

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY17-18 Executive Budget Review Department of Insurance

House Committee on Appropriations
Prepared by the House Fiscal Division

April 4, 2017

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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.

Division of Legal Services

Acts as legal counsel and enforcement arm of the department.

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 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.

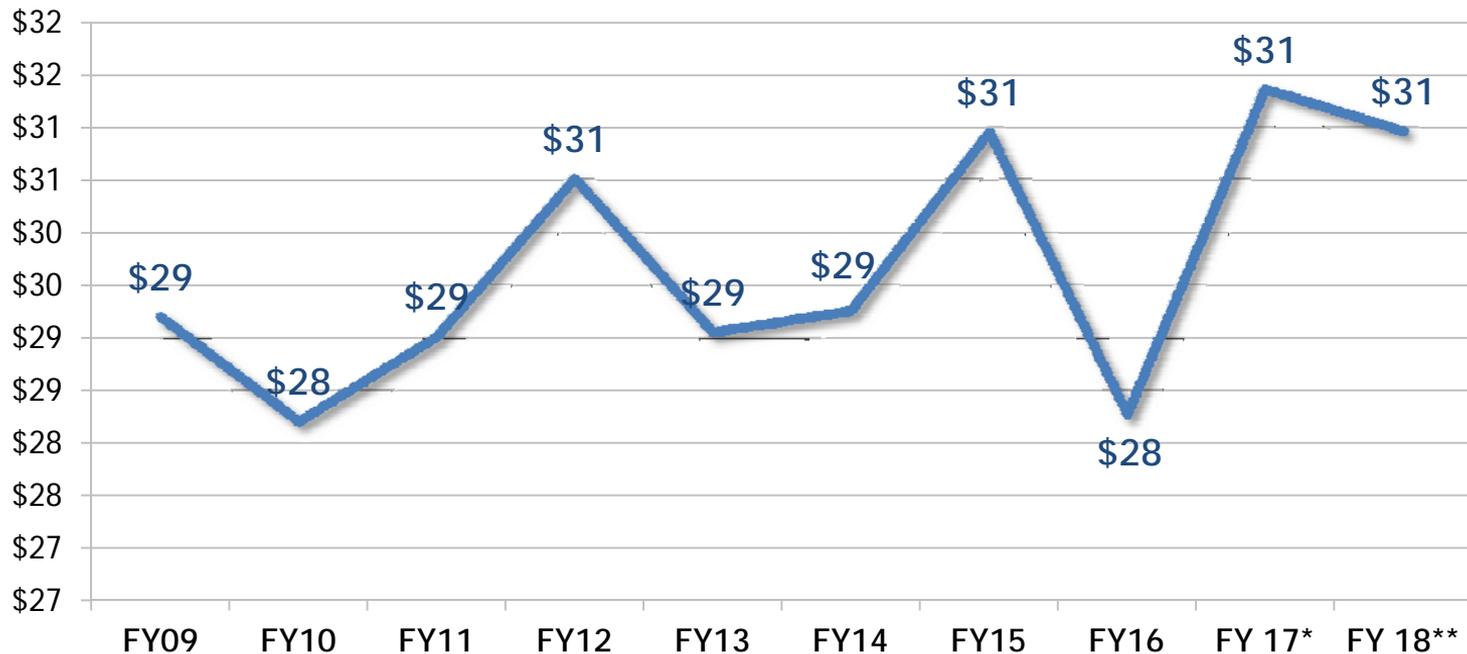
Louisiana Citizens Property Insurance Corporation

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 (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/16
** Governor's Executive Budget Recommendation

MAJOR SOURCES OF REVENUE

Self Generated Revenue

- \$28.5 Million from various fees and licenses authorized by law and the Louisiana Insurance Rating Commission assessment.

Statutory Dedications

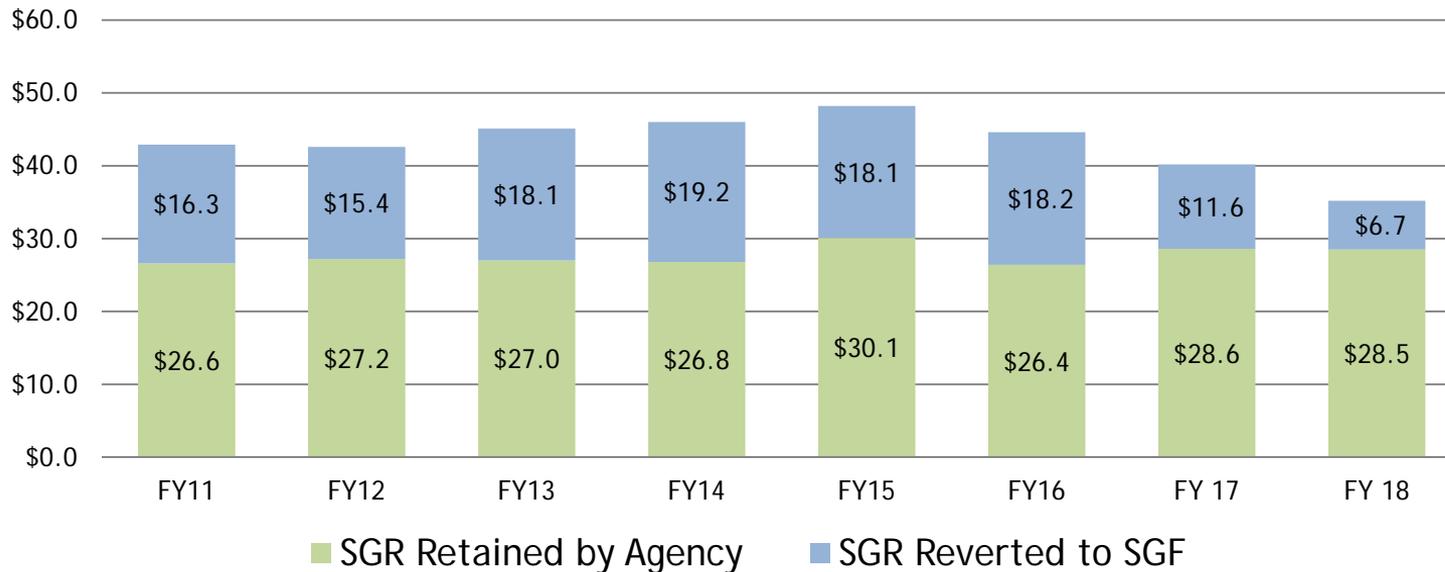
- Statutory dedications are from assessments on various policies written in the state.
- \$949K Administrative Fund.
- \$227K out of the Automobile Theft and Insurance Fraud Prevention Authority Fund.
- \$563K out of the Insurance Fraud Investigation Fund.

Federal Funding

- \$716K from the State Health Insurance Assistance Fund.

ADDITIONAL REVENUE INFORMATION

SGR Collected by the Department (in Millions)



MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 12/1/16	FY 17-18 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.	\$26,043,455	\$28,606,463	\$28,507,968	(\$98,495)	(0.3%)
Statutory Dedications	\$1,308,734	\$1,445,979	\$1,738,353	\$292,374	20.2%
Federal Funds	\$916,516	\$1,309,816	\$716,006	(\$593,810)	(45.3%)
Total Means of Finance	\$28,268,705	\$31,362,258	\$30,962,327	(\$399,931)	(1.3%)
State Effort	\$27,352,189	\$30,052,442	\$30,246,321	\$193,879	0.6%

The Department of Insurance receives no State General Fund (Direct) or Interagency Transfers.

MEANS OF FINANCE BREAKDOWN - AFTER DEFICITS

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 3/1/17	FY 17-18 Executive Budget Recommendation	\$ Change from Existing 3/1/17	% Change from Existing 3/1/17
State General Fund	\$0	\$0	\$0	\$0	0.0%
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%
Fees and Self-Gen Rev.	\$26,043,455	\$27,891,301	\$28,507,968	\$616,667	2.2%
Statutory Dedications	\$1,308,734	\$1,445,980	\$1,738,353	\$292,373	20.2%
Federal Funds	\$916,516	\$1,309,816	\$716,006	(\$593,810)	(45.3%)
Total Means of Finance	\$28,268,705	\$30,647,097	\$30,962,327	\$315,230	1.0%
State Effort	\$27,352,189	\$29,337,281	\$30,246,321	\$909,040	3.1%

**Change to FY 16-17
Existing Budget:
\$715,161 or 2.3%**

1st Deficit \$1

Statutory Dedications
Statutory Dedications were
reduced and fund balances
were used to replace the
reduction

2nd Deficit (\$715,162)

Fees and Self Generated
Revenue
29% from operating expenses,
25% from salaries and related
benefits, 21% from acquisitions
and major repairs, 14% from
interagency transfers, 10% from
professional services

These comparisons are to the Existing Operating Budget at March 1, 2017 which includes all adjustments since December 1, 2016 including the two mid-year deficit reductions.

SIGNIFICANT ADJUSTMENTS



\$98K
FSGR



\$253K
Stat Ded



\$ 594K
Federal



3 Positions

Net decrease of \$98K includes increases of \$340K to partially replace Federal Funds, \$100K for funding to contract with certified examiners, \$62K for training and software required by the National Association of Insurance Commissioner, and \$50K for leased rental space to house records of liquidated insurance companies in accordance with approved retention policy offset by decreases of \$253K due to funding replaced with Statutory Dedications, \$10K in statewide adjustments to interagency transfers, and \$387K in statewide adjustments to personnel costs.

Additional revenues are projected to be available from Statutory Dedications. These replace Fees and Self-Generated Revenues.

Federal Funds are reduced due to the expiration of a federal grant for Health Premium Rate Review.

Eliminates 3 vacant classified positions.

EXPENDITURE BREAKDOWN

Expenditure	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$13,851,505	\$13,900,977	\$13,899,579	(\$1,398)	(0.0%)
Other Compensation	\$221,196	\$279,128	\$214,942	(\$64,186)	(23.0%)
Related Benefits	\$7,553,747	\$8,244,553	\$7,860,659	(\$383,894)	(4.7%)
Travel	\$167,026	\$242,312	\$242,312	\$0	0.0%
Operating Services	\$1,924,044	\$2,156,438	\$2,170,963	\$14,525	0.7%
Supplies	\$112,993	\$143,426	\$143,426	\$0	0.0%
Professional Services	\$2,112,899	\$3,579,704	\$3,588,387	\$8,683	0.2%
Other Charges	\$1,866,961	\$2,272,144	\$2,298,483	\$26,339	1.2%
Acq/Major Repairs	\$458,334	\$543,576	\$543,576	\$0	0.0%
Unallotted				\$0	0.0%
Total Expenditures	\$28,268,705	\$31,362,258	\$30,962,327	(\$399,931)	(1.3%)
Authorized Positions	225	225	222	(3)	(1.3%)

SIGNIFICANT EXPENDITURE CHANGES

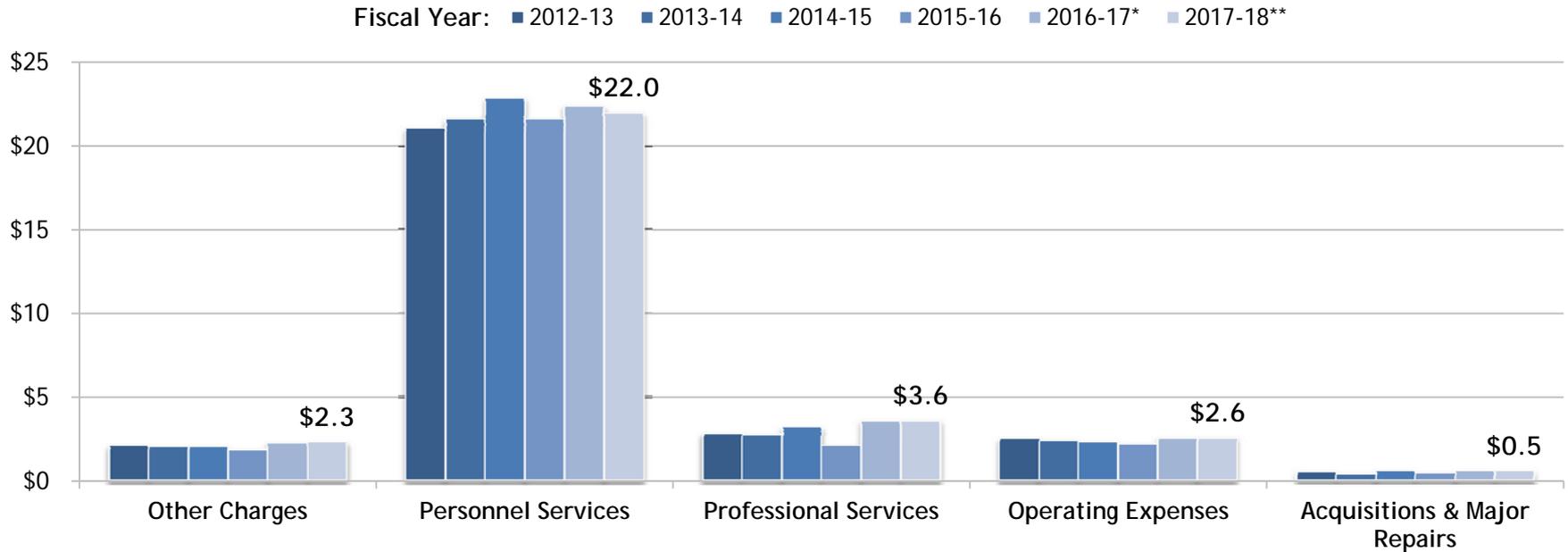
Other Compensation \$64 Thousand Decrease

- Represents a 23% decrease overall from Existing Operating Budget. This is due to discontinuing funding from the federal grant for Health Premium Rate Review.

Related Benefits \$384 Thousand Decrease

- Represents a 4.7% decrease from Existing Operating Budget. Related Benefits decrease as a percentage of salaries from 59% to 56%. This is due to excess budget authority in the current fiscal year.

EXPENDITURE HISTORY



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/16

**Governor's Executive Budget Recommendation

OTHER CHARGES

AMOUNT	DESCRIPTION
\$227,000	Public Safety and Fraud Prevention
\$ 273,896	Interagency transfers for the Department of Justice for legal services and to the Division of Administrative Law for an Administrative Law Judge
\$ 766,585	Interagency transfers to the Office of State Buildings for maintenance in state-owned buildings
\$1,031,002	Other interagency transfers, including security fees, civil service fees, and fees to the Office of Risk Management, the Office of State Procurement, Office of Telecommunications Management, and Office of Technology Services

Source: Executive Budget Supporting Documents

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$31 Million

\$0 Million IAT
Double Count

**\$31 Million
Remaining**

State General Fund
\$0

Statutory
Dedications
\$1.7 Million

Federal Funds
\$0.7 Million

Self-Generated
Revenue
\$28.5 Million

Non Discretionary
\$2.2 Million

Discretionary
\$28.7 Million

Constitutional Mandates
\$ 125 Thousand

Maintenance -State Buildings
\$ 767 Thousand

Retirees Group Insurance
\$1.3 Million

Legislative Auditor Fees
\$45 Thousand

Administrative Program
Activities
\$10.7 Million

Market Compliance Program
Activities
\$18 Million

PERSONNEL INFORMATION

Personnel/Budget Ratio

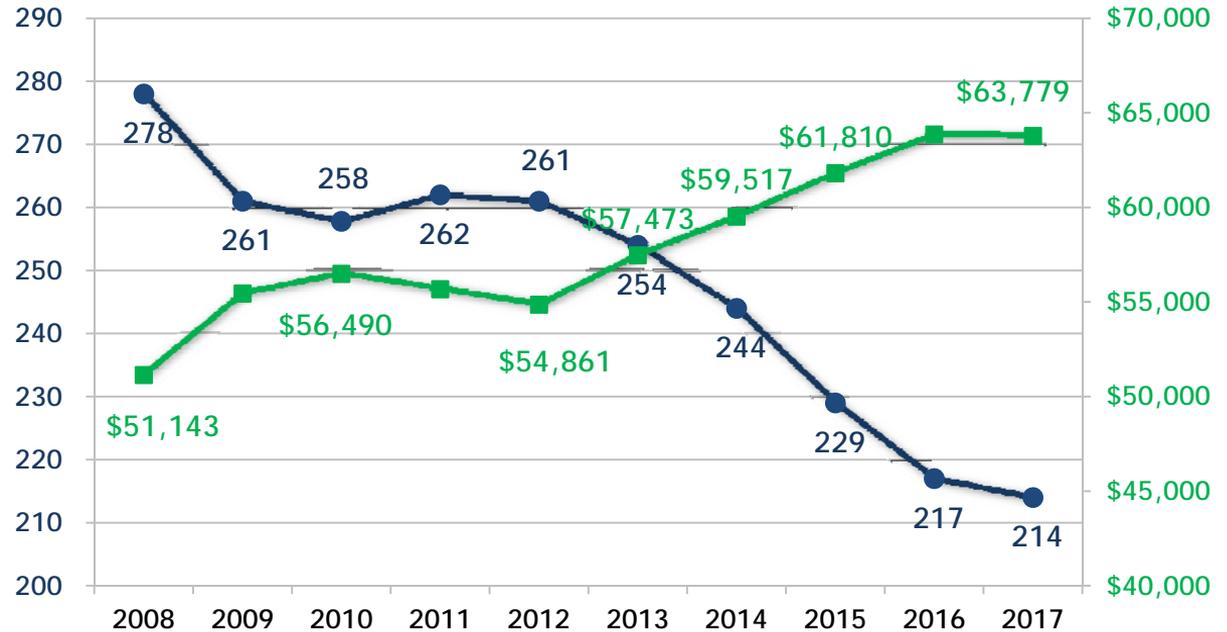
\$14.1M Salaries and Other Comp.
 + \$ 7.9 M Related Benefits
 = \$22.0M Total Personnel Services

*77% of budget expenditures
 (excluding Other Charges)*

Authorized Positions

- 222 (195 classified and 27 unclassified)
- INSURANCE had 11 vacancies as of 1/27/2017
- 3 vacancies are eliminated in executive budget recommendation
- 0 Other Charges Positions
- 3 Non-TO Full Time Equivalent Positions

10 Year FTE Positions/Avg Salary



Source: FTE and Average Salary data provided by the Dept. of Civil Service

DEPARTMENT CONTACTS

	Name	POSITION	Contact
	Honorable James Donelon	Commissioner	225.342.5423
	Denise Gardner	Chief of Staff	225.342.7276
	Lance Herrin	Deputy Undersecretary	225.342.3981