficiency and the Department's ability to serve consumers. This will involve streamlined policymaking to address legitimate problems faced by consumers and increased efforts to make more information available to the public.

PROTECTING CONSUMERS

Objective: Control abusive marketing practices in the title industry

Initiative Owner: Rate Regulation Branch

Success Metric: Implementation of necessary legislation or regulations; implement title marketing representative registration and, commence enforcement actions against improper inducements by marketing representatives.

Target Completion Date: Final regulation completed by June 2009

Objective: Protect homeowners from arbitrary surcharges and non-renewals (often known as "Use it and Lose It") by restricting the use of surcharges, requiring disclosure of the insurer's practices with regard to the use of claims history, and issuing a data call on non-renewals and other necessary information.

Initiative Owner: Policy and Regulation Branch

Success Metric: Completion of review; possible introduction of regulations

Target Completion Date: Project data call completed by October 2008. Evaluate possible rulemaking by December 2008

Objective: Improve consumer protections for senior citizens by pursuing suitability requirements for sales of annuity products and stronger enforcement of laws.

Initiative Owner: Policy and Regulations Branch

Success Metric: Implementation of suitability regulations, fewer complaints regarding unsuitable annuity sales, and no unaddressed complaints regarding abusive sales practices involving senior citizens.

Target Completion Date: March 2009

Objective: To improve oversight of market conduct practices by significantly increasing the number of exams conducted with emphasis on Senior Protection, homeowners' insurance, health insurance, and long-term care insurance.

Initiative Owner: Consumer Services and Market Conduct Branch

Success Metric: Increase the number of exams completed from 174 in 2007 to 235 per year by the end of 2009.

Target Completion Date: December 2009

EXPANDING CHOICES FOR CONSUMERS

Objective: Explore incentives to open up new health care market niches (such as retail clinics) to help contain costs and limit premium inflation. Reduce unnecessary regulatory barriers that impede the development of new markets.

Initiative Owner: Health Policy Advisor

Success Metric: Passage of laws related to scope of practice of Nurse Practitioners, increase in openings of retail health clinics in California.

Target Completion Date: December 2009

Objective: Promote Low Cost Auto program and assist the DMV with enforcement efforts in order to reduce the number of uninsured motorists. Establish pilot project in Sacramento County with emphasis on marketing and outreach during '08-'09 FY.

Initiative Owner: Community Relations Branch

Success Metric: Reduction in the uninsured motorist rate in Sacramento County.

Target Completion Date: Data analysis completed December 2009

DEVELOPING IMPROVED DATA AND INFORMATION FOR CONSUMERS AND POLICY MAKERS

Objective: Develop a set of measures ("report card") for each major line of insurance to assess the level of competition, financial soundness of companies, price and service levels.

Initiative Owner: Policy and Regulations Branch

Success Metric: Implementation of the Report Card in CDI's annual strategic planning process.

Target Completion Date: December 2008

Objective: Work with health insurers to deploy emerging and effective technologies (personal health records, electronic medical records, comparative effectiveness of drugs and procedures, etc.) to help contain health insurance costs and limit premium inflation. Establish systems of measurement to measure progress and effectiveness.

Initiative Owner: Health Policy Advisor

Success Metric: Establish and maintain working groups with industry; monitor market implementation of systems.

Target Completion Date: December 2009

Objective: Create a Report Card on PPO performance to match DMHC Quality of Care Report Card for HMOs.

Initiative Owner: Health Policy Advisor

Success Metric: Introduce and present Report Card on CDI website in fall of 2009.

Target Completion Date: Fall 2009

CONSUMER EDUCATION AND INCREASED AWARENESS

Objective: Re-institute a public awareness campaign focusing on the development and (free) placement of print, radio, web-based, and TV Public Service Announcements (PSAs). Attention should be paid to providing Spanish versions where possible and practical.

Initiative Owner: Communications & Press Relations

Success Metric: Number of PSAs delivered and volume of inquiries received in response to the PSAs

Target Completion Dates: Plan due: December 2008; full implementation by December 2010

Objective: Increase consumer education by developing and offering web-based videos and other information at the CDI website.

Initiative Owner: CSMCB/CEOB

Success Metric: Deployment of functionality that allows consumers to: (1) “attend on demand” (via streaming video) hearings and other CDI meetings and events without the need to travel; (2) interact with Department experts on specified subjects via “live chat” and (3) survey stakeholders to identify and prioritize which web-based activities will best serve their needs.

Target Completion Date: September 2009

FIGHTING FRAUD

Objective: Implement the Insurance Commissioner's Advisory Task Force recommendations to reduce insurance fraud

Initiative Owner: Enforcement Branch

Success Metric: Reduce incidents of insurance fraud by implementing the following:

1. Create a fusion center for insurance fraud investigations so law enforcement can share information more efficiently and quickly to identify emerging trends and crime patterns. (Task Force recommendation(s)—9, 14, 15, 16, 17);
2. Better training for the Special Investigation units (SIU) on the recognition, documentation, and reporting of suspected insurance fraud claims. (Task Force recommendation(s)—7, 8)
3. Recognize insurance companies that go beyond compliance for their greater commitment to fighting fraud. (Task Force recommendation(s)—10)
4. Increase the outreach efforts of CDI about the consequences of fraud, how the public can recognize it and report it. (Task Force recommendation(s)—11)
5. Adopt more aggressive recruiting and retention practices, including pay upgrades, so that CDI can recruit and retain qualified investigators.

Target Completion Date: June 2009

IMPROVING WORKERS' COMPENSATION SYSTEM

Objective: Comprehensive review and oversight of California workers' compensation insurance system.

Initiative Owner: Workers' Compensation Task Force

Success Metric:

1. Issue Pure Premium Rate Decision and Order that effectively addresses the changes in workers' compensation loss costs based upon current workers' compensation system data.
2. Passage of legislation providing for additional corporate governance responsibilities for the State Compensation Insurance Fund ("SCIF"), including increasing the size of the board of directors, minimum qualifications for directors, mandating an audit committee.
3. Complete review of SCIF's remediation plan to address operational deficiencies noted in December 2007 Report of Examination.
4. Audit completed of WCIRB regarding its effectiveness and meeting the requirements of it licensure both as rating organization and the Insurance Commissioner's statistical agent.

5. Report to the Insurance Commissioner from the Experience Rating Task Force on recommendations to improve the Experience Rating System to promote workplace safety and encourage loss prevention by employers.
6. Develop regulations to address the payment of fees by insurers to employer groups to promote workplace safety.
7. Completion of operational review of CIGA which includes a determination of CIGA's effectiveness in handling and disposing of workers' compensation claims, adequate controls in use of third party administrators, and overall corporate governance.

Target Completion Dates:

1. November 17, 2009
2. January 1, 2009
3. December 2008
4. December 2008
5. July 2008
6. December 2008
7. March 2009

INCREASING COMMUNICATION AND INFORMATION FLOW

Objective: Expand the use of the Enterprise Information Portal (EIP) and Integrated Data Base to provide greater management access to information about CDI's operational status and metrics and the health of the insurance industry.

Initiative Owner: Administration and Licensing Services Branch

Success Metric: Delivery of the functional requirements as outlined in the work plan for Phase 2 of the EIP project. Increased utilization of the system as measured by Oracle portal logs.

Target Completion Date: October 2008

Objective: Increase information sharing via enhanced CDI Intranet and increased cross-branch interaction to ensure greater employee awareness of CDI activities and greater consistency ("One Voice") when communicating with the public, consumer groups and industry.

Initiative Owner: Executive Team

Success Metric: No instances of inconsistent directives to the industry or public that could have been prevented by inter-branch coordination.

Target Completion Date: On-going

EXPEDITING APPLICATION APPROVAL

Objective: Speed up approvals of policy submissions and corporate applications.

Initiative Owner: Legal Branch

Success Metric: Reductions in the time required to approve policies and corporate applications, measured by comparing current and prospective processing rates by lawyer staff, in turn monitored through e-Counsel database and by bureau chiefs; fewer outside complaints.

Target Completion Date: Ongoing

REINSURANCE MODERNIZATION

Objective: Develop a comprehensive reinsurance modernization plan that provides for single state regulation and risk-based collateral requirements.

Initiative Owner: Financial Surveillance Branch

Success Metric: Adoption of the reinsurance modernization plan by the NAIC.

Target Completion Date: December 31, 2008

NAIC FINANCIAL ACCREDITATION

Objective: Maintain the NAIC Financial Accredited status.

Initiative Owner: Financial Surveillance Branch

Success Metric: Successfully pass the on-site accreditation review scheduled for the fourth quarter.

Target Completion Date: December 31, 2008

ENVIRONMENTAL PRACTICES

Objective: Green Initiative

Initiative Owner: Legal/Community Relations Branch

Success Metric: Statewide implementation and implementation structure established – September 2008; Transportation Survey Completed – October 2008; Bldg Management Survey Completed – September 2008; DGS/CDI Coordinated Lease Negotiation Plan Completed – December 2008

Targeted Completion Date: On-going