

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 \$119 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 receives and investigates more than 300,000 consumer inquiries and complaints annually. 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		
	2010-11	2011-12	2012-13	2010-11*	2011-12*	2012-13*
10 Regulation of Insurance Companies and Insurance Producers	394.8	460.5	458.7	\$63,316	\$71,496	\$71,441
12 Consumer Protection	270.4	302.7	302.6	48,257	50,985	51,584
20 Fraud Control	234.1	280.3	280.3	91,702	99,970	100,406
30 General Fund Tax Collection and Audits	13.9	13.9	13.9	1,518	1,826	1,845
50.01 Administration	193.2	214.0	214.0	27,792	30,358	28,569
50.02 Distributed Administration	-	-	-	-27,792	-30,358	-28,569
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,106.4	1,271.4	1,269.5	\$204,793	\$224,277	\$225,276
FUNDING				2010-11*	2011-12*	2012-13*
0217 Insurance Fund				\$204,424	\$223,468	\$224,305
0890 Federal Trust Fund				-	559	721
0995 Reimbursements				369	250	250
TOTALS, EXPENDITURES, ALL FUNDS				\$204,793	\$224,277	\$225,276

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.

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.

MAJOR PROGRAM CHANGES

- The Governor's Budget includes \$302,000 and 2.0 positions for the full year cost of maintenance and operations of the Paperless Workflow System (PWS). The PWS is an information technology system to allow the California Department of Insurance to operate in a paperless environment.

DETAILED BUDGET ADJUSTMENTS

Workload Budget Adjustments	2011-12*			2012-13*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years

* Dollars in thousands, except in Salary Range.

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	2011-12*			2012-13*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
Workload Budget Change Proposals						
• Paperless Workflow Post Implementation	\$-	\$-	-	\$-	\$302	1.9
Totals, Workload Budget Change Proposals	\$-	\$-	-	\$-	\$302	1.9
Other Workload Budget Adjustments						
• Employee Compensation	\$-	-\$1,766	-	\$-	\$692	-
• Retirement Rate Adjustment	-	29	-	-	29	-
• Limited Term Positions/Expiring Programs	-	-	-	-	-304	-2.9
• One Time Cost Reductions	-	-	-	-	-3,334	-0.9
• Operational Efficiency Plan	-	-943	-	-	-943	-
• Rental Rate Reductions	-	-877	-	-	-606	-
• Miscellaneous Adjustments	-	559	-	-	2,165	-
Totals, Other Workload Budget Adjustments	\$-	-\$2,998	-	\$-	-\$2,301	-3.8
Totals, Workload Budget Adjustments	\$-	-\$2,998	-	\$-	-\$1,999	-1.9
Totals, Budget Adjustments	\$-	-\$2,998	-	\$-	-\$1,999	-1.9

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 and prevent economic loss through the detection, investigation, and arrest of insurance fraud offenders. 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 program. 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 human resources, financial and business management, information technology, legislative, and legal services.

DETAILED EXPENDITURES BY PROGRAM

		2010-11*	2011-12*	2012-13*
PROGRAM REQUIREMENTS				
10	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
	State Operations:			
0217	Insurance Fund	\$62,947	\$70,687	\$70,470

* Dollars in thousands, except in Salary Range.

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	<u>2010-11*</u>	<u>2011-12*</u>	<u>2012-13*</u>
0890 Federal Trust Fund	-	559	721
0995 Reimbursements	369	250	250
Totals, State Operations	\$63,316	\$71,496	\$71,441
ELEMENT REQUIREMENTS			
10.30 Rate Regulation	\$17,701	\$21,026	\$21,199
State Operations:			
0217 Insurance Fund	17,332	20,217	20,228
0890 Federal Trust Fund	-	559	721
0995 Reimbursements	369	250	250
10.40 Regulatory	\$16,237	\$22,690	\$23,010
State Operations:			
0217 Insurance Fund	16,237	22,690	23,010
10.51 Licensing	\$23,462	\$21,954	\$21,410
State Operations:			
0217 Insurance Fund	23,462	21,954	21,410
10.70 Special Programs	\$5,916	\$5,826	\$5,822
State Operations:			
0217 Insurance Fund	5,916	5,826	5,822
PROGRAM REQUIREMENTS			
12 CONSUMER PROTECTION			
State Operations:			
0217 Insurance Fund	<u>\$47,008</u>	<u>\$49,485</u>	<u>\$50,084</u>
Totals, State Operations	\$47,008	\$49,485	\$50,084
Local Assistance:			
0217 Insurance Fund	<u>\$1,249</u>	<u>\$1,500</u>	<u>\$1,500</u>
Totals, Local Assistance	\$1,249	\$1,500	\$1,500
ELEMENT REQUIREMENTS			
12.10 Legal Compliance	\$6,720	\$9,322	\$9,818
State Operations:			
0217 Insurance Fund	6,720	9,322	9,818
12.20 Investigations	\$14,218	\$15,913	\$15,825
State Operations:			
0217 Insurance Fund	12,969	14,413	14,325
Local Assistance:			
0217 Insurance Fund	1,249	1,500	1,500
12.30 Consumer Services and Market Conduct	\$27,319	\$25,750	\$25,941
State Operations:			
0217 Insurance Fund	27,319	25,750	25,941
PROGRAM REQUIREMENTS			
20 FRAUD CONTROL			
State Operations:			
0217 Insurance Fund	<u>\$38,244</u>	<u>\$44,433</u>	<u>\$44,869</u>
Totals, State Operations	\$38,244	\$44,433	\$44,869
Local Assistance:			
0217 Insurance Fund	<u>\$53,458</u>	<u>\$55,537</u>	<u>\$55,537</u>
Totals, Local Assistance	\$53,458	\$55,537	\$55,537
ELEMENT REQUIREMENTS			
20.10 Fraud - Auto	\$38,999	\$42,991	\$43,197
State Operations:			

* Dollars in thousands, except in Salary Range.

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		2010-11*	2011-12*	2012-13*
0217	Insurance Fund	17,154	21,040	21,246
	Local Assistance:			
0217	Insurance Fund	21,845	21,951	21,951
20.20	Fraud - Workers' Compensation	\$46,582	\$51,133	\$51,322
	State Operations:			
0217	Insurance Fund	16,681	19,259	19,448
	Local Assistance:			
0217	Insurance Fund	29,901	31,874	31,874
20.30	Fraud - General Assessment	\$2,645	\$2,329	\$2,352
	State Operations:			
0217	Insurance Fund	2,645	2,329	2,352
20.40	Fraud - Disability and Healthcare	\$3,476	\$3,517	\$3,535
	State Operations:			
0217	Insurance Fund	1,764	1,805	1,823
	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	1,518	1,826	1,845
	Totals, State Operations	\$1,518	\$1,826	\$1,845
	TOTALS, EXPENDITURES			
	State Operations	150,086	167,240	168,239
	Local Assistance	54,707	57,037	57,037
	Totals, Expenditures	\$204,793	\$224,277	\$225,276

EXPENDITURES BY CATEGORY

1 State Operations	Positions/Personnel Years			Expenditures		
	2010-11	2011-12	2012-13	2010-11*	2011-12*	2012-13*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	1,106.4	1,338.3	1,334.3	\$76,314	\$89,636	\$92,483
Total Adjustments	-	-	2.0	-	-	145
Estimated Salary Savings	-	-66.9	-66.8	-	-4,482	-4,624
Net Totals, Salaries and Wages	1,106.4	1,271.4	1,269.5	\$76,314	\$85,154	\$88,004
Staff Benefits	-	-	-	29,950	32,686	32,616
Totals, Personal Services	1,106.4	1,271.4	1,269.5	\$106,264	\$117,840	\$120,620
OPERATING EXPENSES AND EQUIPMENT				\$43,822	\$49,400	\$47,619
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$150,086	\$167,240	\$168,239

2 Local Assistance

	Expenditures		
	2010-11*	2011-12*	2012-13*
Counties-District Attorneys	\$54,707	\$57,037	\$57,037
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$54,707	\$57,037	\$57,037

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

* Dollars in thousands, except in Salary Range.

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1 STATE OPERATIONS	2010-11*	2011-12*	2012-13*
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$156,294	\$169,988	\$167,268
Allocation for employee compensation	345	523	-
Allocation for contingencies or emergencies	2,840	-	-
Adjustment per Section 3.60	2,479	29	-
Adjustment per Section 3.90	-	-2,289	-
Adjustment per Section 3.91	-8,492	-	-
Adjustment per Section 3.91 (b) Rental Rate Reductions	-	-877	-
Adjustment per Section 3.91 (b) Operational Efficiency Plan	-	-943	-
Chapter 11, Statutes of 2011, Rental Rate Reduction	-457	-	-
Totals Available	\$153,009	\$166,431	\$167,268
Unexpended balance, estimated savings	-3,292	-	-
TOTALS, EXPENDITURES	\$149,717	\$166,431	\$167,268
0890 Federal Trust Fund			
APPROPRIATIONS			
001 Budget Act Appropriation	\$-	\$-	\$721
Federal Funds	-	559	-
TOTALS, EXPENDITURES	\$-	\$559	\$721
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$369	\$250	\$250
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$150,086	\$167,240	\$168,239
2 LOCAL ASSISTANCE	2010-11*	2011-12*	2012-13*
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	\$55,391	\$57,037	\$57,037
Totals Available	\$55,391	\$57,037	\$57,037
Unexpended balance, estimated savings	-684	-	-
TOTALS, EXPENDITURES	\$54,707	\$57,037	\$57,037
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$54,707	\$57,037	\$57,037
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$204,793	\$224,277	\$225,276

FUND CONDITION STATEMENTS

	2010-11*	2011-12*	2012-13*
0217 Insurance Fund ^s			
BEGINNING BALANCE	\$62,734	\$54,825	\$32,385
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
123100 Insurance Co License Fees & Penalties	33,262	33,927	34,945
123200 Insurance Company Examination Fees	19,524	20,206	21,928
127100 Insurance Department Fees, Prop 103	23,758	23,800	26,293
127200 Insurance Department Fees, General	19,252	23,144	24,524
127300 Insurance Fraud Assessment, Workers Comp	47,576	47,248	49,577
127400 Insurance Fraud Assessment, Auto	46,247	46,478	46,942
127500 Insurance Fraud Assessment, General	6,508	6,235	11,992
141200 Sales of Documents	106	106	106

* Dollars in thousands, except in Salary Range.

0845 Department of Insurance - Continued

	2010-11*	2011-12*	2012-13*
142500 Miscellaneous Services to the Public	14	14	14
150300 Income From Surplus Money Investments	244	244	244
161000 Escheat of Unclaimed Checks & Warrants	20	20	20
161400 Miscellaneous Revenue	192	192	192
161900 Other Revenue - Cost Recoveries	<u>1,221</u>	<u>1,222</u>	<u>1,222</u>
Total Revenues, Transfers, and Other Adjustments	<u>\$197,924</u>	<u>\$202,836</u>	<u>\$217,999</u>
Total Resources	\$260,658	\$257,661	\$250,384
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0840 State Controller (State Operations)	346	189	193
0845 Department of Insurance			
State Operations	149,717	166,431	167,268
Local Assistance	54,707	57,037	57,037
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	957	1,133	1,163
8880 Financial Information System for California (State Operations)	<u>106</u>	<u>486</u>	<u>128</u>
Total Expenditures and Expenditure Adjustments	<u>\$205,833</u>	<u>\$225,276</u>	<u>\$225,789</u>
FUND BALANCE	\$54,825	\$32,385	\$24,595
Reserve for economic uncertainties	54,825	32,385	24,595

CHANGES IN AUTHORIZED POSITIONS

	<u>Positions/Personnel Years</u>			<u>Expenditures</u>		
	2010-11	2011-12	2012-13	2010-11*	2011-12*	2012-13*
Totals, Authorized Positions	1,106.4	1,338.3	1,334.3	\$76,314	\$89,636	\$92,483
Proposed New Positions:						
Senior Programmer Analyst-Spec	-	-	1.0	5,571-7,109	-	76
Staff Programmer Analyst-Spec	-	-	1.0	<u>5,065-6,466</u>	-	<u>69</u>
Totals Proposed New Positions	<u>-</u>	<u>-</u>	<u>2.0</u>	<u>\$-</u>	<u>\$-</u>	<u>\$145</u>
Total Adjustments	<u>-</u>	<u>-</u>	<u>2.0</u>	<u>\$-</u>	<u>\$-</u>	<u>\$145</u>
TOTALS, SALARIES AND WAGES	1,106.4	1,338.3	1,336.3	\$76,314	\$89,636	\$92,628

* Dollars in thousands, except in Salary Range.