

**0425 – INSURANCE DEPARTMENT  
FISCAL YEAR 2020  
AS ENACTED BY ACT 722 OF 2019**

**Insurance Department**, 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."

The Department is funded with existing fund balances, trust funds (interest income, earnings, adjustments, grants, refunds, gifts), employer workers' compensation benefits contributions (revolving funds), special revenue (fees, premiums collected), federal funds, and cash.

**Per Act 107 of 2019, the Arkansas Health Insurance Marketplace was abolished and their powers and duties have been transferred by a Type 3 transfer to the State Insurance Department.**

**TOTAL APPROPRIATION**

Appropriation	2017-2018	2018-2019	2019-2020
	Actual	Authorized	Legislative
<b>Total - 21 Appropriations</b>	\$55,496,532	\$101,476,796	\$94,779,741

**FUNDING SOURCES**

Funding Sources		2017-2018 Actual	%
Fund Balance	4000005	\$54,398,130	41.55
Federal Revenue	4000020	\$1,309,070	1.00
Special Revenue	4000030	\$4,793,651	3.66
Cash Fund	4000045	\$42,513	0.03
Trust Fund	4000050	\$46,210,591	35.30
Revolving Funds	4000350	\$11,050,826	18.46
<b>Total Funds</b>		\$130,916,583	100.00
<b>Excess Appropriation/(Funding)</b>		(\$75,420,051)	
<b>Grand Total</b>		\$55,496,532	

**CHANGE LEVEL REQUESTS**

**Insurance-State Operations (Appropriation 2SW)**

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5010006	Overtime	\$35,000	\$27,500	(\$7,500)
5020002	Operating Expenses	\$2,777,589	\$2,200,674	(\$576,915)
5050009	Conference & Travel Expenses	\$138,000	\$188,000	\$50,000
5060010	Professional Fees	\$142,000	\$161,600	\$19,600
5120011	Capital Outlay	\$155,000	\$102,000	(\$53,000)
	<b>AHIM Expenses</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$500,000</b>
<b>Total</b>		\$3,247,589	\$3,179,774	(\$67,815)

- Capital Outlay decrease reflects reduced expenses for replacement of aging technology related equipment and hardware in FY2018.
- Overtime and Operating Expenses decreased to better reflect agency actual expenditures.
- Conference and Travel increased due to new finance staff that will be starting and the required training (out of state) for their certifications.
- Professional Fees increased to contract with actuary firms to perform financial audits of new companies choosing to domicile in Arkansas.
- **NEW** "AHIM Expenses" \$500,000 line item included to cover the expenses of the Arkansas Health Information Marketplace.

### Fraud Investigation Unit (Appropriation 2SX)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$122,827	\$0	(\$122,827)
5050009	Conference & Travel Expenses	\$12,000	\$0	(\$12,000)
5060010	Professional Fees	\$11,000	\$0	(\$11,000)
<b>Total</b>		\$145,827	\$0	(\$145,827)

- Operating Expenses, Conference and Travel Expenses and Professional Fees decreased to reflect the transfer of 3 authorized positions to the Insurance Fraud Division.

### Insurance Fraud Investigation Division (Appropriation 2SY)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$191,635	\$218,635	\$27,000
5060010	Professional Fees	\$11,000	\$4,000	(\$7,000)
<b>Total</b>		\$202,635	\$222,635	\$20,000

- Operating Expenses increased for maintenance operations and investigation expenses.
- Professional Fees decreased to better reflect agency actual expenditures for conducting statutory examination and financial analysis procedures required to meet solvency requirements.

### Prepaid Funeral Benefits Division (Appropriation 2SZ)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$71,390	\$36,700	(\$34,690)
5060010	Professional Fees	\$27,000	\$0	(\$27,000)
<b>Total</b>		\$98,390	\$36,700	(\$61,690)

- Operating Expenses and Professional Fees decreased to better reflect agency actual expenditures.

### Governmental Bonding Board Operations (Appropriation 2TC)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5110015	Claims	\$3,000,000	\$2,800,000	(\$200,000)
5120013	Investment	\$760,637	\$0	(\$760,637)
5900046	Reinsurance	\$139,218	\$0	(\$139,218)
<b>Total</b>		\$3,899,855	\$2,800,000	(\$1,099,855)

- Claims decreased to better reflect amount of claims paid out by agency in Refunds or Bonding Board claims for employee theft.
- Investment and Reinsurance decreased due to cessation of agency's need for those line items.

### Public Employees Claims Section (Appropriation 2TD)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$635,931	\$498,631	(\$137,300)
5050009	Conference & Travel Expenses	\$13,000	\$24,300	\$11,300
5060010	Professional Fees	\$1,000	\$0	(\$1,000)
<b>Total</b>		\$649,931	\$522,931	(\$127,000)

- Operating Expenses and Professional Fees decreased to reflect an included reallocation in the operating budget to provide for association and membership dues, conference and seminar fees and purchase of office supplies.
- Conference and Travel Expenses increased to send new employees to workers' comp educational conference and appropriate personnel to JD software user conference.

### Health Information Counseling (Appropriation 2TE)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$284,063	\$138,420	(\$145,643)
5050009	Conference & Travel Expenses	\$0	\$8,000	\$8,000
5060010	Professional Fees	\$356,409	\$300,000	(\$56,409)
<b>Total</b>		\$640,472	\$446,420	(\$194,052)

- Operating Expenses and Professional Fees decreased to better reflect agency actual expenditures.
- Conference and Travel Expenses increased to provide for training for a federal program when accompanying vacant positions are filled.

### Public School Employees Claims (Appropriation 2TG)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5110015	Claims	\$450,000	\$400,000	(\$50,000)
<b>Total</b>		\$450,000	\$400,000	(\$50,000)

- Claims decreased to reflect the fact that new claimants for prosthetics are no longer handled through this fund.

### City Employee Claims (Appropriation 2TJ)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5110015	Claims	\$600,000	\$400,000	(\$200,000)
<b>Total</b>		\$600,000	\$400,000	(\$200,000)

- Claims decreased to reflect the fact that new claimants that were injured on the job are no longer handled through this fund.

### Consumer Info System - Cash (Appropriation 2TK)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$79,005	\$48,005	(\$31,000)
<b>Total</b>		\$79,005	\$48,005	(\$31,000)

- Operating Expenses decreased to reflect funding support for this program, derived from a \$100 annual assessment levied on each licensed insurer (as authorized in Arkansas Code 23-63-108), is no longer being collected. As a result, support of this appropriation will end when the current fund balance and earned interest are depleted.

### Rate Review-Federal (Appropriation 85P)

Commitment Item		2018-2019	2019-2020	
		Authorized	Legislative	Change Level
5020002	Operating Expenses	\$1,013,525	\$0	(\$1,013,525)
5050009	Conference & Travel Expenses	\$191,416	\$0	(\$191,416)
5060010	Professional Fees	\$4,380,080	\$0	(\$4,380,080)
<b>Total</b>		\$5,585,021	\$0	(\$5,585,021)

- Operating Expenses, Conference and Travel Expenses and Professional Fees decreased to reflect end of funding support for this program, established through a miscellaneous federal grant. The monies remaining (\$106,000 will be expended prior to the grant expiration in March 2019).

### POSITIONS

Total Authorized Positions FY2019: 190

Total Authorized Positions FY2020: 189

Increase / (Decrease): (1)

Extra Help Positions FY2020: 19

## **SPECIAL LANGUAGE REVISIONS**

- Personal Services Language deleted regarding administrative and personnel activities between the Burial Association Board and State Board of Embalmers and Funeral Directors.
- Language added requiring the Department to conduct research and outreach activities to educate consumers about the Marketplace. Language restricts the Department from advertising, promoting, or engaging in activities designed to promote or encourage enrollment in the Arkansas Works Program. Language also restricts the Department from applying for or accepting federal funds, and requires reporting to Legislative Council regarding the use of navigators, guides, certified application counselors, and certified licensed producers under Arkansas Code § 23-64-601 et. seq.