

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 \$124 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 PERSONNEL YEARS

	Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
10 Regulation of Insurance Companies and Insurance Producers	394.1	403.8	433.2	\$63,613	\$65,010	\$71,424
12 Consumer Protection	280.5	284.1	305.0	45,762	48,164	51,913
20 Fraud Control	254.8	274.6	288.1	96,936	93,520	99,680
30 General Fund Tax Collection and Audits	14.8	14.3	14.2	1,692	1,774	1,864
50.01 Administration	200.9	227.1	230.9	24,860	29,767	31,550
50.02 Distributed Administration	-	-	-	-24,860	-29,767	-31,550
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,145.1	1,203.9	1,271.4	\$208,003	\$208,468	\$224,881
FUNDING				2009-10*	2010-11*	2011-12*
0217 Insurance Fund				\$208,003	\$207,826	\$224,631
0995 Reimbursements				-	642	250
TOTALS, EXPENDITURES, ALL FUNDS				\$208,003	\$208,468	\$224,881

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, 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. *added effective 1/1/2011

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.

DETAILED BUDGET ADJUSTMENTS

	2010-11*			2011-12*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
Workload Budget Adjustments						
Workload Budget Change Proposals						
• Department of Insurance Workload	\$-	\$-	-	\$-	\$7,936	51.2
• Paperless Workflow System Project Phase III	-	-	-	-	2,606	-
• Health Insurance Premium Rate (SB 1163)	-	-	-	-	1,240	9.5
• Health Care Coverage (AB 2470)	-	-	-	-	642	5.7
• Health Benefit Exchange (AB 1602 and SB 900)	-	-	-	-	107	0.9

* Dollars in thousands, except in Salary Range.

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	2010-11*			2011-12*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
Totals, Workload Budget Change Proposals	\$-	\$-	-	\$-	\$12,531	67.3
Other Workload Budget Adjustments						
• Employee Compensation Adjustments	\$-	-\$8,147	-	\$-	-\$1,001	-
• Retirement Rate Contribution	-	2,448	-	-	2,448	-
• One Time Cost Reductions	-	-	-	-	-2,299	-
• Deficiency for Litigation Costs	-	1,840	-	-	-	-
• Miscellaneous Adjustments	-	392	-	-	1,267	-
Totals, Other Workload Budget Adjustments	\$-	-\$3,467	-	\$-	\$415	-
Totals, Workload Budget Adjustments	\$-	-\$3,467	-	\$-	\$12,946	67.3
Totals, Budget Adjustments	\$-	-\$3,467	-	\$-	\$12,946	67.3

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.

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.

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

		2009-10*	2010-11*	2011-12*
PROGRAM REQUIREMENTS				
10	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
	State Operations:			
0217	Insurance Fund	\$63,613	\$64,368	\$71,174
0995	Reimbursements	-	642	250
	Totals, State Operations	\$63,613	\$65,010	\$71,424
ELEMENT REQUIREMENTS				
10.30	Rate Regulation	\$17,898	\$17,698	\$18,457

* Dollars in thousands, except in Salary Range.

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	<u>2009-10*</u>	<u>2010-11*</u>	<u>2011-12*</u>
State Operations:			
0217 Insurance Fund	17,898	17,056	18,207
0995 Reimbursements	-	642	250
10.40 Regulatory	\$16,853	\$22,099	\$25,141
State Operations:			
0217 Insurance Fund	16,853	22,099	25,141
10.51 Licensing	\$23,040	\$19,224	\$21,736
State Operations:			
0217 Insurance Fund	23,040	19,224	21,736
10.70 Special Programs	\$5,822	\$5,989	\$6,090
State Operations:			
0217 Insurance Fund	5,822	5,989	6,090
PROGRAM REQUIREMENTS			
12 CONSUMER PROTECTION			
State Operations:			
0217 Insurance Fund	\$44,609	\$46,664	\$50,413
Totals, State Operations	\$44,609	\$46,664	\$50,413
Local Assistance:			
0217 Insurance Fund	\$1,153	\$1,500	\$1,500
Totals, Local Assistance	\$1,153	\$1,500	\$1,500
ELEMENT REQUIREMENTS			
12.10 Legal Compliance	\$7,310	\$10,483	\$9,247
State Operations:			
0217 Insurance Fund	7,310	10,483	9,247
12.20 Investigations	\$13,831	\$14,555	\$16,622
State Operations:			
0217 Insurance Fund	12,678	13,055	15,122
Local Assistance:			
0217 Insurance Fund	1,153	1,500	1,500
12.30 Consumer Services and Market Conduct	\$24,621	\$23,126	\$26,044
State Operations:			
0217 Insurance Fund	24,621	23,126	26,044
PROGRAM REQUIREMENTS			
20 FRAUD CONTROL			
State Operations:			
0217 Insurance Fund	\$39,897	\$39,629	\$45,789
Totals, State Operations	\$39,897	\$39,629	\$45,789
Local Assistance:			
0217 Insurance Fund	\$57,039	\$53,891	\$53,891
Totals, Local Assistance	\$57,039	\$53,891	\$53,891
ELEMENT REQUIREMENTS			
20.10 Fraud - Auto	\$44,057	\$40,716	\$43,633
State Operations:			
0217 Insurance Fund	18,626	18,765	21,682
Local Assistance:			
0217 Insurance Fund	25,431	21,951	21,951
20.20 Fraud - Workers' Compensation	\$47,051	\$47,404	\$50,075
State Operations:			
0217 Insurance Fund	17,155	17,176	19,847

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		2009-10*	2010-11*	2011-12*
Local Assistance:				
0217	Insurance Fund	29,896	30,228	30,228
20.30	Fraud - General Assessment	\$2,536	\$2,078	\$2,400
State Operations:				
0217	Insurance Fund	2,536	2,078	2,400
20.40	Fraud - Disability and Healthcare	\$3,292	\$3,322	\$3,572
State Operations:				
0217	Insurance Fund	1,580	1,610	1,860
Local Assistance:				
0217	Insurance Fund	1,712	1,712	1,712
PROGRAM REQUIREMENTS				
30	GENERAL FUND TAX COLLECTION AND AUDITS			
State Operations:				
0217	Insurance Fund	1,692	1,774	1,864
Totals, State Operations		\$1,692	\$1,774	\$1,864
TOTALS, EXPENDITURES				
State Operations		149,811	153,077	169,490
Local Assistance		58,192	55,391	55,391
Totals, Expenditures		\$208,003	\$208,468	\$224,881

EXPENDITURES BY CATEGORY

1 State Operations	Positions/Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,145.1	1,267.3	1,267.3	\$79,932	\$86,807	\$87,885
Total Adjustments	-	-	71.0	-	-5,882	4,705
Estimated Salary Savings	-	-63.4	-66.9	-	-4,046	-4,630
Net Totals, Salaries and Wages	1,145.1	1,203.9	1,271.4	\$79,932	\$76,879	\$87,960
Staff Benefits	-	-	-	28,978	28,173	30,768
Totals, Personal Services	1,145.1	1,203.9	1,271.4	\$108,910	\$105,052	\$118,728
OPERATING EXPENSES AND EQUIPMENT				\$40,901	\$48,025	\$50,762
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$149,811	\$153,077	\$169,490

2 Local Assistance

	Expenditures		
	2009-10*	2010-11*	2011-12*
Counties-District Attorneys	\$58,192	\$55,391	\$55,391
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$58,192	\$55,391	\$55,391

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2009-10*	2010-11*	2011-12*
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$156,780	\$156,294	\$169,240
Allocation for employee compensation	-	345	-
Allocation for contingencies or emergencies	-	1,840	-

* Dollars in thousands, except in Salary Range.

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1 STATE OPERATIONS	2009-10*	2010-11*	2011-12*
Adjustment per Section 3.60	141	2,448	-
Reduction per Section 3.90	-4,917	-	-
Reduction per Control Section 3.91	-	-8,492	-
Adjustment per Section 3.55	-225	-	-
Totals Available	\$151,779	\$152,435	\$169,240
Unexpended balance, estimated savings	-1,968	-	-
TOTALS, EXPENDITURES	\$149,811	\$152,435	\$169,240
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	-	\$642	\$250
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$149,811	\$153,077	\$169,490
2 LOCAL ASSISTANCE			
	2009-10*	2010-11*	2011-12*
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	\$59,041	\$55,391	\$55,391
Totals Available	\$59,041	\$55,391	\$55,391
Unexpended balance, estimated savings	-849	-	-
TOTALS, EXPENDITURES	\$58,192	\$55,391	\$55,391
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$58,192	\$55,391	\$55,391
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$208,003	\$208,468	\$224,881

FUND CONDITION STATEMENTS

	2009-10*	2010-11*	2011-12*
0217 Insurance Fund ^s			
BEGINNING BALANCE	\$57,654	\$62,734	\$56,675
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	34,649	33,537	35,214
123200 Insurance Company Examination Fees	22,208	19,519	22,491
127100 Insurance Department Fees, Prop 103	23,827	23,800	27,243
127200 Insurance Department Fees, General	20,962	23,462	26,104
127300 Insurance Fraud Assessment, Workers Comp	52,399	48,061	47,733
127400 Insurance Fraud Assessment, Auto	46,233	46,931	49,287
127500 Insurance Fraud Assessment, General	6,326	6,399	6,587
141200 Sales of Documents	69	69	69
142500 Miscellaneous Services to the Public	13	13	13
150300 Income From Surplus Money Investments	323	324	324
161000 Escheat of Unclaimed Checks & Warrants	18	18	18
161400 Miscellaneous Revenue	6,212	206	206
161900 Other Revenue - Cost Recoveries	942	942	942
Total Revenues, Transfers, and Other Adjustments	<u>\$214,181</u>	<u>\$203,281</u>	<u>\$216,231</u>
Total Resources	\$271,835	\$266,015	\$272,906
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0840 State Controller (State Operations)	143	346	189
0845 Department of Insurance			
State Operations	149,811	152,435	169,240
Local Assistance	58,192	55,391	55,391

* Dollars in thousands, except in Salary Range.

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	2009-10*	2010-11*	2011-12*
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	955	1,062	1,166
8880 Financial Information System for California (State Operations)	-	106	672
Total Expenditures and Expenditure Adjustments	<u>\$209,101</u>	<u>\$209,340</u>	<u>\$226,658</u>
FUND BALANCE	\$62,734	\$56,675	\$46,248
Reserve for economic uncertainties	62,734	56,675	46,248

CHANGES IN AUTHORIZED POSITIONS

	<u>Positions/Personnel Years</u>			<u>Expenditures</u>		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
Totals, Authorized Positions	1,145.1	1,267.3	1,267.3	\$79,932	\$86,807	\$87,885
Furlough Adjustments	-	-	-	-	-4,536	-
PLP Adjustments	-	-	-	-	-1,346	-
Proposed New Positions:						
Administration & Licensing:						
Systems Software Spec III (Tech)	-	-	1.0	6,110-7,796	-	84
Executive Branch:						
Investment Officer I	-	-	1.0	3,185-5,874	-	54
Staff Services Analyst	-	-	1.0	2,817-4,446	-	44
Enforcement Branch:						
Investigations:						
Supv Insurance Investigator	-	-	1.0	5,364-6,478	-	71
Insurance Investigator	-	-	5.0	2,969-5,108	-	242
Fraud:						
Supv Fraud Investigator I	-	-	2.0	5,369-6,802	-	146
Fraud Investigator	-	-	12.0	3,902-6,194	-	727
Rate Regulation:						
Assoc Ins Rate Analyst	-	-	2.0	4,619-5,874	-	126
Consumer Services & Market Conduct:						
Supv Insurance Comp Officer	-	-	1.0	5,364-6,478	-	71
Senior Ins Comp Officer	-	-	2.0	5,113-6,170	-	135
Associate Insurance Rate Analyst	-	-	2.0	4,619-5,874	-	126
Associate Insurance Comp Officer	-	-	4.0	4,619-5,616	-	246
Office Technician (T)	-	-	1.0	2,686-3,264	-	36
Legal Branch:						
Staff Counsel III	-	-	2.0	7,682-9,478	-	206
Staff Counsel (1.0 LT exp 6-30-12; 7.0 LT exp 6-30-13)	-	-	8.0	4,674-7,828	-	600
Staff Counsel (Perm)	-	-	6.0	4,674-7,828	-	450
Legal Analyst	-	-	5.0	3,841-4,670	-	255
Senior Legal Typist	-	-	2.0	2,589-3,516	-	73
Financial Surveillance Branch						
Supervising Life/Health Actuary (LT pos exp 6-30-13)	-	-	1.0	8,675-10,494	-	115
Senior Life/Health Actuary (LT pos exp 6-30-13)	-	-	2.0	7,667-10,177	-	214
Associate Life/Health Actuary (LT pos exp 6-30-13)	-	-	2.0	7,037-9,320	-	196
Investment Officer II	-	-	1.0	5,831-7,087	-	77
Senior Actuarial Statistician (Perm)	-	-	1.0	4,833-6,451	-	68
Senior Actuarial Statistician (LT pos exp 6-30-13)	-	-	2.0	4,833-6,451	-	136
Associate Insurance Examiner	-	-	2.0	4,619-6,774	-	137

* Dollars in thousands, except in Salary Range.

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	<u>Positions/Personnel Years</u>			<u>Expenditures</u>		
	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2009-10*</u>	<u>2010-11*</u>	<u>2011-12*</u>
Program Technician II	-	-	1.0	2,638-3,209	-	35
Office Technician-Gen (LT pos exp 6-30-13)	-	-	1.0	2,638-3,209	-	35
Totals Proposed New Positions	-	-	71.0	\$-	\$-	\$4,705
Total Adjustments	-	-	71.0	\$-	-\$5,882	\$4,705
TOTALS, SALARIES AND WAGES	1,145.1	1,267.3	1,338.3	\$79,932	\$80,925	\$92,590

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