

Representative Jerome Zeringue  
Chairman



Representative Francis Thompson  
Vice Chairman

# Fiscal Year 2024 Executive Budget Review Department of Insurance

House Committee on Appropriations  
House Fiscal Division

*March 28, 2023*

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All data and figures were obtained from the governor's Fiscal Year 2023-2024 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 2023 Regular Session, unless otherwise noted.

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

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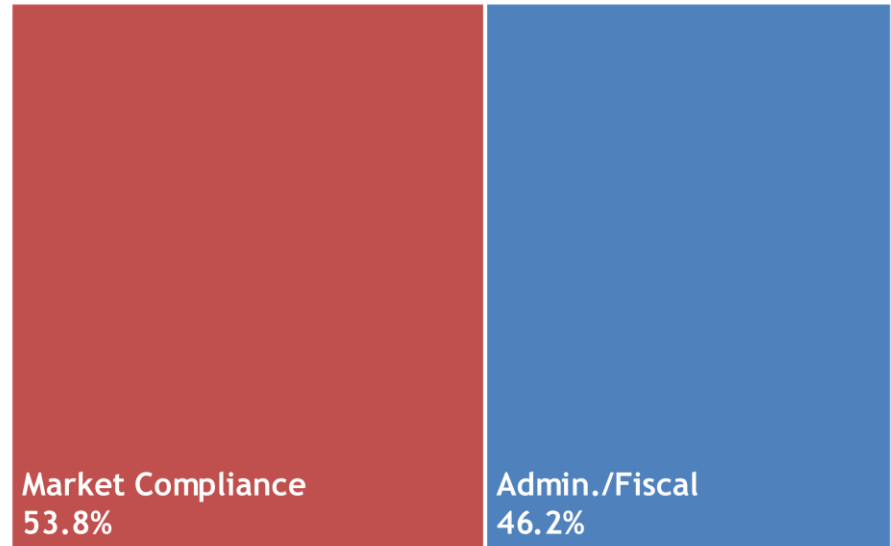
# FY 24 BUDGET RECOMMENDATION

## Total Funding = \$39,668,168

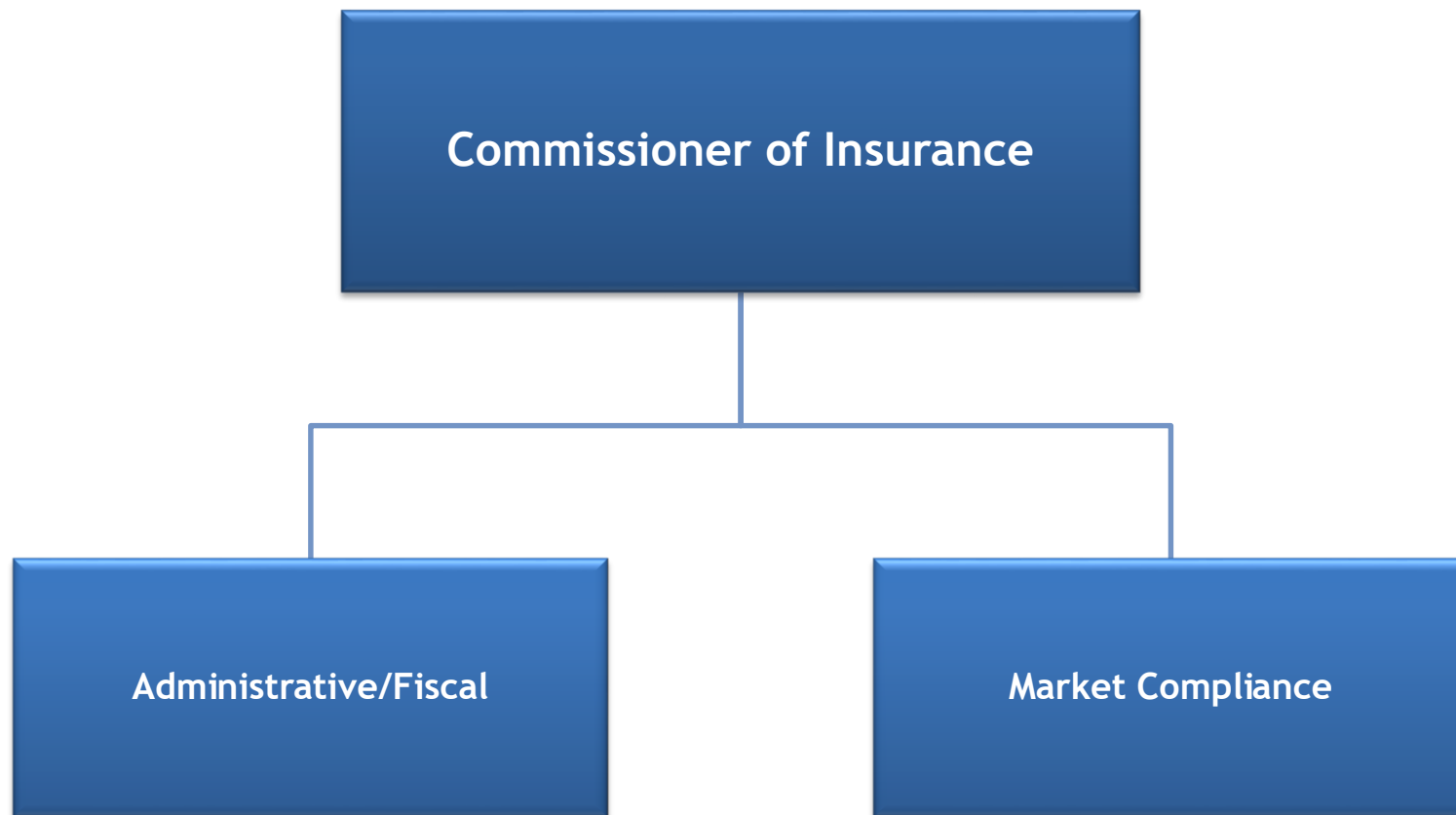
Means of Finance		
State General Fund	\$	0
Interagency Transfers		0
Fees & Self-generated		38,472,497
Statutory Dedications		0
Federal Funds		1,195,671
<b>Total</b>	<b>\$</b>	<b>39,668,168</b>



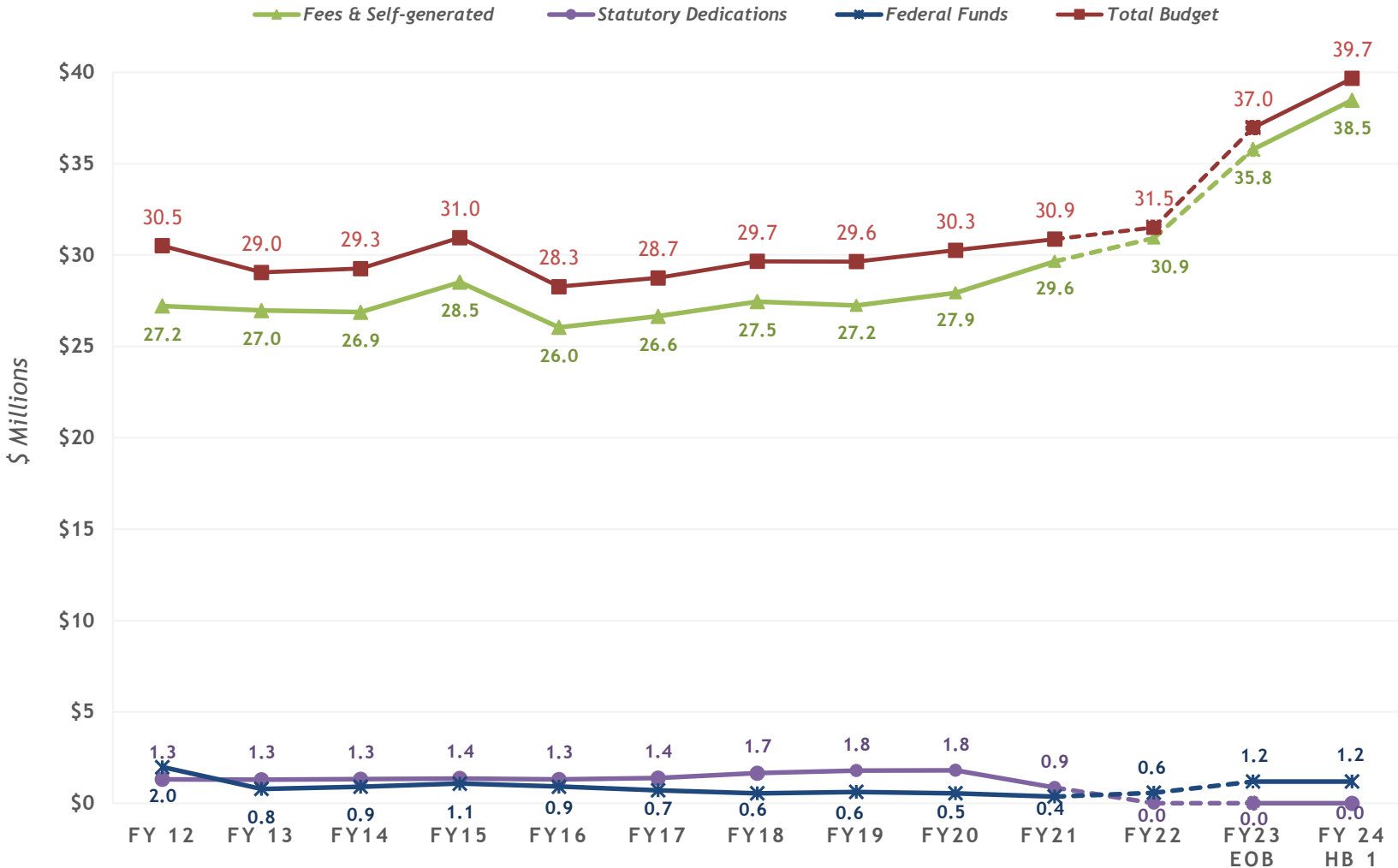
Program Funding & Authorized Positions			
		<i>Amount</i>	<i>Positions</i>
Administrative/Fiscal	\$	18,312,352	70
Market Compliance		21,355,816	152
<b>Total</b>	<b>\$</b>	<b>39,668,168</b>	<b>222</b>



# DEPARTMENT ORGANIZATION



# HISTORICAL SPENDING



## 10 Year Spending Change

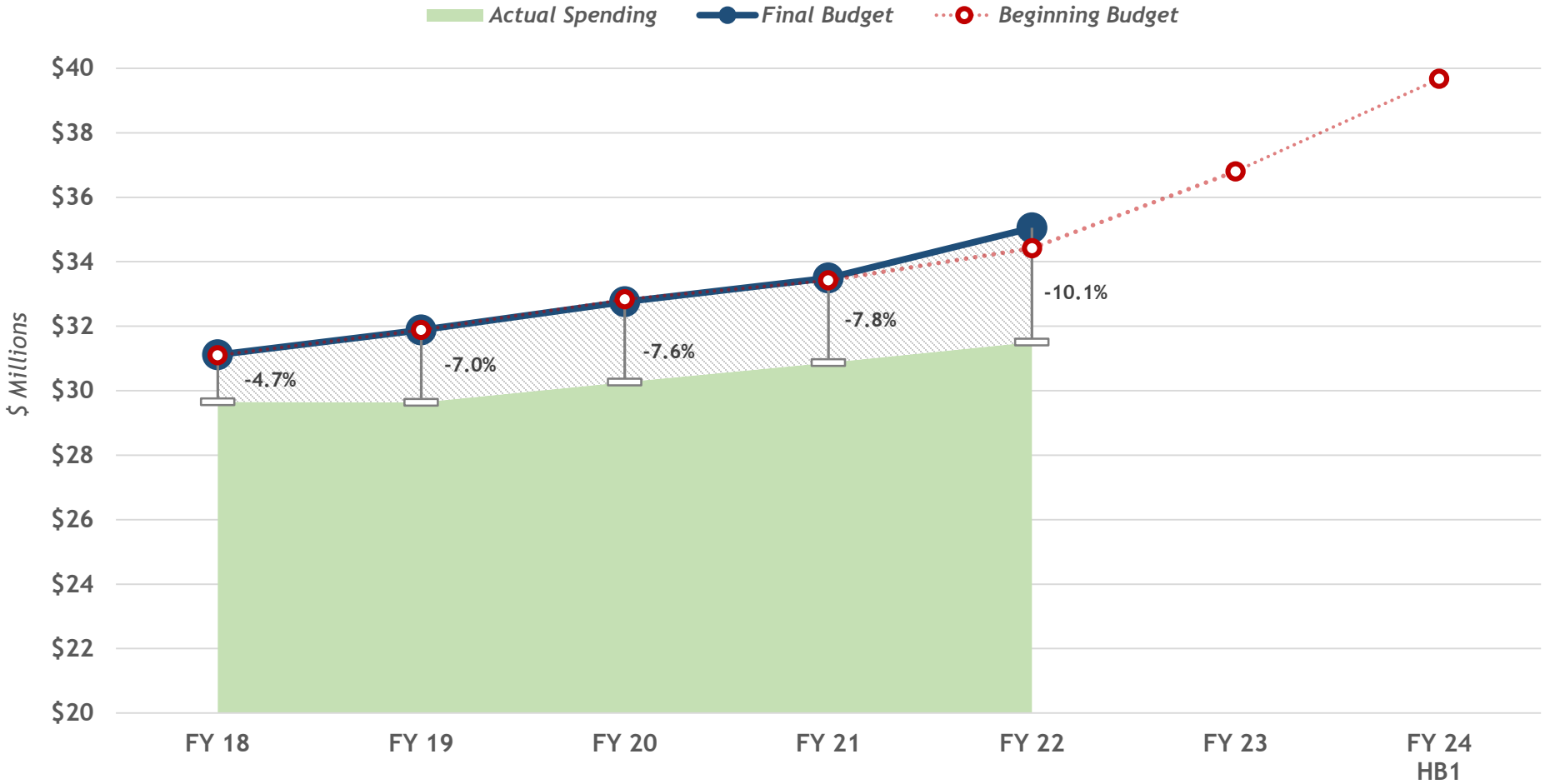
Total 1%

FSGR 1.5%

FED (17.1%)

SD (8.6%)

# HISTORICAL BUDGET



# PRIOR YEAR ACTUALS FY 22

Means of Finance	Final Budget <i>(w/o FY23 carryfwd)</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	33,198,025	30,931,458	2,266,567	6.8%	63.9%
Statutory Dedications	936,271	0	936,271	100.0%	26.4%
Federal	917,475	575,267	342,208	37.3%	9.7%
<b>FY22 Total</b>	<b>\$ 35,051,771</b>	<b>\$ 31,506,725</b>	<b>\$ 3,545,046</b>	<b>10.1%</b>	<b>100.0%</b>

<i>Historical Total Unspent Budget Authority</i>	Final Budget	Amount Spent	Unspent Authority	Unspent %	
	FY21 Total	\$ 33,497,842	\$ 30,869,806	\$ 2,628,036	7.8%
	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%
	<b>3 Year Avg.</b>	<b>\$ 32,710,294</b>	<b>\$ 30,256,176</b>	<b>\$ 2,454,118</b>	<b>7.5%</b>

# PRIOR YEAR ACTUALS FY 22

## Were projected revenues collected?

	Final Budget <i>(w/o FY23 carryfwd)</i>	Revenue Collections	Difference
SGF	\$ 0	\$ 0	\$ 0
IAT	0	0	0
FSGR	33,198,025	52,592,892	19,394,867
SD	936,271	896,445	(39,826)
FED	917,475	575,267	(342,208)
<b>Total</b>	<b>\$ 35,051,771</b>	<b>\$ 54,064,604</b>	<b>\$ 19,012,833</b>

The department collected \$9 M more than was budgeted in FY 22. The collections over budget authority were 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	52,592,892	30,931,458	(21,661,434)
SD	896,445	0	(896,445)
FED	575,267	575,267	0
<b>Total</b>	<b>\$ 54,064,604</b>	<b>\$ 31,506,725</b>	<b>\$ (22,557,879)</b>

The department collected \$2.6 M more than was spent. Almost all of this was in self-generated revenue.

The unspent authority within dedicated funds is due to the reclassification of the Administrative Fund as a self-generated revenue.



# EXISTING OPERATING BUDGET FY 23

The FY 2022-23 Existing Operating Budget (EOB) was frozen on December 1, 2022. 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	35,608,966	165,000	35,773,966
Statutory Dedications	0	0	0
Federal	1,195,671	0	1,195,671
<b>Total</b>	<b>\$ 36,804,637</b>	<b>\$ 165,000</b>	<b>\$ 36,969,637</b>

## Budget Adjustments From Appropriation to EOB

July	August	September	October	November
No change	No change	No change	\$165,000 Increase due to a private grant for outreach and education efforts for roofing wind-mitigation program	No change

# SOURCES OF FUNDING

## Self-generated Revenue

**\$38.5 M**

Various fees, licenses, and assessments authorized by law, including the following accounts:

- \$ 1.2 million from the Administrative Dedicated Fund Account of the Department of Insurance, from penalties and an assessment on health insurance premiums for the enforcement of Health Insurance Portability and Accountability Act (HIPAA) provisions in insurance regulation.
- \$7,217,050 from the Insurance Fraud Investigation Dedicated Fund Account, from an assessment on various insurance premiums written in Louisiana for fraud awareness, investigation and enforcement.
- \$227,000 from the Automobile Theft and Insurance Fraud Prevention Authority Dedicated Fund Account, from gifts, grants, donations and dedicated funds from the Insurance Fraud Assessment for fraud education, prevention and enforcement.

## Federal Funds

**\$1.2 M**

State Health Insurance Assistance Fund for seniors from the U.S. Department of Health and Human Services.

# FUNDING COMPARISON

Means of Finance	FY22		FY23		FY24		Change	
	Actual Expenditures	Existing Operating Budget 12/1/22	Existing Operating Budget 12/1/22	HB1 Budget	Existing Operating Budget to HB1	Existing Operating Budget to HB1	Change Actual Expenditures to HB1	Change 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	30,931,458	35,773,966	35,773,966	38,472,497	2,698,531	7.5%	7,541,039	24.4%
Stat Ded	0	0	0	0	0	0.0%	0	0.0%
Federal	575,267	1,195,671	1,195,671	1,195,671	0	0.0%	620,404	107.8%
<b>Total</b>	<b>\$ 31,506,725</b>	<b>\$ 36,969,637</b>	<b>\$ 36,969,637</b>	<b>\$ 39,668,168</b>	<b>\$ 2,698,531</b>	<b>7.3%</b>	<b>\$ 8,161,443</b>	<b>25.9%</b>

## Significant funding changes compared to the FY 23 Existing Operating Budget

### Fees & Self-generated

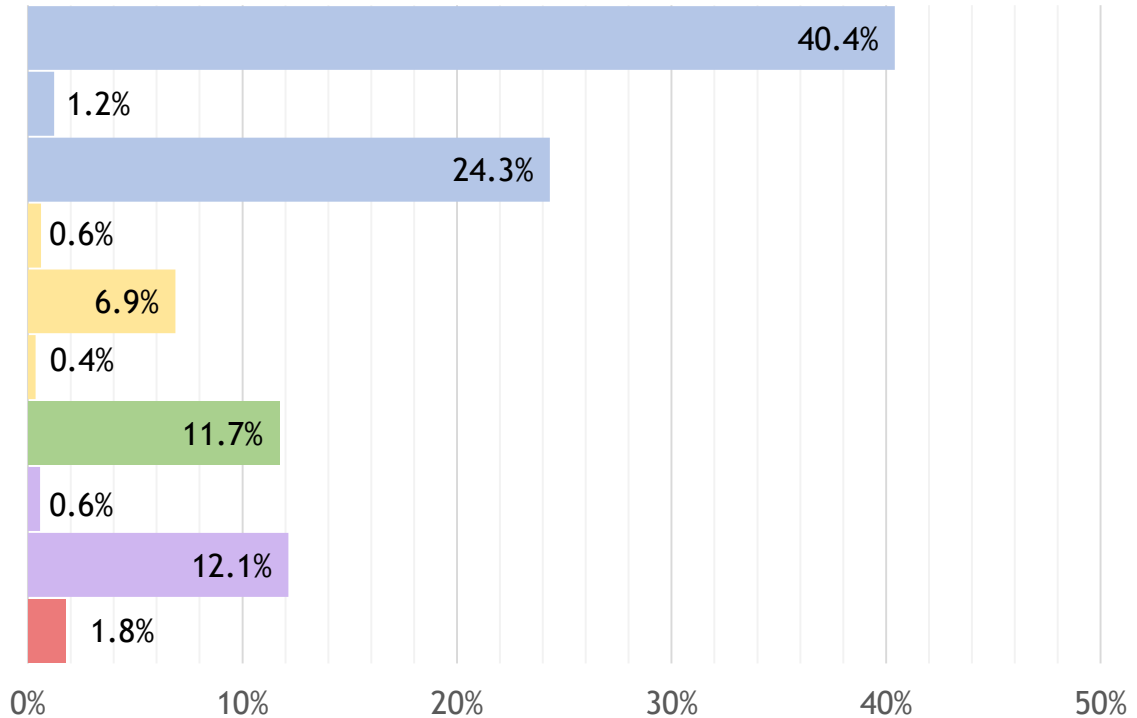
\$2.7 M net increase due to:

- \$2.8 M due to increased collection authority to cover new and expanded expenditure requests
- (\$63,629) of decreased funding in the Administrative Dedicated Fund Account

# EXPENDITURE RECOMMENDATION FY 24

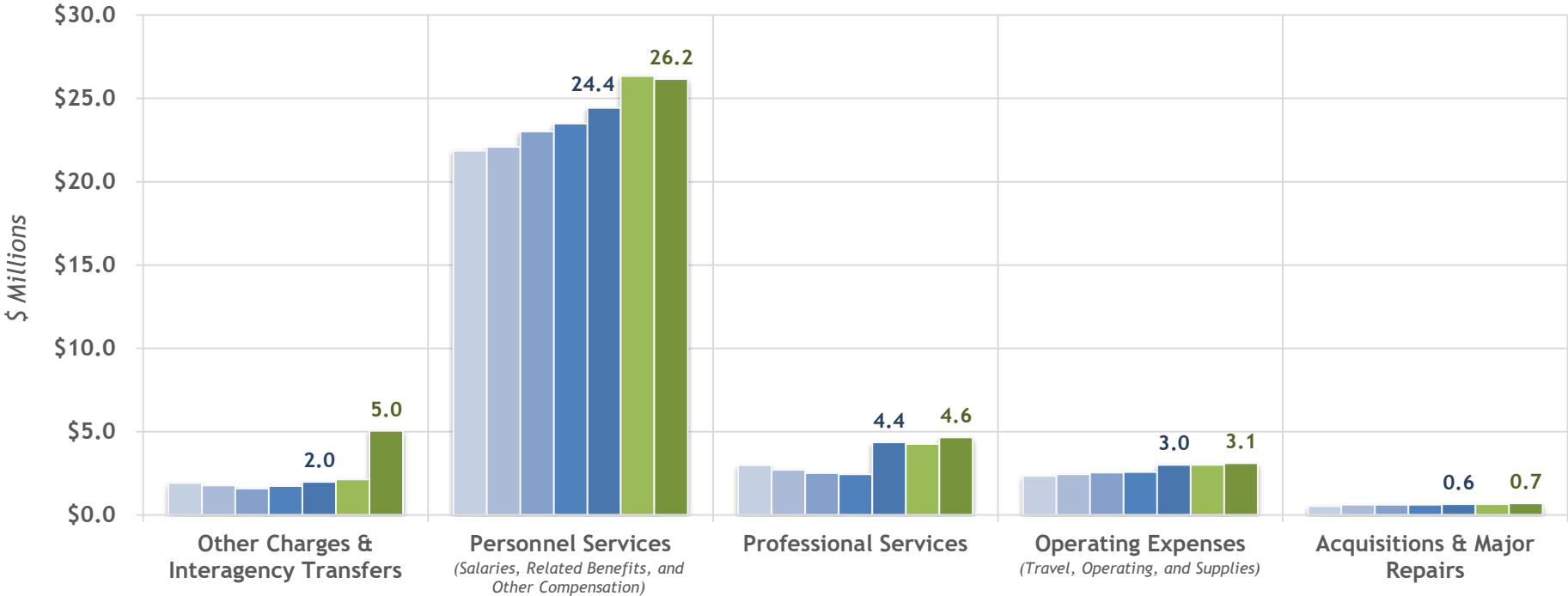
## Total Budget = \$39,668,168

Expenditure Category		
Salaries	\$	16,029,642
Other Compensation		484,702
Related Benefits		9,651,416
Travel		242,313
Operating Services		2,724,245
Supplies		143,424
Professional Services		4,648,446
Other Charges		227,000
Interagency Transfers		4,817,288
Acquisitions/Repairs		699,692
<b>Total</b>	<b>\$</b>	<b>39,668,168</b>



# EXPENDITURE HISTORY

Fiscal Year: **Actual Expenditures** 2018 2019 2020 2021 2022 **Budgeted Amount** 2023 EOB 2024 HB1



## 5 Year Average Spending per Expenditure Category

\$1.8 M : 5.8%	\$23.0 M : 74.2%	\$3.0 M : 9.7%	\$2.6 M : 8.3%	\$606,418 : 2.0%
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# EXPENDITURE COMPARISON

Expenditure Category	FY22 Actual Expenditures	FY23 Existing Operating Budget 12/1/22	FY24 HB1 Budget	Change Existing Operating Budget to HB1		Change Actual Expenditures to HB1	
Salaries	\$ 15,018,184	\$ 16,502,184	\$ 16,029,642	\$ (472,542)	(2.9%)	\$ 1,011,458	6.7%
Other Compensation	239,726	484,702	484,702	0	0.0%	244,976	102.2%
Related Benefits	8,205,839	9,457,816	9,651,416	193,600	2.0%	1,445,577	17.6%
Travel	130,304	242,313	242,313	0	0.0%	112,009	86.0%
Operating Services	2,658,145	2,625,245	2,724,245	99,000	3.8%	66,100	2.5%
Supplies	97,507	143,424	143,424	0	0.0%	45,917	47.1%
Professional Services	2,771,718	4,728,446	4,648,446	(80,000)	(1.7%)	1,876,728	67.7%
Other Charges	201,639	227,000	227,000	0	0.0%	25,361	12.6%
Interagency Transfers	1,604,267	1,910,815	4,817,288	2,906,473	152.1%	3,213,021	200.3%
Acquisitions/Repairs	579,396	647,692	699,692	52,000	8.0%	120,296	20.8%
<b>Total</b>	<b>\$ 31,506,725</b>	<b>\$ 36,969,637</b>	<b>\$ 39,668,168</b>	<b>\$ 2,698,531</b>	<b>7.3%</b>	<b>\$ 8,161,443</b>	<b>25.9%</b>

# SIGNIFICANT EXPENDITURE CHANGES FY 24

*Compared to the FY 23 Existing Operating Budget*

Interagency Transfers	Operating Services	Acquisitions/Repairs	Personnel Services
<p>\$2.9 M net increase due to items such as:</p> <ul style="list-style-type: none"> <li>\$2.8 M increase for waterproofing and reroofing of the Poydras Building</li> <li>\$123,402 net increase for various statewide adjustments such as capitol park security, maintenance of state owned buildings, Office of Technology Services, etc.</li> </ul>	<p>\$99,000 increase due to:</p> <ul style="list-style-type: none"> <li>increasing IT maintenance contract costs related to functionality and required enhancements</li> </ul>	<p>\$52,000 net increase due to items such as:</p> <ul style="list-style-type: none"> <li>\$647,692 increase for replacement of computers, servers, printers, and network hardware</li> <li>(\$647,692) decrease from the removal of current year acquisitions and major repairs costs</li> <li>\$52,000 for the replacement of one vehicle</li> </ul>	<p>(\$278,942) net decrease due to items such as:</p> <ul style="list-style-type: none"> <li>(\$865,883) decrease to remove funding for the 27<sup>th</sup> pay period that is no longer needed</li> <li>\$446,534 net increase for various salary, attrition, and retirement adjustments</li> </ul>

# OTHER CHARGES/INTERAGENCY TRANSFERS

## Other Charges

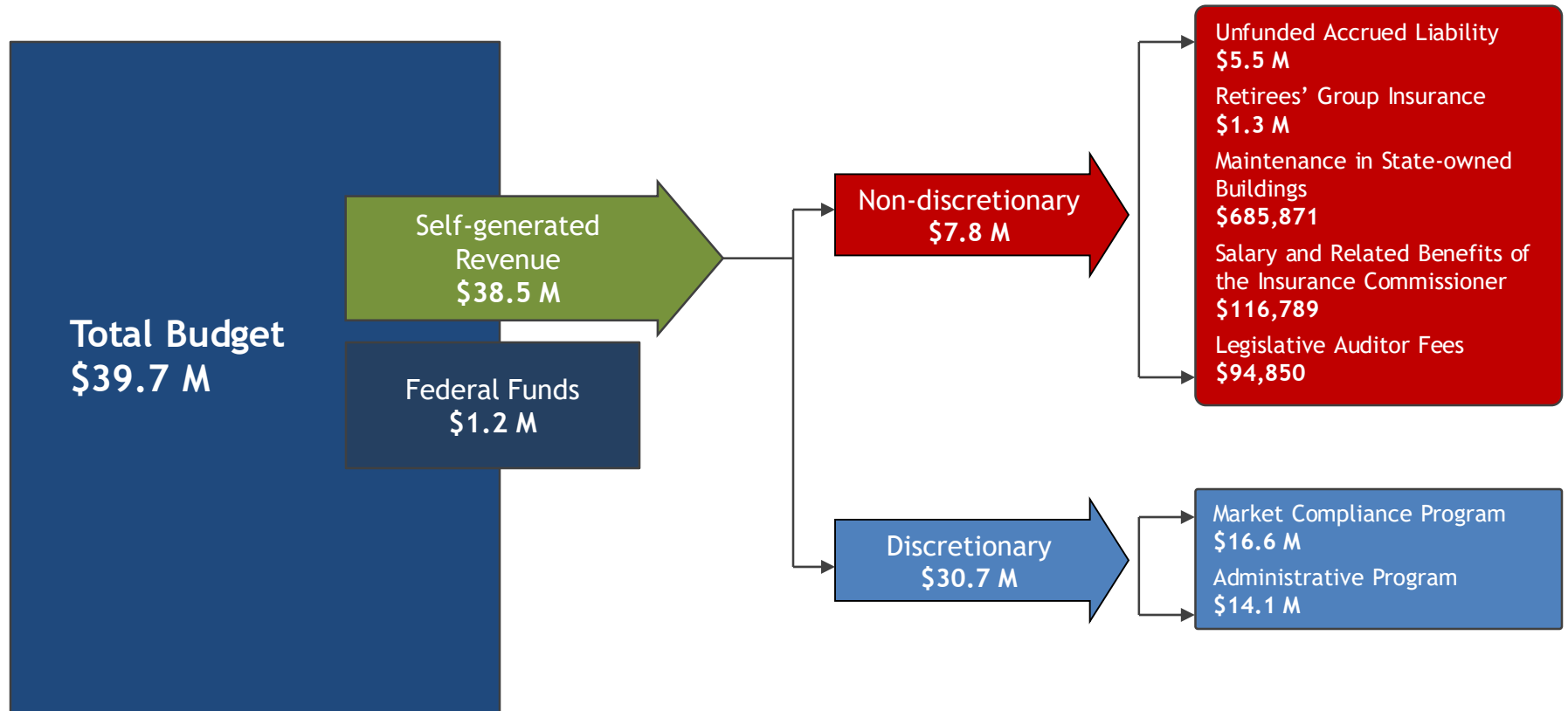
Amount	Description
\$ 227,000	Automobile theft and fraud prevention
<b>\$ 227,000</b>	<b>Total Other Charges</b>

## Interagency Transfers

Amount	Description
\$ 2,750,000	Poydras Building repairs/improvements
685,871	Maintenance of State-owned Buildings
426,500	Legal and auditing fees
302,875	DOA - risk management and procurement
235,110	Office of Technology Services
211,208	Capitol Park Security
107,768	Civil service, payroll, unemployment, and identification fees
91,909	Advertising, printing, and postage
6,047	Treasury fees
<b>\$ 4,817,288</b>	<b>Total Interagency Transfers</b>



# DISCRETIONARY EXPENSES FY 24



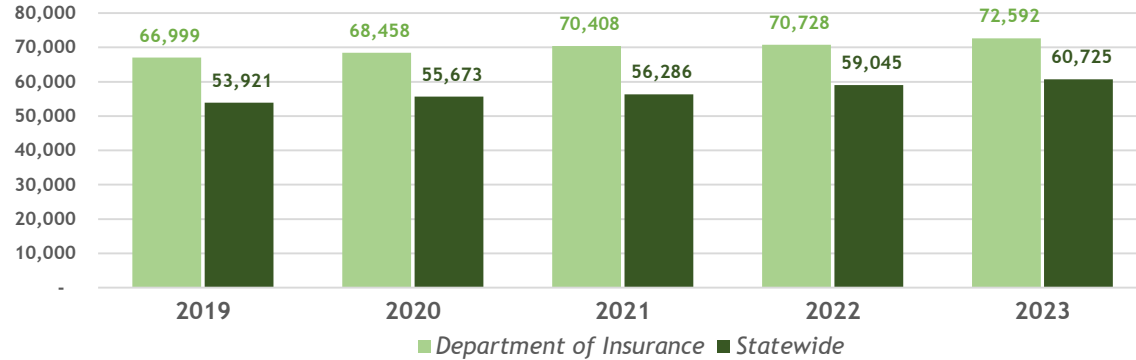
*\*Figures may not add precisely due to rounding\**

# PERSONNEL INFORMATION

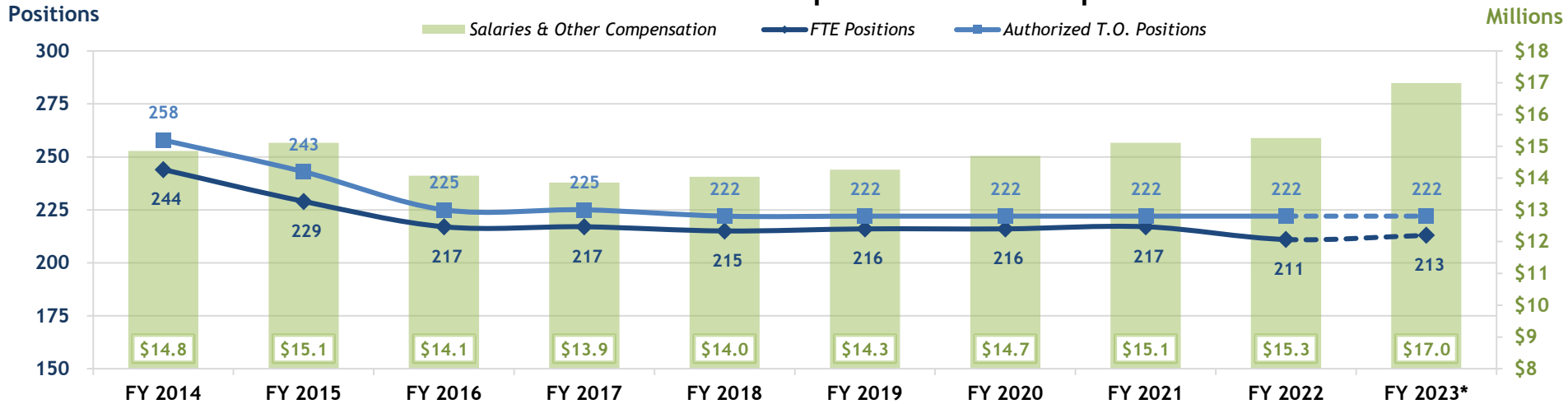
## FY 2024 Recommended Positions

222	Total Authorized T.O. Positions (195 Classified, 27 Unclassified)
0	Authorized Other Charges Positions
3	Non-T.O. FTE Positions
11	Vacant Positions (January 30, 2023)

## Historical Average Salary



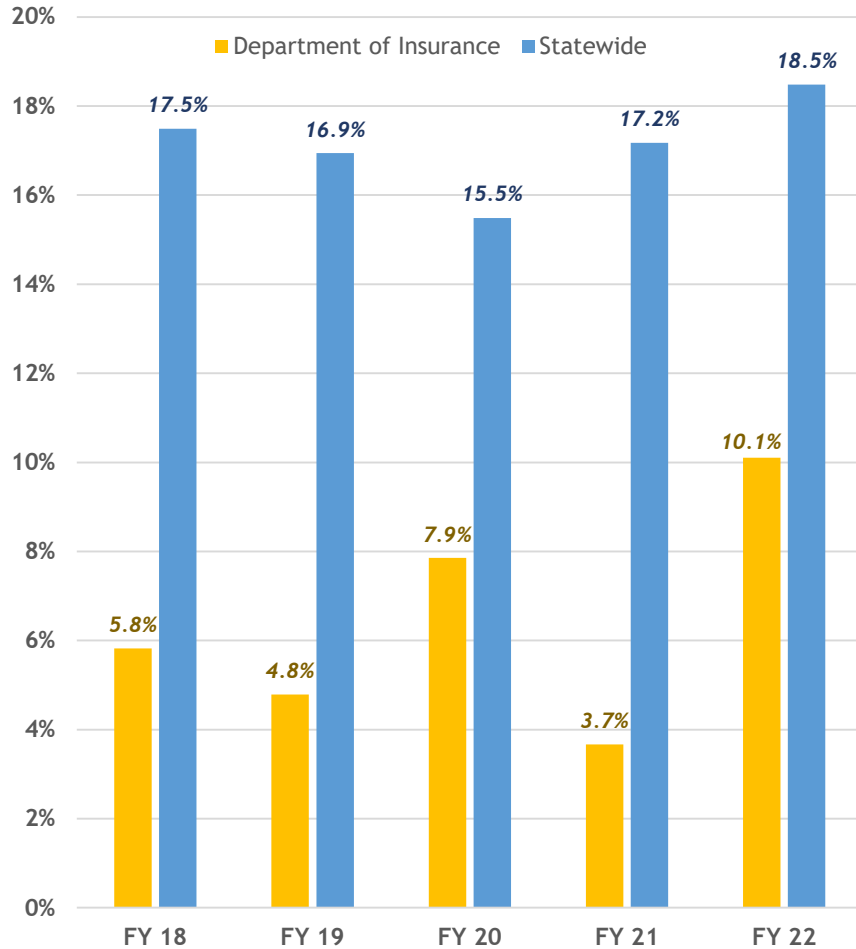
## Historical Positions<sup>1</sup> Compare to Salaries Expended



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

\* Existing Operating Budget on 12/1/22

# TURNOVER HISTORY

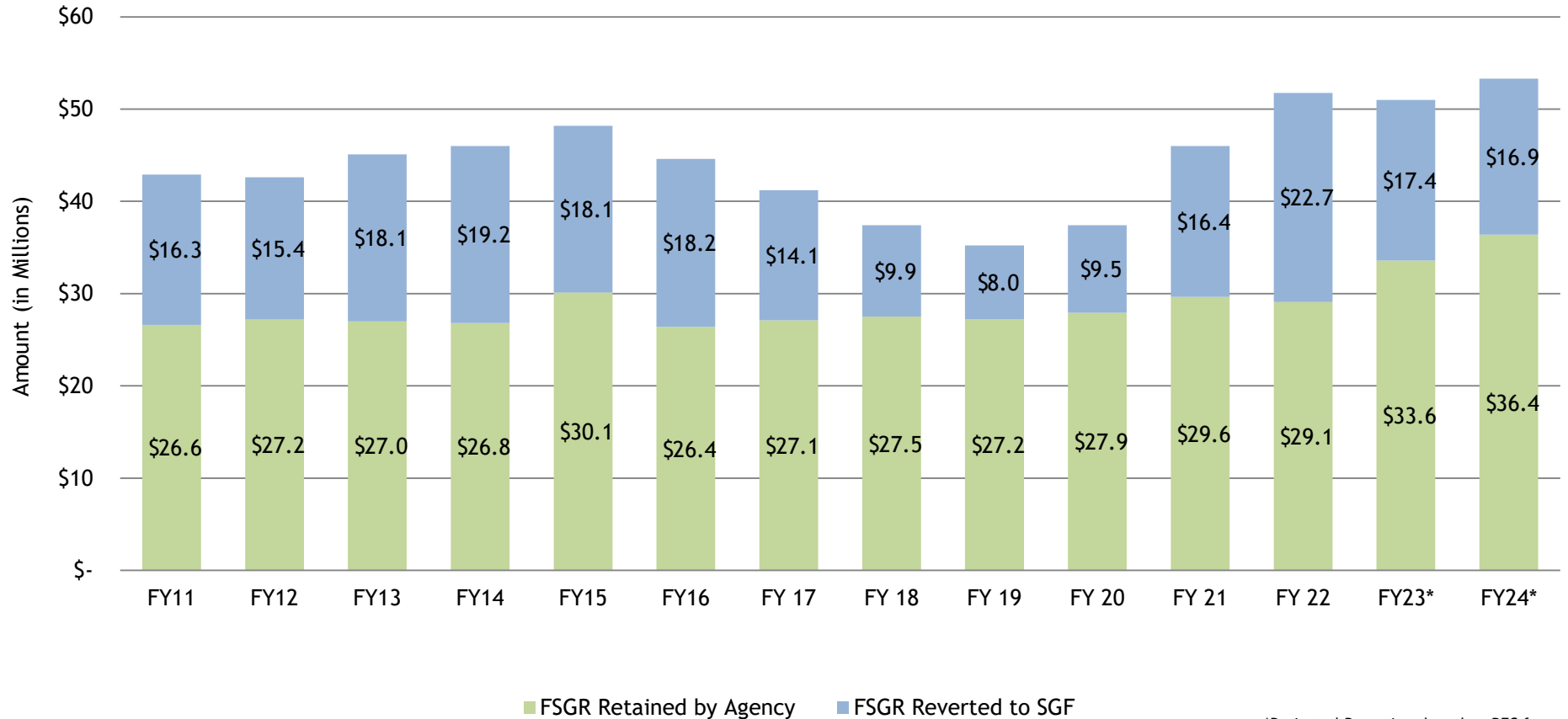


## Top Positions Vacated FY 2022

Position	Number of Employees	Separations	Turnover Rate
Insurance Specialist 2	19	4	21.1%
Insurance Specialist 3	35	2	5.7%
Insurance Specialist 1	10	2	20.0%
Compliance Examiner 1	5	2	40.0%
Insurance Technician 2	10	2	20.0%

# SELF-GENERATED REVENUE

## FSGR Collected by the Department (in Millions)



\*Projected Reversions based on REC forecasts

# HURRICANE-RELATED PROGRAMS

## Insure Louisiana Incentive Program

- Created by **Act 754 of the 2022 Regular Session**
- “The Insure Louisiana Incentive Program is adopted for the purpose of cooperative economic development and stability in Louisiana by encouraging additional insurers to participate in the voluntary property insurance market in order to substantially increase the availability of property insurance, to substantially increase competitive pressure on insurance rates, and to substantially reduce the volume of business written by the Louisiana Citizens Property Insurance Corporation, thereby offering a less expensive alternative to its policyholders and reducing Citizens' exposure to an increased deficit and future assessments.” R.S. 22:2362(B)
- Act 1 of the 2023 First Extraordinary session** funded the program with \$45 million.
- February 9<sup>th</sup> 2023 the Department announced the opening of the first 30 day application period.

## Louisiana Fortify Homes Program

- Created by **Act 554 of the 2022 Regular Session**
- “The commissioner, as program administrator, may make financial grants to retrofit roofs of insurable property, as defined in R.S. 22:1483(C)(9), with a homestead exemption to resist loss due to hurricane, tornado, or other catastrophic windstorm events and to meet or exceed the "fortified roof" standard of the Insurance Institute for Business and Home Safety.”
- No funding has been appropriated to this program.

# INSURE LOUISIANA INCENTIVE PROGRAM

Company	Request	Approved Grant Amount
Allied Trust Ins Co	\$ 6,500,000	\$ 6,500,000
Applied Underwriters Captive Risk Assurance Company, Inc.	10,000,000	-
Cajun Underwriters Reciprocal Exchange	5,000,000	3,000,000
Constitution Insurance Company	10,000,000	4,500,000
Elevate Reciprocal Exchange	5,000,000	3,750,000
Gulf States Ins Co	3,600,000	3,600,000
Safepoint Ins Co	10,000,000	8,500,000
SafePort Ins Co	2,000,000	2,000,000
SureChoice Underwriters Reciprocal Exchange	10,000,000	10,000,000
<b>Total</b>	<b>\$62,100,000</b>	<b>\$41,850,000</b>
<b>Remaining Funding</b>	<b>(\$17,100,000)</b>	<b>\$3,150,000</b>

According to the department, nine companies have applied to participate in the program.

The program is only currently authorized to supply companies with \$45 M, rather than the total requested amount of \$62 M.

The proposed grant amounts for non-domestic companies has been prorated and rounded based upon the remaining grant funds available, the statutory minimum grant requirement of \$2,000,000, and the 20% of capital & surplus limitation.

One applicant is not receiving any funding at this time because they do not currently possess the proper state licensing and authority required by the program.

The program is currently appropriated \$0 in funding for FY 24. The remaining \$3.2 M is said to be used in a second round of the program.

# DEPARTMENT CONTACTS



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## Administrative/Fiscal Program

### Office of the Commissioner

Oversees internal audits, public affairs, Consumer Advocacy and Diversity (including Senior Health Insurance Information Program) and the Office of Policy, Innovation and Research (created by Act 159 of the 2022 Regular Session)

### 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, 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

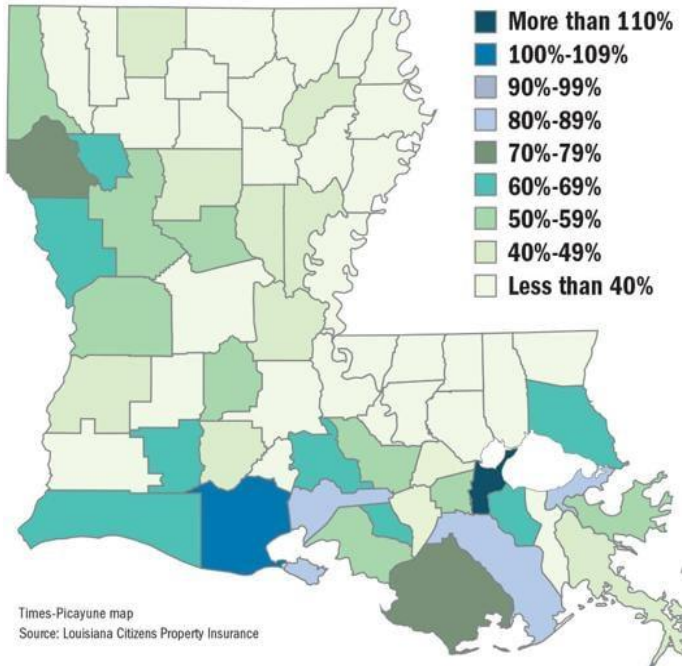
### Office of Consumer Services

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

# CITIZENS INSURANCE 2023 RATE INCREASES



Following the hurricanes of 2020 and 2021, Citizens Property Insurance raised their rates by an average of 63% statewide. These rate increases went into effect in January—right before the beginning of the 2023 First Extraordinary Session.

In at least seven parishes, the average premium is close to \$5,000 or more.