

**INSURANCE DEPARTMENT**  
**(Agency #425) 2009-2011 BIENNIUM**

**I) AGENCY SUMMARY & REVENUE SOURCES**

**MISSION**

According to Arkansas Code § 23-61-101(c)(1)(A) and (B),"(A) The purpose of the department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.

(B) The primary mission of the department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence."

**TOTAL BIENNIAL BUDGET**

The total appropriation for FY2010 is \$68,867,162, and \$69,096,415 for FY2011 which is an increase of \$2.1 million in FY2010 and \$3.1 million in FY2011.

**FUNDING SOURCE**

Funding from Fund Balances (45% for FY2010 and 46% for FY2011), Special Revenues (14% each year), Trust Funds (20% for FY2010 and 19% for FY2011) Miscellaneous Revolving Fund (9% each year), Workers' Compensation Revolving (11% for FY2010 and 10% for FY2011), and Federal and Cash funds (less than 1% each year).

**II) SIGNIFICANT CHANGES**

**INSURANCE-STATE OPERATIONS (APPROPRIATION 2SW)**

This appropriation is funded by special revenues which are fees assessed or imposed upon insurers, insurance agents, brokers, professional bail bond companies, and other licensees or registrants and other regulatory fees, and is to be used to defray the expenses of the State Insurance Department in the discharge of its administrative and regulatory powers and duties.

The total appropriation is \$11,506,519 in FY2010 and \$11,678,229 in FY2011 and includes an increase of \$160,000 each year for Capital Outlay which includes \$25,000 each year for replacement of office equipment and \$135,000 each year for replacement of Information Technology (IT) equipment.

**INSURANCE FRAUD INVESTIGATION DIVISION (APPROPRIATION 2SY)**

This appropriation is funded by an annual regulatory fee collected from each company under the Department's jurisdiction exclusively to support fraud investigation efforts.

The total appropriation is \$1,017,692 in FY2010 and \$1,034,423 in FY2011 and includes an increase of \$7,000 each year for capital outlay for the replacement of IT equipment.

**STATE EMPLOYEE CLAIMS (APPROPRIATION 2TB)**

This appropriation is funded by a revolving fund which derives its revenue from agency workers' compensation benefit contributions, and is used to process workers' compensation benefit claims payments for employees of the state.

The total appropriation is \$14,000,000 each year of the biennium which is an increase of \$2,000,000 each year over base level to assure sufficient appropriation is available to cover the growing level of claims expenses.

**PUBLIC EMPLOYEES CLAIMS SECTION (APPROPRIATION 2TD)**

This appropriation is funded by transfers from the Public School Fund, County Aid Fund, and Municipal Aid Fund, and state agency fund accounts for administering the Workers' Compensation Claims program.

The total appropriation is \$1,527,041 in FY2010 and \$1,553,578 in FY2011 which includes an increase of \$15,000 each year for capital outlay for equipment replacement (of which \$5,000 is earmarked for Information Technology equipment).

**HEALTH INFORMATION COUNSELING (APPROPRIATION 2TE)**

This appropriation is 100% federally funded by the U.S. Department of Health and Human Services and its purpose is to develop and maintain a network of local volunteers to dispense information and assist senior citizens with their insurance needs.

The total appropriation is \$847,738 in FY2010 and \$850,601 in FY2011 with the following increases:

**Operating Expenses** - An increase of \$8,000 each year for data processing supplies and an increase of \$143,497 due to continuation of a Miscellaneous Federal Grant (MFG).

**Professional Fees and Services** - An increase of \$56,092 each year, to continue an appropriation approved for FY2008-09 through a Miscellaneous Federal Grant appropriation request submitted to the Arkansas Legislative Council PEER Subcommittee, to provide additional capability to contract with organizations to assist senior citizens with various available insurance coverages. An additional \$153,650 was also added to continue MFG appropriations approved in August and November of 2008.

**TRAVEL & SUBSISTENCE (APPROPRIATION 2TM)**

The Insurance Department's Travel and Subsistence Cash Fund provides for the recovery of reasonable costs incurred by the Department in conducting financial examinations of entities under its jurisdiction. The appropriation is \$100,000 each year of the biennium which is an increase of \$11,778 each year to provide for increasing meals, lodging, and mileage costs.

**CRIMINAL BACKGROUND CHECKS - CASH (APPROPRIATION 4HH)**

This appropriation is funded by a \$22 fee charged to each first-time license applicant and is used to obtain criminal background data from the Arkansas State Police. The FY2008 authorized annual appropriation of \$100,000 was not adequate, and the Department had to request approval of a \$20,000 Cash Fund Holding Account appropriation by the Arkansas Legislative Council PEER Subcommittee. To insure sufficient appropriation is available, the total appropriation is \$125,000 each year which is an increase of \$25,000 each year.

**III) ADDITIONAL POSITIONS**

Total Positions for 2009-11 Biennium: 184

Total Positions for 2007-09 Biennium: 184

Increase / (Decrease): 0

**IV) SPECIAL LANGUAGE**

Recommends repealing language, that repeals Arkansas Code §23-79-507 (e) regarding Payment from the State Insurance Department Trust Fund to the Arkansas Comprehensive Health Insurance Pool not be continued due to the repeal being properly reflected in the Arkansas Code.

**TRANSFER PROVISION:** Recommends language that allows unused appropriations in Regular Salaries, Extra Help, and Personal Services Matching to be transferred to Professional Services special line item for contracting with qualified individuals or firms for exam assistance in the event the Department cannot maintain a full roster of examination personnel.

Revised April 2009

