

INSURANCE DEPARTMENT

(Agency #425) FISCAL YEARS 2014 & 2015 - 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 AUTHORIZED

The total appropriation is \$84,530,835 in FY2014 and \$84,540,753 in FY2015.

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 \$12,296,716 in FY14 and \$12,304,316 in FY15 and includes an increase of \$62,986 in Regular Salaries and increase of \$23,741 in Personal Services Matching to provide for the addition and transfer of positions. The total also includes an increase of \$155,000 each year for Capital Outlay for IT equipment and other equipment, and an increase of \$100,000 in Professional Services to obtain outside actuarial input in reviewing company reserves, processing claims and reissuing contracts.

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 \$1,013,097 in FY14 and \$1,014,073 in FY15 and provides for an increase of \$20,000 each year in Operating Expenses due to higher rent of office space in a new location.

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 \$16,000,000 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.

GOVERNMENTAL BONDING BOARD OPERATIONS (APPROPRIATION 2TC)

This appropriation is funded by bond premiums withheld from County Aid, Municipal Aid, and Public School funds and from premiums transferred from the fund accounts of State agencies. The appropriation is

\$4,104,855 and includes a \$2,000,000 increase in the claims line item to assure sufficient resources to process all claims received during each fiscal year.

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 \$1,536,817 in FY14 and \$1,537,915 in FY15 which includes a change level increase of \$9,000 per year for higher rent of office space in a new location and the reclassification of one position.

HEALTH INSURANCE PREMIUM RATE REVIEW (APPROPRIATION 85P)

\$3,240,222 for each year of the biennium in Federal Grants for administering the Health Insurance Premium Rate Review mandated by PPACA of 2009. This amount includes an increase of \$663,161 in Operating Expenses, \$163,241 in Conference and Travel Fees, and \$1,522,363 in Professional Fees for the continuation of the second phase of the program that was approved as a Miscellaneous Federal Grant in December 2011.

HEALTH INSURANCE EXCHANGE PROGRAM (APPROPRIATION 85Q)

\$0 for each year of the biennium in Federal Grants for administering the Health Insurance Exchange Program mandated by PPACA of 2009. This appropriation is being phased out during FY2013 and is no longer necessary. The positions are being transferred to other appropriations within the department.

LEVEL ONE COOPERATIVE AGREEMENT - FEDERAL (APPROPRIATION F08)

This appropriation is funded with federal grant funds and is the second phase of the Health Care Exchange Planning Program. This program was approved as a Miscellaneous Federal Grant in April 2012. The appropriation is for \$7,578,242 each year of the biennium. The new appropriation provides for the following each year:

- Regular Salaries: \$292,711
- Personal Services Matching: \$ 99,041
- Operating Expenses: \$96,504
- Conference and Travel Expenses: \$57,362
- Professional Fees: \$7,032,624

III) POSITIONS

Total Positions for FY 2015: 198

Total Positions for FY 2014: 198

Total Positions for FY 2013: 192

Increase / (Decrease): 6

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.