



State of Utah

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Insurance Department

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Insurance Commissioner

Utah Insurance Department Budget Deep Dive Response

What We Are Accomplishing

NAME OF FUNCTION: Utah Insurance Department (UID)

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.
 - § 31A-1-104, Authorization to do insurance business.
 - § 31A-1-105, Presumption of jurisdiction.
 - § 31A-2-101, Duties.
 - § 31A-2-201, General duties and powers.
 - § 31A-2-202, Reports and replies.
 - § 31A-2-203, Examinations and alternatives.
 - § 31A-2-215, Consumer education.
 - § 31A-3-103, Fees.
 - § 31A-3-104, Technology fees -- Restricted account.
 - § 31A-2-210, Participation in organizations.
 - § 31A-2-217, Coordination with other states.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?
 - None.
3. What outcomes is this function trying to accomplish?
 - To protect the financial security of people and businesses in Utah through an insurance market that is regulated fairly and accessible to all Utahns.
4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?
 - National Association of Insurance Commissioners (NAIC). The NAIC membership is comprised of 50 states and five territories. The organization provides expertise, data, and analysis to insurance commissioners to effectively regulate the industry. The NAIC brings regulators together to collaborate and learn, empowering us to act in the best interests of Utahns. It also provides training and accreditation programs. If Utah elected to part ways with the organization,

other states may prevent Utah's insurance companies from doing business in their jurisdictions. This may put Utah insurers out of business or at the very least significantly increase the cost of insurance for Utah businesses and individual policyholders.

- Federal government regulatory agencies including; the Department of Labor, the Department of Health and Human Services, and the Department of Treasury's Federal Insurance Office. In 1945, the McCarran Ferguson Act returned the regulation of insurance to the states. However, the federal government still maintains some regulatory oversight.

5. What organizations are associated with this function?

- The National Association of Insurance Commissioners.
- 55 U.S. state and territories' departments of insurance.
- Federal government agencies.

6. What are the missions of the organizations associated with that function?

- The NAIC's mission is, "We assist state insurance regulators, individually and collectively, in serving the public interest. Together, we protect consumers and ensure fair, competitive, and healthy insurance markets."
- Other insurance departments have a similar mission as the UID.
- Federal government agencies:
 - Department of Labor. To foster, promote, and develop the welfare of the wage earners, job seekers, and retirees of the United States; improve working conditions; advance opportunities for profitable employment; and assure work-related benefits and rights.
 - Department of Health and Human Services. The mission of the U.S. Department of Health and Human Services (HHS) is to enhance the health and well-being of all Americans, by providing for effective health and human services and by fostering sound, sustained advances in the sciences underlying medicine, public health, and social services.
 - Department of Treasury, Federal Insurance Office. FIO monitors all aspects of the insurance sector, including which traditionally underserved communities and consumers have access to affordable non-health insurance products.

7. How are appropriations structured to accomplish this function?

- The UID is primarily funded by fees and forfeitures assessed to licensees.
- In FY22, the Insurance Administration appropriation unit (VBA) was appropriated \$9,301,000 in FY22, \$10,023,300 in FY23, and \$10,606,700 in FY24. For the same account, the UID collected in fees and fines \$11,100,200 in FY22, and is estimated to collect \$11,150,000 in FY23. Additionally, in FY22 insurers paid \$202,478,864 in premium taxes, of which \$190,000 (0.10%) was appropriated to the UID for the relative value schedule fund. The premium tax collections continue to grow year over year.
- Attorneys' fees billed from the Office of the Attorney General:

- The UID's main budget appropriation also pays for services for attorneys through the attorney general's office. The costs of those services in the Insurance Administration appropriation unit (VBA) are significantly increasing without an equivalent appropriation increase to cover the cost of their services. In FY20 the UID received an initial appropriation of \$383,400, the attorney general's office billed \$457,864. In FY21 the appropriation was decreased to \$350,500, and UID was billed \$525,497. In FY22 there was no additional money appropriated for this budget area (maintaining at \$350,500) and the UID was billed \$481,680. For FY23 there was another appropriation decrease to \$335,200, with costs billed in FY23 as of May 2023 of \$455,676. The lack of sufficient appropriation for the attorneys' fees has resulted in a net loss of \$(501,117) from FY20 to May 30, 2023.
- The Fraud Division has also appropriated money for attorneys with the Utah Office of the Attorney General. The attorneys' fees are significantly increasing. In FY20 the UID received an initial appropriation of \$383,400 to its main department account. However, there was no corresponding appropriation for the Fraud Division. Attorney's fees for the division in FY20 were \$423,737. In FY21 the division continued without an appropriation and was billed at \$474,206 in fees. In FY22 there was an appropriation provided for the division of \$265,700 however it was appropriated in the incorrect appropriation unit, was corrected during the 2023 General Session. Billing for FY22 was \$685,350. For FY23 costs as of the end of May 2023 were at \$516,318 and likely to finish over \$600,000 for the fiscal year. The Fraud Division will need to use some of the nonlapsing balance in FY23 to cover these costs, approximately \$300,000. The appropriation correction for FY24, \$265,700 will cover less than half of the attorneys' fees.
- There is a significant concern with the UID's appropriation for FY24 based on current billed attorneys' fees and their related significant salary increases.

8. To whom is performance data reported other than the Legislature and Governor?
 - Data related to performance measures is not reported to any other entity.
9. What decisions are made within your organization based on reporting data?
 - Decisions based on performance measures include assessing the number of necessary FTEs to provide efficient and effective oversight; the efficiency and effectiveness of our current FTEs; and requests being addressed and completed in a timely manner.
10. How might you recommend the authorization, mission, or statute change?
 - No changes in authorization, mission, or statute are recommended at this time.

NAME OF FUNCTION: CAPTIVE DIVISION

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references?
In addition to the statutes listed for the UID:
 - § 31A-3-304, Annual fees -- Other taxes or fees prohibited --Captive Insurance Restricted Account.
 - § 31A-4-102. Qualified insurers.
 - Title 31A, Chapter 37, Captive Insurance Companies Act
 - Title 31A, Chapter 37a, Special Purpose Financial Captive Insurance Company Act
2. What other activities are undertaken without explicit authority and what are the costs of those activities?
 - None.
3. What outcomes is this function trying to accomplish?
 - Establish Utah as a regulatory home state for captive insurers.
 - Provide efficient regulatory oversight to ensure the financial solvency and liquidity of captive insurance companies.
 - Ensure captive insurers do not venture into insurance offerings not permitted by statute.
4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?
 - No alternative government resources exist to regulate captive insurers.
 - Non-government resources include three statutorily required service providers: a captive manager, an actuary, and an independent CPA, as well as the board of directors must include a Utah resident.
5. What organizations are associated with this function?
 - Utah Captive Insurance Association (UCIA)
 - Western Region Captive Insurance Conference (WRCIC)
6. What are the missions of the organizations associated with that function?
 - Promote Utah as the domicile of choice for prospective captive insurance companies.
7. How are appropriations structured to accomplish this function?
 - The appropriation is funded through licensee fees assessed on captive insurers. Excess fees collected are remitted to the General Fund.
8. To whom is performance data reported other than the Legislature and Governor?
 - Data related to performance measures is not reported to any other entity.
 - Annual statistics such as number of licensed captive insurers and gross annual premiums are provided to captive industry periodicals.

9. What decisions are made within your organization based on reporting data?
- Decisions based on performance measures include assessing the number of necessary FTEs to provide efficient and effective oversight; the efficiency and effectiveness of our current FTEs; and requests being addressed and completed in a timely manner.
10. How might you recommend the authorization, mission, or statute change?
- Modernize the code for the regulation of captive insurer investments.
 - Otherwise, this is an ongoing activity and no changes in authorization or mission are recommended at this time.

NAME OF FUNCTION: FINANCIAL REGULATION AND LICENSING DIVISION

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.

In addition to the statutes listed for the UID:

 - § 31A-2-204, Conducting examinations.
 - § 31A-4-102, Qualified insurers.
 - Title 31A, Chapter 9, Insurance Fraternal.
 - Title 31A, Chapter 14, Foreign Insurers.
 - Title 31A, Chapter 16, Insurance Holding Companies
 - Title 31A, Chapter 16a, Risk Management and Own Risk and Solvency Assessment Act.
 - Title 31A, Chapter 16b, Corporate Governance Annual Disclosure Act.
 - Title 31A, Chapter 17, Determination of Financial Condition.
 - Title 31A, Chapter 18, Investments.
 - § 31A-23a-103 Requirement of license.
 - § 31A-23b-201 Requirement of license.
 - § 31A-25-203 General requirements for license issuance.
 - § 31A-26-202 Application for license.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?
 - None.
3. What outcomes is this function trying to accomplish?
 - License and monitor insurance companies' financial solvency to keep their promises to policyholders.
 - License professional insurance producers (i.e., agents and agencies), navigators, third-party administrators, and adjusters who have not been convicted of financial crimes and who meet minimum educational and competence standards.
4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?
 - Currently, there are no non-government resources available to regulate the financial solvency of individual insurance companies or to protect against systemic financial system failures in the insurance industry nationally and globally.
 - Private contract examination firms with technical experts are available to supplement the work of the state regulator. However, the cost of a private contract examiner billed to insurance companies is more than double the salary, benefits, and overhead cost of a state employed examiner's rate billed to insurance companies. And, state law and NAIC accreditation standards do not allow a state jurisdiction to delegate enforcement of the insurance code to a private contractor beyond their offer of technical assistance.

5. What organizations are associated with this function?
In addition to the organizations listed for the UID:
 - Foreign insurance regulatory agencies.
 - Guaranty funds in Utah and in other states.
 - National actuarial associations.
 - Private contract examination firms.
6. What are the missions of the organizations associated with that function?
 - Foreign insurance regulators have a similar mission and role as U.S. state-based regulators.
 - Guaranty funds' missions provide that if an insurer who participates in a fund is found to be insolvent and is ordered to be liquidated by a court, to provide protection (up to the limits spelled out in laws) to Utah residents who are holders of insurance policies with the insolvent insurer.
 - The general mission of an actuarial association is to grant professional actuarial designations and provide technical assistance to the NAIC and state regulators for policy setting on issues involving complex mathematical formulas and data.
 - The mission of contract examination firms includes offering technical assistance to state insurance regulators.
7. How are appropriations structured to accomplish this function?
 - The UID collects fees that are appropriated for operational expenses.
8. To whom is performance data reported other than the Legislature and Governor?
 - Data related to performance measures is not reported to any other entity.
9. What decisions are made within your organization based on reporting data?
 - Decisions based on performance measures include assessing the number of necessary FTEs to provide efficient and effective oversight; the efficiency and effectiveness of our current FTEs; and requests being addressed and completed in a timely manner.
10. How might you recommend the authorization, mission, or statute change?
 - Modernize the code for the regulation of insurance company investments.
 - Otherwise, this is an ongoing activity, and no changes in authorization or mission are recommended at this time.

NAME OF FUNCTION: FRAUD DIVISION

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.
In addition to the statutes listed for the UID:
 - § 31A-2-104(2), Other employees -- Insurance fraud investigators.
 - § 31A-31-106, Disciplinary action.
 - § 31A-31-107, Workers' compensation insurance fraud.
 - § 31A-31-108, Assessment of insurers.
 - § 31A-31-109, Civil penalties.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?
 - None.
3. What outcomes is this function trying to accomplish?
 - Investigate criminal insurance fraud utilizing Utah POST certified law enforcement officers as investigators while working closely with insurance company special investigative units (SIUs), local law enforcement, federal law enforcement, and private non-profit organizations such as the National Insurance Crime Bureau (NICB) and the Coalition Against Insurance Fraud, as well as state and federal prosecutors to bring both consumer and industry offenders to justice.
 - The division also educates the public regarding insurance fraud with the hope that this can reduce incidents of insurance fraud and prevent others from being victimized by insurance fraud.
4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?
 - Insurance fraud crimes may be investigated by any law enforcement agency. However, many local law enforcement agencies are hesitant to do so due to the sometimes complicated nature of some insurance fraud investigations. The division works with local law enforcement agencies to provide guidance in their insurance fraud cases. They assist in obtaining documents from insurers if they want to conduct their own investigations, will work hand in hand to mentor and assist an agency if they desire, or take over the investigation if the local agency prefers.
 - Insurance fraud crimes may be prosecuted by any district attorneys' offices or the Office of the Attorney General. While district attorneys may prosecute insurance fraud, they typically do few of these prosecutions for many reasons, including insurance fraud is complicated to understand and prosecute.
 - The Office of the Attorney General's Medicaid Fraud Control Unit (MFCU) investigates medical providers who are suspected of defrauding state funded Medicaid programs. Medical providers who defraud Medicaid often also defraud Medicare as well as private insurer programs. The Fraud Division works

closely with the MFCU investigators to coordinate investigations that may involve both Medicaid fraud and private health insurer fraud.

- State of Utah Office of Inspector General (OIG) investigates consumers suspected of defrauding the State's Medicaid programs. The Fraud Division works closely with OIG investigators to make sure cross over investigations are coordinated and not duplicated.
- Federal Bureau of Investigations (FBI) works on large scale medical insurance fraud investigations. The division works closely with the FBI on any investigations where there may be cross over or involvement with private insurers. If it appears an investigation will be pursued federally, the FBI will take the lead. Likewise, if it appears the investigation will be pursued via state charges, the division will take the lead in the investigation.
- U.S. Department of Health and Human Services (HHS) investigates Medicare fraud. The division works closely with HHS to coordinate investigations where medical providers may be committing fraud against both Medicare and private insurance companies.
- The division acts as the central referral point and investigative agency for nearly all insurance fraud investigations in the State of Utah. While there are multiple agencies that have a role in insurance fraud investigations, there is no a duplication of effort. But each works together to address jointly those defendants who cross over into committing fraud against both private and government insurers.

5. What organizations are associated with this function?

- Utah Attorney General's Office, including the MFCU
- National Insurance Crime Bureau (NICB)
- Coalition Against Insurance Fraud (CAIF)
- National Healthcare Antifraud Alliance (NHCAA)
- Insurance Company SIU's
- FBI
- HHS
- Utah Department of Commerce's Division of Professional Licensing

6. What are the missions of the organizations associated with that function?

- Each of the above organizations plays a role in detecting, identifying, investigating, and pursuing criminal prosecution related to insurance fraud.
- MFCU serves as the primary investigative agency in the State for Medicaid fraud committed by medical providers.
- OIG serves as the primary investigative agency in the State for Medicaid fraud committed by consumers for civil remediations.
- FBI investigates all types of federal crimes. One local FBI investigator is assigned to investigate health insurance fraud related issues.
- HHS investigates federal Medicare related fraud. They have two investigators assigned to the Utah area for these types of investigations.

7. How are appropriations structured to accomplish this function?
 - Funding is primarily through an assessment of insurers operating in Utah.
 - The division is also allowed to recover costs associated with investigations from those who are convicted of committing insurance fraud. Revenues from this source vary greatly from year to year. In FY2022 the division received approximately \$95,235 from this source. In FY2023 to May 2023 we have received \$36,926.
8. To whom is performance data reported other than the Legislature and Governor?
 - Data related to performance measures is not reported to any other entity.
9. What decisions are made within your organization based on reporting data?
 - Decisions based on performance measures include assessing the number of necessary FTEs to provide efficient and effective oversight; the efficiency and effectiveness of our current FTEs; and requests being addressed and completed in a timely manner.
10. How might you recommend the authorization, mission, or statute change?
 - This is an ongoing activity and no changes in authorization, mission, or statute are recommended at this time.

NAME OF FUNCTION: Health & Life Division

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.

In addition to the statutes listed for the UID:

- § 31A-2-201.1, General filing requirements.
 - § 31A-2-201.2, Evaluation of the health insurance market.
 - § 31A-2-212(5), Miscellaneous duties.
 - § 31A-2-216, Office of Consumer Health Assistance.
 - § 31A-2-218, Strategic plan for health system reform.
 - § 31A-21-201, Filing of forms.
 - Title 31A, Chapter 22, Contracts in Specific Lines.
 - § 31A-23a-111, Revoking, suspending, surrendering, lapsing, limiting, or otherwise terminating a license -- Forfeiture -- Rulemaking for renewal or reinstatement.
 - § 31A-30-115, Actuarial review of health benefit plans.
 - § 31A-30-118, Patient Protection and Affordable Care Act -- State insurance mandates -- Cost of additional benefits.
 - § 31A-36-104, License requirements, revocation, and denial.
 - § 31A-39-101, Interstate Insurance Product Regulation Compact.
 - § 31A-46-301, Reporting requirements.
 - § 31A-48-103, Manufacturer reports -- Insurer report -- Publication by department.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?
 - None.
 3. What outcomes is this function trying to accomplish?
 - Investigate and enforce violations of insurance laws; assist to resolve consumer complaints; educate consumers; and review policy forms and reports to ensure compliance with Utah and federal health and life insurance laws.
 - Conduct an actuarial review of health and life insurance rates.
 - Manage defrayal costs for state mandated benefits that are subject to defrayal under 45 CFR 155.170.
 - Extensive research and reporting on Utah's health insurance market.
 - Monitor pharmacy benefit managers and pharmaceutical manufacturers, including fluctuations in pharmaceutical costs.
 4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?
 - Rate review could be provided through an actuarial firm where costs are significantly higher.
 - The state has elected to enforce provisions of the Affordable Care Act, rather than the HHS, to maintain regulatory oversight over the market. If the duties

were delegated to the HHS, it would limit the Utah Legislature's ability to enact laws and the UID's ability to assist insurers and consumers in this market.

5. What organizations are associated with this function?

In addition to the organizations associated with the UID in general:

- Interstate Insurance Product Regulation Commission
- Utah Health Information Network
- Utah Health Data Committee

6. What are the missions of the organizations associated with that function?

- Interstate Insurance Product Regulation Commission - The Insurance Compact enhances the efficiency and effectiveness of the way insurance products are filed, reviewed, and approved allowing consumers to have faster access to competitive insurance products in an ever-changing global marketplace. The Compact promotes uniformity through the application of uniform product standards embedded with strong consumer protections.
- Utah Health Information Network (UHIN) - UHIN is a nonprofit, broad-based coalition of Utah healthcare insurers, providers, and others, including local government entities. UHIN provides a private and secure gateway for electronic data exchanges. These exchanges include the large integrated healthcare corporations, as well as the smallest one-doctor offices.
- Health Data Committee - The mission of the Utah Health Data Committee is to support health improvement initiatives through the collection, analysis, and public release of health care information.

7. How are appropriations structured to accomplish this function?

- The UID collects fees that are appropriated for operational expenses.
- The actuarial review program is funded through an assessment to insurers who offer individual and small employer health benefit plans.
- The funding for defrayal payments for the autism mandate is appropriated from the General Fund.

8. To whom is performance data reported other than the Legislature and Governor?

- Data related to performance measures is not reported to any other entity.

9. What decisions are made within your organization based on reporting data?

- Decisions based on performance measures include assessing the number of necessary FTEs to provide efficient and effective oversight; the efficiency and effectiveness of our current FTEs; and requests being addressed and completed in a timely manner.

10. How might you recommend the authorization, mission, or statute change?

- This is an ongoing activity and no changes in authorization, mission, or statute are recommended at this time.

NAME OF FUNCTION: Property & Casualty Division

1. What authorizes delivery/provision of the function (statute, intent, rule)? List specific statutory/other references.

In addition to the statutes listed for the UID:

- § 31A-2-404, Duties of the commissioner and the Title and Escrow Commission.
 - Title 31A, Chapter 6b, Guaranteed Asset Protection Waiver Act
 - § 31A-19a-203, Rate filings.
 - § 31A-21-201, Filing of forms.
 - Title 31A, Chapter 22, Contracts in Specific Lines.
 - § 31A-23a-104, Application for individual license -- Application for agency license.
 - § 31A-35-301, The commissioner's authority.
2. What other activities are undertaken without explicit authority and what are the costs of those activities?
 - None.
 3. What outcomes is this function trying to accomplish?
 - Property and casualty insurance companies and title insurance companies: Investigate and penalize violations of insurance laws; informally resolve consumer complaints and educate consumers on insurance products; and review filed insurance rates, rules and forms.
 - Audit property and casualty insurance, bail bonds, and title agencies.
 - Investigate and penalize violations of bail bond laws; informally resolve consumer complaints and educate consumers on bail bond products; review bail bond forms filed by bail bond agencies and insurance companies.
 4. What alternative government and non-government resources exist to achieve these outcomes? Why is the state involved?
 - None, the bail bond business is regulated in Utah at the state level.
 5. What organizations are associated with this function?
 - None, other than those listed for the UID.
 6. What are the missions of the organizations associated with that function?
 - NA
 7. How are appropriations structured to accomplish this function?
 - The UID collects fees that are appropriated for operational expenses.
 8. To whom is performance data reported other than the Legislature and Governor?
 - Data related to performance measures is not reported to any other entity.
 9. What decisions are made within your organization based on reporting data?

- Decisions based on performance measures include assessing the number of necessary FTEs to provide efficient and effective oversight; the efficiency and effectiveness of our current FTEs; and are requests being addressed and completed in a timely manner.

10. How might you recommend the authorization, mission, or statute change?

- This is an ongoing activity and no changes in authorization, mission, or statute are recommended at this time.

What We Are Buying (Significant Expenditure Categories Largest to Smallest)

11. What is the largest category of expenditure for the organization and how big is it?

The largest expenditures are under the Insurance Department Administration line, fund

1428. The significant expenditures in this fund in descending order, based on 2022:

- Personnel Services: \$10,140,700 and accounts for approximately 80% of costs.
- Current Expense: \$2,145,300
- DP Current Expense: \$1,775,800

12. How does this expenditure support the above justification/authorization?

- Personnel: The staff of the UID are highly trained and certified personnel who regulate the continually growing insurance industry in the state of Utah which collects over \$21 billion in premiums on an annual basis. The staffing levels are consistent with that of other states.
- Current Expense: Expenditures provide for the daily operation costs other than personnel. The largest expenditure is for attorneys' fees to support our regulatory work.
- DP Current Expense: Expenditures support technology expenses that include backend software that allows for all activities to be conducted electronically.

13. What is that category of expenditure buying (how many/costs per unit)?

- Personnel: The personnel category of expenditure is buying highly trained, professional staff to ensure a healthy insurance marketplace in Utah.
- Current Expense: More than 50% of this expenditure category is for attorneys' fees. It also includes HR services, credit card fees, office furnishings, insurance, training, and telecommunication charges.
- DP Current Expense: The largest expenditures if for data processing charges and software, other categories include computer hardware and related peripherals.

14. How does the above relate to units of output?

- Personnel: Outputs include the number of; companies examined, consumer complaints, market conduct investigations, and persons licensed.
- Current Expense: No related outputs.
- DP Current Expense: No related outputs.

15. How has the expenditure changed over five years relative to the units of output?

- Personnel: While the industry continues to grow, the relative number of UID FTEs continues to shrink. Four positions were cut in 2020, three of those positions were restored in 2022. In 2023 we requested the restoration of the last position, but it was not funded. Two new employees were appropriated to implement a new program established in HB272 (2020), funded in 2021.
- Current Expense: The largest expense, attorneys' fees, have significantly increased relative to the units of output related to personnel.
- DP Current Expense: The expenditure has fluctuated from year-to-year depending on costs for updated IT contracts, software, and maintaining

reasonable security standards.

16. Are there any outliers/anomalies in current or budgeted spending in this category?
- Personnel: The UID has experienced higher than normal turnover rates; and is struggling to compete with industry salaries to retain experienced employees or hire employees with fundamental skills or knowledge for training.
 - Current Expense: There is an outlier from FY18 to FY22, and expected to continue indefinitely, related to cost increases for attorneys' fees.
 - DP Current Expense: Costs went up in FY21 and FY22 due to updated IT contracts for content management and invoicing systems.
17. Does the amount of expenditure for a category change significantly in accounting period 12 or 13? Why?
- Personnel: No, the expenditures for personnel are consistent across the year and with the 26 pay periods.
 - Current Expense: No, the expenditures are generally consistent across the course of the fiscal year.
 - DP Current Expense: No, costs are billed for contracts consistently across the fiscal year.
18. How might you recommend this expenditure category change based on the above?
- Personnel: Additional funding for salary increases is necessary to maintain a viable workforce to regulate the insurance industry. Due to industry growth, 7.5 additional FTEs will be necessary to maintain current service levels.
 - Current Expense: An increased appropriation to cover costs for attorneys' fees is necessary.
 - DP Current Expense: No recommended change.

How We Are Paying For It (Significant sources of Appropriations Largest to Smallest)

19. What is the largest fund or account from which resources are drawn to support the above expenditures and how big is it?

In descending order, based on FY22 appropriations:

- Fund 1428: Insurance Department Restricted Account \$9,301,000
- Fund 1427: Insurance Fraud Investigation Restricted Account \$2,502,600
- Fund 1423: Captive Insurance Restricted Account \$1,424,900
- Fund 1421: Technology Development Restricted Account \$625,000
- Fund 1429: Health Insurance Actuarial Review Restricted Account \$207,700
- Fund 1422: Criminal Background Check Restricted Account \$165,000
- Fund 1424: Title Licensee Enforcement Restricted Account \$129,400
- Fund 1425: Guaranteed Asset Protection Waiver Restricted Account \$129,100
- Fund 1426: Relative Value Study Restricted Account \$119,000
- Fund 1420: Bail Bond Surety Administration Account \$40,000

20. What are the revenue sources for that fund or account and what are their relative shares?

- Fund 1428: Fees and fines (61.84%)
- Fund 1427: Fees (15.58%)
- Fund 1423: Fees and fines (13.87%)
- Fund 1421: Fees (4.57%)
- Fund 1429: Fees (1.14%)
- Fund 1422: Fees (0.69%)
- Fund 1424: Fees and fines (0.56%)
- Fund 1425: Fees (0.65%)
- Fund 1426: Premium tax (1.06%)
- Fund 1420: Fees and fines (0.04%)

21. Is the source one-time or ongoing and do ongoing sources match or exceed ongoing expenditures?

All sources are ongoing.

- Fund 1428: Funding source is soon to be less than the appropriation and expenditures.
- Fund 1427: Funding source is soon to be less than expenditures.
- Fund 1423: Match.
- Fund 1421: Funding source is matching fee collection, but the fees and expenditures are more than the appropriation.
- Fund 1429: Match.
- Fund 1422: Match.
- Fund 1424: Match.
- Fund 1425: Exceeds.
- Fund 1426: Exceeds.
- Fund 1420: Exceeds.

22. How has the source changed over time relative to expenditures and units of output?

- Fund 1428: The source has not changed -- fees have remained the same since July 2002. The amount collected has increased as the number of licensees has grown. However, the increased collections have not grown at the same rate as the costs to regulate the industry. An increase in fees or access to another funding source is necessary to cover future expenditures.
- Fund 1427: The source has not changed -- fees have remained the same since July 2012. An increase in fees or access to another funding source is now necessary to cover expenditures in the future.
- Fund 1423: The fees have increased in recent years to also ensure that all costs are covered to conduct regulatory requirements in statute.
- Fund 1421: The source has not changed -- fees have remained the same since July 2002. The amount collected has increased as the number of licensees has grown. However, the increased collections have not grown at the same rate as the costs to regulate the industry. An increase in fees or access to another funding source is necessary to cover expenditures in the future.

- Fund 1429: The source has increased as necessary to cover the costs.
- Fund 1422: The program funds itself through fees charged to applicants who are required to obtain a criminal background check.
- Fund 1424: The fees have increased minimally, however a fee increase or access to another funding source is necessary to cover expenditures in the future.
- Fund 1425: The source has not changed.
- Fund 1426: The source of revenue has not changed. It is the one area the UID receives any of the insurance premium tax collected, 0.10%.
- Fund 1420: The source has not changed and is based solely on participation in the bail bond industry.

23. Are there any outliers/anomalies in current or budgeted periods for this source?

- Fund 1428: Yes, attorneys' fees have significantly increased recently and the associated appropriation has not been sufficient to cover the increased costs.
- Fund 1427: Yes, attorneys' fees have significantly increased recently and the associated appropriation has not been sufficient to cover the increased costs.
- Fund 1423: None.
- Fund 1421: Yes, starting in FY22 IT costs, including relevant contracts, are significantly increasing and the trend is expected to continue into future years.
- Fund 1429: None.
- Fund 1422: None.
- Fund 1424: None.
- Fund 1425: None.
- Fund 1426: None.
- Fund 1420: None.

24. Are there unencumbered balances in a source that relate directly to this function/organization? If so, how have those balances changed over time?

- Fund 1428: No, any balance at the end of the fiscal year is returned to the General Fund.
- Fund 1427: No, the balance has been used in FY23 to cover increased AG costs. Any remaining balance is utilized to reach underserved populations in Utah who are at risk for insurance fraud.
- Fund 1423: No.
- Fund 1421: No, the balance has remained consistent due to continued fee collections. With recent increases in telework, vendor costs, and other IT costs, the balance is being utilized more in current fiscal years. The UID is seeking to utilize the balance for Spanish translation services.
- Fund 1429: No, the assessment is collected upfront to pay for services throughout the year.
- Fund 1422: No.
- Fund 1424: No.
- Fund 1425: No.
- Fund 1426: No.
- Fund 1420: No.

25. What is a reasonable balance and why?

- Fund 1428: A reasonable balance is 5-10% of the appropriation. This amount ensures that the department does not overspend any appropriation by the legislature but allows some flexibility for unanticipated costs in a fiscal year and any increases related to the attorneys' fees.
- Fund 1427: A reasonable balance is 10-15% of the appropriation. This amount allows for unexpected investigation costs from year to year and any increases related to attorneys' fees.
- Fund 1423: A reasonable balance is 5-10% of the appropriation. This allows for fluctuations in budget costs so that ALL costs for the program can be contained in the program itself.
- Fund 1421: A reasonable balance is 10-15% of the appropriation. This allows for fluctuations in budget costs so that ALL costs for the program can be contained in the program itself.
- Fund 1429: All balances are returned to the account itself to ensure all costs are funded in the immediate fiscal year.
- Fund 1422: A reasonable balance is 5% of the appropriation. This allows for fluctuations in budget costs so that ALL costs for the program can be contained in the program itself.
- Fund 1424: A reasonable balance is 5-7% of the appropriation. This allows for fluctuations in budget costs so that ALL costs for the program can be contained in the program itself. The program is its own line item and as such can receive no funding from other areas.
- Fund 1425: All balances are returned to the account itself.
- Fund 1426: A reasonable balance is 5% of the appropriation. This allows for fluctuations in budget costs so that ALL costs for the program can be contained in the program itself.
- Fund 1420: A reasonable balance is 5% of the appropriation. This allows for fluctuations in budget costs so that ALL costs for the program can be contained in the program itself. However, the balance reverts to the main account.

26. Is the availability of sources (grants or previous “building blocks”), rather than mission or objective, driving expenditures?

- No, for all funds.

27. Are other sources available to support the same expenditure?

- Currently there are no other sources for all funds.

28. How might you recommend this revenue category change based on the above?

- Fund 1428: An increase in licensing fees may be necessary to cover future appropriates and the increase in attorneys' fees and personnel needs. Most all licensing and service fees have not increased since July 2002, some even earlier.

- Fund 1427: An increase in the fraud assessment is necessary to ensure costs are fully covered for the program. There has not been an assessment increase since July 2012.
- Fund 1423: No change.
- Fund 1421: An increase in the technology fee may be necessary to cover future technology costs. There has not been an increase in this fee since July 2002.
- Fund 1429: No change.
- Fund 1422: No change.
- Fund 1424: No change.
- Fund 1425: The appropriation may need to be adjusted based upon historical vs current needs.
- Fund 1426: The appropriation may need to be adjusted based upon historical vs current needs.
- Fund 1420: No change.

Do We Balance?

29. What are total expenditures and total sources? Do they equal one another?

FY22:

- Fund 1428: Total expenditures, \$8,848,231. Total revenue, \$11,100,169. They do not equal one another. Any revenue collected above the appropriation amount (and any remaining not spent of the appropriation) is returned to the General Fund.
- Fund 1427: Total expenditures, \$2,768,258. Total revenue, \$2,795,953. There was a difference in the positive for revenue of \$27,696.
- Fund 1423: Total expenditures, \$1,426,017. Total revenue, \$2,482,855. They do not equal one another. There is a statutory cap for the Captive program which means that any amount collected above the cap goes to the General Fund. Remaining funds are used for the program appropriation.
- Fund 1421: Total expenditures, \$1,039,247. Total revenue, \$820,689. They do not equal one another. Costs for contracts were higher in this particular year and so some nonlapsing balance amount was used to cover the difference in revenues and expenditures for FY22.
- Fund 1429: Total expenditures, \$182,857. Total revenue, \$204,824. Roughly 90% of collected revenues were spent in FY22.
- Fund 1422: Total expenditures, \$110,260. Total revenue, \$124,413. Expenditures in FY22 were approximately 89% of total revenues.
- Fund 1424: Total expenditures, \$123,962. Total revenue, \$100,000. Expenditures in FY22 were more than revenues, but some nonlapsing balance amount covered that difference.
- Fund 1425: Total expenditures, \$46,233. Total revenue, \$116,614. Expenditures in FY22 were approximately 40% of total revenues.
- Fund 1426: Total expenditures, \$21,776. Total revenue, \$190,431. Expenditures in FY22 were just over 11% of total revenues.

- Fund 1420: Total expenditures, \$4,577. Total revenue, \$7,750. Expenditures in FY22 were approximately 60% of total revenues.

30. Have all appropriated or authorized sources been expended at year-end?

- Fund 1428: In FY22, there was approximately \$442,000 (4.8%) unspent of the total appropriation.
- Fund 1427: Less than 1% of collected assessment revenue was not spent in FY22 for the Fraud program.
- Fund 1423: \$1,426,017 of \$1,450,000 was used during FY22, or 98.3% of the revenue within the cap.
- Fund 1421: Yes.
- Fund 1429: 90% of revenues were used to cover expenses during FY22.
- Fund 1422: Any revenues that have not been expended at year end are billed in a subsequent month by BCI.
- Fund 1424: Yes.
- Fund 1425: Roughly 40-50% of revenues are used on an annual basis.
- Fund 1426: Only 15-20% on average of the appropriation has been used over the past five years.
- Fund 1420: About 60-70% of revenues are used. However, less revenue has been collected in FY23 due to industry changes.

31. How have nonlapsing appropriation balances (if any) changed over time?

- Fund 1428: The balances have decreased over the past five years.
- Fund 1427: The balance has been reduced over the most recent fiscal years, with a significant decrease in FY23 expected due to increased attorneys' fees.
- Fund 1423: Nonlapsing balances were reduced significantly in prior years due to costs exceeding the "capped" amount (but still within appropriation). The balance is now less than 10% of total appropriation.
- Fund 1421: The balance has fluctuated and decreased in FY22 due to updates in IT and other related contracts.
- Fund 1429: The nonlapsing balance for the program has increased over the past 5 years, in part due to a billing issue in a few fiscal years. This billing issue has been corrected to ensure that all costs are being contained within the program/line item. This balance should start to decrease in the coming few years.
- Fund 1422: Any nonlapsing balances for this account are used for billing that may take place in subsequent months of the following fiscal year.
- Fund 1424: The nonlapsing amount has been utilized in recent years to cover costs. However, revenue collection has been adjusted to meet the costs of the program.
- Fund 1425: There is no nonlapsing authority for this account.
- Fund 1426: There is no nonlapsing authority for this account.
- Fund 1420: There is no nonlapsing authority for this account.

32. Are fees or taxes supporting a function, and are those fees or taxes reasonable?
- Fund 1428: Fees are supporting this function and may be inadequate.
 - Fund 1427: Fees are supporting this function and may be inadequate.
 - Fund 1423: Fees are supporting this function and are reasonable.
 - Fund 1421: Fees are supporting this function and may be inadequate.
 - Fund 1429: Fees are supporting this function and are reasonable.
 - Fund 1422: Fees are supporting this function and are reasonable.
 - Fund 1424: Fees are supporting this function and are reasonable.
 - Fund 1425: Fees are supporting this function and are reasonable.
 - Fund 1426: Insurance premium taxes support this function and are reasonable.
 - Fund 1420: Fees are supporting this function and are reasonable.