

Budget Brief - Insurance Department

2007 GENERAL SESSION, I-01

SUMMARY

The Insurance Department protects the public by regulating insurance companies and individual agents to assure equitable and competitive business practices. This budget also includes funding for HIPUtah.

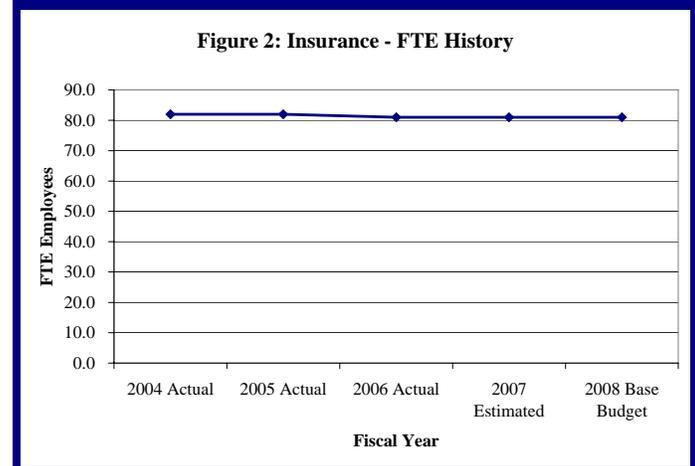
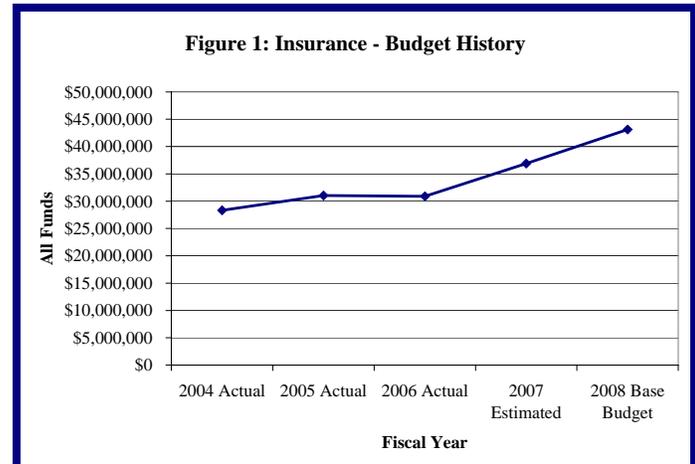
ISSUES

Three Financial Examiners: The Insurance Department is required by law to examine all domestic insurance companies at least once every five years. There are 42 domestic insurance companies and one examination supervisor with a staff of five. This team is stretched to the point that the Department is contracting with outside providers to get the job done in a timely fashion. These costs are higher than having the Department do the job and these increased costs are passed on to the companies being examined. The Analyst recommends \$243,400 in ongoing General Fund for three additional financial examiners. The costs of these examiners is billed to the companies they examine at 1.5 times salaries. Those revenues are then paid back into the General Fund.

Additional FTE for Fraud Investigations: Over the past ten years the number of referrals for investigation has tripled, the number of investigations completed has increased ten fold as has the number of felonies charged. The number of cases prosecuted and the number of defendants arrested has tripled. The Analyst recommends \$91,200 in Dedicated Credits to add another investigator to keep up with the increasing workload.

HIPUtah Funding: The Health Insurance Pool of Utah (HIPUtah) provides access to health insurance coverage for the uninsurable. The Legislature subsidizes insurance for high cost customers to insure a healthy private insurance market. Ongoing funding is at \$10,000,000. Their board wants to build a six month reserve and they asked for \$2,676,600 additional funding a year for three years. This is the amount that their actuary recommends. The Analyst recommends an additional \$1,000,000 in ongoing General Fund. The reason for building

BUDGET AT A GLANCE



reserves is that when the economy is not doing well, use of the pool increases. These are also the times when it is most difficult for the legislature to come up with additional funding. The program already has reserves that are above six months.

SUPPLEMENTAL INTENT

Under the terms of Section 63-38-8.1 Utah Code Annotated, up to \$130,000 of Item 65 of Chapter 1, or Item 60 of Chapter 366, Laws of Utah, is made non-lapsing. Of that amount, \$120,000 is for computer equipment and software and \$10,000 is for employee training.

ACCOUNTABILITY DETAIL

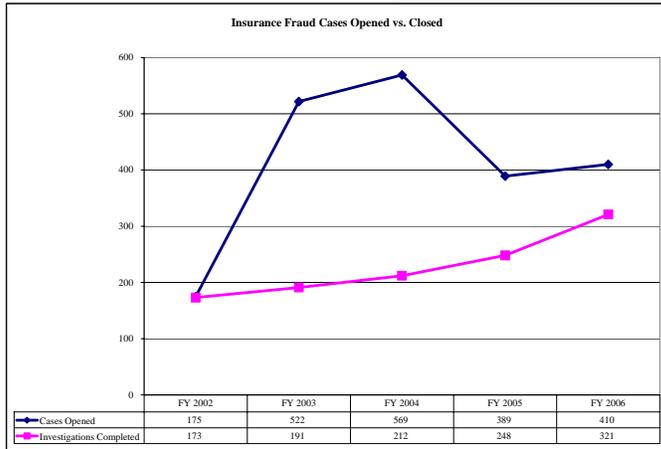


Table 1

Measure: Fraud Cases Opened vs. Cases Completed

Goal: Reduce case backlog.

Methodology: Compare Cases Opened with Cases Completed.

Measure Type: Output.



Table 2

Measure: Title Insurance Cases Opened vs. Cases Closed.

Goal: Reduce case backlog. This makes the division more responsive to the public.

Methodology: Compare the number of cases opened to the number of cases closed.

Measure Type: Output.

This graph show the increase in the number of enrolled people.



Table 3

Measure: Bail Bond Complaints Received.

Goal: Measure Bail Bond workload.

Methodology: Simple complaint count.

Measure Type: Workload.



Table 4

Measure: Number of Uninsurable Individuals Enrolled.

Goal: Measure HIPUtah's workload.

Methodology: Count the number of individuals insured through HIPUtah.

Measure Type: Output.

BUDGET DETAIL TABLE

The Analyst recommends the FY 2008 base budget shown below of \$43,101,100. Of that amount, \$15,324,400 is from the General Fund.

Insurance						
Sources of Finance	FY 2006 Actual	FY 2007 Appropriated	Changes	FY 2007 Revised	Changes	FY 2008* Base Budget
General Fund	10,858,500	15,324,400	0	15,324,400	0	15,324,400
General Fund, One-time	10,000,000	987,200	0	987,200	(987,200)	0
Federal Funds	1,395,400	0	0	0	0	0
Dedicated Credits Revenue	3,051,200	23,613,900	(20,681,900)	2,932,000	24,871,500	27,803,500
Restricted Revenue	17,581,800	0	20,267,100	20,267,100	(20,267,100)	0
GFR - Bail Bond Surety Admin	22,100	22,100	0	22,100	0	22,100
Beginning Nonlapsing	9,763,400	16,206,700	5,557,800	21,764,500	2,643,100	24,407,600
Closing Nonlapsing	(21,764,500)	(7,961,700)	(16,445,900)	(24,407,600)	(48,900)	(24,456,500)
Lapsing Balance	(1,400)	0	0	0	0	0
Total	\$30,906,500	\$48,192,600	(\$11,302,900)	\$36,889,700	\$6,211,400	\$43,101,100
Line Items						
Insurance Department Administration	6,932,800	8,389,000	366,100	8,755,100	(342,000)	8,413,100
Comprehensive Health Insurance Pool	23,891,000	39,709,500	(11,673,700)	28,035,800	6,555,300	34,591,100
Bail Bond Program	20,700	22,100	0	22,100	0	22,100
Title Insurance Program	62,000	72,000	4,700	76,700	(1,900)	74,800
Total	\$30,906,500	\$48,192,600	(\$11,302,900)	\$36,889,700	\$6,211,400	\$43,101,100
Categories of Expenditure						
Personal Services	4,688,100	5,712,600	(363,800)	5,348,800	(82,500)	5,266,300
In-State Travel	13,300	21,600	0	21,600	2,800	24,400
Out of State Travel	117,200	86,200	52,400	138,600	17,300	155,900
Current Expense	25,436,200	36,970,500	(6,910,300)	30,060,200	6,407,500	36,467,700
DP Current Expense	354,700	5,195,300	(4,119,500)	1,075,800	(69,000)	1,006,800
DP Capital Outlay	157,500	206,400	100,000	306,400	(126,400)	180,000
Capital Outlay	19,000	0	18,000	18,000	(18,000)	0
Other Charges/Pass Thru	120,500	0	(79,700)	(79,700)	79,700	0
Total	\$30,906,500	\$48,192,600	(\$11,302,900)	\$36,889,700	\$6,211,400	\$43,101,100
Other Data						
Budgeted FTE	81.0	89.0	(8.0)	81.0	0.0	81.0
Vehicles	9	9	0	9	10	19

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