

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

March 19, 2018

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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 - \$12.5 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 - \$19.3 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.

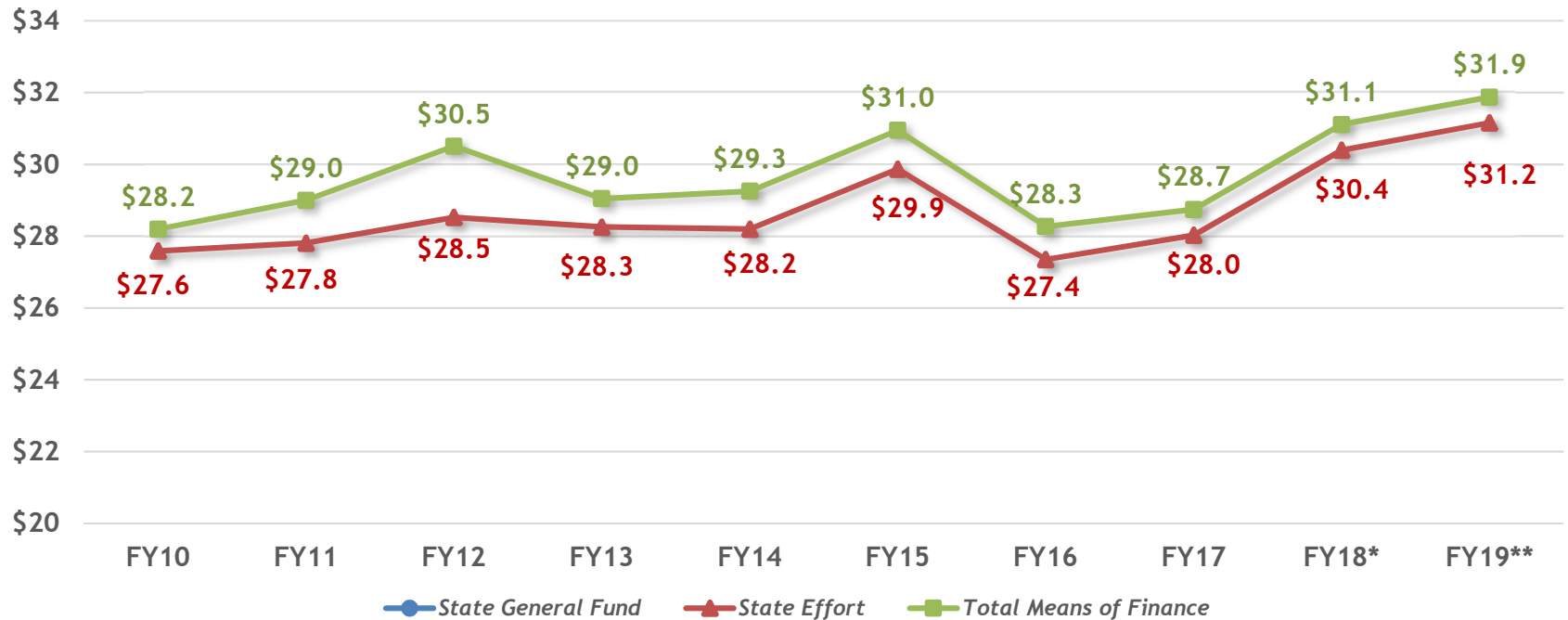
Louisiana Citizens Property Insurance Corporation

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 12/1/17

**Executive Budget Recommendation

MAJOR SOURCES OF FUNDING

Self Generated Revenue

- \$29.3 Million from various fees and licenses authorized by law and the Louisiana Insurance Rating Assessment.

Statutory Dedications

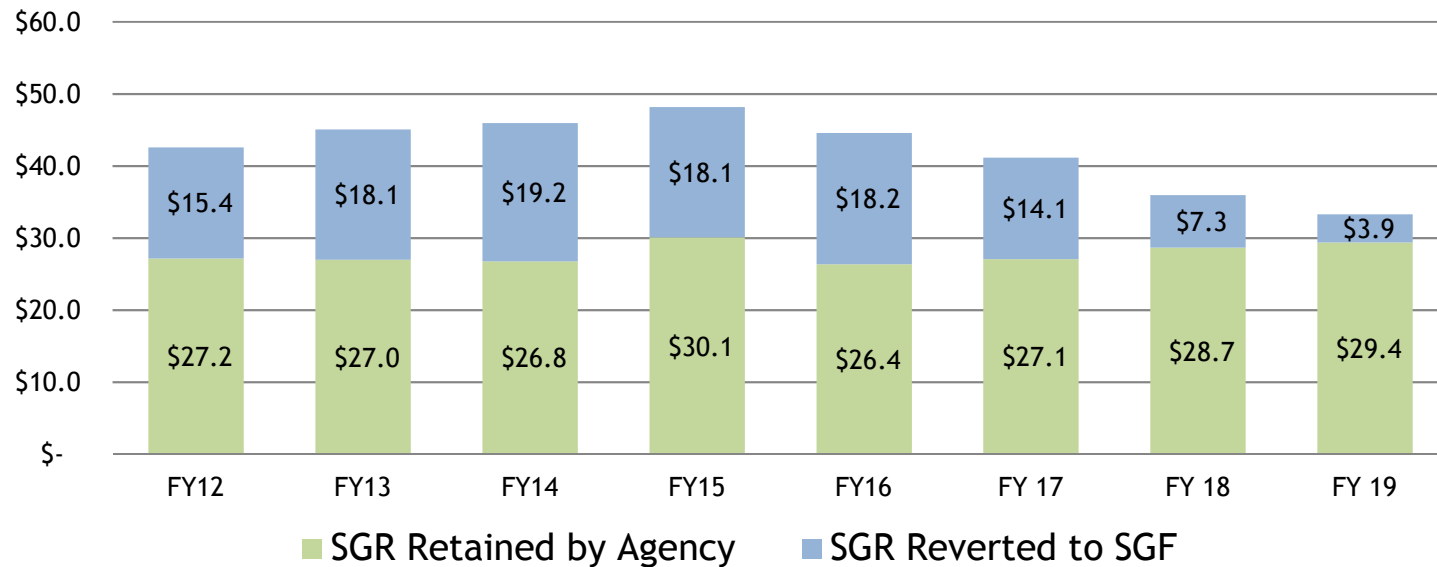
- Statutory dedications are from assessments on various policies written in the state.
- \$964K Administrative Fund.
- \$227K out of the Automobile Theft and Insurance Fraud Prevention Authority Fund.
- \$627K out of the Insurance Fraud Investigation Fund.

Federal Funding

- \$717K from the State Health Insurance Assistance Fund.

ADDITIONAL REVENUE INFORMATION

SGR Collected by the Department (in Millions)



FUNDING OVERVIEW

Means of Financing	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget	FY 18-19 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	\$26,647,792	\$28,658,984	\$29,342,980	\$683,996	2.4%
Statutory Dedications	\$1,381,529	\$1,738,353	\$1,817,750	\$79,397	4.6%
Federal Funds	\$717,560	\$716,006	\$717,475	\$1,469	0.2%
Total Means of Finance	\$28,746,881	\$31,113,343	\$31,878,205	\$764,862	2.5%



\$684K Fees & Self-Gen Rev

The Department collects more than it needs and will still revert \$3.8 Million to the state general fund.



\$79K Statutory Dedications

Increases in the Administrative Fund and Insurance Fraud Investigation Fund.

SIGNIFICANT FUNDING CHANGES

AMOUNT	MOF	DESCRIPTION
\$100,000	FSGR	Increase to perform multiple market conduct examinations to protect insurance consumers.
\$615,352	FSGR SD FED	Annualization of 2% salary increase and market rate adjustment.

EXPENDITURE CHANGE OVERVIEW

Expenditure	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$13,644,648	\$13,992,370	\$14,555,065	\$562,695	4.0%
Other Compensation	\$205,960	\$214,942	\$214,942	\$0	0.0%
Related Benefits	\$7,496,279	\$7,918,884	\$8,127,616	\$208,732	2.6%
Travel	\$121,638	\$242,312	\$242,312	\$0	0.0%
Operating Services	\$1,808,480	\$2,170,963	\$2,170,963	\$0	0.0%
Supplies	\$117,216	\$143,426	\$143,426	\$0	0.0%
Professional Services	\$3,003,123	\$3,588,387	\$3,688,387	\$100,000	2.8%
Other Charges	\$1,958,667	\$2,298,483	\$2,110,359	(\$188,124)	(8.2%)
Acq/Major Repairs	\$390,870	\$543,576	\$625,135	\$81,559	15.0%
Total Expenditures	\$28,746,881	\$31,113,343	\$31,878,205	\$764,862	2.5%
Authorized Positions	225	222	222	0	0.0%

SIGNIFICANT EXPENDITURE CHANGES

Salaries and Related Benefits \$771,427

- Annualization of 2% salary increase and market rate adjustment.

Professional Services \$100,000

- Additional funds are in the Market Compliance Program to conduct multiple market conduct examinations during the year to protect insurance consumers.

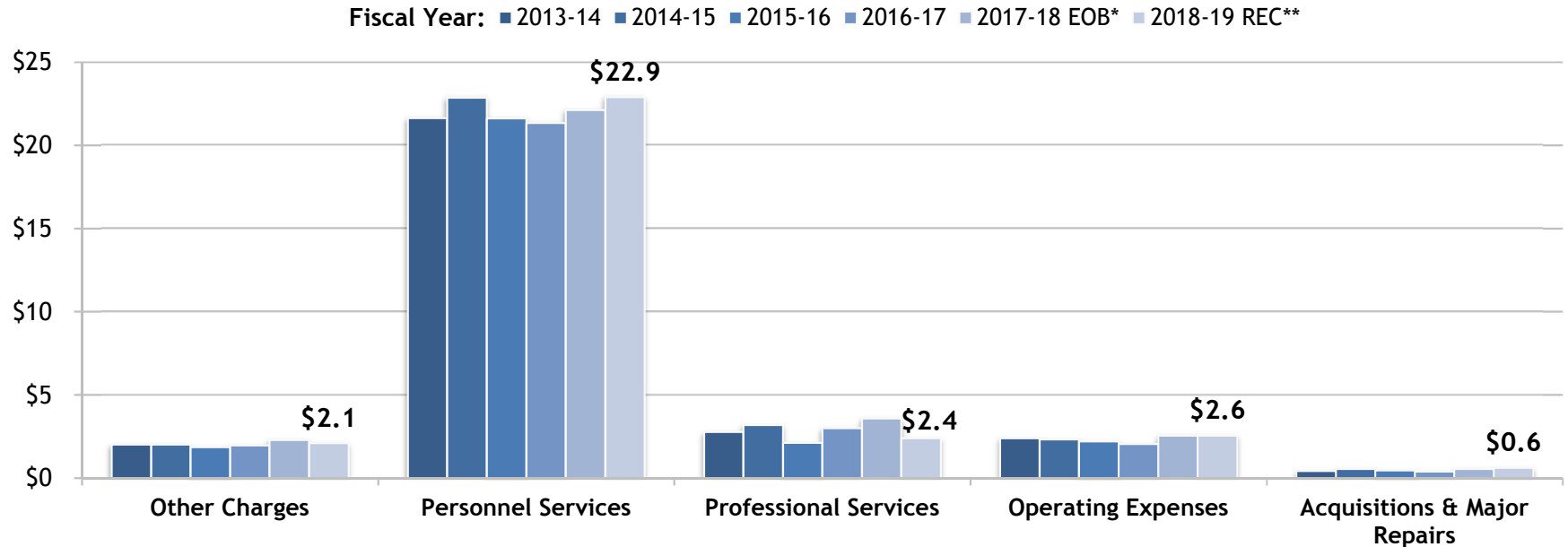
Other Charges (\$188,124)

- Reduction in payments to other state agencies, including a reduction in administrative law judge expenses and payments for maintenance in state-owned buildings, risk management, and the office of state procurement.

Acquisitions/Major Repairs \$81,559

- Increase in funds for computers, servers, storage, and peripherals.

EXPENDITURE HISTORY



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/17

**Executive Budget Recommendation

OTHER CHARGES

AMOUNT	DESCRIPTION
\$227,000	Public Safety and Fraud Prevention
\$189,879	Interagency transfers for the Department of Justice for legal services and to the Division of Administrative Law for an Administrative Law Judge
\$706,440	Interagency transfers to the Office of State Buildings for maintenance in state-owned buildings
\$987,040	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
\$2,110,359	TOTAL OTHER CHARGES

Source: Executive Budget Supporting Documents

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$31.9 Million

**\$0 Million IAT
Double Count**

**\$31.9
Million
Remaining**

**State General Fund
\$0**

**Statutory
Dedications
\$1.8 Million**

**Federal Funds
\$0.7 Million**

**Self-Generated
Revenue
\$29.3 Million**

**Non Discretionary
\$2.2 Million**

**Constitutional Mandates
\$ 125 Thousand**

**Maintenance -State Buildings
\$ 706 Thousand**

**Retirees Group Insurance
\$1.3 Million**

**Legislative Auditor Fees
\$47 Thousand**

**Discretionary
\$29.7 Million**

**Administrative Program
Activities
\$11.3 Million**

**Market Compliance Program
Activities
\$18.4 Million**

Source: Office of Planning and Budget

PERSONNEL INFORMATION

Personnel/Budget Ratio

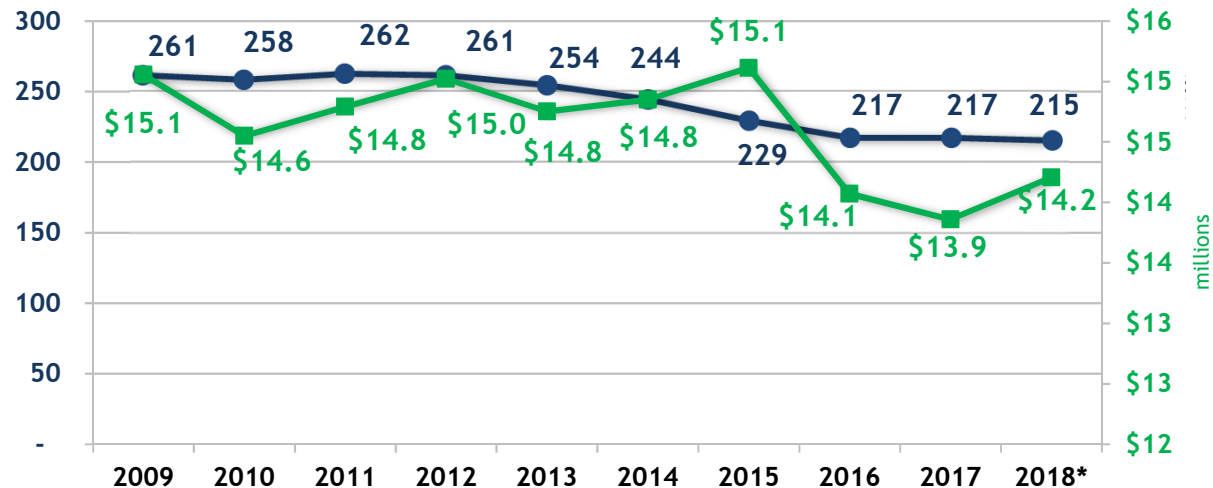
\$14.8M Salaries and Other Comp.
+ \$ 8.1M Related Benefits
= \$22.9M Total Personnel Services

77% of budget expenditures
(excluding Other Charges)

Authorized Positions



- 222 (195 classified and 27 unclassified)
- INSURANCE had 10 vacancies as of 12/25/2017
- 0 Other Charges Positions

10 Year FTE Positions/Salaries Expended



Source: FTE and Average Salary data provided by the Dept. of Civil Service
*EOB as of 12/1/17

DEPARTMENT CONTACTS

	Name	POSITION	Contact
	Honorable James Donelon	Commissioner	225.342.5423
	Nick Lorusso	Chief Deputy Commissioner	225.342.5423
	Liz Butler	Chief of Staff	225.342.7276
	Lance Herrin	Deputy Undersecretary	225.342.3981