

## 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 fights insurance fraud in conjunction with local and state law enforcement agencies.

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

	Positions			Expenditures		
	2007-08	2008-09	2009-10	2007-08*	2008-09*	2009-10*
10 Regulation of Insurance Companies and Insurance Producers	385.7	403.9	403.9	\$67,336	\$72,976	\$72,883
12 Consumer Protection	298.2	332.5	332.4	52,788	56,075	55,779
20 Fraud Control	250.5	291.8	286.1	88,360	95,893	109,202
30 General Fund Tax Collection and Audits	13.5	14.2	14.2	1,986	2,154	2,187
50.01 Administration	215.4	229.5	231.5	27,477	32,243	32,405
50.02 Distributed Administration	-	-	-	-27,477	-32,243	-32,405
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>1,163.3</b>	<b>1,271.9</b>	<b>1,268.1</b>	<b>\$210,470</b>	<b>\$227,098</b>	<b>\$240,051</b>
<b>FUNDING</b>				<b>2007-08*</b>	<b>2008-09*</b>	<b>2009-10*</b>
0217 Insurance Fund				\$210,470	\$226,848	\$239,801
0995 Reimbursements				-	250	250
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$210,470</b>	<b>\$227,098</b>	<b>\$240,051</b>

### 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-General Fund 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

- Automobile Insurance Fraud - The Governor's Budget includes \$8.9 million Insurance Fund for local assistance to aid District Attorneys in the investigation and prosecution of fraudulent automobile insurance claims and economic automobile theft.
- Organized Automobile Fraud Activity Interdiction (Urban Grant Program) - The Governor's Budget includes \$4.4 million Insurance Fund for local assistance to aid District Attorneys in the investigation and prosecution of organized automobile insurance fraud.

\* Dollars in thousands

## 0845 Department of Insurance - Continued

- Workers' Compensation Insurance Fraud - The Governor's Budget includes \$8.9 million Insurance Fund for local assistance to aid District Attorneys in the investigation and prosecution of workers' compensation insurance fraud.

### DETAILED BUDGET ADJUSTMENTS

	2008-09*			2009-10*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>Workload Budget Adjustments</b>						
<b>Workload Budget Change Proposals</b>						
• Continuation of Paperless Workflow System	\$-	\$-	-	\$-	\$2,526	1.9
<b>Totals, Workload Budget Change Proposals</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$2,526</b>	<b>1.9</b>
<b>Other Workload Budget Adjustments</b>						
• Employee Compensation Adjustments	\$-	\$176	-	\$-	\$239	-
• Retirement Rate Adjustment	-	17	-	-	17	-
• One Time Cost Reductions: State Operations	-	-	-	-	-3,434	-
• One Time Cost Reductions: Local Assistance	-	-	-	-	-7,731	-
• Full Year Cost of New/Expanded Programs	-	-	-	-	137	-
• Miscellaneous Adjustments	-	-	-	-	-792	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$193</b>	<b>-</b>	<b>\$-</b>	<b>-\$11,564</b>	<b>-</b>
<b>Totals, Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$193</b>	<b>-</b>	<b>\$-</b>	<b>-\$9,038</b>	<b>1.9</b>
<b>Policy Adjustments</b>						
• County DA Automobile Insurance Fraud Investigation Programs	\$-	\$-	-	\$-	\$8,876	-
• County DA Organized Automobile Fraud Activity Interdiction Program (Urban Grant Program)	-	-	-	-	4,449	-
• Workers' Compensation Insurance Fraud Program Workload Increases	-	-	-	-	8,859	-
<b>Totals, Policy Adjustments</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$22,184</b>	<b>-</b>
<b>Totals, Budget Adjustments</b>	<b>\$-</b>	<b>\$193</b>	<b>-</b>	<b>\$-</b>	<b>\$13,146</b>	<b>1.9</b>

### 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 - GENERAL FUND 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 insurers' tax returns to determine compliance with the laws contained in both the California 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 premium taxpayers. Tax collections from this program are deposited in the State General Fund.

\* Dollars in thousands

## 0845 Department of Insurance - Continued

## 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)

	2007-08*	2008-09*	2009-10*
<b>PROGRAM REQUIREMENTS</b>			
<b>10 REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS</b>			
<b>State Operations:</b>			
0217 Insurance Fund	\$67,336	\$72,726	\$72,633
0995 Reimbursements	-	250	250
<b>Totals, State Operations</b>	<b>\$67,336</b>	<b>\$72,976</b>	<b>\$72,883</b>
<b>ELEMENT REQUIREMENTS</b>			
<b>10.30 Rate Regulation</b>	<b>\$19,576</b>	<b>\$20,863</b>	<b>\$20,877</b>
<b>State Operations:</b>			
0217 Insurance Fund	19,576	20,613	20,627
0995 Reimbursements	-	250	250
<b>10.40 Regulatory</b>	<b>\$18,592</b>	<b>\$23,176</b>	<b>\$23,122</b>
<b>State Operations:</b>			
0217 Insurance Fund	18,592	23,176	23,122
<b>10.51 Licensing</b>	<b>\$23,094</b>	<b>\$22,908</b>	<b>\$22,855</b>
<b>State Operations:</b>			
0217 Insurance Fund	23,094	22,908	22,855
<b>10.70 Special Programs</b>	<b>\$6,074</b>	<b>\$6,029</b>	<b>\$6,029</b>
<b>State Operations:</b>			
0217 Insurance Fund	6,074	6,029	6,029
<b>PROGRAM REQUIREMENTS</b>			
<b>12 CONSUMER PROTECTION</b>			
<b>State Operations:</b>			
0217 Insurance Fund	\$52,363	\$54,575	\$54,279
<b>Totals, State Operations</b>	<b>\$52,363</b>	<b>\$54,575</b>	<b>\$54,279</b>
<b>Local Assistance:</b>			
0217 Insurance Fund	\$425	\$1,500	\$1,500
<b>Totals, Local Assistance</b>	<b>\$425</b>	<b>\$1,500</b>	<b>\$1,500</b>
<b>ELEMENT REQUIREMENTS</b>			
<b>12.10 Legal Compliance</b>	<b>\$13,132</b>	<b>\$10,731</b>	<b>\$10,672</b>
<b>State Operations:</b>			
0217 Insurance Fund	13,132	10,731	10,672
<b>12.20 Investigations</b>	<b>\$14,277</b>	<b>\$17,252</b>	<b>\$17,167</b>
<b>State Operations:</b>			
0217 Insurance Fund	13,852	15,752	15,667
<b>Local Assistance:</b>			
0217 Insurance Fund	425	1,500	1,500
<b>12.30 Consumer Services and Market Conduct</b>	<b>\$25,379</b>	<b>\$28,092</b>	<b>\$27,940</b>
<b>State Operations:</b>			
0217 Insurance Fund	25,379	28,092	27,940
<b>PROGRAM REQUIREMENTS</b>			
<b>20 FRAUD CONTROL</b>			
<b>State Operations:</b>			

\* Dollars in thousands

## 0845 Department of Insurance - Continued

		2007-08*	2008-09*	2009-10*
0217	Insurance Fund	\$42,415	\$46,245	\$45,101
	<b>Totals, State Operations</b>	<b>\$42,415</b>	<b>\$46,245</b>	<b>\$45,101</b>
	<b>Local Assistance:</b>			
0217	Insurance Fund	\$45,945	\$49,648	\$64,101
	<b>Totals, Local Assistance</b>	<b>\$45,945</b>	<b>\$49,648</b>	<b>\$64,101</b>
	<b>ELEMENT REQUIREMENTS</b>			
<b>20.10</b>	<b>Fraud - Auto</b>	<b>\$36,495</b>	<b>\$40,431</b>	<b>\$53,514</b>
	<b>State Operations:</b>			
0217	Insurance Fund	17,660	21,595	21,353
	<b>Local Assistance:</b>			
0217	Insurance Fund	18,835	18,836	32,161
<b>20.20</b>	<b>Fraud - Workers' Compensation</b>	<b>\$45,616</b>	<b>\$49,506</b>	<b>\$49,780</b>
	<b>State Operations:</b>			
0217	Insurance Fund	20,536	20,406	19,552
	<b>Local Assistance:</b>			
0217	Insurance Fund	25,080	29,100	30,228
<b>20.30</b>	<b>Fraud - General Assessment</b>	<b>\$2,349</b>	<b>\$2,391</b>	<b>\$2,364</b>
	<b>State Operations:</b>			
0217	Insurance Fund	2,349	2,391	2,364
<b>20.40</b>	<b>Fraud - Disability and Healthcare</b>	<b>\$3,900</b>	<b>\$3,565</b>	<b>\$3,544</b>
	<b>State Operations:</b>			
0217	Insurance Fund	1,870	1,853	1,832
	<b>Local Assistance:</b>			
0217	Insurance Fund	2,030	1,712	1,712
	<b>PROGRAM REQUIREMENTS</b>			
<b>30</b>	<b>GENERAL FUND TAX COLLECTION AND AUDITS</b>			
	<b>State Operations:</b>			
0217	Insurance Fund	1,986	2,154	2,187
	<b>Totals, State Operations</b>	<b>\$1,986</b>	<b>\$2,154</b>	<b>\$2,187</b>
	<b>TOTALS, EXPENDITURES</b>			
	State Operations	164,100	175,950	174,450
	Local Assistance	46,370	51,148	65,601
	<b>Totals, Expenditures</b>	<b>\$210,470</b>	<b>\$227,098</b>	<b>\$240,051</b>

## EXPENDITURES BY CATEGORY (Summary By Object)

1 State Operations	Positions			Expenditures		
	2007-08	2008-09	2009-10	2007-08*	2008-09*	2009-10*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,163.3	1,338.8	1,332.8	\$79,979	\$89,512	\$90,519
Total Adjustments	-	-	2.0	-	-	155
Estimated Salary Savings	-	-66.9	-66.7	-	-4,476	-4,534
<b>Net Totals, Salaries and Wages</b>	<b>1,163.3</b>	<b>1,271.9</b>	<b>1,268.1</b>	<b>\$79,979</b>	<b>\$85,036</b>	<b>\$86,140</b>
Staff Benefits	-	-	-	28,662	33,308	32,147
<b>Totals, Personal Services</b>	<b>1,163.3</b>	<b>1,271.9</b>	<b>1,268.1</b>	<b>\$108,641</b>	<b>\$118,344</b>	<b>\$118,287</b>
OPERATING EXPENSES AND EQUIPMENT				\$55,459	\$57,606	\$56,163
<b>TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS</b>				<b>\$164,100</b>	<b>\$175,950</b>	<b>\$174,450</b>
<b>(State Operations)</b>						

\* Dollars in thousands

**0845 Department of Insurance - Continued**

**2 Local Assistance**

	Expenditures		
	2007-08*	2008-09*	2009-10*
Counties-District Attorneys	\$46,370	\$51,148	\$65,601
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$46,370</b>	<b>\$51,148</b>	<b>\$65,601</b>

**DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)**

1 STATE OPERATIONS	2007-08*	2008-09*	2009-10*
<b>0217 Insurance Fund</b>			
APPROPRIATIONS			
001 Budget Act appropriation	\$166,277	\$175,507	\$174,200
Allocation for employee compensation	3,989	176	-
Adjustment per Section 3.60	-85	17	-
<b>Totals Available</b>	<b>\$170,181</b>	<b>\$175,700</b>	<b>\$174,200</b>
Unexpended balance, estimated savings	-6,081	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$164,100</b>	<b>\$175,700</b>	<b>\$174,200</b>
<b>0995 Reimbursements</b>			
APPROPRIATIONS			
Reimbursements	\$-	\$250	\$250
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$164,100</b>	<b>\$175,950</b>	<b>\$174,450</b>
<b>2 LOCAL ASSISTANCE</b>	<b>2007-08*</b>	<b>2008-09*</b>	<b>2009-10*</b>
<b>0217 Insurance Fund</b>			
APPROPRIATIONS			
101 Budget Act appropriation	\$47,539	\$51,148	\$65,601
<b>Totals Available</b>	<b>\$47,539</b>	<b>\$51,148</b>	<b>\$65,601</b>
Unexpended balance, estimated savings	-1,169	-	-
<b>TOTALS, EXPENDITURES</b>	<b>\$46,370</b>	<b>\$51,148</b>	<b>\$65,601</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>	<b>\$46,370</b>	<b>\$51,148</b>	<b>\$65,601</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)</b>	<b>\$210,470</b>	<b>\$227,098</b>	<b>\$240,051</b>

**FUND CONDITION STATEMENTS**

	2007-08*	2008-09*	2009-10*
<b>0217 Insurance Fund <sup>s</sup></b>			
BEGINNING BALANCE	\$50,130	\$54,088	\$44,813
Prior year adjustments	1,641	-	-
Adjusted Beginning Balance	\$51,771	\$54,088	\$44,813
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	39,027	38,340	41,471
123200 Insurance Company Examination Fees	21,072	21,410	21,879
127100 Insurance Department Fees, Prop 103	24,749	26,375	31,000
127200 Insurance Department Fees, General	23,717	22,004	21,222
127300 Insurance Fraud Assessment, Workers Comp	44,186	48,137	50,303
127400 Insurance Fraud Assessment, Auto	46,026	47,865	49,780
127500 Insurance Fraud Assessment, General	9,815	9,814	9,814
141200 Sales of Documents	195	195	195
142500 Miscellaneous Services to the Public	7	7	7
150300 Income From Surplus Money Investments	2,335	2,335	2,335
161000 Escheat of Unclaimed Checks & Warrants	30	30	30

\* Dollars in thousands

**0845 Department of Insurance - Continued**

	<b>2007-08*</b>	<b>2008-09*</b>	<b>2009-10*</b>
161400 Miscellaneous Revenue	311	142	142
161900 Other Revenue - Cost Recoveries	<u>2,489</u>	<u>2,410</u>	<u>2,410</u>
Total Revenues, Transfers, and Other Adjustments	<u>\$213,959</u>	<u>\$219,064</u>	<u>\$230,588</u>
Total Resources	\$265,730	\$273,152	\$275,401
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>			
Expenditures:			
0840 State Controller (State Operations)	1	151	-
0845 Department of Insurance			
State Operations	164,100	175,700	174,200
Local Assistance	46,370	51,148	65,601
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	<u>1,171</u>	<u>1,340</u>	<u>1,191</u>
Total Expenditures and Expenditure Adjustments	<u>\$211,642</u>	<u>\$228,339</u>	<u>\$240,992</u>
FUND BALANCE	\$54,088	\$44,813	\$34,409
Reserve for economic uncertainties	54,088	44,813	34,409
<b>0285 California Residential Earthquake Recovery Fund <sup>s</sup></b>			
BEGINNING BALANCE	\$174	\$179	-
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>			
Revenues:			
150300 Income From Surplus Money Investments	5	-	-
Transfers and Other Adjustments:			
TO0001 To General Fund per Government Code Section 16346	<u>-</u>	<u>-179</u>	<u>-</u>
Total Revenues, Transfers, and Other Adjustments	<u>\$5</u>	<u>-\$179</u>	<u>-</u>
Total Resources	<u>\$179</u>	<u>-</u>	<u>-</u>
FUND BALANCE	\$179	-	-
Reserve for economic uncertainties	179	-	-

\* Dollars in thousands