

0845 Department of Insurance

The Insurance Commissioner regulates the largest insurance market in the United States, and the fourth largest insurance market in the World, with more than \$118 billion in direct premiums; enforces the California Insurance Code; and oversees the Department of Insurance.

The Department of Insurance conducts examinations and investigations of insurance companies and producers and works to ensure the financial solvency of companies so that they will meet their obligations to policyholders and claimants.

The Department of Insurance investigates more than 300,000 complaints annually and responds to consumer inquiries. The department reviews and approves insurance rates to enforce the requirement of California law that rates are not excessive or unfair. The department also administers the conservation and liquidation of insolvent and delinquent insurance companies and combats insurance fraud in conjunction with local and state law enforcement agencies.

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

	Positions			Expenditures		
	2006-07	2007-08	2008-09	2006-07*	2007-08*	2008-09*
10 Regulation of Insurance Companies and Insurance Producers	389.7	406.6	411.4	\$65,967	\$69,927	\$71,735
12 Consumer Protection	299.7	333.4	330.6	50,388	54,544	55,148
20 Fraud Control	243.3	291.0	289.1	79,529	91,192	95,113
30 Tax Collection and Audits	13.8	16.2	16.2	1,925	2,215	2,122
50.01 Administration	220.0	224.7	224.6	27,477	29,124	29,439
50.02 Distributed Administration	-	-	-	-27,477	-29,124	-29,439
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,166.5	1,271.9	1,271.9	\$197,809	\$217,878	\$224,118
FUNDING				2006-07*	2007-08*	2008-09*
0001 General Fund				\$-	\$-	\$2,122
0217 Insurance Fund				197,801	217,628	221,746
0995 Reimbursements				8	250	250
TOTALS, EXPENDITURES, ALL FUNDS				\$197,809	\$217,878	\$224,118

LEGAL CITATIONS AND AUTHORITY

PROGRAM AUTHORITY

10-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-16030, except as noted below.

12-Consumer Protection:

Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 6, 6.3 and 6.5, Sections 1872.81, 10127.17, 12921.1-12921.5, 12928, and 12930.

20-Fraud Control:

Insurance Code, Division 1, Part 2, Chapter 12 (except Section 1872.81 cited above).

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

- Tax Collection - The Governor's Budget includes a shift of \$2.122 million from Insurance Fund to General Fund for insurance premium tax collection activities performed by the Department of Insurance. The funding for this program is now consistent with other General Fund tax collection programs.
- Workers' Compensation Insurance Fraud - The Governor's Budget includes \$4.02 million Insurance Fund for local assistance to aid District Attorneys in the prosecution of workers' compensation fraud.

* Dollars in thousands, except in Salary Range.

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- Consumer Protection - The Governor's Budget includes \$750,000 Insurance Fund for local assistance to combat life insurance and annuity financial abuse, with a focus on senior citizens.
- Administrative Hearings - The Governor's Budget includes \$475,000 and 4.8 positions to address increased administrative hearing workload resulting from rate regulation changes.
- Communications Infrastructure - The Governor's Budget includes \$137,000 Insurance Fund to continue 1.4 positions to support the Department of Insurance's Telecommunications Infrastructure Replacement Project.
- Americans with Disabilities Act (ADA) Compliance - The Governor's Budget includes \$83,000 Insurance Fund for a two-year period to address the Department of Insurance's ADA compliance needs.
- Transaction Fees - The Governor's Budget includes \$120,000 Insurance Fund to offset increased credit card transaction costs resulting from increased usage of the Department of Insurance's online services.

DETAILED BUDGET ADJUSTMENTS

	2007-08*			2008-09*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Baseline Adjustment Descriptions						
• Workers' Compensation Insurance Fraud Program	\$-	\$-	-	\$-	\$4,020	-
• Employee Compensation Adjustments	-	3,938	-	-	4,724	-
• Pro Rata Adjustment	-	-	-	-	1,563	-
• Price Increase	-	-	-	-	1,079	-
• Telecommunications Infrastructure Replacement Project Positions	-	-	-	-	137	1.4
• Continuously Vacant Positions	-	-41	-1.0	-	-41	-1.0
• Retirement Rate Adjustment	-	-85	-	-	-85	-
• Limited Term Positions/Expiring Programs	-	-	-	-	-862	-6.2
• One Time Cost Reductions	-	-	-	-	-1,911	-
Totals, Baseline Adjustments	\$-	\$3,812	-1.0	\$-	\$8,624	-5.8
Policy Adjustment Descriptions						
• General Fund Tax Collection Program Funding Shift	\$-	\$-	-	\$2,122	-\$2,122	-
• Life Insurance and Annuity Consumer Protection Settlement--Local Assistance	-	-	-	-	750	-
• Auto Rating Regulations Workload--Legal Staff and Administrative Hearing Staff	-	-	-	-	475	4.8
• Credit Card Transaction Fees	-	-	-	-	120	-
• ADA Workload Compliance	-	-	-	-	83	-
Totals, Policy Adjustments	\$-	\$-	-	\$2,122	-\$694	4.8
TOTALS, BUDGET ADJUSTMENTS	\$-	\$3,812	-1.0	\$2,122	\$7,930	-1.0

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

* Dollars in thousands, except in Salary Range.

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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 General Fund tax collection 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. Tax collections from this program are deposited in the State General Fund.

50 - ADMINISTRATION

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)

	<u>2006-07*</u>	<u>2007-08*</u>	<u>2008-09*</u>
PROGRAM REQUIREMENTS			
10 REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
State Operations:			
0217 Insurance Fund	\$65,959	\$69,677	\$71,485
0995 Reimbursements	8	250	250
Totals, State Operations	\$65,967	\$69,927	\$71,735
ELEMENT REQUIREMENTS			
10.30 Rate Regulation	\$19,150	\$19,550	\$20,562
State Operations:			
0217 Insurance Fund	19,142	19,300	20,312
0995 Reimbursements	8	250	250
10.40 Regulatory	\$17,213	\$22,721	\$23,035
State Operations:			
0217 Insurance Fund	17,213	22,721	23,035
10.51 Licensing	\$23,338	\$21,538	\$22,018
State Operations:			
0217 Insurance Fund	23,338	21,538	22,018
10.70 Special Programs	\$6,266	\$6,118	\$6,120
State Operations:			
0217 Insurance Fund	6,266	6,118	6,120
PROGRAM REQUIREMENTS			
12 CONSUMER PROTECTION			
State Operations:			
0217 Insurance Fund	\$49,888	\$53,044	\$53,648
Totals, State Operations	\$49,888	\$53,044	\$53,648
Local Assistance:			
0217 Insurance Fund	\$500	\$1,500	\$1,500
Totals, Local Assistance	\$500	\$1,500	\$1,500
ELEMENT REQUIREMENTS			
12.10 Legal Compliance	\$12,012	\$11,161	\$11,381
State Operations:			
0217 Insurance Fund	12,012	11,161	11,381
12.20 Investigations	\$14,002	\$16,357	\$16,180
State Operations:			

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		2006-07*	2007-08*	2008-09*
0217	Insurance Fund	13,502	14,857	14,680
	Local Assistance:			
0217	Insurance Fund	500	1,500	1,500
12.30	Consumer Services and Market Conduct	\$24,374	\$27,026	\$27,587
	State Operations:			
0217	Insurance Fund	24,374	27,026	27,587
	PROGRAM REQUIREMENTS			
20	FRAUD CONTROL			
	State Operations:			
0217	Insurance Fund	\$38,615	\$45,153	\$45,465
	Totals, State Operations	\$38,615	\$45,153	\$45,465
	Local Assistance:			
0217	Insurance Fund	\$40,914	\$46,039	\$49,648
	Totals, Local Assistance	\$40,914	\$46,039	\$49,648
	ELEMENT REQUIREMENTS			
20.10	Fraud - Auto	\$32,796	\$39,459	\$40,067
	State Operations:			
0217	Insurance Fund	16,961	20,623	21,231
	Local Assistance:			
0217	Insurance Fund	15,835	18,836	18,836
20.20	Fraud - Workers' Compensation	\$40,577	\$45,336	\$49,162
	State Operations:			
0217	Insurance Fund	17,861	20,256	20,062
	Local Assistance:			
0217	Insurance Fund	22,716	25,080	29,100
20.30	Fraud - General Assessment	\$1,966	\$2,282	\$2,350
	State Operations:			
0217	Insurance Fund	1,966	2,282	2,350
20.40	Fraud - Disability and Healthcare	\$4,190	\$4,115	\$3,534
	State Operations:			
0217	Insurance Fund	1,827	1,992	1,822
	Local Assistance:			
0217	Insurance Fund	2,363	2,123	1,712
	PROGRAM REQUIREMENTS			
30	TAX COLLECTION AND AUDITS			
	State Operations:			
0001	General Fund	\$-	\$-	\$2,122
0217	Insurance Fund	1,925	2,215	-
	Totals, State Operations	\$1,925	\$2,215	\$2,122
	TOTALS, EXPENDITURES			
	State Operations	156,395	170,339	172,970
	Local Assistance	41,414	47,539	51,148
	Totals, Expenditures	\$197,809	\$217,878	\$224,118

EXPENDITURES BY CATEGORY (Summary By Object)

	1 State Operations	Positions			Expenditures		
		2006-07	2007-08	2008-09	2006-07*	2007-08*	2008-09*
PERSONAL SERVICES							

* Dollars in thousands, except in Salary Range.

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1 State Operations	Positions			Expenditures		
	2006-07	2007-08	2008-09	2006-07*	2007-08*	2008-09*
Authorized Positions (Equals Sch. 7A)	1,166.5	1,338.8	1,332.3	\$77,570	\$85,487	\$86,473
Total Adjustments	-	-	6.5	-	2,932	3,749
Estimated Salary Savings	-	-66.9	-66.9	-	-4,421	-4,511
Net Totals, Salaries and Wages	1,166.5	1,271.9	1,271.9	\$77,570	\$83,998	\$85,711
Staff Benefits	-	-	-	27,145	33,239	32,440
Totals, Personal Services	1,166.5	1,271.9	1,271.9	\$104,715	\$117,237	\$118,151
OPERATING EXPENSES AND EQUIPMENT				\$51,680	\$53,102	\$54,819
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$156,395	\$170,339	\$172,970

2 Local Assistance	Expenditures		
	2006-07*	2007-08*	2008-09*
Counties-District Attorneys	\$41,414	\$47,539	\$51,148
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$41,414	\$47,539	\$51,148

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

1 STATE OPERATIONS	2006-07*	2007-08*	2008-09*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$-	\$-	\$2,122
TOTALS, EXPENDITURES	\$-	\$-	\$2,122
TOTALS, GENERAL FUND EXPENDITURES	\$-	\$-	\$2,122
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$156,779	\$166,277	\$170,598
Allocation for employee compensation	6,734	3,938	-
Allocation for contingencies or emergencies	1,609	-	-
Adjustment per Section 3.60	740	-85	-
Adjustment per Section 4.75 Statewide Surcharge	1	-	-
Totals Available	\$165,863	\$170,130	\$170,598
Unexpended balance, estimated savings	-9,476	-41	-
TOTALS, EXPENDITURES	\$156,387	\$170,089	\$170,598
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$8	\$250	\$250
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$156,395	\$170,339	\$172,970
2 LOCAL ASSISTANCE			
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	\$40,603	\$47,539	\$51,148
Prior year balances available:			
Item 0845-101-0217, Budget Act of 2004, as reappropriated by Item 0845-490, Budget Act of 2006	1,063	-	-
Totals Available	\$41,666	\$47,539	\$51,148
Unexpended balance, estimated savings	-252	-	-
TOTALS, EXPENDITURES	\$41,414	\$47,539	\$51,148
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$41,414	\$47,539	\$51,148
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$197,809	\$217,878	\$224,118

* Dollars in thousands, except in Salary Range.

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FUND CONDITION STATEMENTS

	2006-07*	2007-08*	2008-09*
0217 Insurance Fund ^s			
BEGINNING BALANCE	\$45,981	\$50,130	\$38,140
Prior year adjustments	<u>2,527</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	\$48,508	\$50,130	\$38,140
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	34,451	36,518	37,249
123200 Insurance Company Examination Fees	19,042	20,112	19,002
127100 Insurance Department Fees, Prop 103	29,563	24,742	27,436
127200 Insurance Department Fees, General	20,668	20,404	79,824
127300 Insurance Fraud Assessment, Workers Comp	40,479	43,962	48,137
127400 Insurance Fraud Assessment, Auto	43,691	45,252	46,836
127500 Insurance Fraud Assessment, General	5,140	10,433	10,506
141200 Sales of Documents	247	198	198
142500 Miscellaneous Services to the Public	15	31	31
150300 Income From Surplus Money Investments	2,963	3,023	3,083
161000 Escheat of Unclaimed Checks & Warrants	24	15	15
161400 Miscellaneous Revenue	2,726	129	129
161900 Other Revenue - Cost Recoveries	1,518	1,991	1,991
163000 Settlements/Judgments(not Anti-trust)	<u>26</u>	<u>-</u>	<u>-</u>
Total Revenues, Transfers, and Other Adjustments	<u>\$200,553</u>	<u>\$206,810</u>	<u>\$274,437</u>
Total Resources	\$249,061	\$256,940	\$312,577
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0690 Office of Emergency Services (State Operations)	-	-	10,210
0840 State Controller (State Operations)	2	1	151
0845 Department of Insurance			
State Operations	156,387	170,089	170,598
Local Assistance	41,414	47,539	51,148
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	663	1,171	1,312
3540 Department of Forestry and Fire Protection (State Operations)	-	-	33,113
8690 Seismic Safety Commission (State Operations)	465	-	-
8940 Military Department (State Operations)	<u>-</u>	<u>-</u>	<u>9,192</u>
Total Expenditures and Expenditure Adjustments	<u>\$198,931</u>	<u>\$218,800</u>	<u>\$275,724</u>
FUND BALANCE	\$50,130	\$38,140	\$36,853
Reserve for economic uncertainties	50,130	38,140	36,853
0285 California Residential Earthquake Recovery Fund ^s			
BEGINNING BALANCE	\$152	\$174	\$174
Prior year adjustments	<u>22</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	<u>\$174</u>	<u>\$174</u>	<u>\$174</u>
FUND BALANCE	\$174	\$174	\$174
Reserve for economic uncertainties	174	174	174

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2006-07	2007-08	2008-09	2006-07*	2007-08*	2008-09*
Totals, Authorized Positions	1,166.5	1,338.8	1,332.3	\$77,570	\$85,487	\$86,473

* Dollars in thousands, except in Salary Range.

0845 Department of Insurance - Continued

	Positions			Expenditures		
	2006-07	2007-08	2008-09	2006-07*	2007-08*	2008-09*
Salary Adjustments	-	-	-	-	2,932	3,327
Proposed New Positions:				Salary Range		
Administrative Law Judge I	-	-	1.0	7,749-9,371	-	103
Staff Information Systems Analyst (0.5 LT pos eff 1-1-09, exp 6-30-10)	-	-	0.5	5,065-6,466	-	34
Staff Counsel	-	-	2.0	4,833-8,094	-	155
Associate Information Systems Analyst (1.0 LT pos eff 1-1-09, exp 6-30-10)	-	-	1.0	4,619-5,897	-	63
Senior Legal Typist	-	-	1.0	2,589-3,516	-	37
Office Assistant (Typing)	-	-	1.0	2,143-2,826	-	30
Totals, Proposed New Positions	-	-	6.5	\$-	\$-	\$422
Total Adjustments	-	-	6.5	\$-	\$2,932	\$3,749
TOTALS, SALARIES AND WAGES	1,166.5	1,338.8	1,338.8	\$77,570	\$88,419	\$90,222

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