

DEPARTMENT OF INSURANCE

BUSINESS, ECONOMIC DEVELOPMENT AND LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: ANDREA WILKO, PH.D.

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 ten work sections as shown on page 2 funded by dedicated credits or restricted funds. Funds in excess of appropriations are deposited into the General Fund. Fees are collected for a variety of activities in addition to licensing of agents and brokers.

ISSUES AND RECOMMENDATIONS

The subcommittee should consider the following items in its deliberations:

Budget Adoption

For the Department of Insurance, the Fiscal Analyst recommends an FY 2014 budget of \$92,641,100 as shown in the table on page 4 titled Insurance.

Adoption of Fees

For the FY 2014 fee schedule for the Department of Insurance, please refer to the issue brief, *Department of Insurance: FY 2014 Fee Schedule*.

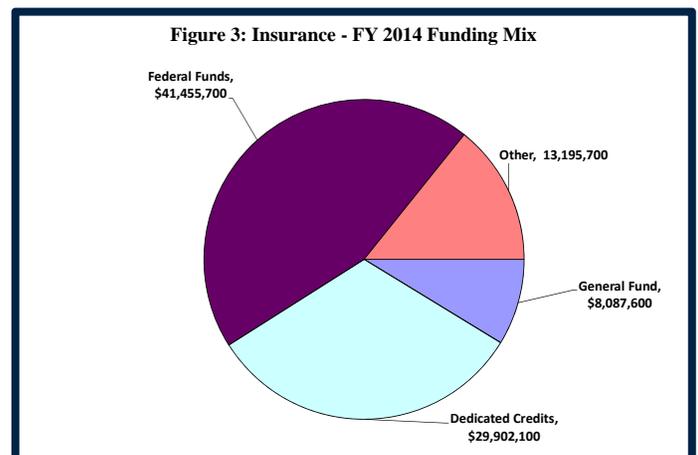
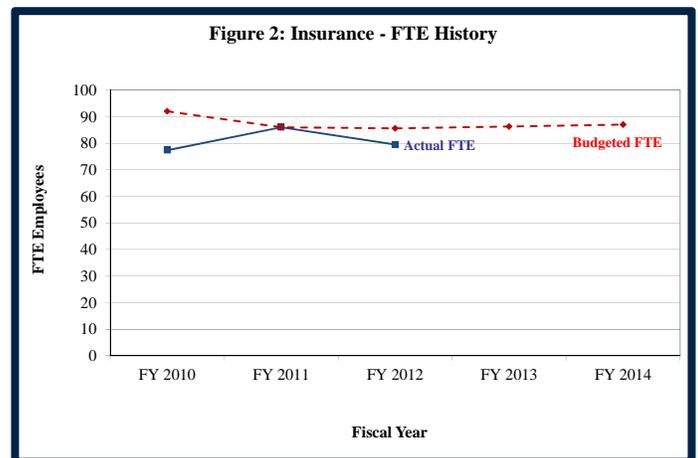
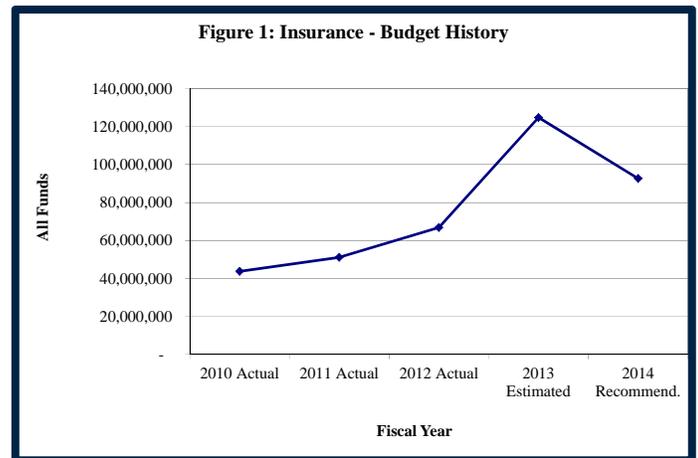
Federal Funds

Federal Funds for the Department of Insurance are shown in the Issue Brief: *Business, Economic Development, and Labor: Federal Funds*.

HIPUtah

The Utah Comprehensive Health Insurance Pool (HIPUtah) is a state subsidized insurance program set up to provide a safety net for uninsurable persons in the state. HIPUtah functions as the insurer of last resort for the state. The major factor expected to influence the direction of HIPUtah is the Pre-Existing Condition Insurance Plan (PCIP) program established under the Affordable Care Act (ACA).

HIPUtah also satisfies the federal requirements established under the Health Insurance Portability and Accountability Act (HIPAA Portability) to make insurance available to individuals who have lost coverage under an employer group policy.



FUNDING DETAIL

The Utah Department of Insurance has an overall base budget funding mix for FY 2014 of the following: 32% Dedicated Credits (\$29,902,100), 9% General Fund (\$8,087,600), 3% non-lapsing balances (\$2,657,700), 45% Federal Funds (\$41,455,700), and 11% Restricted Funds (\$10,538,100).

The overall budget for the Department of Insurance has increased from FY 2009 to the FY 2014 base budget. This increase is mainly due to increases in restricted revenue, federal funds, and non-lapsing balances in the Comprehensive Health Insurance Pool.

Funding for most of the Department of Insurance has been converted to restricted revenue. The remaining General Fund appropriation for the Department is found in the HIPUtah line item and a small amount in the Title Insurance Program (\$4,100).

AGENCY DIVISIONS AND SECTIONS

The Utah Department of Insurance includes the following ten 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.

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

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

Health and Life Division – regulates the health and life insurance industry

Property and Casualty - regulates home, auto, business and other insurance policies.

Market Conduct/Enforcement – conducts investigations and audits of the insurance industry and seeks to verify compliance with insurance laws and administrative proceedings conducted by the department.

Producer Licensing – licenses agents, brokers, adjusters and consultants.

Title and Escrow – enforces title insurance and escrow codes, licensing, and assessments on insurers.

RESTRICTED ACCOUNTS

General Fund Restricted – Insurance Department Account: is funded by fees assessed by the Department of Insurance under UCA 63J-1-504, reimbursements for examination costs, and forfeitures collected under UCA 31. Funding is used to administer the programs within the Department of Insurance. Revenues which exceed appropriations are lapsed to the General Fund at the end of the fiscal year.

General Fund Restricted – Insurance Fraud Investigation Restricted Account: is funded through fees assessed on both admitted and nonadmitted insurers operating within the state. Funding is used for administering, investigating and enforcing insurance fraud statutes.

General Fund Restricted – Relative Value Study Restricted Account: is funded by a .01% tax on total premiums received by insurers that provide coverage for motor vehicle liability, uninsured motorists, and personal injury protection. Funding is used to pay for the costs of the relative value study identified in UCA 31A-22-307.

General Fund Restricted – Health Insurance Actuarial Review Restricted Account: is funded by a fee assessed on small employer carriers participating in the defined contribution arrangements market. Funds are used to pay for the cost of the actuarial review.

General Fund Restricted – Technology Development Restricted Account: is funded by fees assessed on requests for information, licenses, registrations or certificates of authority. Funding is used to provide services through electronic commerce.

General Fund Restricted – Criminal Background Check Restricted Account: is funded though fees imposed on insurance holding companies, insurance marketing companies, third party administrators, and insurance adjusters. Funds are used to pay the costs of obtaining criminal background information required by statute.

General Fund Restricted – Captive Insurance Restricted Account: is funded by fees imposed on certificates of authority. Funding is used to administer and enforce the provisions of the Captive Insurance Act and to promote the captive insurance industry in Utah.

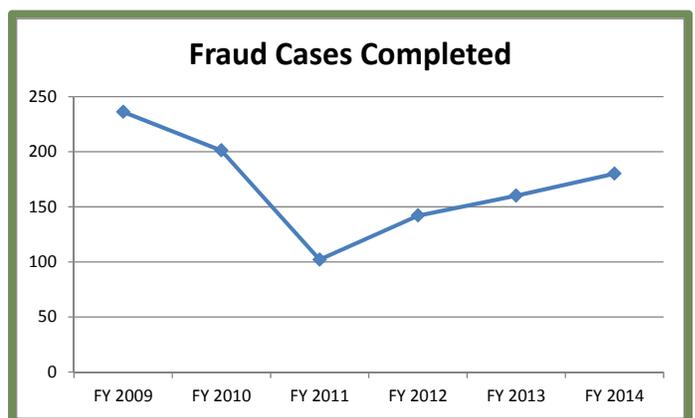
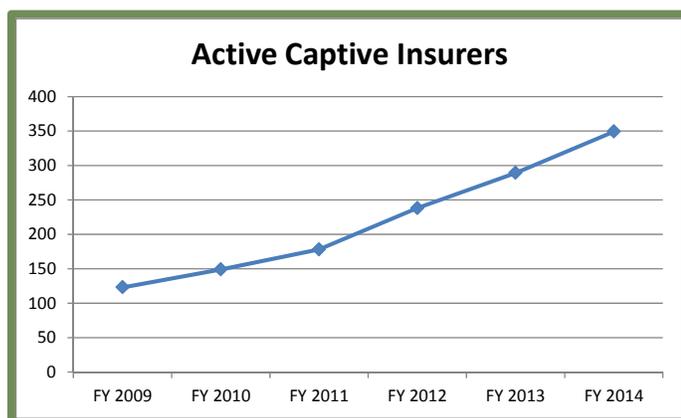
General Fund Restricted – Title Licensee Enforcement Restricted Account: is funded by fees assessed on title insurance agencies and title insurers. Funding is used to pay for the costs of administering, investigating and enforcing the provisions of the insurance marketing section of the Utah Code Annotated.

ACCOUNTABILITY DETAIL

The Insurance Department's primary goals are to seek to improve government; monitor and maintain the solvency of insurers; provide a service oriented insurance producer licensing system; provide consumer protection; and monitor and maintain compliance with the Utah Insurance Code.

Captive insurance companies are companies that primarily insure the risks of businesses related to it through common ownership. Captive insurers provide high paying jobs and bring financial assets to the state. A department goal is to bring these captive insurers to Utah. The number of active captive insurers in the state is shown in the chart titled Active Captive Insurers.

Another department goal is to protect consumers from unscrupulous and dishonest persons in the business of insurance. To measure success the department keeps records of the number of fraud cases completed annually. Statistics for this measure are shown in the chart titled Fraud Cases Completed.



BUDGET DETAIL

The following tables show the budget history for the Utah Department of Insurance line items in addition to a department wide summary.

BUDGET DETAIL TABLE

Insurance						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
General Fund	8,078,900	8,087,600	0	8,087,600	0	8,087,600
General Fund, One-time	35,000	0	0	0	0	0
Federal Funds	21,758,100	65,746,800	0	65,746,800	(24,291,100)	41,455,700
Dedicated Credits Revenue	25,804,300	34,468,800	(28,100)	34,440,700	(4,538,600)	29,902,100
GFR - Bail Bond Surety Admin	23,500	23,500	0	23,500	0	23,500
GFR - Guaranteed Asset Protection	89,000	89,000	0	89,000	0	89,000
GFR - Insurance Department Acct	5,894,900	6,217,100	95,700	6,312,800	(95,700)	6,217,100
GFR - Ins. Dep't, One-time	0	95,700	(95,700)	0	0	0
GFR - Insurance Fraud Investigation	1,984,500	2,296,100	8,600	2,304,700	0	2,304,700
GFR - Relative Value Study	90,000	84,000	0	84,000	0	84,000
GFR - Health Insurance Actuarial	112,000	147,000	0	147,000	0	147,000
GFR - Technology Development	645,700	587,000	0	587,000	0	587,000
GFR - Criminal Background Check	165,000	165,000	0	165,000	0	165,000
GFR - Captive Insurance	688,900	696,900	4,800	701,700	0	701,700
GFR - Title Licensee Enforcement	79,900	81,300	0	81,300	0	81,300
Beginning Nonlapsing	23,195,100	14,343,800	7,081,200	21,425,000	(5,960,300)	15,464,700
Closing Nonlapsing	(21,425,000)	(8,420,800)	(7,043,900)	(15,464,700)	2,795,500	(12,669,200)
Lapsing Balance	(396,700)	0	(200)	(200)	100	(100)
Total	\$66,823,100	\$124,708,800	\$22,400	\$124,731,200	(\$32,090,100)	\$92,641,100
Line Items						
Federal HIPUtah	22,984,700	71,492,300	0	71,492,300	(28,367,900)	43,124,400
Insurance Department Admin	9,561,500	11,499,900	41,100	11,541,000	186,700	11,727,700
Comprehensive Health Insurance	34,170,800	41,460,700	(20,700)	41,440,000	(3,909,600)	37,530,400
Health Insurance Actuary	6,500	147,000	0	147,000	0	147,000
Bail Bond Program	23,000	23,500	0	23,500	0	23,500
Title Insurance Program	76,600	85,400	2,000	87,400	700	88,100
Total	\$66,823,100	\$124,708,800	\$22,400	\$124,731,200	(\$32,090,100)	\$92,641,100
Categories of Expenditure						
Personnel Services	6,183,200	7,747,500	(760,700)	6,986,800	(62,600)	6,924,200
In-state Travel	14,700	34,700	24,100	58,800	0	58,800
Out-of-state Travel	121,600	133,500	186,400	319,900	(2,900)	317,000
Current Expense	59,352,200	43,465,300	71,778,900	115,244,200	(32,284,100)	82,960,100
DP Current Expense	1,697,200	1,837,300	269,200	2,106,500	259,500	2,366,000
Capital Outlay	11,300	0	15,000	15,000	0	15,000
Other Charges/Pass Thru	(557,100)	71,490,500	(71,490,500)	0	0	0
Total	\$66,823,100	\$124,708,800	\$22,400	\$124,731,200	(\$32,090,100)	\$92,641,100
Other Data						
Budgeted FTE	86	88	(1)	86	1	87
Actual FTE	80	0	0	0	0	0
Vehicles	10	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.

Insurance - Insurance Department Administration						
Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
Federal Funds	923,400	1,255,700	0	1,255,700	292,700	1,548,400
Dedicated Credits Revenue	0	13,400	(13,400)	0	0	0
GFR - Guaranteed Asset Protection	89,000	89,000	0	89,000	0	89,000
GFR - Insurance Department Acct	5,894,900	6,217,100	95,700	6,312,800	(95,700)	6,217,100
GFR - Ins. Dep't, One-time	0	95,700	(95,700)	0	0	0
GFR - Insurance Fraud Investigation	1,984,500	2,296,100	8,600	2,304,700	0	2,304,700
GFR - Relative Value Study	90,000	84,000	0	84,000	0	84,000
GFR - Technology Development	645,700	587,000	0	587,000	0	587,000
GFR - Criminal Background Check	165,000	165,000	0	165,000	0	165,000
GFR - Captive Insurance	688,900	696,900	4,800	701,700	0	701,700
Beginning Nonlapsing	366,200	0	892,900	892,900	(41,100)	851,800
Closing Nonlapsing	(892,900)	0	(851,800)	(851,800)	30,800	(821,000)
Lapsing Balance	(393,200)	0	0	0	0	0
Total	\$9,561,500	\$11,499,900	\$41,100	\$11,541,000	\$186,700	\$11,727,700
Programs						
Administration	6,569,700	7,428,500	0	7,428,500	197,000	7,625,500
Relative Value Study	48,800	84,000	0	84,000	0	84,000
Insurance Fraud Program	1,859,700	2,444,700	10,300	2,455,000	(10,300)	2,444,700
Captive Insurers	560,100	701,700	(82,500)	619,200	0	619,200
Electronic Commerce Fee	406,700	587,000	113,300	700,300	0	700,300
GAP Waiver Program	2,800	89,000	0	89,000	0	89,000
Criminal Background Checks	113,700	165,000	0	165,000	0	165,000
Total	\$9,561,500	\$11,499,900	\$41,100	\$11,541,000	\$186,700	\$11,727,700
Categories of Expenditure						
Personnel Services	6,092,900	7,515,100	(620,100)	6,895,000	(62,600)	6,832,400
In-state Travel	13,800	33,500	24,000	57,500	0	57,500
Out-of-state Travel	117,600	123,700	186,900	310,600	0	310,600
Current Expense	1,635,700	2,003,700	166,300	2,170,000	(10,300)	2,159,700
DP Current Expense	1,690,200	1,823,900	269,000	2,092,900	259,600	2,352,500
Capital Outlay	11,300	0	15,000	15,000	0	15,000
Total	\$9,561,500	\$11,499,900	\$41,100	\$11,541,000	\$186,700	\$11,727,700
Other Data						
Budgeted FTE	85	86	(0)	85	1	86
Actual FTE	78	0	0	0	0	0
Vehicles	10	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.

Insurance - Bail Bond Program

Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
GFR - Bail Bond Surety Admin	23,500	23,500	0	23,500	0	23,500
Lapsing Balance	(500)	0	0	0	0	0
Total	\$23,000	\$23,500	\$0	\$23,500	\$0	\$23,500
Programs						
Bail Bond Program	23,000	23,500	0	23,500	0	23,500
Total	\$23,000	\$23,500	\$0	\$23,500	\$0	\$23,500
Categories of Expenditure						
Personnel Services	22,300	21,800	200	22,000	0	22,000
In-state Travel	700	0	300	300	0	300
Out-of-state Travel	0	500	(500)	0	0	0
Current Expense	0	1,200	0	1,200	0	1,200
Total	\$23,000	\$23,500	\$0	\$23,500	\$0	\$23,500

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

Insurance - Health Insurance Actuary

Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
General Fund, One-time	35,000	0	0	0	0	0
GFR - Health Insurance Actuarial	112,000	147,000	0	147,000	0	147,000
Beginning Nonlapsing	0	0	137,800	137,800	0	137,800
Closing Nonlapsing	(137,800)	0	(137,800)	(137,800)	0	(137,800)
Lapsing Balance	(2,700)	0	0	0	0	0
Total	\$6,500	\$147,000	\$0	\$147,000	\$0	\$147,000
Programs						
Health Insurance Actuary	6,500	147,000	0	147,000	0	147,000
Total	\$6,500	\$147,000	\$0	\$147,000	\$0	\$147,000
Categories of Expenditure						
Personnel Services	0	140,600	(140,600)	0	0	0
Out-of-state Travel	0	1,000	0	1,000	0	1,000
Current Expense	6,500	2,500	141,500	144,000	0	144,000
DP Current Expense	0	2,900	(900)	2,000	0	2,000
Total	\$6,500	\$147,000	\$0	\$147,000	\$0	\$147,000

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Insurance - Title Insurance Program						
Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
General Fund	3,900	4,100	0	4,100	0	4,100
GFR - Title Licensee Enforcement	79,900	81,300	0	81,300	0	81,300
Beginning Nonlapsing	0	0	6,900	6,900	(2,200)	4,700
Closing Nonlapsing	(6,900)	0	(4,700)	(4,700)	2,800	(1,900)
Lapsing Balance	(300)	0	(200)	(200)	100	(100)
Total	\$76,600	\$85,400	\$2,000	\$87,400	\$700	\$88,100
Programs						
Title Insurance Program	76,600	85,400	2,000	87,400	700	88,100
Total	\$76,600	\$85,400	\$2,000	\$87,400	\$700	\$88,100
Categories of Expenditure						
Personnel Services	68,000	70,000	(200)	69,800	0	69,800
In-state Travel	200	1,200	(200)	1,000	0	1,000
Out-of-state Travel	200	1,600	0	1,600	0	1,600
Current Expense	1,200	2,200	1,400	3,600	700	4,300
DP Current Expense	7,000	10,400	1,000	11,400	0	11,400
Total	\$76,600	\$85,400	\$2,000	\$87,400	\$700	\$88,100

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

Insurance - Comprehensive Health Insurance Pool						
Sources of Finance	FY 2012	FY 2013	Changes	FY 2013	Changes	FY 2014*
	Actual	Appropriated		Revised		Recommended
General Fund	8,075,000	8,083,500	0	8,083,500	0	8,083,500
Federal Funds	851,400	1,900,000	0	1,900,000	(400,000)	1,500,000
Dedicated Credits Revenue	22,840,500	25,554,200	0	25,554,200	(369,200)	25,185,000
Beginning Nonlapsing	22,776,600	14,343,800	6,028,900	20,372,700	(5,902,300)	14,470,400
Closing Nonlapsing	(20,372,700)	(8,420,800)	(6,049,600)	(14,470,400)	2,761,900	(11,708,500)
Total	\$34,170,800	\$41,460,700	(\$20,700)	\$41,440,000	(\$3,909,600)	\$37,530,400
Programs						
Comprehensive Health Insurance	34,170,800	41,460,700	(20,700)	41,440,000	(3,909,600)	37,530,400
Total	\$34,170,800	\$41,460,700	(\$20,700)	\$41,440,000	(\$3,909,600)	\$37,530,400
Categories of Expenditure						
Out-of-state Travel	2,800	5,000	0	5,000	(2,000)	3,000
Current Expense	34,725,100	41,455,700	(20,700)	41,435,000	(3,907,600)	37,527,400
Other Charges/Pass Thru	(557,100)	0	0	0	0	0
Total	\$34,170,800	\$41,460,700	(\$20,700)	\$41,440,000	(\$3,909,600)	\$37,530,400

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

Insurance - Federal HIPUtah						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
Federal Funds	19,983,300	62,591,100	0	62,591,100	(24,183,800)	38,407,300
Dedicated Credits Revenue	2,963,800	8,901,200	(14,700)	8,886,500	(4,169,400)	4,717,100
Beginning Nonlapsing	52,300	0	14,700	14,700	(14,700)	0
Closing Nonlapsing	(14,700)	0	0	0	0	0
Total	\$22,984,700	\$71,492,300	\$0	\$71,492,300	(\$28,367,900)	\$43,124,400
Programs						
Federal HIPUtah	22,984,700	71,492,300	0	71,492,300	(28,367,900)	43,124,400
Total	\$22,984,700	\$71,492,300	\$0	\$71,492,300	(\$28,367,900)	\$43,124,400
Categories of Expenditure						
Out-of-state Travel	1,000	1,700	0	1,700	(900)	800
Current Expense	22,983,700	0	71,490,400	71,490,400	(28,366,900)	43,123,500
DP Current Expense	0	100	100	200	(100)	100
Other Charges/Pass Thru	0	71,490,500	(71,490,500)	0	0	0
Total	\$22,984,700	\$71,492,300	\$0	\$71,492,300	(\$28,367,900)	\$43,124,400

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