

### 0845 Department of Insurance

California's publicly-elected Insurance Commissioner regulates the largest insurance market in the United States, and the eighth largest insurance market in the world, with \$123 billion in direct premiums; enforces the California Insurance Code; and oversees the California Department of Insurance (CDI). The CDI ensures that consumers are protected; that the insurance marketplace remains vibrant and stable; and that the law is enforced fairly in an open and equitable regulatory environment.

The CDI licenses and regulates insurance companies, agents, and brokers in California. Currently, the CDI oversees and licenses more than 1,800 insurance companies and 335,000 individuals and business entities as insurance agents, brokers, adjusters and bail agents. Additionally, the CDI receives and investigates over 250,000 consumer inquiries and complaints annually; performs examinations to ensure the financial solvency of companies; receives approximately 28,000 suspected fraudulent claim referrals annually; and works in conjunction with local, state and federal law enforcement agencies to investigate and prosecute fraudulent insurance practices.

#### 3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
10 Regulation of Insurance Companies and Insurance Producers	420.2	464.0	468.0	\$71,247	\$71,320	\$75,917
12 Consumer Protection	294.3	330.0	328.0	50,802	50,355	50,543
20 Fraud Control	239.7	275.3	283.3	97,473	99,709	109,079
30 General Fund Tax Collection and Audits	14.1	15.0	15.0	1,726	1,812	1,901
50.01 Administration	215.9	232.0	232.0	30,212	28,141	29,031
50.02 Distributed Administration	-	-	-	-30,212	-28,141	-29,031
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>1,184.2</b>	<b>1,316.3</b>	<b>1,326.3</b>	<b>\$221,248</b>	<b>\$223,196</b>	<b>\$237,440</b>
<b>FUNDING</b>				<b>2011-12*</b>	<b>2012-13*</b>	<b>2013-14*</b>
0217 Insurance Fund				\$220,541	\$221,625	\$236,469
0890 Federal Trust Fund				423	721	721
0995 Reimbursements				284	850	250
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$221,248</b>	<b>\$223,196</b>	<b>\$237,440</b>

#### LEGAL CITATIONS AND AUTHORITY

##### PROGRAM AUTHORITY

10-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-16032, except as noted below.

12-Consumer Protection:

Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 5.1, 6, 6.3, and 6.5, Chapter 5, Article 12, Sections 1872.81, 10127.17, 10273.7, 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-General Fund Tax Collection and Audits:

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

#### DETAILED BUDGET ADJUSTMENTS

	2012-13*			2013-14*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>Workload Budget Adjustments</b>						
<b>Workload Budget Change Proposals</b>						
• Healthcare Insurance Fraud (Chapter 444, Statutes of 2012)	\$-	\$-	-	\$-	\$7,377	8.0
• Health Insurance Premium Rate Review (Affordable Care Act)	-	-	-	-	1,207	9.0

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

	2012-13*			2013-14*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
• Health Insurance Reform (Affordable Care Act)	-	-	-	-	865	-
• Health Benefit Exchange (Affordable Care Act)	-	-	-	-	834	7.0
• Outside Consultants for Review of Predictive Models	-	-	-	-	350	-
• Reinsurance (Chapter 277, Statutes of 2012)	-	-	-	-	119	1.0
• Health Care Coverage Review of Cancellations, Rescissions, and Non-Renewals (AB 2470 and ACA)	-	-	-	-	113	1.0
<b>Totals, Workload Budget Change Proposals</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$10,865</b>	<b>26.0</b>
<b>Other Workload Budget Adjustments</b>						
• Employee Compensation Adjustments	\$-	-\$4,842	-	\$-	\$1,006	-
• Retirement Rate Adjustment	-	2,162	-	-	2,162	-
• Limited Term Positions/Expiring Programs	-	-	-	-	-3,277	-16.0
• One Time Cost Reductions	-	-	-	-	-100	-
• Miscellaneous Adjustments	-	600	-	-	1,508	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>\$-</b>	<b>-\$2,080</b>	<b>-</b>	<b>\$-</b>	<b>\$1,299</b>	<b>-16.0</b>
<b>Totals, Workload Budget Adjustments</b>	<b>\$-</b>	<b>-\$2,080</b>	<b>-</b>	<b>\$-</b>	<b>\$12,164</b>	<b>10.0</b>
<b>Policy Adjustments</b>						
• Loan from the General Fund to the Insurance Fund for the Alfred E. Alquist Seismic Safety Commission	\$-	\$-	-	\$1,122	-\$1,122	-
<b>Totals, Policy Adjustments</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$1,122</b>	<b>-\$1,122</b>	<b>-</b>
<b>Totals, Budget Adjustments</b>	<b>\$-</b>	<b>-\$2,080</b>	<b>-</b>	<b>\$1,122</b>	<b>\$11,042</b>	<b>10.0</b>

## PROGRAM DESCRIPTIONS

## 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. Through the Conservation and Liquidation Office, the CDI administers the estates of insolvent and delinquent insurance companies.

## 12 - CONSUMER PROTECTION

The objectives of this program are: (1) 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 and (2) to protect 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 by actively investigating, arresting and referring for prosecution or adjudication those who commit insurance fraud and other violations of the law. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.

## 30 - GENERAL FUND TAX COLLECTION AND AUDITS

This General Fund tax collection program performs tax collection, accounting and tax audits of insurance companies and surplus line brokers. The program staff audit insurers' tax returns to determine compliance with the laws contained in both the Insurance Code and Revenue and Taxation Code as well as assist the Board of Equalization and the State Controller's Office with various refund, assessment and accounting matters relative to the premium program. Tax collections from this program are deposited in the state's General Fund.

## 50 - ADMINISTRATION

This program provides administrative support services to the CDI including budgets, accounting, human resources, business services, and information technology, as well as legislative and legal services.

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

## DETAILED EXPENDITURES BY PROGRAM

	<u>2011-12*</u>	<u>2012-13*</u>	<u>2013-14*</u>
<b>PROGRAM REQUIREMENTS</b>			
<b>10 REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS</b>			
<b>State Operations:</b>			
0217 Insurance Fund	\$70,711	\$70,349	\$74,946
0890 Federal Trust Fund	423	721	721
0995 Reimbursements	113	250	250
<b>Totals, State Operations</b>	<b>\$71,247</b>	<b>\$71,320</b>	<b>\$75,917</b>
<b>ELEMENT REQUIREMENTS</b>			
<b>10.30 Rate Regulation</b>	<b>\$21,724</b>	<b>\$20,670</b>	<b>\$23,605</b>
<b>State Operations:</b>			
0217 Insurance Fund	21,188	19,699	22,634
0890 Federal Trust Fund	423	721	721
0995 Reimbursements	113	250	250
<b>10.40 Regulatory</b>	<b>\$16,911</b>	<b>\$22,211</b>	<b>\$21,543</b>
<b>State Operations:</b>			
0217 Insurance Fund	16,911	22,211	21,543
<b>10.51 Licensing</b>	<b>\$26,594</b>	<b>\$22,916</b>	<b>\$25,223</b>
<b>State Operations:</b>			
0217 Insurance Fund	26,594	22,916	25,223
<b>10.70 Special Programs</b>	<b>\$6,018</b>	<b>\$5,523</b>	<b>\$5,546</b>
<b>State Operations:</b>			
0217 Insurance Fund	6,018	5,523	5,546
<b>PROGRAM REQUIREMENTS</b>			
<b>12 CONSUMER PROTECTION</b>			
<b>State Operations:</b>			
0217 Insurance Fund	\$49,131	\$48,255	\$49,793
0995 Reimbursements	171	600	-
<b>Totals, State Operations</b>	<b>\$49,302</b>	<b>\$48,855</b>	<b>\$49,793</b>
<b>Local Assistance:</b>			
0217 Insurance Fund	\$1,500	\$1,500	\$750
<b>Totals, Local Assistance</b>	<b>\$1,500</b>	<b>\$1,500</b>	<b>\$750</b>
<b>ELEMENT REQUIREMENTS</b>			
<b>12.10 Legal Compliance</b>	<b>\$6,358</b>	<b>\$8,773</b>	<b>\$8,230</b>
<b>State Operations:</b>			
0217 Insurance Fund	6,358	8,773	8,230
<b>12.20 Investigations</b>	<b>\$16,301</b>	<b>\$16,042</b>	<b>\$15,809</b>
<b>State Operations:</b>			
0217 Insurance Fund	14,801	14,542	15,059
<b>Local Assistance:</b>			
0217 Insurance Fund	1,500	1,500	750
<b>12.30 Consumer Services and Market Conduct</b>	<b>\$28,143</b>	<b>\$25,540</b>	<b>\$26,504</b>
<b>State Operations:</b>			
0217 Insurance Fund	27,972	24,940	26,504
0995 Reimbursements	171	600	-
<b>PROGRAM REQUIREMENTS</b>			
<b>20 FRAUD CONTROL</b>			

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

		2011-12*	2012-13*	2013-14*
<b>State Operations:</b>				
0217	Insurance Fund	\$41,945	\$44,172	\$47,331
<b>Totals, State Operations</b>		<b>\$41,945</b>	<b>\$44,172</b>	<b>\$47,331</b>
<b>Local Assistance:</b>				
0217	Insurance Fund	\$55,528	\$55,537	\$61,748
<b>Totals, Local Assistance</b>		<b>\$55,528</b>	<b>\$55,537</b>	<b>\$61,748</b>
<b>ELEMENT REQUIREMENTS</b>				
<b>20.10</b>	<b>Fraud - Auto</b>	<b>\$40,258</b>	<b>\$42,867</b>	<b>\$43,811</b>
<b>State Operations:</b>				
0217	Insurance Fund	18,307	20,916	21,860
<b>Local Assistance:</b>				
0217	Insurance Fund	21,951	21,951	21,951
<b>20.20</b>	<b>Fraud - Workers' Compensation</b>	<b>\$50,748</b>	<b>\$51,020</b>	<b>\$51,884</b>
<b>State Operations:</b>				
0217	Insurance Fund	18,883	19,146	20,010
<b>Local Assistance:</b>				
0217	Insurance Fund	31,865	31,874	31,874
<b>20.30</b>	<b>Fraud - General Assessment</b>	<b>\$2,359</b>	<b>\$2,315</b>	<b>\$2,420</b>
<b>State Operations:</b>				
0217	Insurance Fund	2,359	2,315	2,420
<b>20.40</b>	<b>Fraud - Disability and Healthcare</b>	<b>\$4,108</b>	<b>\$3,507</b>	<b>\$10,964</b>
<b>State Operations:</b>				
0217	Insurance Fund	2,396	1,795	3,041
<b>Local Assistance:</b>				
0217	Insurance Fund	1,712	1,712	7,923
<b>PROGRAM REQUIREMENTS</b>				
<b>30</b>	<b>GENERAL FUND TAX COLLECTION AND AUDITS</b>			
<b>State Operations:</b>				
0217	Insurance Fund	1,726	1,812	1,901
<b>Totals, State Operations</b>		<b>\$1,726</b>	<b>\$1,812</b>	<b>\$1,901</b>
<b>TOTALS, EXPENDITURES</b>				
State Operations		164,220	166,159	174,942
Local Assistance		57,028	57,037	62,498
<b>Totals, Expenditures</b>		<b>\$221,248</b>	<b>\$223,196</b>	<b>\$237,440</b>

## EXPENDITURES BY CATEGORY

	1 State Operations			Expenditures		
	Positions					
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,184.2	1,316.3	1,300.3	\$82,169	\$87,261	\$91,210
Total Adjustments	-	-	26.0	-	-	5,196
<b>Net Totals, Salaries and Wages</b>	<b>1,184.2</b>	<b>1,316.3</b>	<b>1,326.3</b>	<b>\$82,169</b>	<b>\$87,261</b>	<b>\$96,406</b>
Staff Benefits	-	-	-	32,254	32,503	34,089
<b>Totals, Personal Services</b>	<b>1,184.2</b>	<b>1,316.3</b>	<b>1,326.3</b>	<b>\$114,423</b>	<b>\$119,764</b>	<b>\$130,495</b>
OPERATING EXPENSES AND EQUIPMENT				\$49,797	\$46,395	\$44,447
<b>TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS</b>				<b>\$164,220</b>	<b>\$166,159</b>	<b>\$174,942</b>
<b>(State Operations)</b>						

\* Dollars in thousands, except in Salary Range.

**0845 Department of Insurance - Continued**

**2 Local Assistance**

	Expenditures		
	2011-12*	2012-13*	2013-14*
Counties-District Attorneys	\$57,028	\$57,037	\$62,498
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$57,028</b>	<b>\$57,037</b>	<b>\$62,498</b>

**DETAIL OF APPROPRIATIONS AND ADJUSTMENTS**

1 STATE OPERATIONS	2011-12*	2012-13*	2013-14*
<b>0001 General Fund</b>			
APPROPRIATIONS			
011 Budget Act appropriation (Loan to the Insurance Fund)	\$-	\$-	(\$1,122)
<b>TOTALS, EXPENDITURES</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>0217 Insurance Fund</b>			
APPROPRIATIONS			
001 Budget Act appropriation	\$169,988	\$167,268	\$173,971
Allocation for employee compensation	523	587	-
Adjustment per Section 3.60	29	2,162	-
Adjustment per Section 3.90	-2,289	-5,429	-
Adjustment per Section 3.91 (b) Rental Rate Reductions	-877	-	-
Adjustment per Section 3.91 (b) Operational Efficiency Plan	-943	-	-
<b>Totals Available</b>	<b>\$166,431</b>	<b>\$164,588</b>	<b>\$173,971</b>
Unexpended balance, estimated savings	-2,918	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$163,513</b>	<b>\$164,588</b>	<b>\$173,971</b>
<b>0890 Federal Trust Fund</b>			
APPROPRIATIONS			
001 Budget Act Appropriation	\$-	\$721	\$721
Federal Funds	559	-	-
Budget Adjustment	-136	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$423</b>	<b>\$721</b>	<b>\$721</b>
<b>0995 Reimbursements</b>			
APPROPRIATIONS			
Reimbursements	\$284	\$850	\$250
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$164,220</b>	<b>\$166,159</b>	<b>\$174,942</b>
<b>2 LOCAL ASSISTANCE</b>	<b>2011-12*</b>	<b>2012-13*</b>	<b>2013-14*</b>
<b>0217 Insurance Fund</b>			
APPROPRIATIONS			
101 Budget Act appropriation	\$57,037	\$57,037	\$62,498
<b>Totals Available</b>	<b>\$57,037</b>	<b>\$57,037</b>	<b>\$62,498</b>
Unexpended balance, estimated savings	-9	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$57,028</b>	<b>\$57,037</b>	<b>\$62,498</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$57,028</b>	<b>\$57,037</b>	<b>\$62,498</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)</b>	<b>\$221,248</b>	<b>\$223,196</b>	<b>\$237,440</b>

**FUND CONDITION STATEMENTS**

	2011-12*	2012-13*	2013-14*
<b>0217 Insurance Fund <sup>s</sup></b>			
BEGINNING BALANCE	\$54,825	\$36,526	\$25,398
Prior year adjustments	2,647	-	-
Adjusted Beginning Balance	\$57,472	\$36,526	\$25,398

\* Dollars in thousands, except in Salary Range.

## 0845 Department of Insurance - Continued

	2011-12*	2012-13*	2013-14*
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>			
Revenues:			
123100 Insurance Co License Fees & Penalties	35,293	37,058	41,969
123200 Insurance Company Examination Fees	20,443	20,011	20,112
127100 Insurance Department Fees, Prop 103	23,791	27,233	28,612
127200 Insurance Department Fees, General	19,879	19,642	29,463
127300 Insurance Fraud Assessment, Workers Comp	47,163	49,562	49,629
127400 Insurance Fraud Assessment, Auto	47,249	48,195	49,400
127500 Insurance Fraud Assessment, General	6,132	8,790	13,653
141200 Sales of Documents	93	93	93
142500 Miscellaneous Services to the Public	11	11	11
150300 Income From Surplus Money Investments	170	170	170
161000 Escheat of Unclaimed Checks & Warrants	4	4	4
161400 Miscellaneous Revenue	45	45	45
161900 Other Revenue - Cost Recoveries	944	1,243	493
Transfers and Other Adjustments:			
FO0001 From General Fund loan per Item 0845-011-0217, Budget Act of 2013	-	-	1,122
TO3209 To Office of Patient Advocate Trust Fund Per Chapter 552, Statutes of 2011	-	-132	-253
<b>Total Revenues, Transfers, and Other Adjustments</b>	<b>\$201,217</b>	<b>\$211,925</b>	<b>\$234,523</b>
<b>Total Resources</b>	<b>\$258,689</b>	<b>\$248,451</b>	<b>\$259,921</b>
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>			
Expenditures:			
0840 State Controller (State Operations)	189	243	-
0845 Department of Insurance			
State Operations	163,513	164,588	173,971
Local Assistance	57,028	57,037	62,498
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	1,069	913	1,122
8880 Financial Information System for California (State Operations)	364	902	774
Expenditure Adjustments:			
1690 Alfred E. Alquist Seismic Safety Commission			
Less Funding provided by General Fund (State Operations)	-	-630	-
<b>Total Expenditures and Expenditure Adjustments</b>	<b>\$222,163</b>	<b>\$223,053</b>	<b>\$238,365</b>
<b>FUND BALANCE</b>	<b>\$36,526</b>	<b>\$25,398</b>	<b>\$21,556</b>
Reserve for economic uncertainties	36,526	25,398	21,556

## CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
Totals, Authorized Positions	1,184.2	1,316.3	1,300.3	\$82,169	\$87,261	\$91,210
<b>Workload and Administrative Adjustments:</b>						
Executive Operations:						
Health Program Specialist	-	-	-	4,833-5,874	-	128
Health Program Specialist II	-	-	-	5,309-6,451	-	71
Associate Health Program Advisor	-	-	-	4,400-5,348	-	59
Legal Branch:						
Attorney I	-	-	-	4,674-7,828	-	300
Salary and wages adjustment from operating expenses and equipment to fully fund positions	-	-	-	various	-	2,707
<b>Total Workload &amp; Administrative Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$3,265</b>
<b>Proposed New Positions:</b>						

\* Dollars in thousands, except in Salary Range.

**0845 Department of Insurance - Continued**

	Positions			Expenditures		
	2011-12	2012-13	2013-14	2011-12*	2012-13*	2013-14*
Corporate and Regulatory Affairs Branch:						
Attorney I (1.0 LT position expires 06/30/14)	-	-	1.0	4,674-7,828	-	75
Legal Branch:						
Attorney I (3.5 positions exp 6/30/14 and 3.5 positions exp 6/30/15)	-	-	9.0	4,674-7,828	-	675
Enforcement Branch, Fraud Division:						
Investigator	-	-	8.0	3,902-6,194	-	485
Financial Surveillance Branch:						
Supervising Life/Health Actuary	-	-	1.0	8,675-10,494	-	115
Senior Life/Health Actuary	-	-	2.0	7,667-10,177	-	214
Associate Life/Health Actuary	-	-	2.0	7,037-9,320	-	196
Senior Actuarial Statistician	-	-	2.0	4,833-6,451	-	136
Office Technician (General)	-	-	1.0	2,638-3,209	-	35
<b>Totals, Proposed New Positions</b>	<b>-</b>	<b>-</b>	<b>26.0</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,931</b>
<b>Total Adjustments</b>	<b>-</b>	<b>-</b>	<b>26.0</b>	<b>\$-</b>	<b>\$-</b>	<b>\$5,196</b>
<b>TOTALS, SALARIES AND WAGES</b>	<b>1,184.2</b>	<b>1,316.3</b>	<b>1,326.3</b>	<b>\$82,169</b>	<b>\$87,261</b>	<b>\$96,406</b>

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