



# DEPARTMENT OF INSURANCE

BUSINESS, ECONOMIC DEVELOPMENT & LABOR APPROPRIATIONS SUBCOMMITTEE  
STAFF: PATRICK LEE

BUDGET BRIEF

## SUMMARY

The Insurance Department protects the public by regulating insurance companies and individual agents to assure equitable and competitive business practices. The Department is divided into eleven work sections, eight of which are funded from the General Fund with the remainder funded by dedicated or restricted funds. The department's appropriation is offset by fees collected by the department which are deposited into the General Fund and some restricted accounts. Fees are collected for a variety of activities in addition to licensing of agents and brokers.

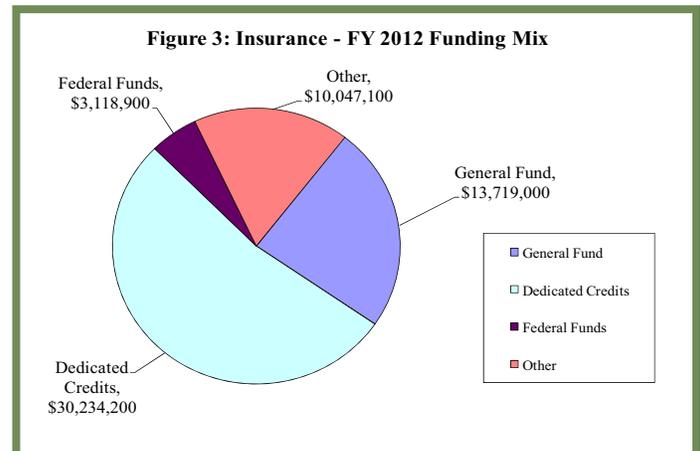
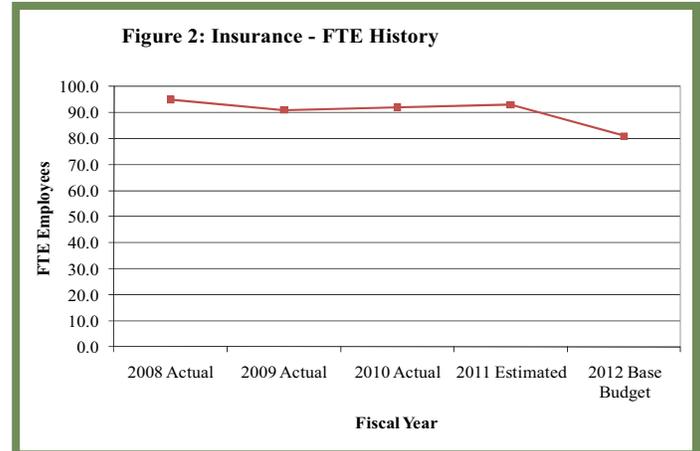
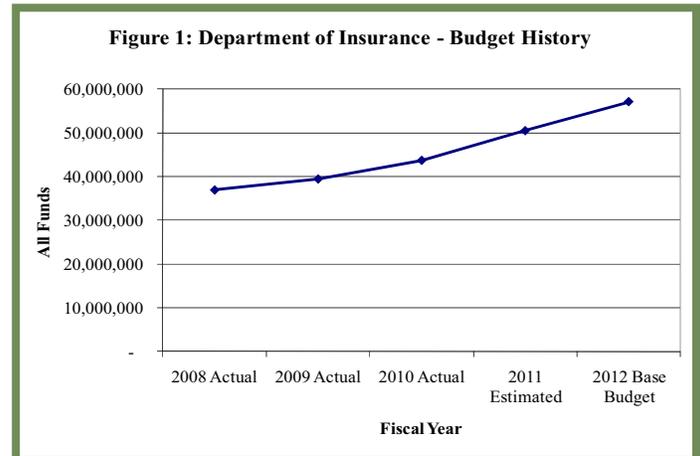
## BUDGET DETAIL

With the passage of House Bill 5, 1<sup>st</sup> Substitute, the Utah Insurance Department has an overall base budget funding mix for FY 2012 of the following: 53% Dedicated Credits (\$30,234,200), 24% General Fund (\$13,719,000), 14.7% nonlapsing balances (\$8,447,900), 5.5% Federal Funds (\$3,118,900), and 2.8% Restricted Funds (\$1,599,200). See Fig. 3.

The overall budget for the Insurance Department has increased from FY 2008 to the FY 2012 base budget. This increase is mainly due to increases in Dedicated Credits, Federal Funds and nonlapsing balances in the Comprehensive Health Insurance Pool. General Fund appropriations for the department have decreased from the FY 2008 Actual amount of \$16,725,100 to the FY 2012 base appropriation of \$13,719,000. This includes reductions taken in both Insurance Administration and the Comprehensive Health Insurance Pool (HIPUtah).

The General Fund appropriation for the Utah Department of Insurance is split mainly between Insurance Administration and HIPUtah. The FY 2012 appropriation for Administration, which includes several programs, is \$5,638,800, as well as \$5,200 General Fund for Title Insurance Program. There is a General Fund appropriation for the High Risk Pool of \$8,075,000. In total, \$13,719,000 in General Fund has been appropriated in the base budget for FY 2012.

The level of FTE for the department has remained fairly stable over the past few fiscal years with a drop of about 12.0 FTE not currently reflected in the table, but will show with close out of the current fiscal year.



**AGENCY DIVISIONS AND SECTIONS**

The Utah Insurance Department includes the following divisions and sections:

*Office of the Commissioner, Administration, Information Technology Services Divisions* – these divisions provide oversight, direction, budgeting, and other support to the entire department.

*Bail Bond Surety Oversight* – makes rules recommendations to the commissioner, reviews applications and governs licenses for bail bond surety insurance businesses.

*Captive Insurers* – focuses on implementation of the Utah Captive Insurance Companies Act, including processing applications for new and existing insurers.

*Enforcement Section* – acts as counsel for the department in various matters including, Bail Bond Advisory Board and Title and Escrow Commission.

*Examinations/Solvency Division* – responsible for licensing, examination and verification of financial information submitted to the department.

*Fraud Division* – conducts investigations into insurance fraud, identifies and prosecutes violators.

*Health Division* – regulates health insurance industry in Utah for licensees and consumers.

*Life, Property & Casualty* – regulation of life, home, auto, business and other insurance policies; investigations and performance of rate reviews.

*Market Conduct* – conducts investigations and audits of the insurance industry and seeks to verify compliance with insurance laws.

*Producer Licensing* – responsibilities include: licensing agents, brokers, adjusters and consultants.

*Title and Escrow* – enforcement of title insurance and escrow codes, licensing, and assessments on insurers.

**RESTRICTED ACCOUNTS**

During the 2010 General Session, four new restricted accounts were created within the department of Insurance through passage of House Bill 39, “Insurance Related Amendments” (Dunnigan, J.). These accounts were converted from previously Dedicated Credits to Restricted Funds and include: 1. Technology Development Restricted Account; 2. Criminal Background Check Restricted Account; 3. Captive Insurance Restricted Account; and, 4. Title Licensee Enforcement Restricted Account. Each account relates to its individual section within the Insurance Department and includes nonlapsing authority. FY 2012 appropriations for the accounts are as follows:

Technology Development - \$645,700

Criminal Background Check - \$165,000

Captive Insurance - \$690,000

Title Licensee Enforcement - \$75,000

**FEES**

For information on the fee schedule in FY 2012 for the Insurance Department, including any changes from the FY 2011 schedule, see the Issue Brief *Department of Insurance: FY 2012 Fee Schedule*.

**BUDGET DETAIL**

The following table shows the budget history for the Utah Insurance Department. Changes were made to the table in the *FY 2012 Base Budget* column from the original 93% of FY 2011 ongoing General Fund appropriations across the board. These changes reflect action approved by the Business, Economic Development and Labor Appropriations Subcommittee and passed in House Bill 5, 1<sup>st</sup> Substitute.

<b>Insurance Department</b>						
<b>Sources of Finance</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Appropriated</b>	<b>Changes</b>	<b>FY 2011 Revised</b>	<b>Changes</b>	<b>FY 2012* Base Budget</b>
General Fund	13,623,700	13,438,000	0	13,438,000	281,000	13,719,000
General Fund, One-time	72,500	(25,000)	0	(25,000)	25,000	0
Federal Funds	2,040,600	2,968,900	(955,200)	2,013,700	1,105,200	3,118,900
Dedicated Credits Revenue	23,578,400	30,095,700	(5,247,300)	24,848,400	5,385,800	30,234,200
Restricted Revenue	300,400	0	284,400	284,400	(284,400)	0
GFR - Bail Bond Surety Admin	23,500	23,500	0	23,500	0	23,500
GFR - Guaranteed Asset Protection Waiver	11,800	89,000	0	89,000	(89,000)	0
GFR - Technology Development	0	0	1,569,800	1,569,800	(924,100)	645,700
GFR - Criminal Background Check	0	0	325,000	325,000	(160,000)	165,000
GFR - Captive Insurance	0	0	1,328,800	1,328,800	(638,800)	690,000
GFR - Title Licensee Enforcement	0	0	150,000	150,000	(75,000)	75,000
Beginning Nonlapsing	32,933,000	28,191,700	76,600	28,268,300	(6,444,600)	21,823,700
Closing Nonlapsing	(28,747,800)	(22,275,900)	452,200	(21,823,700)	8,447,900	(13,375,800)
Lapsing Balance	(115,700)	0	0	0	0	0
<b>Total</b>	<b>\$43,720,400</b>	<b>\$52,505,900</b>	<b>(\$2,015,700)</b>	<b>\$50,490,200</b>	<b>\$6,629,000</b>	<b>\$57,119,200</b>
<b>Line Items</b>						
Insurance Department Administration	8,556,200	9,381,900	(10,600)	9,371,300	857,800	10,229,100
Insurer Assessments	0	0	150,000	150,000	(150,000)	0
Comprehensive Health Insurance Pool	35,053,700	43,020,300	(2,155,100)	40,865,200	5,921,200	46,786,400
Bail Bond Program	22,100	23,500	0	23,500	0	23,500
Title Insurance Program	88,400	80,200	0	80,200	0	80,200
<b>Total</b>	<b>\$43,720,400</b>	<b>\$52,505,900</b>	<b>(\$2,015,700)</b>	<b>\$50,490,200</b>	<b>\$6,629,000</b>	<b>\$57,119,200</b>
<b>Categories of Expenditure</b>						
Personnel Services	5,885,600	6,463,800	(339,200)	6,124,600	386,600	6,511,200
In-state Travel	29,100	39,100	200	39,300	3,500	42,800
Out-of-state Travel	39,300	53,000	2,100	55,100	65,500	120,600
Current Expense	36,085,700	44,487,700	(1,848,500)	42,639,200	5,694,200	48,333,400
DP Current Expense	1,273,700	1,462,300	169,700	1,632,000	(266,600)	1,365,400
DP Capital Outlay	0	0	0	0	3,000	3,000
Other Charges/Pass Thru	407,000	0	0	0	742,800	742,800
<b>Total</b>	<b>\$43,720,400</b>	<b>\$52,505,900</b>	<b>(\$2,015,700)</b>	<b>\$50,490,200</b>	<b>\$6,629,000</b>	<b>\$57,119,200</b>
<b>Other Data</b>						
Budgeted FTE	92.0	92.0	(7.0)	85.0	(2.0)	83.0
Actual FTE	77.4	0.0	0.0	0.0	0.0	0.0
Vehicles	11	10	0	10	0	10

\*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature:

1. Consider the changes to the FY 2012 fee schedule for the Department of Insurance, as shown in Appendix A, and: (a) adopt the schedule for the coming fiscal year, including changes, or (b) adopt the fee schedule for the coming fiscal year, excluding the proposed changes.