Representative Jim Fannin
Chairman

Representative Bryan Adams
Vice Chairman

FY 15-16 Executive Budget Review
DEPARTMENT OF INSURANCE

House Committee on Appropriations
by the House Fiscal Division
March 18, 2015
Agenda

Budget Overview

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Department Structure

Commissioner of Insurance

- Administrative Program
- Market Compliance Program
  - Office of Licensing & Compliance
  - Office of Health Insurance
  - Office of Financial Solvency
  - Office of Property & Casualty Insurance
  - Office of Legal Services
  - Division of Insurance Fraud

Peter Conroy (225) 342-6292
## Comparison to Total State Budget FY 15-16

<table>
<thead>
<tr>
<th>Means of Finance</th>
<th>Insurance</th>
<th>Total State Budget</th>
<th>% of Total State Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>$0</td>
<td>$9,042,826,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Interagency Transfers</td>
<td>$0</td>
<td>$2,153,547,065</td>
<td>0.0%</td>
</tr>
<tr>
<td>Fees and Self-Gen. Rev.</td>
<td>$26,291,090</td>
<td>$3,806,472,769</td>
<td>0.7%</td>
</tr>
<tr>
<td>Statutory Dedications</td>
<td>$1,432,793</td>
<td>$3,568,622,003</td>
<td>0.0%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$1,842,690</td>
<td>$9,726,332,078</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL MOF</strong></td>
<td><strong>$29,566,573</strong></td>
<td><strong>$28,297,799,915</strong></td>
<td><strong>0.1%</strong></td>
</tr>
<tr>
<td>Authorized Positions</td>
<td>220</td>
<td>52,393</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Means of Finance

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Interagency Transfers</td>
<td>$145,702</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
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<tr>
<td>Fees and Self-Gen. Rev.</td>
<td>$26,875,725</td>
<td>$30,791,258</td>
<td>$26,291,090</td>
<td>($4,500,168)</td>
<td>(14.6%)</td>
</tr>
<tr>
<td>Statutory Dedications</td>
<td>$1,322,961</td>
<td>$1,527,809</td>
<td>$1,432,793</td>
<td>($95,016)</td>
<td>(6.2%)</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$909,701</td>
<td>$1,841,684</td>
<td>$1,842,690</td>
<td>$1,006</td>
<td>0.1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$29,254,089</td>
<td>$34,160,751</td>
<td>$29,566,573</td>
<td>($4,594,178)</td>
<td>(13.4%)</td>
</tr>
</tbody>
</table>

Authorized Positions

- 258
- 253
- 220
- (33) (13.0%)

Significant Adjustments:

Fees and Self-Generated Revenues
- Reduction of $1.6 million due to annualization of mid-year reductions.
- Decrease of $3.1 million due to elimination of existing positions.
- REC official forecast sets FSGR at $31.85 million.

Statutory Dedications
- Decrease of $89,658 in the Administrative Fund
- Decrease of $5,358 in the Insurance Fraud Investigation Fund

Authorized Positions
- Eliminated 33 positions, including 1 current vacancy, 22 currently filled, and 10 vacancies eliminated in mid-year reductions.
Budget included $29 million of Statutory Dedicated pass through funds for the Round 1 disbursement of the Insure LA Incentive Program, in accordance with Act 447 of the 2007 Regular Legislative Session.

*Existing Operating Budget as of 12/1/14
**Governor’s Executive Budget Recommendation

Source: Executive Budget Supporting Documents
Major Sources of Revenue FY 15-16

Self-Generated Revenues - $26.3 million

- Fees and Self-Generated Revenue funds are from various fees and licensing activities derived directly from every insurer and producer under the department’s jurisdiction, per R.S. 22:1.

Statutory Dedications - $1.4 million

- Administrative Fund -- $749,465
- Automotive Theft & Insurance Fraud Prevention Fund -- $227,000
- Insurance Fraud Investigation Fund -- $456,328

Federal Funds - $1.8 million

- State Health Insurance Assistance Fund and Health Insurance Premium Review.
Fees and Self-Generated Revenues

SGR Collected by the Department (in Millions)

Source: Louisiana Department of Insurance

FY15 retained includes mid-year reductions
FY16 retained in Governor’s Executive Budget
## Expenditure Breakdown

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>FY 13-14 Actual Expenditures</th>
<th>FY 14-15 Existing Operating Budget (12/1/14)</th>
<th>FY 15-16 Executive Budget Recommendation</th>
<th>Change from FY 14-15 to FY 15-16</th>
<th>Percent Change from FY14-15 to FY15-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$14,540,446</td>
<td>$15,531,695</td>
<td>$13,322,834</td>
<td>$(2,208,861)</td>
<td>(14.2%)</td>
</tr>
<tr>
<td>Other Compensation</td>
<td>$309,478</td>
<td>$353,433</td>
<td>$134,775</td>
<td>$(218,658)</td>
<td>(61.9%)</td>
</tr>
<tr>
<td>Related Benefits</td>
<td>$6,790,773</td>
<td>$8,311,591</td>
<td>$7,332,116</td>
<td>$(979,475)</td>
<td>(11.8%)</td>
</tr>
<tr>
<td>Travel</td>
<td>$245,688</td>
<td>$301,428</td>
<td>$246,570</td>
<td>$(54,858)</td>
<td>(18.2%)</td>
</tr>
<tr>
<td>Operating Services</td>
<td>$2,008,028</td>
<td>$2,131,732</td>
<td>$2,098,553</td>
<td>$(33,179)</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Supplies</td>
<td>$149,196</td>
<td>$177,431</td>
<td>$150,564</td>
<td>$(26,867)</td>
<td>(15.1%)</td>
</tr>
<tr>
<td>Professional Services</td>
<td>$2,778,152</td>
<td>$4,637,476</td>
<td>$3,708,981</td>
<td>$(928,495)</td>
<td>(20.0%)</td>
</tr>
<tr>
<td>Other Charges</td>
<td>$2,011,404</td>
<td>$2,146,363</td>
<td>$2,110,081</td>
<td>$(36,282)</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Acq/Major Repairs</td>
<td>$420,924</td>
<td>$569,602</td>
<td>$462,099</td>
<td>$(107,503)</td>
<td>(18.9%)</td>
</tr>
<tr>
<td>Unallotted</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>TOTAL EXP</td>
<td>$29,254,089</td>
<td>$34,160,751</td>
<td>$29,566,573</td>
<td>$(4,594,178)</td>
<td>(13.4%)</td>
</tr>
</tbody>
</table>

### Salaries and Related Benefits
Overall decreases are due to annualization of the mid-year reductions, the decrease of 23 positions, and retirement rate adjustments. The overall decrease was offset slightly by increases due to the annualization of performance adjustments, and increased health insurance premiums.

### Professional Services
Mid-year reductions included a reduction of $747,280 in professional services. The increase from FY 14 to FY 15 was for the cost of adding LA Citizens Property Corporation and the Office of Group Benefits to the current examination schedule.
8-Year Expenditure History (in millions)

**Personal Services**
- 2008-09: $19.3
- 2009-10: $20.1
- 2010-11: $21.0
- 2011-12: $21.6
- 2012-13: $24.2
- 2013-14: $20.8
- 2014-15*: $19.9
- 2015-16**: $19.9

**Operating Expenses**
- 2008-09: $2.6
- 2009-10: $2.6
- 2010-11: $2.7
- 2011-12: $2.5
- 2012-13: $2.4
- 2013-14: $2.5
- 2014-15*: $2.6
- 2015-16**: $2.5

**Professional Services**
- 2008-09: $3.5
- 2009-10: $3.3
- 2010-11: $4.0
- 2011-12: $4.6
- 2012-13: $2.8
- 2013-14: $2.8
- 2014-15*: $2.8
- 2015-16**: $3.7

**Acquisitions & Major Repairs**
- 2008-09: $0.5
- 2009-10: $0.5
- 2010-11: $0.5
- 2011-12: $0.4
- 2012-13: $0.5
- 2013-14: $0.6
- 2014-15*: $0.6
- 2015-16**: $0.5
8-Year Expenditure History (in millions)

Other Charges

Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/14
**Governor’s Executive Budget Recommendation

Peter Conroy (225) 342-6292  Insurance  House Fiscal Division
Significant Adjustments

Annualization of FY 2015 Mid-Year Reduction Plan. Includes a reduction of 10 vacant authorized positions.

Reduction in expenditure authority and 23 authorized positions. 22 of the positions are filled. The department will be initializing a retirement incentive program.
Discretionary/Non-Discretionary Funding in FY 15-16

Executive Budget

Total Budget $29.6 Million

State General Fund $0 Million

Statutory Dedications $1.4 Million

Federal $1.8 Million

Self-Generated Revenue $26.3 Million

Non-Discretionary $2 Million

Market Compliance $0.8 Million

Discretionary $27.6 Million

Market Compliance $17.1 Million

Administrative $10.5 Million

Administrative $1.2 Million

Subtract $0 Million IAT (Interagency Transfer Double Count)

$29.6 Million Available

Federal

Statutory Dedications

Self-Generated

Revenue

Non-Discretionary

Discretionary

Total Budget

Peter Conroy (225) 342-6292

Insurance

House Fiscal Division
FY 15-16 SALARIES/POSITIONS

- $13.5 million for Salaries and Other Compensation
- $7.3 million for Related Benefits
- Total Personnel Services = $20.8 million; 76% of the Department of Insurance total Executive Budget Recommendation (excluding Other Charges)

- 220 Authorized Positions (192 classified and 28 unclassified)
- 3 full-time non-T.O. positions
- 0 Other Charges positions

As of 1/30/2015, there were vacant 11 positions; the Executive Budget eliminates all of these vacancies and 22 filled positions.
Salaries and Positions

TOTAL FULL-TIME EQUIVALENT (FTE) POSITIONS

Source: Prepared by House Fiscal Division staff using information from ISIS-HR

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Insurance

House Fiscal Division
Salaries and Positions

FY 14 CLASSIFIED AVERAGE ANNUAL PAY PER FTE

Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service

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Insurance
House Fiscal Division
Salaries and Positions

FY 14 UNCLASSIFIED AVERAGE ANNUAL PAY PER FTE

Source: Prepared by House Fiscal Division staff using information from ISIS-HR and Civil Service

Peter Conroy (225) 342-6292

House Fiscal Division

Insurance
## Department Contacts

<table>
<thead>
<tr>
<th>TITLE</th>
<th>CONTACT</th>
<th>PHONE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioner</td>
<td>James Donelon</td>
<td>225-342-5900</td>
</tr>
<tr>
<td>Chief of Staff</td>
<td>Denise Brignac</td>
<td>225-342-6535</td>
</tr>
<tr>
<td>Deputy Undersecretary</td>
<td>Lance Herrin</td>
<td>225-342-3981</td>
</tr>
<tr>
<td>Budget Administrator</td>
<td>Stephanie Kendrick</td>
<td>225-342-3918</td>
</tr>
</tbody>
</table>