

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY16-17 Executive Budget Review Commissioner of Insurance

House Committee on Appropriations
by the House Fiscal Division

March 30, 2016

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DEPARTMENT FUNCTIONS

There shall be a Department of Insurance, headed by the commissioner of insurance. The department shall exercise such functions and the commissioner shall have powers and perform duties authorized by this constitution or provided by law. (*Constitution Article IV, Section 11*)

The mission of the Department of Insurance is to regulate the insurance industry in the state (licensing of producers, insurance adjusters, public adjusters, and insurers) and to serve as an advocate for the state's insurance consumers.

Administrative Program - \$12 Million

Provides management and oversight over the entire department and collects assessments. Includes Public Affairs, Consumer Advocacy and Diversity, Revenue Collections, and administrative functions of the department.

Market Compliance Program - \$19 Million

Includes offices and programs providing licensing, fraud investigation, and consumer services for all types of insurance and approval of rates for property and casualty insurance.

MARKET COMPLIANCE AGENCIES

Office of Licensing

Oversees licensing and records of all producers, including life, health, and property and casualty insurance providers.

Office of Health, Life, and Annuity

Regulates state and federal requirements applicable to commercial and government-operated health benefit plans.

Office of Property and Casualty

Reviews, approves and/or disapproves rates, and reviews forms for property and casualty insurance providers.

Office of Financial Solvency

Analyzes and examines the financial conditions of all insurance providers approved to conduct business in the state, including life, health, property and casualty, and HMO's.

Office of Consumer Services

Performs market conduct examinations to assure policyholders, claimants, and beneficiaries are treated fairly.

Division of Legal Services

Acts as legal counsel and enforcement arm of the department.

Division of Insurance Fraud

Investigates alleged or suspected fraud committed by or upon insurance producers, brokers, and companies.

NOT PART OF THE DEPARTMENT

Office of Group Benefits

State agency within the Division of Administration authorized by state law to provide health and life insurance benefits to eligible employees and retirees of participating state agencies and local school systems, as well as their eligible dependents.

Louisiana Insurance Guaranty Association

Nonprofit organization created by state law to pay consumer claims if a property and casualty insurer is declared insolvent and is unable to pay the amounts owed to claimants and creditors.

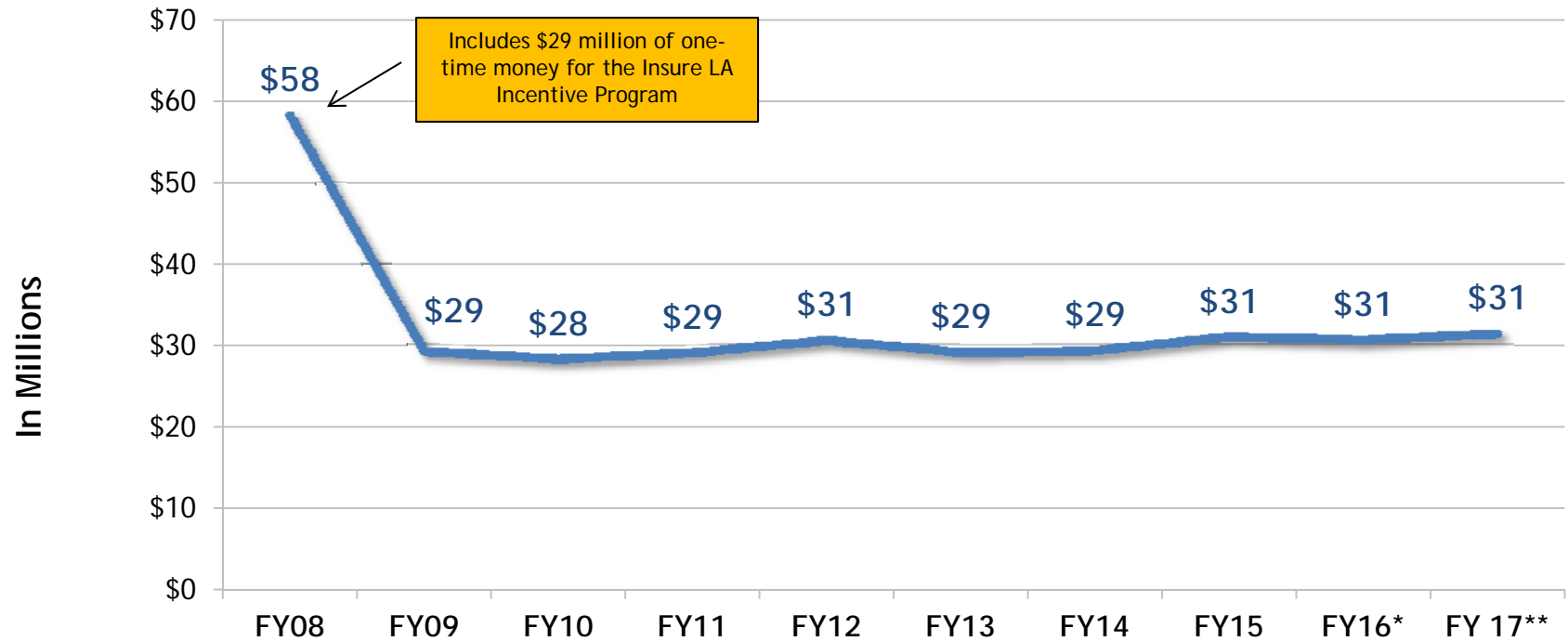
Louisiana Citizens Property Insurance Corporation

Nonprofit organization created by state law to provide insurance products for residential and commercial property applicants who are unable to procure insurance through the voluntary insurance marketplace.

Louisiana Life and Health Guaranty Association

Nonprofit organization created by state law to provide protection to Louisiana residents who are holders of life and health insurance policies and individual annuities with an insurer that declared insolvent and is unable to pay its claims.

BUDGET HISTORY



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/15

**Executive Budget Request for FY 17

MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$0	\$0	\$0	\$0	0.0%
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%
Fees and Self-Gen Rev.	\$28,515,878	\$27,291,090	\$28,606,463	\$1,315,373	4.8%
Statutory Dedications	\$1,355,775	\$1,431,629	\$1,444,099	\$12,470	0.9%
Federal Funds	\$1,080,019	\$1,842,690	\$1,309,816	(\$532,874)	(28.9%)
Total Means of Finance	\$30,951,672	\$30,565,409	\$31,360,378	\$794,969	2.6%

MAJOR SOURCES OF REVENUE

Self Generated Revenues \$28.6 Million

These are derived from various fees and licenses authorized by law. The Department collects more than is needed for operations.

Statutory Dedications \$1.4 Million

Statutory dedications are from assessments on various policies written in the state.

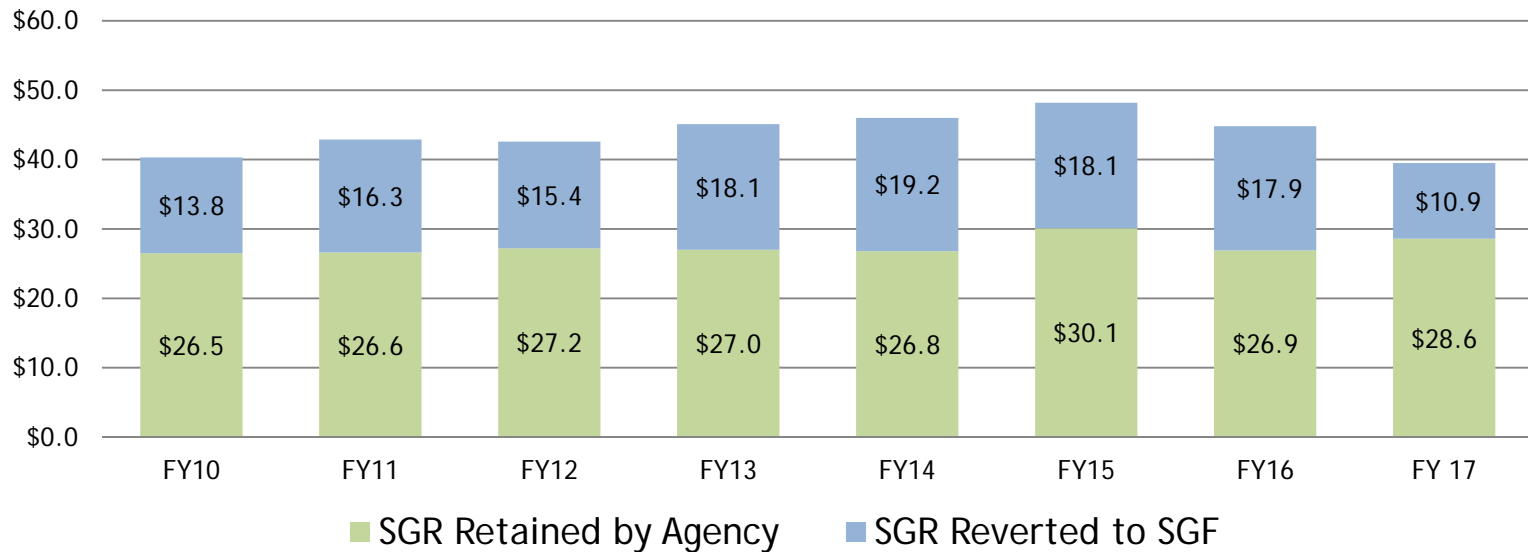
\$750K Administrative Fund
\$190K Auto Theft and Insurance Fraud
Prevention Authority Fund
\$540K Insurance Fraud Investigation
Fund

Federal Funds \$1.3 Million

Federal Funds are derived from the State Health Insurance Assistance Program to provide information to the Medicare population (\$716K) and for Health Insurance Rate Review to review proposed health insurance premium increases (\$594K).

SELF-GENERATED REVENUES

SGR Collected by the Department
(in Millions)



Source: Department of Insurance

SIGNIFICANT IMPACTS

\$521,517 increase in Fees and Self-Generated Revenues and \$67,025 in Statutory Dedications

(\$349,934) in Federal Funds

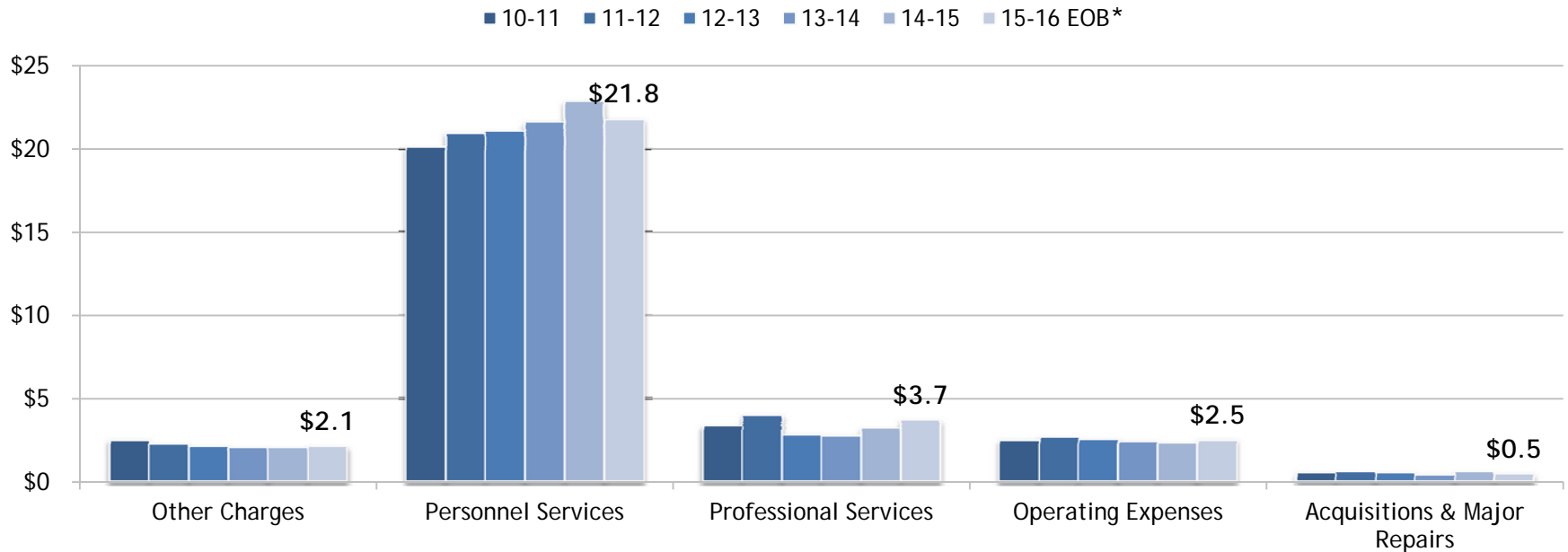
Fully funds department reorganization and creation of the Office of Consumer Services pursuant to Act 274 of the 2015 Regular Session.

Reduction reflects decrease in the amount of federal funding actually received from the US Dept. of Health and Human Services Administration for Community Living.

EXPENDITURE BREAKDOWN

Expenditure	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$14,823,763	\$13,966,006	\$13,907,209	(\$58,797)	(0.4%)
Other Compensation	\$290,302	\$242,933	\$279,128	\$36,195	14.9%
Related Benefits	\$7,754,260	\$7,721,259	\$8,244,026	\$522,767	6.8%
Travel	\$241,951	\$242,312	\$242,312	\$0	0.0%
Operating Services	\$1,950,316	\$2,156,438	\$2,156,438	\$0	0.0%
Supplies	\$137,690	\$143,426	\$143,426	\$0	0.0%
Professional Services	\$3,197,267	\$3,522,119	\$3,572,119	\$50,000	1.4%
Other Charges	\$2,008,334	\$2,108,817	\$2,272,144	\$163,327	7.7%
Acq/Major Repairs	\$547,789	\$462,099	\$543,576	\$81,477	17.6%
Unallotted	\$0	\$0	\$0	\$0	0.0%
Total Expenditures	\$30,951,672	\$30,565,409	\$31,360,378	\$794,969	2.6%
Authorized Positions	243	225	225	0	0.0%

EXPENDITURE HISTORY (IN MILLIONS)



Note: 90% of other charges are interagency transfers, including maintenance in state-owned buildings and fees for security, risk management, telecommunications, procurement, civil service, banking, and the legislative auditor.

Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/15

FY17 DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$31.4 Million

\$0 Million IAT
Double Count

**\$31.4
Million
Remaining**

State General Fund
\$0

Statutory
Dedications
\$1.4 Million

Federal Funds
\$1.3 Million

Self-Generated
Revenue
\$28.6 Million

**Non Discretionary
\$2 Million**

**Discretionary
\$29.3 Million**

Administrative Program
\$1.2 Million
Maintenance in state-owned
buildings, group insurance for
retirees, salary of commissioner

Market Compliance
\$0.8 Million
Group insurance for retirees

Administrative Program
Activities
\$10.8 Million

Market Compliance Program
Activities
\$18.5 Million

PERSONNEL INFORMATION

10 Year FTE Positions/Avg Salary

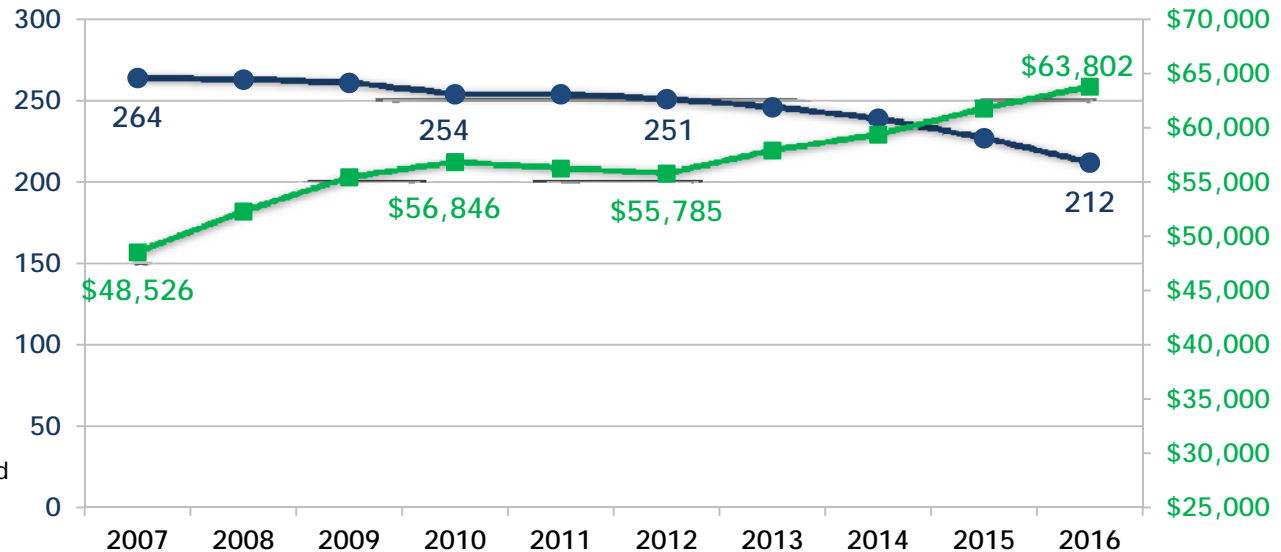
\$14.2 million Salaries & Other Compensation
\$8.2 million Related Benefits
Total Personnel Services = \$22.4 million

- 77% of the Dept. of Insurance total Executive Budget Recommendation (excluding Other Charges)

Authorized Positions

- 225 (198 classified and 27 unclassified)
- 3 full-time non-T.O. positions
- 0 Other Charges positions

*As of 1/29/2016, the Department of Insurance had 14 vacancies; no vacancies were eliminated in the Executive Budget.



Source: Prepared by House Fiscal Division staff using information from Civil Service.

DEPARTMENT CONTACTS

Honorable James Donelon Commissioner	225-342-5900
Denise Brignac Chief of Staff	225-342-6535
Lance Herrin Deputy Undersecretary	225-342-3981