

0845 Department of Insurance

The Insurance Commissioner enforces the California Insurance Code, regulates the insurance industry, and oversees the Department of Insurance.

The Department of Insurance regulates the largest insurance market in the United States with over \$118 billion in direct premiums written in the state. The Department conducts examinations and investigations of insurance companies and producers to ensure that operations are consistent with the requirements of the Insurance Code and that insurance companies are financially able to meet their obligations to policyholders and claimants. The Department also investigates complaints and responds to consumer inquiries; administers the conservation and liquidation of insolvent and delinquent insurance companies; reviews and approves insurance rates; and is a major contributor in combating insurance fraud.

3-YR EXPENDITURES AND POSITIONS (Summary of Program Requirements)

	Positions			Expenditures		
	2005-06	2006-07	2007-08	2005-06*	2006-07*	2007-08*
10 Regulation of Insurance Companies and Insurance Producers	390.8	410.4	406.6	\$64,216	\$69,970	\$68,728
12 Consumer Protection	286.3	326.8	326.8	45,454	52,435	53,581
20 Fraud Control	229.4	283.4	281.5	79,124	83,234	84,492
30 Tax Collection and Audits	16.0	18.1	18.1	1,736	2,140	2,164
50.01 Administration	217.0	232.3	230.4	26,347	28,547	28,519
50.02 Distributed Administration	-	-	-	-26,347	-28,547	-28,519
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,139.5	1,271.0	1,263.4	\$190,530	\$207,779	\$208,965
FUNDING				2005-06*	2006-07*	2007-08*
0217 Insurance Fund				\$190,437	\$207,529	\$208,715
0995 Reimbursements				93	250	250
TOTALS, EXPENDITURES, ALL FUNDS				\$190,530	\$207,779	\$208,965

LEGAL CITATIONS AND AUTHORITY

PROGRAM AUTHORITY

10-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-12979, and 12997-15003.

12-Consumer Protection:

Insurance Code, Sections 730, 790.03, 1857-1858, 1872.81, 10127.17, 12921.1-12921.5, 12928, 12930, and 12950.

20-Fraud Control:

Insurance Code, Sections 1871-1879.

30-Tax Collection and Audit:

Insurance Code, Sections 1774-1780; and Revenue and Taxation Code, Part 7 of Division 2.

50-Administration:

Chapter 722, Statutes of 1982.

MAJOR PROGRAM CHANGES

- Urban Grant Program - The Governor's Budget includes \$1.4 million Insurance Fund for the Urban Grant program to combat organized automobile insurance fraud.
- Automobile Insurance Fraud - The Governor's Budget includes \$1.6 million Insurance Fund to increase grants to local District Attorneys to combat automobile insurance fraud that is not a result of organized crime.
- Workers' Compensation Fraud - The Governor's Budget includes \$1.3 million to continue grants for local government to combat workers' compensation fraud by employers and medical providers.
- Consumer Education - The Governor's Budget includes \$750,000 Insurance Fund for grants to enhance prosecution of financial abuse crimes and to provide consumer education regarding abuse related to life insurance and annuity products.

* Dollars in thousands, except in Salary Range.

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- Intervenor - The Governor's Budget includes \$780,000 Insurance Fund for Intervenor that act on behalf of consumers to resolve conflicts with insurers.

DETAILED BUDGET ADJUSTMENTS

	2006-07*			2007-08*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Baseline Adjustment Descriptions						
• Employee Compensation Adjustment	\$-	\$6,345	-	\$-	\$6,328	-
• Pro Rata Adjustment	-	-	-	-	1,368	-
• Price Increase	-	-	-	-	1,119	-
• Retirement Rate Adjustment	-	740	-	-	740	-
• Statewide Surcharge Adjustment	-	1	-	-	1	-
• Intervenor Deficiency	-	1,609	-	-	-	-
Totals, Baseline Adjustments	\$-	\$8,695	-	\$-	\$9,556	-
Policy Adjustment Descriptions						
• Automobile Insurance Fraud Spending Authority Increase	\$-	\$-	-	\$-	\$1,600	-
• Urban Grant Spending Authority Increase	-	-	-	-	1,400	-
• Workers' Compensation Spending Authority Increase	-	-	-	-	1,347	-
• Intervenor Compensation Costs	-	-	-	-	780	-
• Life and Annuity Consumer Protection Fund Spending Authority	-	-	-	-	750	-
• Staff Counsel Upgrades	-	-	-	-	164	-
• Enterprise Information Portal	-	-	-	-	-	-
Totals, Policy Adjustments	\$-	\$-	-	\$-	\$6,041	-
TOTALS, BUDGET ADJUSTMENTS	\$-	\$8,695	-	\$-	\$15,597	-

PROGRAM DESCRIPTIONS (Program Objectives Statement)

10 REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS

The objectives of this program are: (1) to prevent losses to policyholders, beneficiaries or the public due to the insolvency of insurers; (2) to prevent unlawful or unfair practices by insurers as defined by the Insurance Code; (3) to ensure that insurance rates are not excessive, inadequate, unfairly discriminatory, or otherwise in violation of the Insurance Code; and (4) to ensure that applicants for insurance licenses, and holders of insurance licenses, satisfy and maintain the qualifications for licensure.

12 CONSUMER PROTECTION

The objective of this program is to provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating or underwriting by insurers. The objectives also include protecting applicants and policyholders from discriminatory, unlawful or fraudulent practices or incompetence relating to the sale of insurance.

20 FRAUD CONTROL

The objective of this program is to protect the public from economic loss and distress by actively investigating and arresting those who commit insurance fraud and to reduce the overall incidence of insurance fraud through anti-fraud outreach to the public, private and governmental sectors. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.

30 TAX COLLECTION AND AUDIT

This program performs tax collection, accounting, and tax audits of insurance companies and surplus line brokers. The program staff audits tax returns to determine compliance with the rules and regulations contained in both the Insurance and Revenue and Taxation Codes and assists the Board of Equalization and the State Controller's Office with various refund, assessment, and accounting matters relative to the various premium taxpayers.

50 ADMINISTRATION

* Dollars in thousands, except in Salary Range.

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This program provides the overall policy direction for the Department, as well as all administrative functions including legal, human resources, financial management, information technology, personnel, budget, legislative, and business services.

DETAILED EXPENDITURES BY PROGRAM (Program Budget Detail)

		2005-06*	2006-07*	2007-08*
PROGRAM REQUIREMENTS				
10	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
State Operations:				
0217	Insurance Fund	\$64,123	\$69,720	\$68,478
0995	Reimbursements	93	250	250
Totals, State Operations		\$64,216	\$69,970	\$68,728
ELEMENT REQUIREMENTS				
10.30	Rate Regulation	\$20,551	\$22,038	\$22,603
State Operations:				
0217	Insurance Fund	20,458	21,788	22,353
0995	Reimbursements	93	250	250
10.40	Regulatory	\$16,073	\$21,356	\$21,837
State Operations:				
0217	Insurance Fund	16,073	21,356	21,837
10.51	Licensing	\$21,559	\$20,511	\$18,226
State Operations:				
0217	Insurance Fund	21,559	20,511	18,226
10.70	Special Programs	\$6,033	\$6,065	\$6,062
State Operations:				
0217	Insurance Fund	6,033	6,065	6,062
PROGRAM REQUIREMENTS				
12	CONSUMER PROTECTION			
State Operations:				
0217	Insurance Fund	\$45,454	\$51,685	\$52,081
Totals, State Operations		\$45,454	\$51,685	\$52,081
Local Assistance:				
0217	Insurance Fund	\$-	\$750	\$1,500
Totals, Local Assistance		\$-	\$750	\$1,500
ELEMENT REQUIREMENTS				
12.10	Legal Compliance	\$9,294	\$9,852	\$10,039
State Operations:				
0217	Insurance Fund	9,294	9,852	10,039
12.20	Investigations	\$13,153	\$15,363	\$16,334
State Operations:				
0217	Insurance Fund	13,153	14,613	14,834
Local Assistance:				
0217	Insurance Fund	-	750	1,500
12.30	Consumer Services and Market Conduct	\$23,007	\$27,220	\$27,208
State Operations:				
0217	Insurance Fund	23,007	27,220	27,208
PROGRAM REQUIREMENTS				
20	FRAUD CONTROL			
State Operations:				
0217	Insurance Fund	\$35,118	\$42,318	\$41,639

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		2005-06*	2006-07*	2007-08*
Totals, State Operations		\$35,118	\$42,318	\$41,639
Local Assistance:				
0217	Insurance Fund	\$44,006	\$40,916	\$42,853
Totals, Local Assistance		\$44,006	\$40,916	\$42,853
ELEMENT REQUIREMENTS				
20.10	Fraud - Auto	\$36,738	\$35,319	\$38,634
State Operations:				
0217	Insurance Fund	15,401	19,483	19,798
Local Assistance:				
0217	Insurance Fund	21,337	15,836	18,836
20.20	Fraud - Workers' Compensation	\$37,083	\$41,904	\$40,841
State Operations:				
0217	Insurance Fund	15,714	19,188	18,125
Local Assistance:				
0217	Insurance Fund	21,369	22,716	22,716
20.30	Fraud - General Assessment	\$1,944	\$2,151	\$2,191
State Operations:				
0217	Insurance Fund	1,944	2,151	2,191
20.40	Fraud - Disability and Healthcare	\$3,359	\$3,860	\$2,826
State Operations:				
0217	Insurance Fund	2,059	1,496	1,525
Local Assistance:				
0217	Insurance Fund	1,300	2,364	1,301
PROGRAM REQUIREMENTS				
30	TAX COLLECTION AND AUDITS			
State Operations:				
0217	Insurance Fund	\$1,736	\$2,140	\$2,164
Totals, State Operations		\$1,736	\$2,140	\$2,164
TOTALS, EXPENDITURES				
State Operations		146,524	166,113	164,612
Local Assistance		44,006	41,666	44,353
Totals, Expenditures		\$190,530	\$207,779	\$208,965

EXPENDITURES BY CATEGORY (Summary By Object)

1 State Operations	Positions			Expenditures		
	2005-06	2006-07	2007-08	2005-06*	2006-07*	2007-08*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,139.5	1,337.8	1,329.8	\$71,449	\$80,874	\$81,448
Total Adjustments	-	-	-	-	4,940	4,783
Estimated Salary Savings	-	-66.8	-66.4	-	-4,291	-4,312
Net Totals, Salaries and Wages	1,139.5	1,271.0	1,263.4	\$71,449	\$81,523	\$81,919
Staff Benefits	-	-	-	25,321	31,113	30,853
Totals, Personal Services	1,139.5	1,271.0	1,263.4	\$96,770	\$112,636	\$112,772
OPERATING EXPENSES AND EQUIPMENT				\$49,754	\$53,477	\$51,840
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS				\$146,524	\$166,113	\$164,612
(State Operations)						

* Dollars in thousands, except in Salary Range.

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2 Local Assistance

	Expenditures		
	2005-06*	2006-07*	2007-08*
Counties-District Attorneys	\$44,006	\$41,666	\$44,353
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$44,006	\$41,666	\$44,353

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

1 STATE OPERATIONS	2005-06*	2006-07*	2007-08*
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$156,145	\$156,779	\$164,362
Allocation for employee compensation	638	6,734	-
Allocation for contingencies or emergencies	1,651	1,609	-
Adjustment per Section 3.60	-527	740	-
Adjustment per Section 4.75 Statewide Surcharge	-	1	-
Totals Available	\$157,907	\$165,863	\$164,362
Unexpended balance, estimated savings	-11,476	-	-
TOTALS, EXPENDITURES	\$146,431	\$165,863	\$164,362
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$93	\$250	\$250
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$146,524	\$166,113	\$164,612

2 LOCAL ASSISTANCE	2005-06*	2006-07*	2007-08*
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	\$44,757	\$40,603	\$44,353
Prior year balances available:			
Item 0845-101-0217, Budget Act of 2004, as reappropriated by Item 0845-490, Budget Act of 2006	1,063	1,063	-
Totals Available	\$45,820	\$41,666	\$44,353
Unexpended balance, estimated savings	-751	-	-
Balance available in subsequent years	-1,063	-	-
TOTALS, EXPENDITURES	\$44,006	\$41,666	\$44,353
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$44,006	\$41,666	\$44,353
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$190,530	\$207,779	\$208,965

FUND CONDITION STATEMENTS

	2005-06*	2006-07*	2007-08*
0217 Insurance Fund^s			
BEGINNING BALANCE	\$48,886	\$45,981	\$33,450
Prior year adjustments	-1,342	-	-
Adjusted Beginning Balance	\$47,544	\$45,981	\$33,450
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	33,898	34,237	34,580
123200 Insurance Company Examination Fees	20,594	20,107	23,371
127100 Insurance Department Fees, Prop 103	26,439	29,584	29,539
127200 Insurance Department Fees, General	20,900	20,824	21,006
127300 Insurance Fraud Assessment, Workers Comp	38,430	39,479	43,887

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	2005-06*	2006-07*	2007-08*
127400 Insurance Fraud Assessment, Auto	40,966	43,014	45,166
127500 Insurance Fraud Assessment, General	4,077	5,057	5,025
141200 Sales of Documents	149	168	168
142500 Miscellaneous Services to the Public	47	54	54
150300 Income From Surplus Money Investments	2,280	1,874	1,874
161000 Escheat of Unclaimed Checks & Warrants	7	26	26
161400 Miscellaneous Revenue	50	138	138
161900 Other Revenue - Cost Recoveries	1,928	1,569	1,569
Transfers and Other Adjustments:			
FO3054 From Health Care Benefits Fund loan repayment per Health & Safety Code	221	-	-
127664			
Total Revenues, Transfers, and Other Adjustments	<u>\$189,986</u>	<u>\$196,131</u>	<u>\$206,403</u>
Total Resources	\$237,530	\$242,112	\$239,853
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0840 State Controller (State Operations)	76	2	1
0845 Department of Insurance			
State Operations	146,431	165,863	164,362
Local Assistance	44,006	41,666	44,353
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	-	642	1,117
8690 Seismic Safety Commission (State Operations)	<u>1,036</u>	<u>489</u>	<u>-</u>
Total Expenditures and Expenditure Adjustments	<u>\$191,549</u>	<u>\$208,662</u>	<u>\$209,833</u>
FUND BALANCE	\$45,981	\$33,450	\$30,020
Reserve for economic uncertainties	45,981	33,450	30,020
0285 California Residential Earthquake Recovery Fund ^s			
BEGINNING BALANCE	\$163	\$152	\$152
Prior year adjustments	<u>-11</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	<u>\$152</u>	<u>\$152</u>	<u>\$152</u>
FUND BALANCE	\$152	\$152	\$152
Reserve for economic uncertainties	152	152	152

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2005-06	2006-07	2007-08	2005-06*	2006-07*	2007-08*
Totals, Authorized Positions	1,139.5	1,337.8	1,329.8	\$71,449	\$80,874	\$81,448
Salary Adjustments	-	-	-	-	4,940	4,653
Proposed New Positions:				Salary Range		
Staff Counsel IV	-	-	2.0	8,486-10,477	-	239
Staff Council III	-	-	21.0	6,902-8,517	-	1,992
Staff Counsel	<u>-</u>	<u>-</u>	<u>-23.0</u>	<u>3,834-7,386</u>	<u>-</u>	<u>-2,101</u>
Totals, Proposed New Positions	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$130</u>
Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$-</u>	<u>\$4,940</u>	<u>\$4,783</u>
TOTALS, SALARIES AND WAGES	<u>1,139.5</u>	<u>1,337.8</u>	<u>1,329.8</u>	<u>\$71,449</u>	<u>\$85,814</u>	<u>\$86,231</u>

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