

Representative Jerome Zeringue  
Chairman



Representative Francis Thompson  
Vice Chairman

# Fiscal Year 2023 Executive Budget Review Department of Insurance

House Committee on Appropriations  
House Fiscal Division

*March 9, 2022*

Budget Analyst: David Lehman

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900 N. 3<sup>rd</sup> Street  
Baton Rouge, LA 70802  
[house.louisiana.gov/housefiscal/](https://house.louisiana.gov/housefiscal/)

All data and figures were obtained from the governor's Fiscal Year 2022-2023 Executive Budget and Supporting Documents provided by the Office of Planning and Budget within the Division of Administration along with House Bill 1 of the 2022 Regular Session, unless otherwise noted.

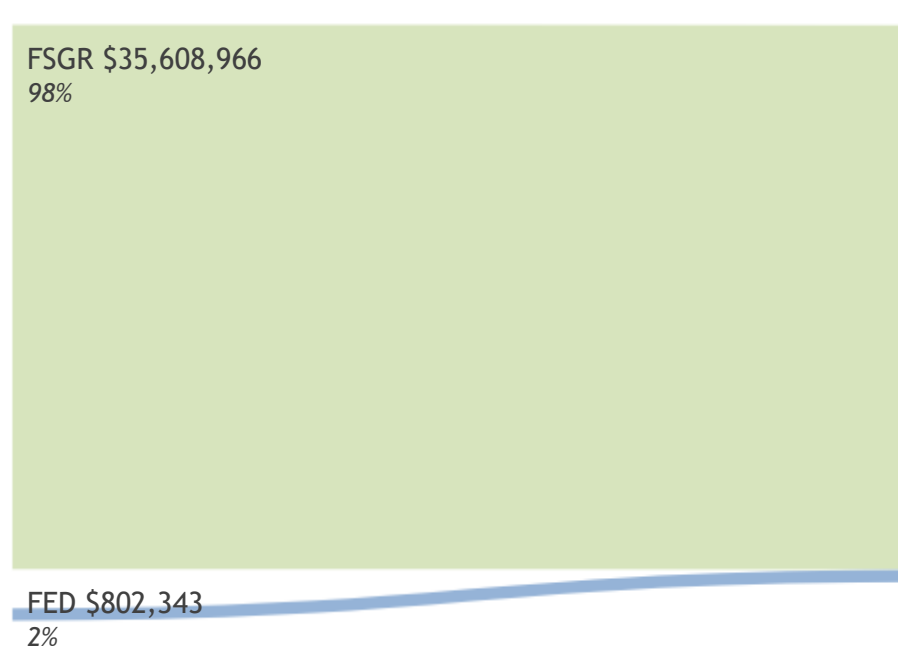
<https://www.doa.la.gov/doa/opb/budget-documents/>

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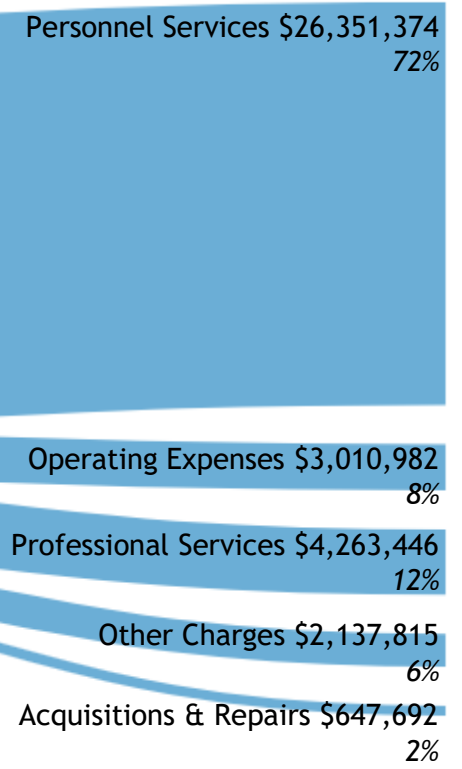
# BUDGET RECOMMENDATION FY 23

Total Recommended = \$36,411,309

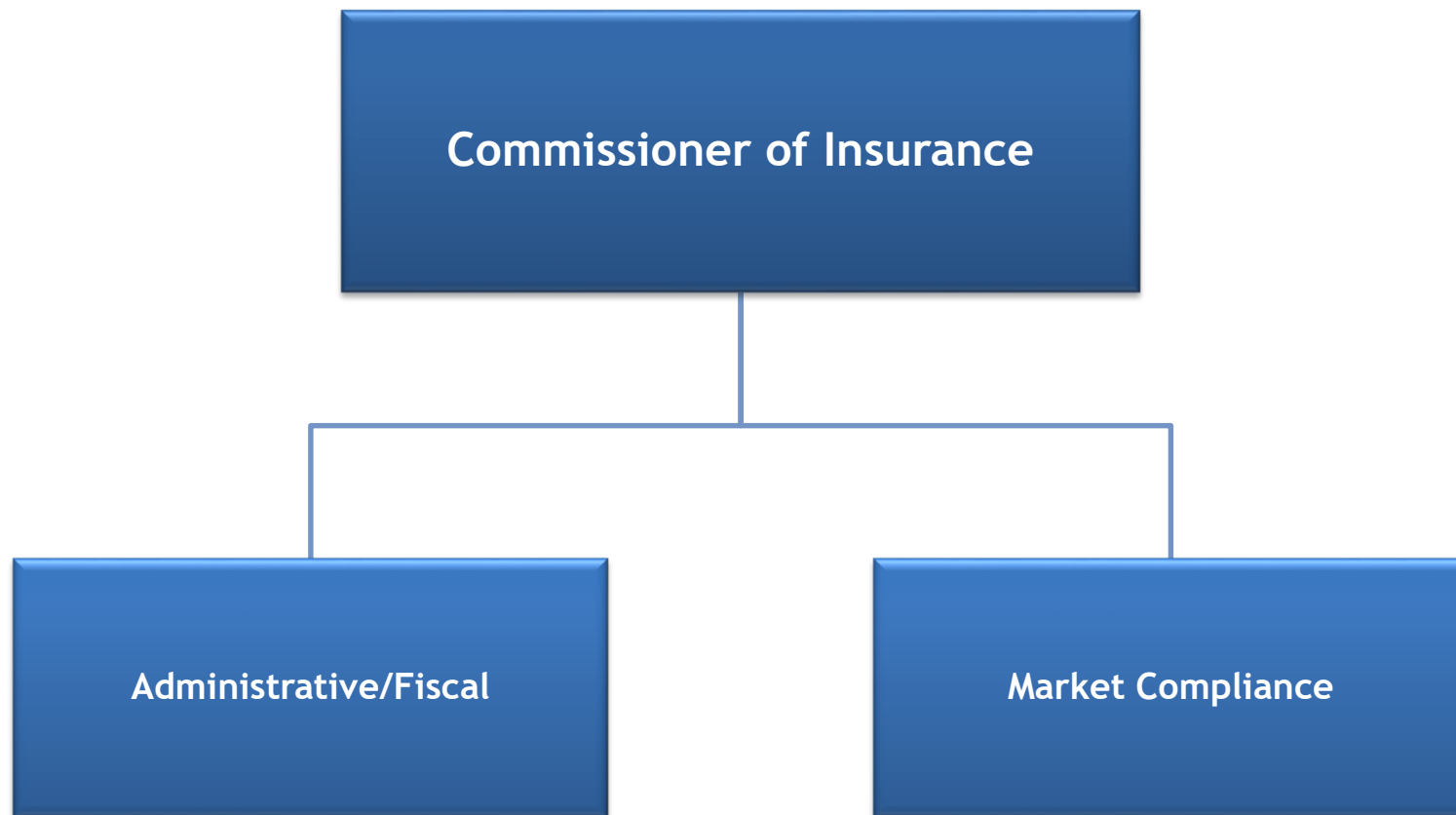
## Means of Financing



## Expenditure Categories



# DEPARTMENT ORGANIZATION



# HISTORICAL SPENDING

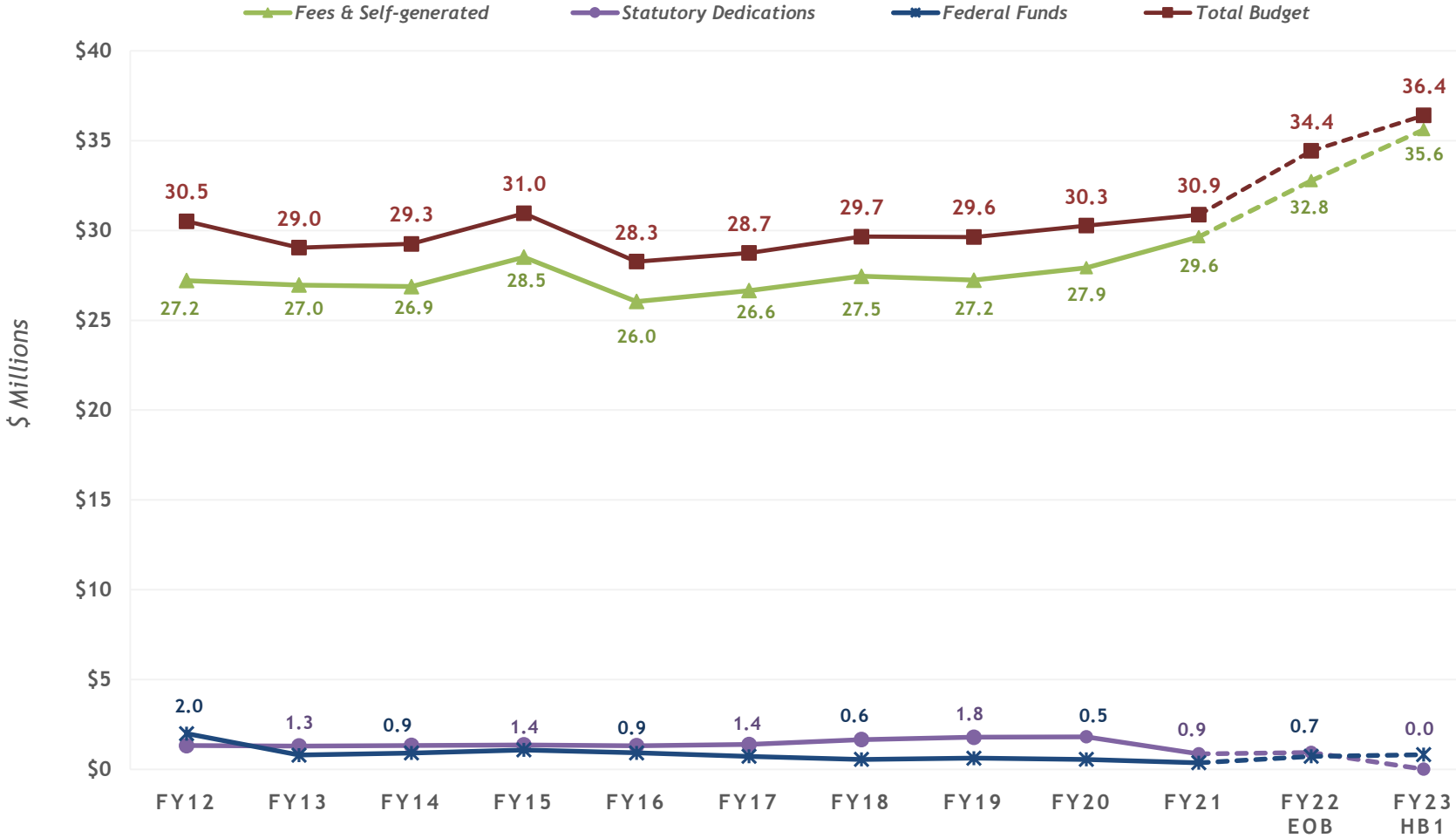
10 Year  
Spending Change

Total <1%

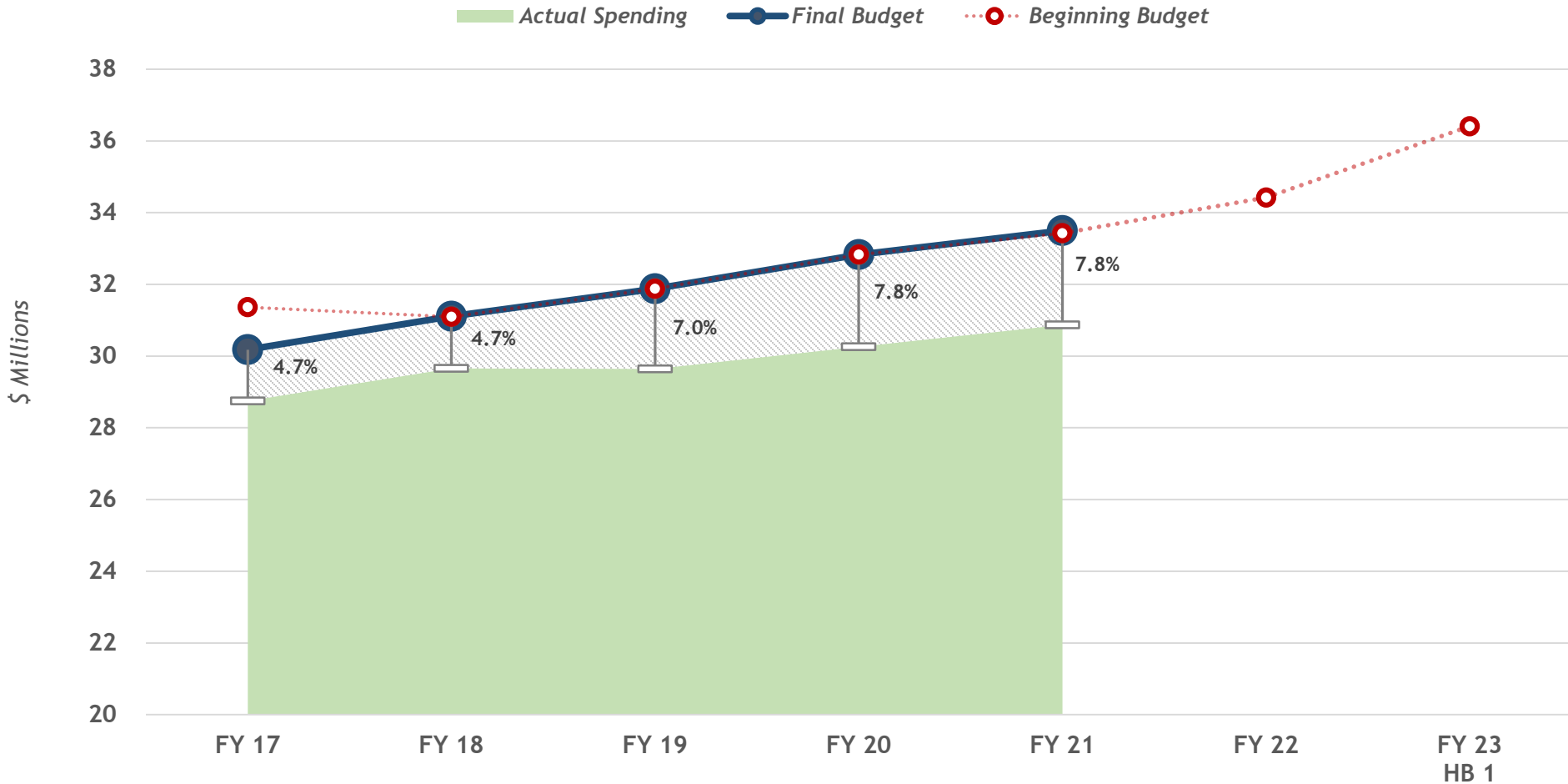
FSGR 1.0%

FED (17.1%)

SD (4.7%)



# HISTORICAL BUDGET



# PRIOR YEAR ACTUALS FY 21

Means of Finance	Final Budget <i>(w/o FY22 carryfwr)</i>	Amount Spent	Unspent Authority	Unspent Authority %	Unspent % by MOF
General Fund	\$ 0	\$ 0	\$ 0	0.0%	0.0%
Interagency Transfers	0	0	0	0.0%	0.0%
Self-generated	31,870,356	29,645,730	2,224,626	7.0%	84.6%
Statutory Dedications	910,011	857,786	52,225	5.7%	2.0%
Federal	717,475	366,290	351,185	48.9%	13.4%
<b>FY21 Total</b>	<b>\$ 33,497,842</b>	<b>\$ 30,869,806</b>	<b>\$ 2,628,036</b>	<b>7.8%</b>	<b>100.0%</b>

<i>Historical Total Unspent Budget Authority</i>	Final Budget	Amount Spent	Unspent Authority	Unspent %	
	FY20 Total	\$ 32,754,836	\$ 30,261,457	\$ 2,493,379	7.6%
	FY19 Total	31,878,205	29,637,266	2,240,939	7.0%
	FY18 Total	31,113,343	29,656,088	1,457,255	4.7%
	<b>3 Year Avg.</b>	<b>\$ 31,915,461</b>	<b>\$ 29,851,604</b>	<b>\$ 2,063,858</b>	<b>6.5%</b>

# PRIOR YEAR ACTUALS FY 21

## Were projected revenues collected?

	Final Budget <i>(w/o FY22 carryfwd)</i>	Revenue Collections	Difference
SGF	\$ 0	\$ 0	\$ 0
IAT	0	0	0
FSGR	31,870,356	45,951,034	14,080,678
SD	910,011	870,104	(39,907)
FED	717,475	366,289	(351,186)
<b>Total</b>	<b>\$ 33,497,842</b>	<b>\$ 47,187,427</b>	<b>\$ 13,689,585</b>

The department collected \$13.7 million more than was budgeted in FY 21. The majority of collections over budget authority was in self-generated funds. The department routinely reverts any unused funds to the state general fund.

## Were collected revenues spent?

	Revenue Collections	Expenditures	Difference
SGF	\$ 0	\$ 0	\$ 0
IAT	0	0	0
FSGR	45,997,082	29,645,730	(16,351,352)
SD	870,104	857,786	(12,318)
FED	366,289	366,290	1
<b>Total</b>	<b>\$ 47,233,475</b>	<b>\$ 30,869,806</b>	<b>\$ (16,363,669)</b>

The department collected \$16.4 million more than was spent. Almost all of this was in self-generated revenue. The federal \$1 expenditure above budget is due to reporting and rounding.



# EXISTING OPERATING BUDGET FY 22

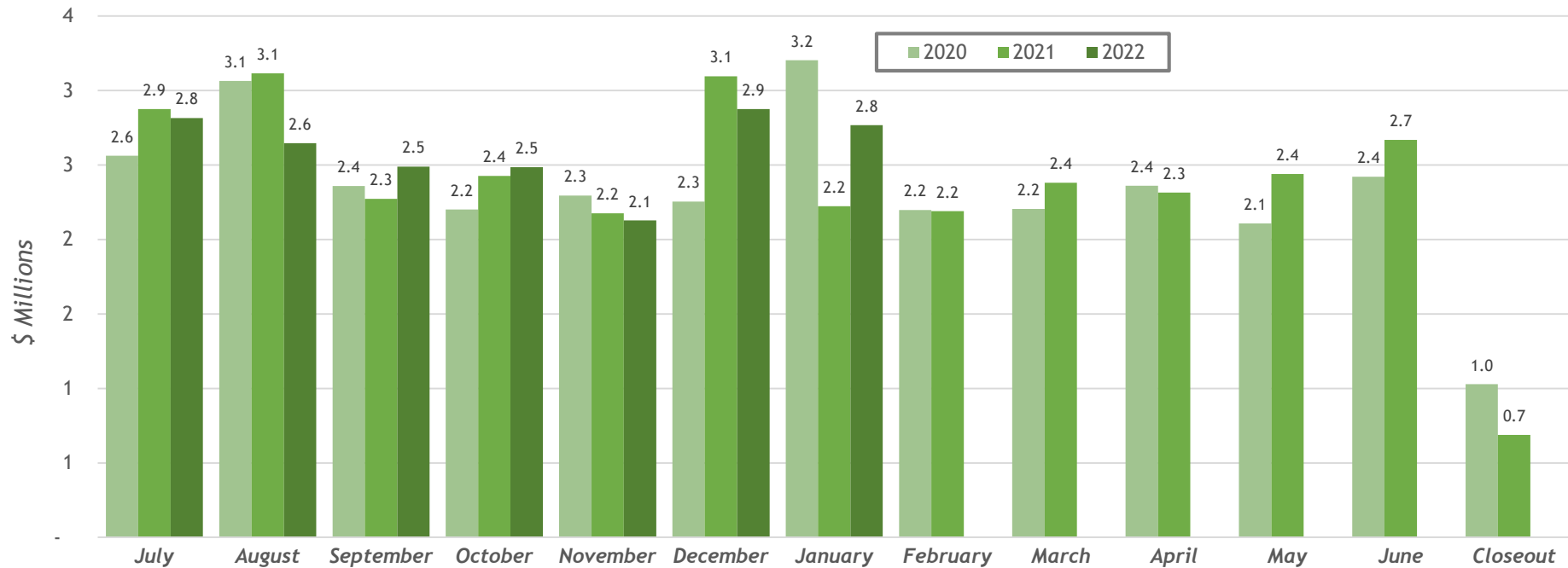
The FY 2021-22 Existing Operating Budget (EOB) was frozen on December 1, 2021. This point-in-time reference is used in both the Executive Budget and the General Appropriations Bill.

Means of Finance	Appropriation	Mid-Year Adjustments	Existing Operating Budget
General Fund	\$ 0	\$ 0	\$ 0
Interagency Transfers	0	0	0
Self-generated Revenue	32,770,301	0	32,770,301
Statutory Dedications	936,271	0	936,271
Federal	717,475	0	717,475
<b>Total</b>	<b>\$ 34,424,047</b>	<b>\$ 0</b>	<b>\$ 34,424,047</b>

## Budget Adjustments From Appropriation to EOB

July	August	September	October	November
No change	No change	No change	No change	No change

# MONTHLY SPENDING TREND



FYTD 2020	2,561,838	5,626,377	7,985,092	10,186,411	12,481,445	14,735,852	17,938,964	20,136,304	22,341,753	24,703,257	26,811,043	29,233,049	30,261,457
FYTD 2021	2,875,450	5,991,886	8,264,348	10,691,742	12,867,442	15,963,987	18,187,675	20,378,625	22,759,178	25,073,377	27,512,659	30,181,430	30,869,804
\$ Change PY	313,612	365,509	279,256	505,331	385,997	1,228,136	248,710	242,321	417,425	370,120	701,616	948,381	608,347
% Change PY	12.2%	6.5%	3.5%	5.0%	3.1%	8.3%	1.4%	1.2%	1.9%	1.5%	2.6%	3.2%	2.0%
FYTD 2022	2,815,021	5,460,871	7,949,940	10,435,136	12,562,664	15,438,965	18,207,535						
\$ Change PY	(60,429)	(531,015)	(314,408)	(256,606)	(304,778)	(525,022)	19,860						
% Change PY	(2.1%)	(8.9%)	(3.8%)	(2.4%)	(2.4%)	(3.3%)	0.1%						

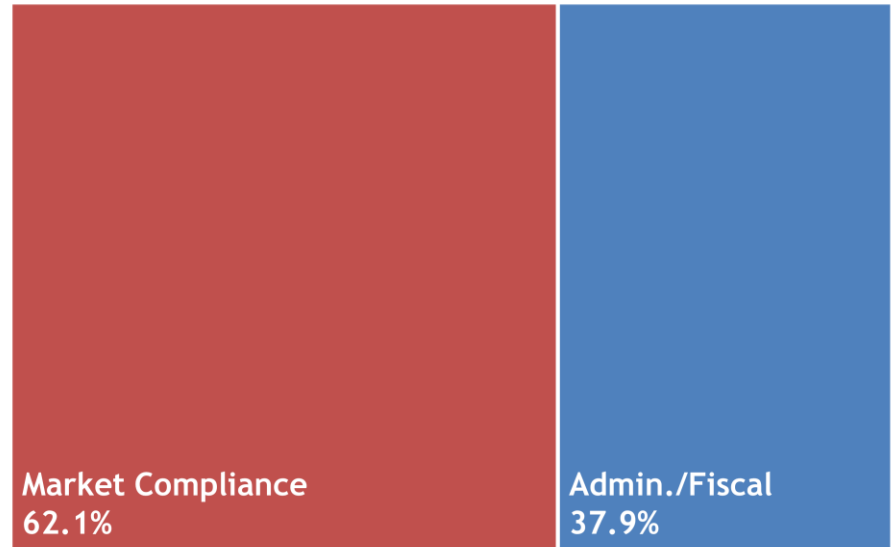
# FUNDING RECOMMENDATION FY 23

## Total Funding = \$36,411,309

Means of Finance		
State General Fund	\$	0
Interagency Transfers		0
Fees & Self-generated		35,608,966
Statutory Dedications		0
Federal Funds		802,343
<b>Total</b>	<b>\$</b>	<b>36,411,309</b>



Program Funding & Authorized Positions			
		<i>Amount</i>	<i>Positions</i>
Administrative/Fiscal	\$	13,808,812	65
Market Compliance		22,602,497	157
<b>Total</b>	<b>\$</b>	<b>36,411,309</b>	<b>222</b>



# SOURCES OF FUNDING

<b>Self-generated Revenue</b> <b>\$35.6 M</b>	<b>Federal Funds</b> <b>\$802,343</b>
<p>Various fees, licenses, and assessments authorized by law, including the following accounts:</p> <ul style="list-style-type: none"><li>• \$1.2 million from the Administrative Dedicated Fund Account of the Department of Insurance, from penalties on health insurers for insurance enforcement</li><li>• \$721,705 from the Insurance Fraud Investigation Dedicated Fund Account, from insurance premium fees for fraud awareness, investigation and enforcement</li><li>• \$227,000 from the Automobile Theft and Insurance Fraud Prevention Authority Dedicated Fund Account, from insurance donations for fraud prevention and enforcement</li></ul>	<p>State Health Insurance Assistance Fund for seniors from the U.S. Department of Health and Human Services.</p>

# FUNDING COMPARISON

Means of Finance	FY21		FY22		FY23		Change		Change	
	Actual Expenditures	Existing Operating Budget 12/1/21	Existing Operating Budget 12/1/21	FY23 HB1 Budget	Existing Operating Budget to HB1	Existing Operating Budget to HB1	Actual Expenditures to HB1	Actual Expenditures to HB1		
SGF	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.0%	\$ 0	0.0%		
IAT	0	0	0	0	0	0.0%	0	0.0%		
FSGR	29,645,730	32,770,301	35,608,966	2,838,665	8.7%	5,963,236	20.1%			
Stat Ded	857,786	936,271	0	(936,271)	(100.0%)	(857,786)	(100.0%)			
Federal	366,290	717,475	802,343	84,868	11.8%	436,053	119.0%			
<b>Total</b>	<b>\$ 30,869,806</b>	<b>\$ 34,424,047</b>	<b>\$ 36,411,309</b>	<b>\$ 1,987,262</b>	<b>5.8%</b>	<b>\$ 5,541,503</b>	<b>18.0%</b>			

## Significant funding changes compared to the FY 22 Existing Operating Budget

### Fees & Self-generated

\$2.8 million increase due to:

- \$1.9 million of collected funds being utilized for increasing expenses
- \$948,705 of dedicated funds being reclassified and utilized as accounts in accordance with Act 114 of the 2021 R.S. These accounts are:
  - \$721,705 for the Insurance Fraud Investigation Dedicated Fund Account
  - \$227,000 for the Automobile Theft and Insurance Fraud Prevention Authority Dedicated Fund Account

### Statutory Dedications

- (\$936,271) decrease due to the reclassification of all department dedications to accounts in accordance with Act 114. These dedications were:
- (\$709,271) from the Insurance Fraud Investigation Fund
  - (\$227,000) from the Automobile Theft and Insurance Fraud Prevention Authority Fund

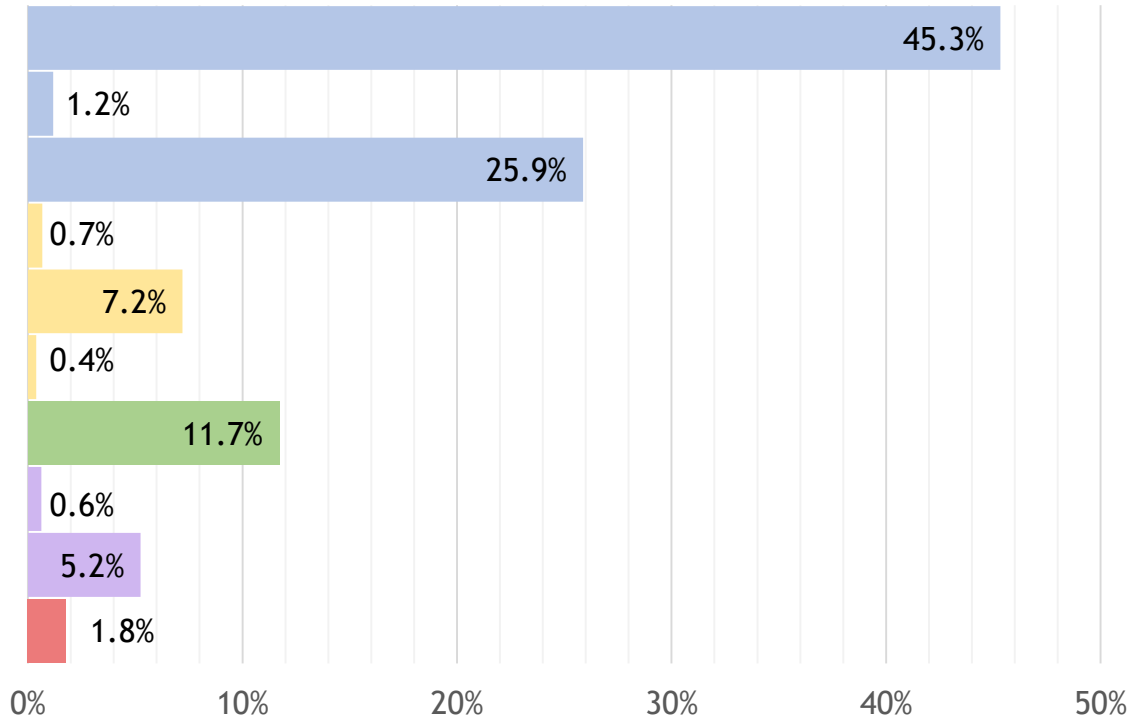
### Federal Funds

\$84,868 increase due to increased funds from the U.S. Department of Health and Human Services to assist with health insurance education and outreach for seniors

# EXPENDITURE RECOMMENDATION FY 23

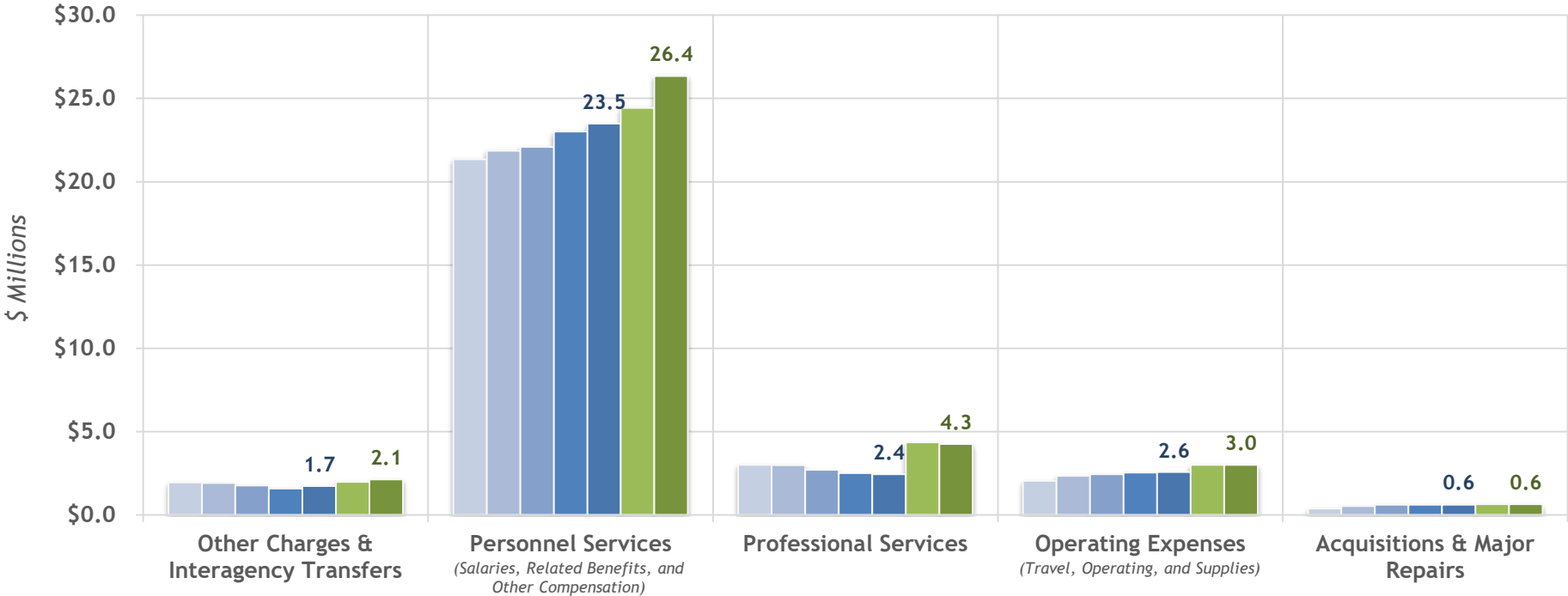
## Total Budget = \$36,411,309

Expenditure Category		
Salaries	\$	16,502,184
Other Compensation		427,660
Related Benefits		9,421,530
Travel		242,313
Operating Services		2,625,245
Supplies		143,424
Professional Services		4,263,446
Other Charges		227,000
Interagency Transfers		1,910,815
Acquisitions/Repairs		647,692
<b>Total</b>	<b>\$</b>	<b>36,411,309</b>



# EXPENDITURE HISTORY

Fiscal Year: **Actual Expenditures** 2017 2018 2019 2020 2021 **Budgeted Amount** 2022 EOB 2023 HB1



## 5 Year Average Spending per Expenditure Category

\$1.8 M : 6.0%	\$22.4 M : 74.9%	\$2.7 M : 9.2%	\$2.4 M : 8.0%	\$555,224 : 1.9%
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# EXPENDITURE COMPARISON

Expenditure Category	FY21 Actual Expenditures	FY22 Existing Operating Budget 12/1/21	FY23 HB1 Budget	Change Existing Operating Budget to HB1		Change Actual Expenditures to HB1	
Salaries	\$ 14,980,741	\$ 15,469,341	\$ 16,502,184	\$ 1,032,843	6.7%	\$ 1,521,443	10.2%
Other Compensation	133,225	214,942	427,660	212,718	99.0%	294,435	221.0%
Related Benefits	8,377,786	8,744,875	9,421,530	676,655	7.7%	1,043,744	12.5%
Travel	26,262	242,313	242,313	0	0.0%	216,051	822.7%
Operating Services	2,442,739	2,628,845	2,625,245	(3,600)	(0.1%)	182,506	7.5%
Supplies	102,044	143,424	143,424	0	0.0%	41,380	40.6%
Professional Services	2,448,269	4,356,387	4,263,446	(92,941)	(2.1%)	1,815,177	74.1%
Other Charges	174,775	227,000	227,000	0	0.0%	52,225	29.9%
Interagency Transfers	1,563,612	1,750,080	1,910,815	160,735	9.2%	347,203	22.2%
Acquisitions/Repairs	620,353	646,840	647,692	852	0.1%	27,339	4.4%
<b>Total</b>	<b>\$ 30,869,806</b>	<b>\$ 34,424,047</b>	<b>\$ 36,411,309</b>	<b>\$ 1,987,262</b>	<b>5.8%</b>	<b>\$ 5,541,503</b>	<b>18.0%</b>



# SIGNIFICANT EXPENDITURE CHANGES FY 23

*Compared to the FY 22 Existing Operating Budget*

Personnel Services	Other Charges
<p data-bbox="365 316 933 344">\$1.9 million net increase due to items such as:</p> <ul data-bbox="365 374 938 701" style="list-style-type: none"><li data-bbox="365 374 794 402">• \$865,883 for the 27<sup>th</sup> pay period</li><li data-bbox="365 432 938 491">• \$797,937 for statewide salary and related benefit adjustments</li><li data-bbox="365 521 938 609">• \$165,455 for five temporary positions to assist with insurance complaints after Hurricane Ida</li><li data-bbox="365 639 938 701">• \$92,941 to shift budget authority from Professional Services to Personnel Services</li></ul>	<p data-bbox="991 316 1524 344">\$160,735 net increase due to items such as:</p> <ul data-bbox="991 374 1564 681" style="list-style-type: none"><li data-bbox="991 374 1564 530">• \$157,135 for increasing interagency transfers, primarily to the Division of Administration for services such as risk management, building management, and technology</li><li data-bbox="991 561 1564 681">• \$3,600 to shift budget authority from Operating Expenses to Other Charges for health insurance education and outreach to seniors</li></ul>

# OTHER CHARGES/INTERAGENCY TRANSFERS

## Other Charges

Amount	Description
\$ 227,000	Automobile theft and fraud prevention
<b>\$ 227,000</b>	<b>Total Other Charges</b>

## Interagency Transfers

Amount	Description
\$ 670,953	Maintenance of State-owned Buildings
518,778	DOA - technology, risk management, and procurement
330,361	Legal and auditing fees
200,466	Capitol Park Security
112,060	Civil service, payroll, unemployment, and identification fees
71,909	Advertising, printing, and postage
6,288	Treasury fees
<b>\$ 1,910,815</b>	<b>Total Interagency Transfers</b>

# DISCRETIONARY EXPENSES FY 23

**Total Budget  
\$36.4 Million**

**Self-generated  
Revenue  
\$35.6 Million**

**Federal Funds  
\$802,343**

**Non-discretionary  
\$7.6 M**

**Discretionary  
\$28.0 M**

**Unfunded Accrued Liability  
\$5.4 M**

**Retirees' Group Insurance  
\$1.3 M**

**Maintenance in State-owned  
Buildings  
\$670,953**

**Salary and Related Benefits of  
the Insurance Commissioner  
\$116,785**

**Legislative Auditor Fees  
\$102,674**

**Administrative Program  
\$10.2 M**

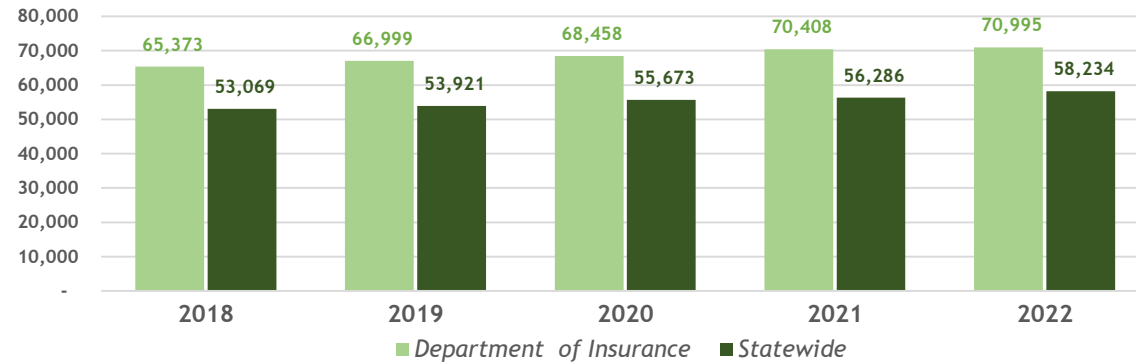
**Market Compliance Program  
\$17.8M**

# PERSONNEL INFORMATION

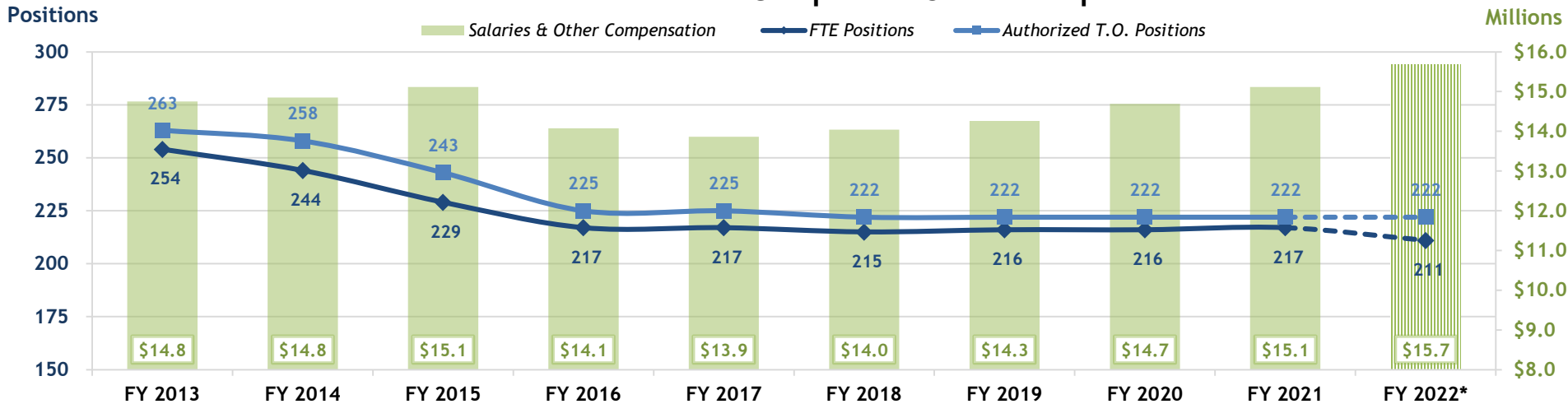
## FY 2023 Recommended Positions

222	Total Authorized T.O. Positions (195 Classified, 27 Unclassified)
0	Authorized Other Charges Positions
3	Non-T.O. FTE Positions
6	Vacant Positions (January 3, 2022)

## Historical Average Salary



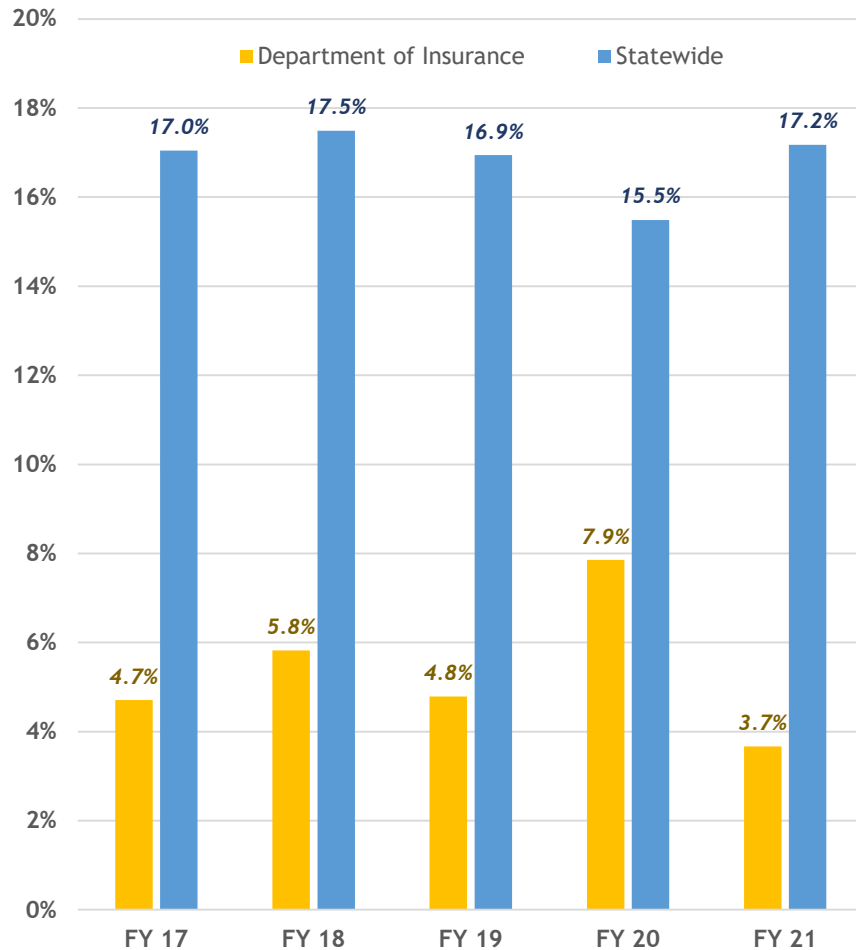
## Historical Positions<sup>1</sup> Compare to Salaries Expended



<sup>1</sup> FTE Source: Dept. of Civil Service Weekly Report on State Employment

\* Existing Operating Budget on 12/11/21

# TURNOVER HISTORY

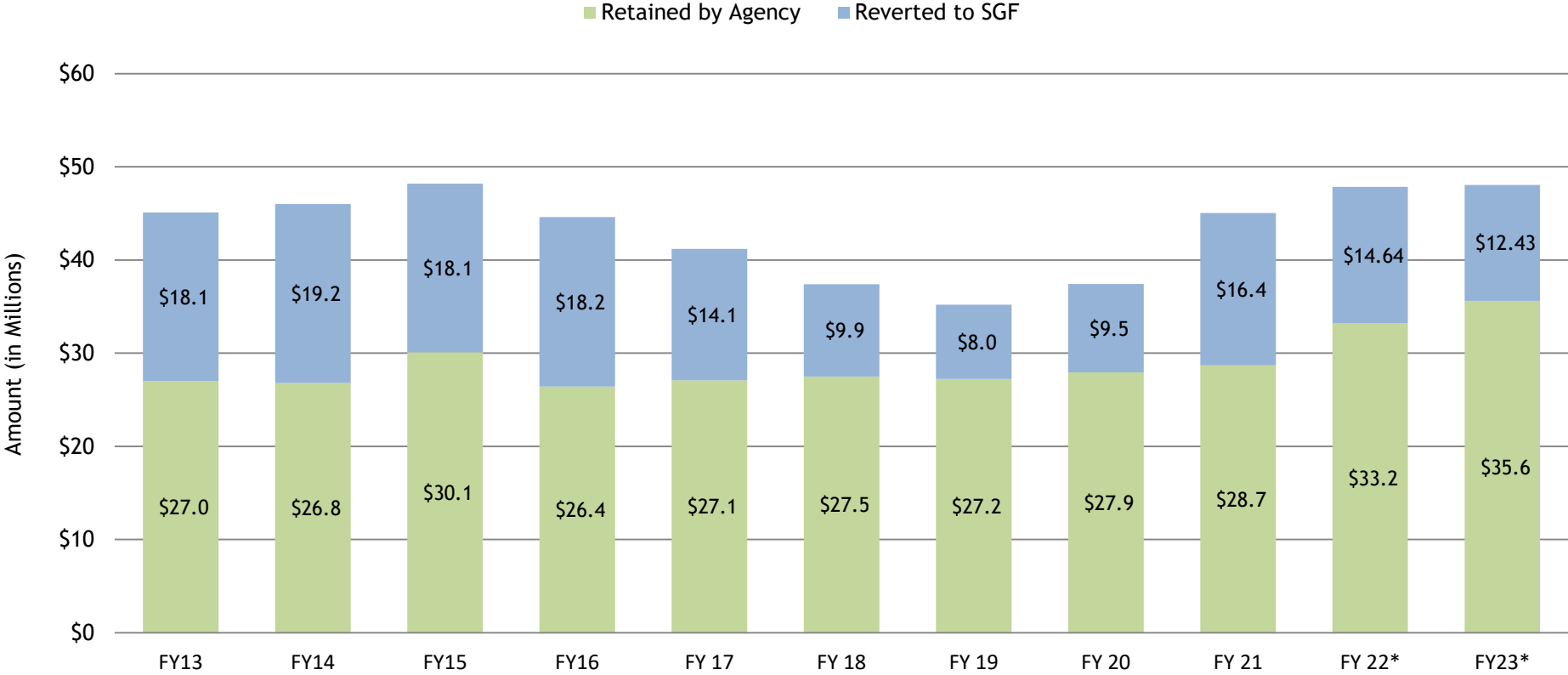


## Top Positions Vacated FY 2021

Position	Number of Employees	Separations	Turnover Rate
Insurance Specialist 2	36	3	8.33%
Insurance Manager	9	1	11.11%
Admin. Assistant 4	8	1	12.50%
Insurance Specialist 1	4	1	25.00%

# SELF-GENERATED REVENUE

## FSGR Collected by the Department



\*Projected Reversions based on REC forecasts

# HURRICANE-RELATED BUDGET

Due to the aftermath of Hurricanes Laura, Delta, and Ida, and the increased insurance claim volume that followed, the department's hurricane-related budget has increased.

## FY 22 Budget Adjustments

Amount	Description
\$ 108,570	Five temporary positions to document and provide outreach for complaints
125,000	Legal services
75,000	Advertising and publishing outreach
76,324	Miscellaneous operating expenses
42,830	Computer hardware and software
<b>\$ 427,724</b>	<b>Total FY 22 BA-7s (January)</b>

## FY 23 Recommended Budget

Amount	Description
\$ 600,000	Insurance market conduct examinations, in response to Hurricanes Laura and Delta
165,455	Five temporary positions to document and provide outreach for complaints
<b>\$ 765,455</b>	<b>Total FY 23 HB1</b>

# DEPARTMENT CONTACTS



**James Donelon**  
*Commissioner of Insurance*

Jim.Donelon@la.gov

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**Nicholas Lorusso**  
*Chief Deputy Commissioner*  
Nicholas.Lorusso@ldi.la.gov

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**Denise Gardner**  
*Chief of Staff*  
Denise.Gardner@ldi.la.gov

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**Lance Herrin**  
*Assistant Commissioner*  
Lance.Herrin@ldi.la.gov

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## Administrative/Fiscal Program

### Office of the Commissioner

Oversees internal audits, public affairs, and Consumer Advocacy and Diversity (including Senior Health Insurance Information Program)

### Office of Management and Finance

Oversees fiscal affairs, revenue services, information technology, human resources, administrative services, budget, purchasing, and strategic and operational planning

# DEPARTMENT OVERVIEW

## Market Compliance Program

### 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, and reviews contract policy forms, and health premiums

### 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 HMOs

### Office of Consumer Services

Performs market conduct examinations to assure policyholders, claimants, and beneficiaries are treated fairly, and handles all complaints for the department

### Division of Insurance Fraud

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