

**INSURANCE DEPARTMENT
(Agency #425) 2011-2013 BIENNIUM
EXECUTIVE RECOMMENDATION**

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

According to Arkansas Code § 23-61-101(c)(1)(A) and (B), "(A) The purpose of the department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.

(B) The primary mission of the department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence."

TOTAL BIENNIAL BUDGET

The total appropriation is \$70,051,738 for each year of the biennium

FUNDING SOURCE

Funding from Fund Balances (46% for FY2012 and 47% for FY2013), Special Revenues (14% each year), Trust Funds (19% for each year) Miscellaneous Revolving Fund (9% each year), Workers' Compensation Revolving (11% for each year), and Federal and Cash funds (less than 1% each year).

II) SIGNIFICANT CHANGES

INSURANCE-STATE OPERATIONS (APPROPRIATION 2SW)

This appropriation is funded by special revenues which are fees assessed or imposed upon insurers, insurance agents, brokers, professional bail bond companies, and other licensees or registrants and other regulatory fees, and is to be used to defray the expenses of the State Insurance Department in the discharge of its administrative and regulatory powers and duties.

The total appropriation is \$11,784,079 and includes an increase of \$20,000 each year for Capital Outlay, \$173,148 in Salaries and Matching to restore three positions provided from the central growth pool, and a reallocation of \$150,000 previously located in Data Processing to reimburse Department of Information Systems for the department's IT operations.

INSURANCE FRAUD INVESTIGATION DIVISION (APPROPRIATION 2SY)

This appropriation is funded by an annual regulatory fee collected from each company under the Department's jurisdiction exclusively to support fraud investigation efforts.

The total appropriation is \$954,512 for each year and provides for a reduction of \$1,000 each year to eliminate the Data Processing line item.

PREPAID FUNERAL BENEFITS DIVISION (APPROPRIATION 2SZ)

This appropriation is funded by fees collected from applications and renewals of permits to sell prepaid funeral benefits.

The total appropriation is \$361,914 and provides for \$2,000 to be reallocated from Data Processing to the Operating Expenses line item.

STATE EMPLOYEE CLAIMS (APPROPRIATION 2TB)

This appropriation is funded by a revolving fund which derives its revenue from agency workers' compensation benefit contributions, and is used to process workers' compensation benefit claims payments for employees of the state.

The total appropriation is \$15,000,000 each year of the biennium which includes an increase of \$1,000,000 each year over base level to assure

sufficient appropriation is available to cover the growing level of claims expenses.

PUBLIC EMPLOYEES CLAIMS SECTION (APPROPRIATION 2TD)

This appropriation is funded by transfers from the Public School Fund, County Aid Fund, and Municipal Aid Fund, and state agency fund accounts for administering the Workers' Compensation Claims program.

The total appropriation is \$1,498,863 for each year of the biennium which includes a change level decrease of \$4,000 per year due to the elimination of the Data Processing line item.

HEALTH INFORMATION COUNSELING (APPROPRIATION 2TE)

This appropriation is 100% federally funded by the U.S. Department of Health and Human Services and its purpose is to develop and maintain a network of local volunteers to dispense information and assist senior citizens with their insurance needs.

The total appropriation is \$853,627 per year with a reallocation of \$1,600 from Data Processing to Operating Expenses.

III) ADDITIONAL POSITIONS

Total Positions for 2011-13 Biennium: 187

Total Positions for 2009-11 Biennium: 187

Increase / (Decrease): 0

IV) SPECIAL LANGUAGE

TRANSFER PROVISION: Recommends language that allows unused appropriations in Regular Salaries, Extra Help, and Personal Services Matching to be transferred to Professional Services special line item for contracting with qualified individuals or firms for exam assistance in the event the Department cannot maintain a full roster of examination personnel.

Revised October 2010