

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY19-20 HB 105 Budget Review

Department of Insurance

House Committee on Appropriations
by the House Fiscal Division

April 3, 2019

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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.

Market Compliance Program - \$20.3 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.

ADMINISTRATIVE PROGRAM

Office of the Commissioner

Oversees internal audits, public affairs, and Consumer Advocacy and Diversity (including SHIP).

Office of Management and Finance

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

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 HMO's.

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.

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.

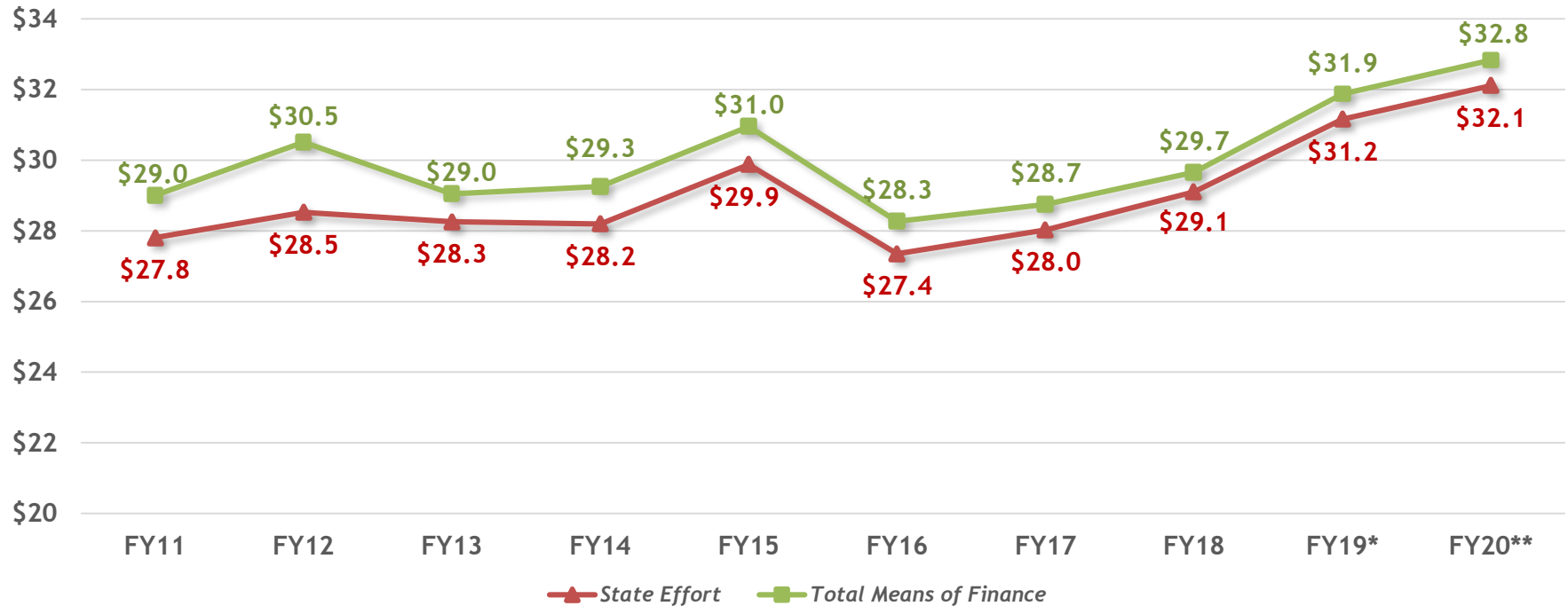
Louisiana Citizens Property Insurance Corporation

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: Budget Supporting Documents and HB 105 of 2019 RS

*Existing Operating Budget as of 12/1/18

**HB105 of 2019 RS

MAJOR SOURCES OF FUNDING

Self Generated Revenue \$30.2 Million

- \$30.2 Million from various fees and licenses authorized by law and the Louisiana Insurance Rating Assessment.

Statutory Dedications \$2 Million

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

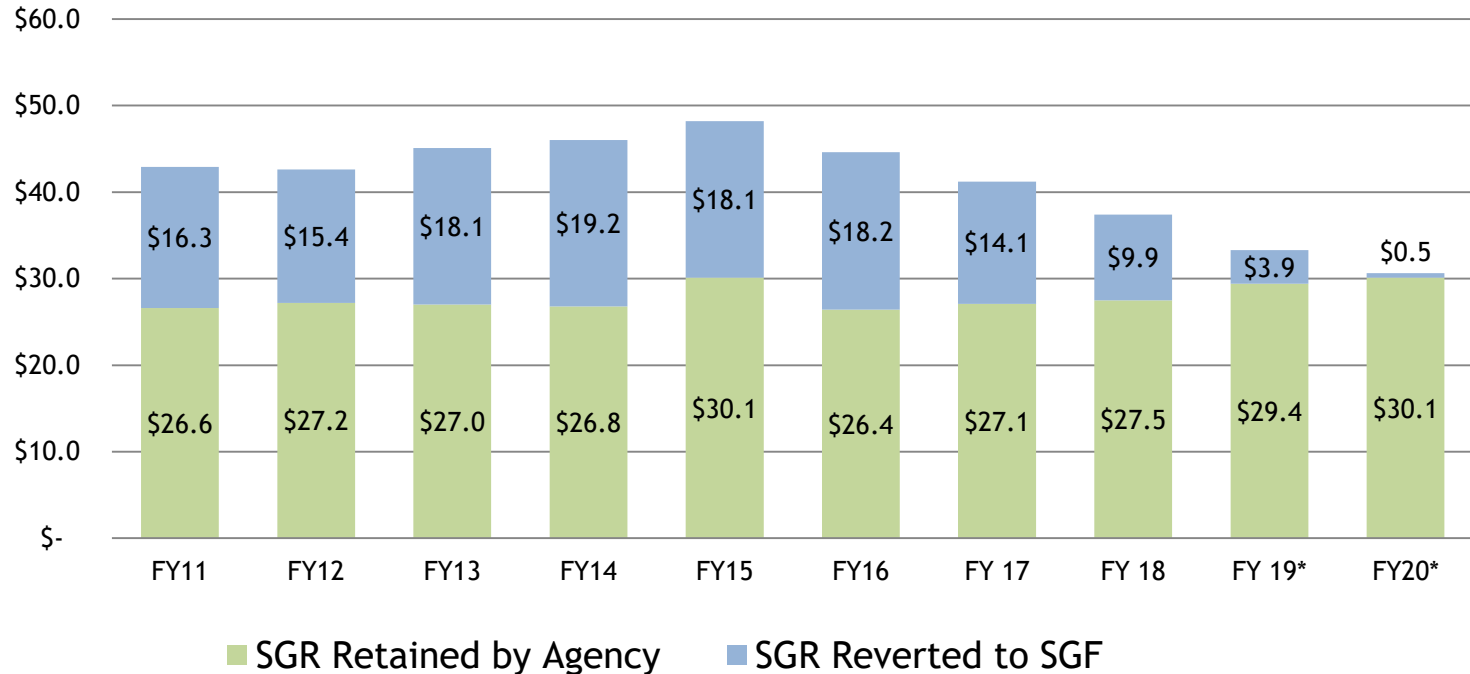
- \$1.1M Administrative Fund.
- \$227K out of the Automobile Theft and Insurance Fraud Prevention Authority Fund.
- \$654K out of the Insurance Fraud Investigation Fund.

Federal Funding \$718K

- \$718K from the State Health Insurance Assistance Fund.

ADDITIONAL REVENUE INFORMATION

SGR Collected by the Department (in Millions)



*Projected Reversion

MEAN OF FINANCE OVERVIEW

Means of Financing	FY 17-18 Prior Year Actual Expenditures	FY 18-19 Existing Operating Budget	FY 19-20 HB105	\$ Change from Existing	% Change from Existing	\$ Change from Actuals	% Change from Actuals
State General Fund	\$0	\$0	\$0	\$0	0.0%	\$0	0.0%
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%	\$0	0.0%
Fees and Self-Gen Rev	\$27,453,817	\$29,342,980	\$30,161,174	\$818,194	2.8%	\$2,707,357	9.9%
Statutory Dedications	\$1,650,205	\$1,817,750	\$1,950,700	\$132,950	7.3%	\$300,495	18.2%
Federal Funds	\$552,066	\$717,475	\$717,962	\$487	0.1%	\$165,896	30.1%
Total Means of Finance	\$29,656,088	\$31,878,205	\$32,829,836	\$951,631	3.0%	\$3,173,748	10.7%

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



\$818K Fees & Self-Gen Rev

The Department collects more revenue than budgeted and should revert \$500K to the State General Fund in FY20.



\$132K Statutory Dedications

Increase in the Administrative Fund and Insurance Fraud Investigation Fund collections.

EXPENDITURE CHANGE OVERVIEW

Expenditure	FY 17-18 Prior Year Actual Expenditures	FY 18-19 Existing Operating Budget	FY 19-20 HB105	\$ Change from Existing	% Change from Existing	\$ Change from Actuals	% Change from Actuals
Salaries	\$13,887,549	\$14,504,665	\$14,874,738	\$370,073	2.6%	\$987,189	7.1%
Other Compensation	\$157,192	\$214,942	\$214,942	\$0	0.0%	\$57,750	36.7%
Related Benefits	\$7,816,079	\$8,104,616	\$8,734,094	\$629,478	7.8%	\$918,015	11.7%
Travel	\$157,343	\$242,312	\$242,312	\$0	0.0%	\$84,969	54.0%
Operating Services	\$2,070,587	\$2,176,363	\$2,176,363	\$0	0.0%	\$105,776	5.1%
Supplies	\$114,602	\$143,426	\$143,426	\$0	0.0%	\$28,824	25.2%
Professional Services	\$2,995,948	\$3,756,387	\$3,756,387	\$0	0.0%	\$760,439	25.4%
Other Charges	\$1,925,208	\$2,110,359	\$2,062,439	(\$47,920)	(2.3%)	\$137,231	7.1%
Acq/Major Repairs	\$531,580	\$625,135	\$625,135	\$0	0.0%	\$93,555	17.6%
Total Expenditures	\$29,656,088	\$31,878,205	\$32,829,836	\$951,631	3.0%	\$3,173,748	10.7%
Authorized Positions	222	222	222	0	0.0%	0	0.0%

Source: Budget Supporting Documents and HB105 of 2019 RS

SIGNIFICANT EXPENDITURE CHANGES

Salaries \$370,073

- Represents a 2.6% increase. Includes increase for market rate and salary base adjustments, as well as, a reduction for attrition adjustment.

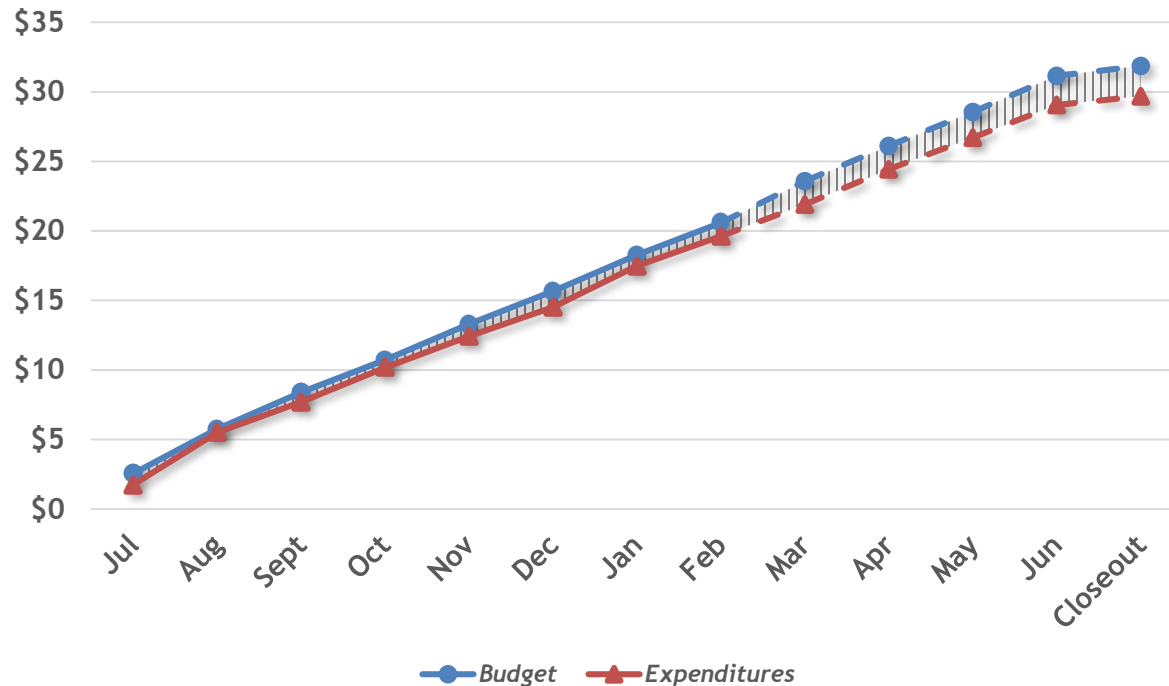
Related Benefits \$629,478

- Represents a 7.8% increase. Most of the increase is due to the retirement rate adjustment and group insurance rate adjustment.

Other Charges (\$47,920)

- Reduction in payments to other state agencies, including a reduction in Administrative Law Judge expenses, OTM fees, and payments for maintenance in state-owned buildings, Office of Risk Management, Treasury office, and the Office of State Procurement.
- Increase in payments to the Legislative Auditor, and payments for Insurance, Commodities & Services, and advertising.

FY19 EXPENDITURE TRENDS

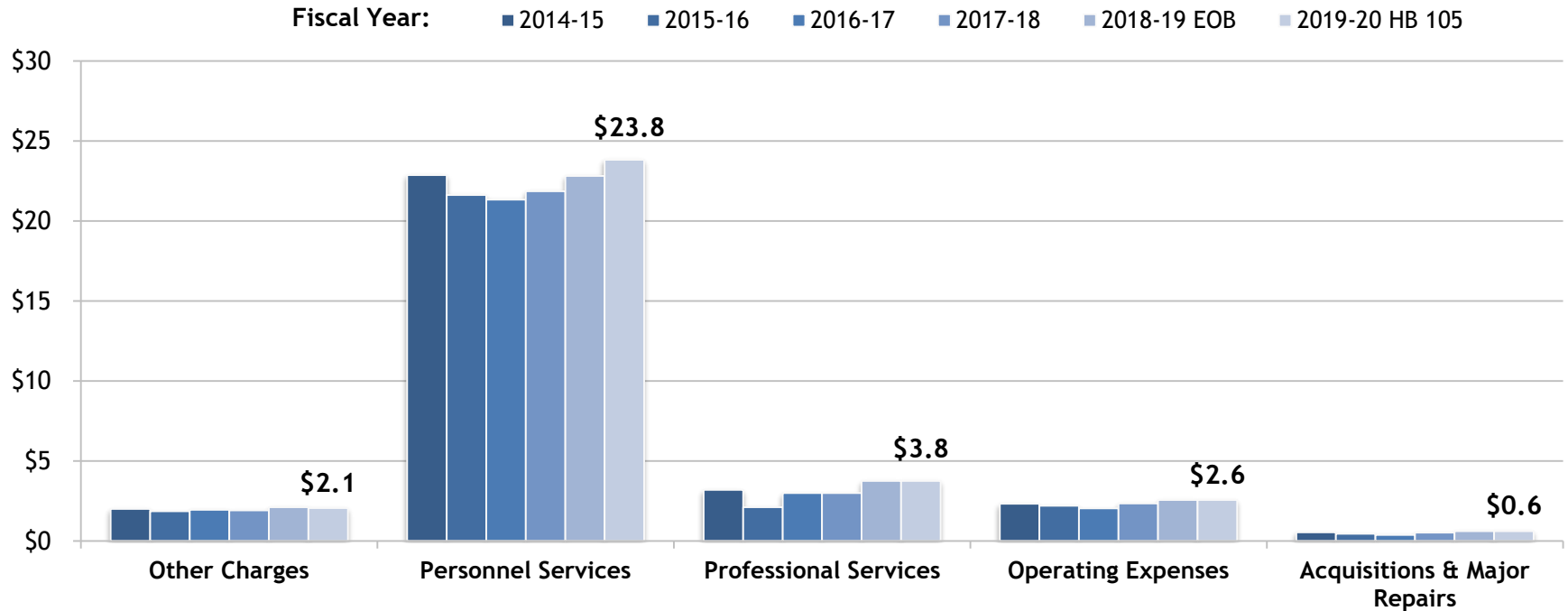


Analysis shows approximately \$2.2M or 6.9% in total means of finance budget authority could be unspent at year-end based on actuals through February and projections through the end of the year.

The Department of Insurance expenditure trends for the last three years are consistent with the numbers projected for FY19.

In FY18 the department did not spend \$1.5M or 4.7% of its budget authority comparing its end of year budget to actual expenditures. \$1.2M of this amount was from fees reverted to the State General Fund.

EXPENDITURE HISTORY



Source: Budget Supporting Documents and HB 105 of 2019 RS

OTHER CHARGES

AMOUNT	DESCRIPTION
\$227,000	Public Safety and Fraud Prevention
\$210,138	Interagency transfers for: the Department of Justice for legal services, the Division of Administrative Law for an Administrative Law Judge, Office of Telecommunications, advertising, and postage.
\$671,416	Interagency transfers to the Office of State Buildings for maintenance in state-owned buildings.
\$953,885	Interagency transfers for: DPS security fees, Civil Service fees, and fees to the Legislative Auditor, the Office of Risk Management, the Office of State Procurement, Office of Telecommunications Management, Office of Technology Services, Treasury for banking, UPS, Insurance, and Commodities and Services.
\$2,062,439	TOTAL OTHER CHARGES

Source: Budget Supporting Documents

PERSONNEL INFORMATION

FY 2019-2020:

Personnel/Budget Ratio

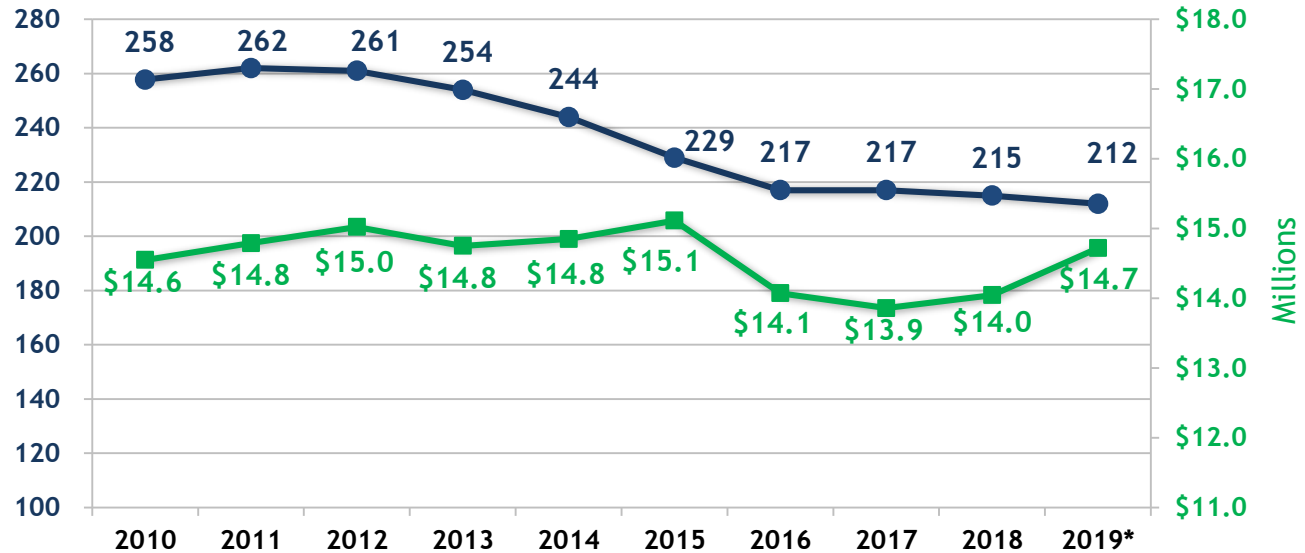
\$15M Salaries and Other Comp.
+ \$ 8.7M Related Benefits
= \$ 23.8M Total Personnel Services

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

Authorized Positions

- 222 (195 classified and 27 unclassified)
- Insurance had 11 vacancies as of 1/31/2019
- 3 full-time non-T.O. positions

10 Year FTE Positions/Salaries Expended



Source: Data from the Dept. of Civil Service and the Budget Supporting Documents
*EOB as of 12/1/18

DEPARTMENT CONTACTS



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