

Compendium of Budget Information for the 2014 General Session

Business, Economic Development, and Labor Appropriations Subcommittee

Agency: Insurance

Line Item: Insurance Department Administration

Function

Administration coordinates with all programs in the Department and is responsible for budgeting, accounting, financial tracking, personnel, actuarial services, and managerial statistics.

Producer Licensing is responsible for the issuance and renewal of licenses to all Utah insurance agents and agencies. Licensees qualify through examination.

The Financial Examination Division licenses approximately 1,700 insurance companies in Utah. It also monitors the financial strength and solvency of those companies. The division is responsible for the financial examination of insurers according to statute. Because not all of the companies are headquartered in Utah, the examiners may spend their time out of state. The Insurance Department is reimbursed by the insurer being examined for all costs incurred during the examination, which includes examiners salaries, benefits and travel expenses. These reimbursements are deposited into the Insurance Department Restricted Account.

The Property and Casualty and Health and Life Divisions function by line of insurance. These divisions handle telephone, online and walk-in complaints and inquiries from the public regarding insurance products. Additionally, they review and analyze policy forms and rates filed by insurance companies.

The Health and Life Division operates a federal grant "Grants to Support States in Health Insurance Rate Review Grant Cycle II". This division also supports the call center for Avenue H, Utah's health insurance exchange.

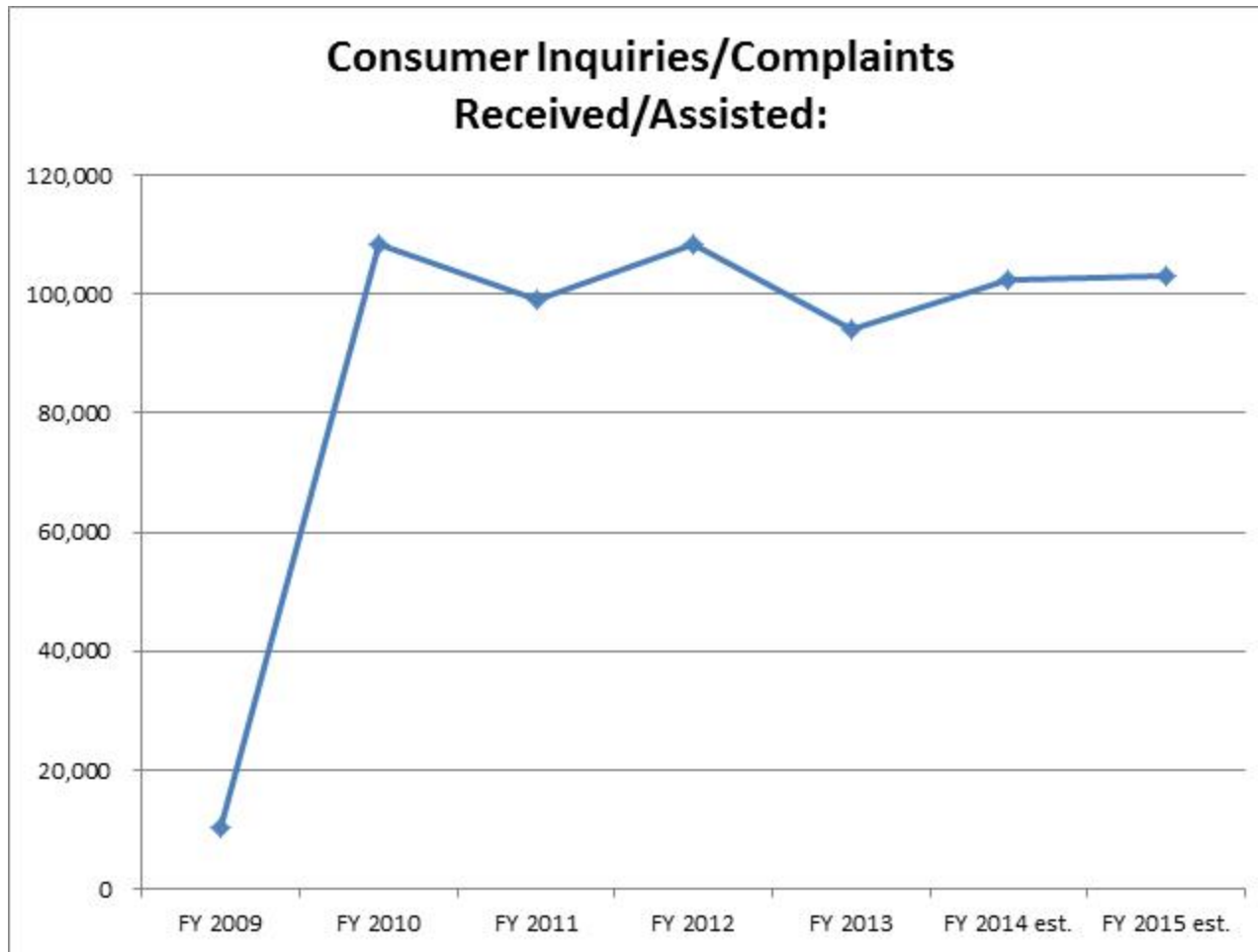
Market Conduct Division investigates and enforces insurance code violations referred from the insurance industry and other divisions of the department.

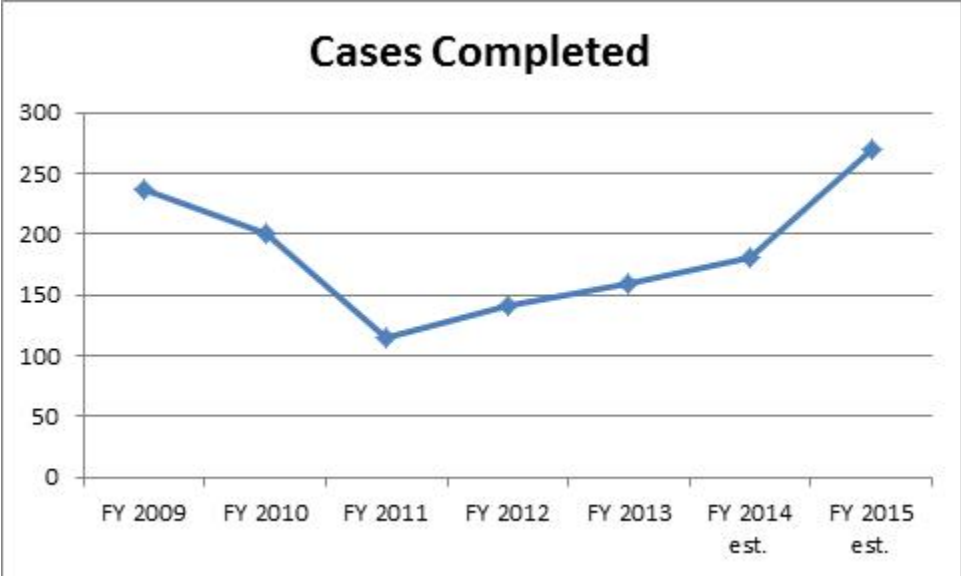
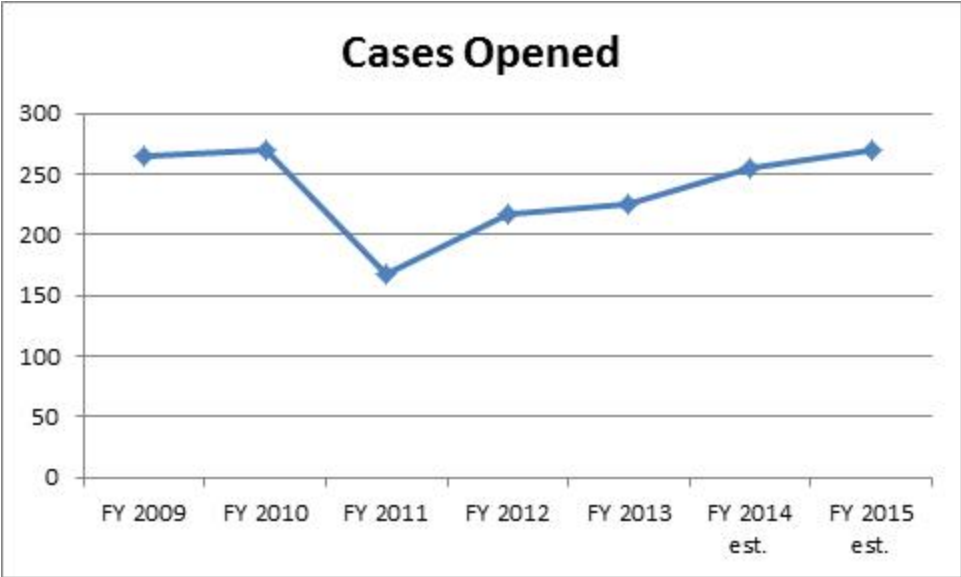
Intent Language

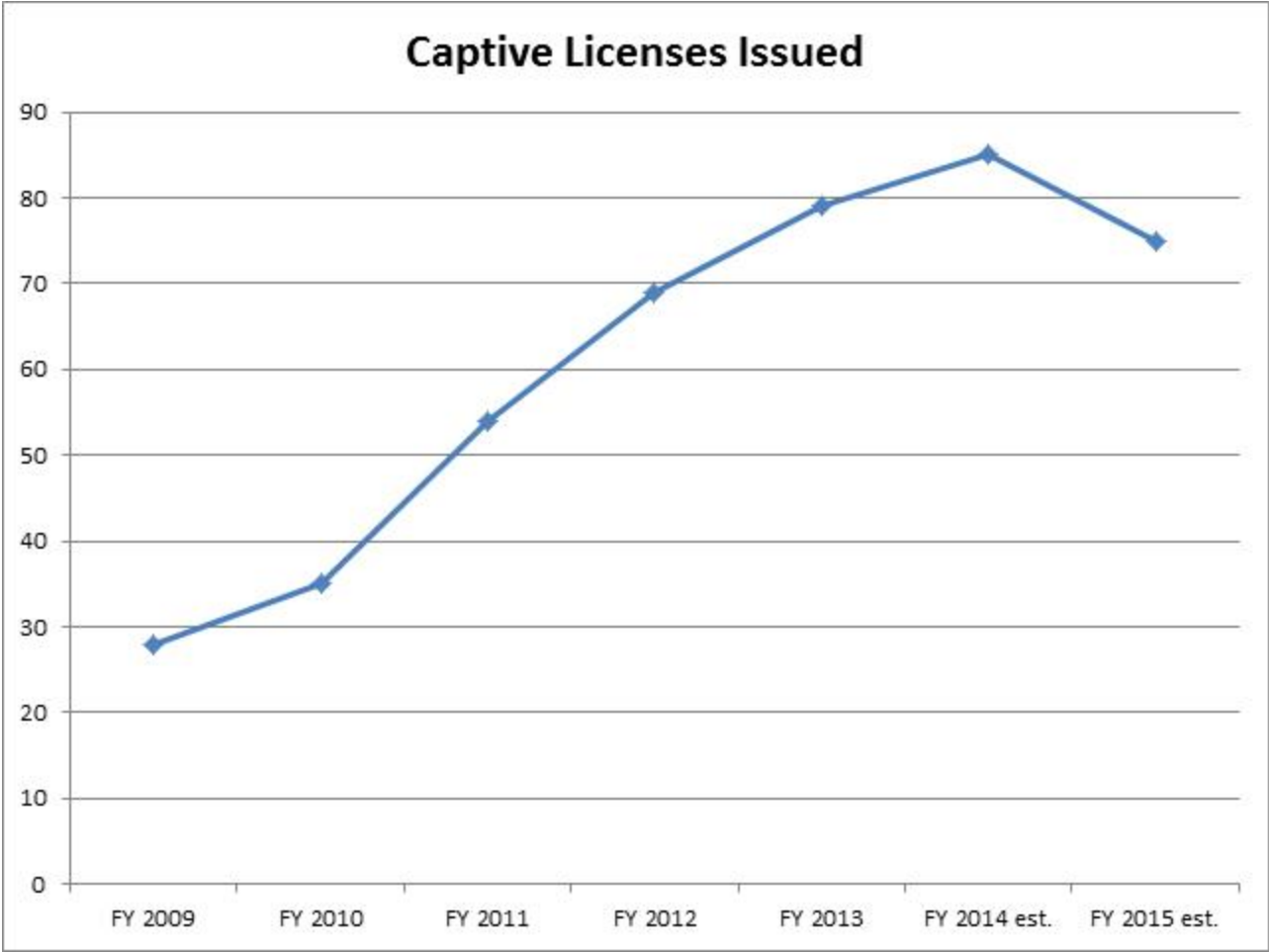
Under Section 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided from the Insurance Department Restricted Account for the Insurance Department Administrative line item in Item 31 of Chapter 10 Laws of Utah 2012 not lapse at the close of Fiscal Year 2013. The use of any nonlapsing funds up to \$100,000 from the Insurance Department Restricted Account is for the following purposes: Capital Equipment, Computer Equipment/Software, Employee Training, and Equipment/Supplies.

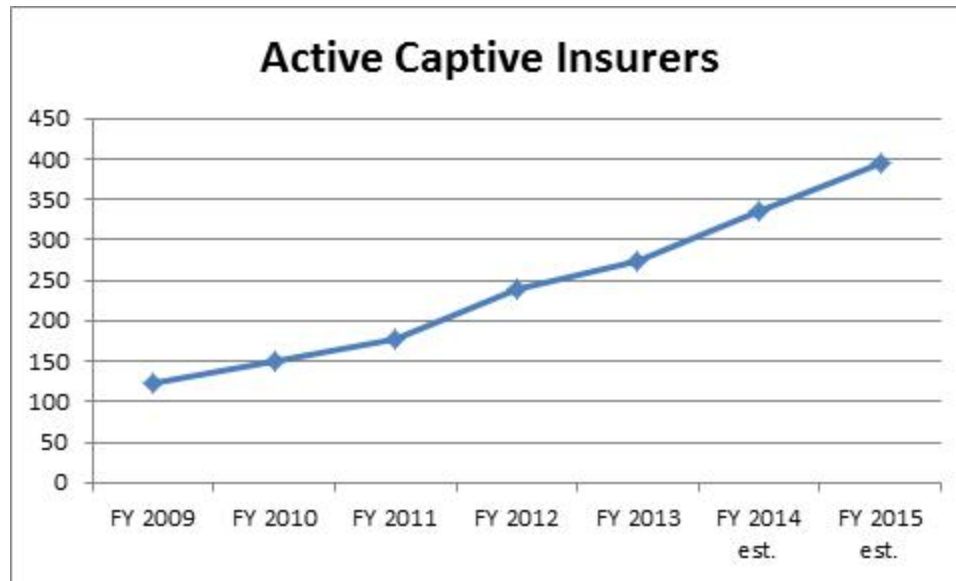
Performance

The Insurance Department uses the following performance measures: consumer inquiries/complaints received, financial exams conducted, fraud cases opened, fraud cases completed, captive insurers licenses issued, and the number of active captive insurers. Data is shown below.









Funding Detail

Funding for Insurance Department Administration is primarily from the Insurance Department Account. Revenues over expenditures for this account lapse to the General Fund at the end of a fiscal year. Expenditures are used mainly for staff and general operational support.

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
General Fund, One-time	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$1,036,700	\$1,547,600	\$383,200	\$1,930,800	\$647,300	\$2,578,100
Dedicated Credits Revenue	\$1,100	\$0	\$8,600	\$8,600	\$0	\$8,600
GFR - Guaranteed Asset Protection Waiver	\$89,000	\$89,000	\$0	\$89,000	\$100	\$89,100
GFR - Insurance Department Account	\$6,217,100	\$6,550,000	\$0	\$6,550,000	\$1,154,200	\$7,704,200
GFR - Ins. Dep't, One-time	\$104,200	\$14,600	\$16,300	\$30,900	(\$253,500)	(\$222,600)
GFR - Insurance Fraud Investigation	\$2,732,400	\$2,117,700	\$2,000	\$2,119,700	\$121,800	\$2,241,500

GFR - Relative Value Study	\$84,000	\$84,000	\$0	\$84,000	\$0	\$84,000
GFR - Technology Development	\$587,000	\$621,400	\$1,000	\$622,400	\$3,600	\$626,000
GFR - Criminal Background Check	\$165,000	\$165,000	\$0	\$165,000	\$0	\$165,000
GFR - Captive Insurance	\$701,700	\$963,500	\$2,000	\$965,500	\$25,900	\$991,400
Beginning Nonlapsing	\$892,900	\$851,800	\$473,400	\$1,325,200	(\$296,700)	\$1,028,500
Closing Nonlapsing	(\$1,325,200)	(\$821,000)	(\$207,500)	(\$1,028,500)	(\$11,400)	(\$1,039,900)
Lapsing Balance	(\$741,600)	\$0	\$0	\$0	\$0	\$0
Total	\$10,544,300	\$12,183,600	\$679,000	\$12,862,600	\$1,391,300	\$14,253,900

Programs	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Administration	\$6,874,100	\$7,972,200	\$499,500	\$8,471,700	\$1,448,000	\$9,919,700
Relative Value Study	\$37,100	\$84,000	\$0	\$84,000	\$0	\$84,000
Insurance Fraud Program	\$2,331,300	\$2,257,700	\$48,600	\$2,306,300	(\$68,500)	\$2,237,800
Captive Insurers	\$693,900	\$881,000	\$108,700	\$989,700	\$25,900	\$1,015,600
Electronic Commerce Fee	\$511,100	\$734,700	\$2,300	\$737,000	(\$4,300)	\$732,700
Office of Consumer Health Assistance	\$0	\$0	\$0	\$0	\$0	\$0
GAP Waiver Program	\$1,700	\$89,000	\$0	\$89,000	\$100	\$89,100
Criminal Background Checks	\$95,100	\$165,000	\$19,900	\$184,900	(\$9,900)	\$175,000
Total	\$10,544,300	\$12,183,600	\$679,000	\$12,862,600	\$1,391,300	\$14,253,900

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Personnel Services	\$6,780,400	\$7,437,800	\$294,900	\$7,732,700	\$1,111,000	\$8,843,700
In-state Travel	\$21,400	\$57,500	\$11,900	\$69,400	(\$9,000)	\$60,400
Out-of-state Travel	\$165,100	\$310,600	\$27,600	\$338,200	(\$63,900)	\$274,300
Current Expense	\$1,778,300	\$1,947,300	\$315,000	\$2,262,300	\$614,200	\$2,876,500

DP Current Expense	\$1,799,000	\$2,415,400	\$44,600	\$2,460,000	(\$261,000)	\$2,199,000
Capital Outlay	\$100	\$15,000	(\$15,000)	\$0	\$0	\$0
Total	\$10,544,300	\$12,183,600	\$679,000	\$12,862,600	\$1,391,300	\$14,253,900

Other Indicators	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Budgeted FTE	85	86	3	89	(1)	88
Actual FTE	84	0	0	0	0	0
Vehicles	11	10	0	10	0	10

Program: Relative Value Study

Function

Under UCA 31A-22-307, the Relative Value Study is to determine the reasonable value of medical expenses. It is funded by a 0.01 percent tax on motor vehicle liability, uninsured motorist, and personal injury protection insurance premiums. Funds are collected by the Tax Commission as restricted funds in the Relative Value Study Restricted Account. The study is produced by the All-Payer Claims Data Base in the Office of Health Care Statistics in the Department of Health. The contract to produce the study is re-bid every three years. The department charges \$10 per copy.

Funding Detail

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Dedicated Credits Revenue	\$0	\$0	\$0	\$0	\$0	\$0
GFR - Relative Value Study	\$84,000	\$84,000	\$0	\$84,000	\$0	\$84,000
Beginning Nonlapsing	\$0	\$0	\$0	\$0	\$0	\$0
Closing Nonlapsing	\$0	\$0	\$0	\$0	\$0	\$0
Lapsing Balance	(\$46,900)	\$0	\$0	\$0	\$0	\$0
Total	\$37,100	\$84,000	\$0	\$84,000	\$0	\$84,000

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Personnel Services	\$0	\$0	\$0	\$0	\$0	\$0
Current Expense	\$37,100	\$76,000	\$0	\$76,000	\$0	\$76,000
DP Current Expense	\$0	\$8,000	\$0	\$8,000	\$0	\$8,000
Total	\$37,100	\$84,000	\$0	\$84,000	\$0	\$84,000

Program: Insurance Fraud Program

Function

The 1994 Legislature created the Insurance Fraud Act (UCA 31A-31-101 through 111) and subsequently the department created the Insurance Fraud Division. It conducts criminal investigations and prosecutes insurance fraud violators. Nationwide, insurance fraud is estimated at over \$30 billion per year in property and casualty claims. For healthcare fraud the nationwide losses are estimated to be at least \$77 billion and possibly reaching over \$250 billion. The program is funded by the Insurance Fraud Investigation Restricted Account.

Funding Detail

Funding for the Insurance Fraud program is from the Insurance Fraud Investigation Restricted Account. Funds are used mainly for staff and corresponding current expense costs. Restitution payments are also made from the Fraud program as ordered by the Courts to victims of fraud insurance.

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Federal Funds	\$48,300	\$140,000	\$0	\$140,000	\$0	\$140,000
Dedicated Credits Revenue	\$1,100	\$0	\$8,600	\$8,600	\$0	\$8,600
GFR - Insurance Fraud Investigation	\$2,732,400	\$2,117,700	\$2,000	\$2,119,700	\$121,800	\$2,241,500
Beginning Nonlapsing	\$210,300	\$200,000	\$460,800	\$660,800	(\$38,000)	\$622,800
Closing Nonlapsing	(\$660,800)	(\$200,000)	(\$422,800)	(\$622,800)	(\$152,300)	(\$775,100)
Lapsing Balance	\$0	\$0	\$0	\$0	\$0	\$0

Total	\$2,331,300	\$2,257,700	\$48,600	\$2,306,300	(\$68,500)	\$2,237,800
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Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Personnel Services	\$1,066,600	\$1,193,300	\$17,300	\$1,210,600	\$95,400	\$1,306,000
In-state Travel	\$16,700	\$22,500	\$7,000	\$29,500	\$0	\$29,500
Out-of-state Travel	\$26,400	\$38,000	\$20,000	\$58,000	\$0	\$58,000
Current Expense	\$1,183,100	\$884,600	(\$138,500)	\$746,100	\$17,400	\$763,500
DP Current Expense	\$38,500	\$104,300	\$157,800	\$262,100	(\$181,300)	\$80,800
Capital Outlay	\$0	\$15,000	(\$15,000)	\$0	\$0	\$0
Total	\$2,331,300	\$2,257,700	\$48,600	\$2,306,300	(\$68,500)	\$2,237,800

Other Indicators	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Budgeted FTE	13	14	(1)	14	1	14
Actual FTE	13	0	0	0	0	0
Vehicles	11	10	0	10	0	10

Program: Captive Insurers

Function

The Captive Insurance Division was created in 2003 when the Captive Insurance Companies Act (UCA 31A-37-101 through 604) was passed by the Legislature. The division licenses captive insurance companies formed by companies to manage their risk exposure. It also monitors their solvency and financial strength. The division is funded by the Captive Insurance Restricted Account. As of June 30, 2012, the division was regulating 238 Utah domiciled companies.

Funding Detail

Funding for the Captive Insurers program is from the Captive Insurance Restricted Account, and is used to fund all aspects of the program, including: personnel, audits and other supports for accomplishing the mission of the Captive Insurers program.

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Dedicated Credits Revenue	\$0	\$0	\$0	\$0	\$0	\$0
GFR - Captive Insurance	\$701,700	\$963,500	\$2,000	\$965,500	\$25,900	\$991,400
Beginning Nonlapsing	\$236,300	\$318,800	(\$176,400)	\$142,400	(\$24,200)	\$118,200
Closing Nonlapsing	(\$142,400)	(\$401,300)	\$283,100	(\$118,200)	\$24,200	(\$94,000)
Lapsing Balance	(\$101,700)	\$0	\$0	\$0	\$0	\$0
Total	\$693,900	\$881,000	\$108,700	\$989,700	\$25,900	\$1,015,600

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Personnel Services	\$641,100	\$812,300	\$85,700	\$898,000	\$21,700	\$919,700
In-state Travel	\$0	\$5,000	\$100	\$5,100	\$0	\$5,100
Out-of-state Travel	\$17,900	\$21,900	\$7,600	\$29,500	\$0	\$29,500
Current Expense	\$19,300	\$29,100	\$9,000	\$38,100	(\$100)	\$38,000
DP Current Expense	\$15,600	\$12,700	\$6,300	\$19,000	\$4,300	\$23,300
Total	\$693,900	\$881,000	\$108,700	\$989,700	\$25,900	\$1,015,600

Other Indicators	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Budgeted FTE	6	6	3	9	(3)	6
Actual FTE	7	0	0	0	0	0

Program: Electronic Commerce Fee

Function

UCA 31A-3-104 authorizes the Insurance Commissioner impose a fee on information obtained through electronic databases or on data generated by electronic means. Funds are earmarked for the development of services through electronic technologies.

Funding Detail

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Dedicated Credits Revenue	\$0	\$0	\$0	\$0	\$0	\$0
GFR - Technology Development	\$587,000	\$621,400	\$1,000	\$622,400	\$3,600	\$626,000
Beginning Nonlapsing	\$426,900	\$313,600	\$78,500	\$392,100	(\$114,600)	\$277,500
Closing Nonlapsing	(\$392,100)	(\$200,300)	(\$77,200)	(\$277,500)	\$106,700	(\$170,800)
Lapsing Balance	(\$110,700)	\$0	\$0	\$0	\$0	\$0
Total	\$511,100	\$734,700	\$2,300	\$737,000	(\$4,300)	\$732,700

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Current Expense	\$3,900	\$300	\$2,700	\$3,000	\$0	\$3,000
DP Current Expense	\$507,200	\$734,400	(\$400)	\$734,000	(\$4,300)	\$729,700
Total	\$511,100	\$734,700	\$2,300	\$737,000	(\$4,300)	\$732,700

COBI contains unaudited data as presented to the Legislature by state agencies at the time of publication. For audited financial data see the State of Utah's Comprehensive Annual Financial Reports.