

STATE INSURANCE DEPARTMENT

Enabling Laws

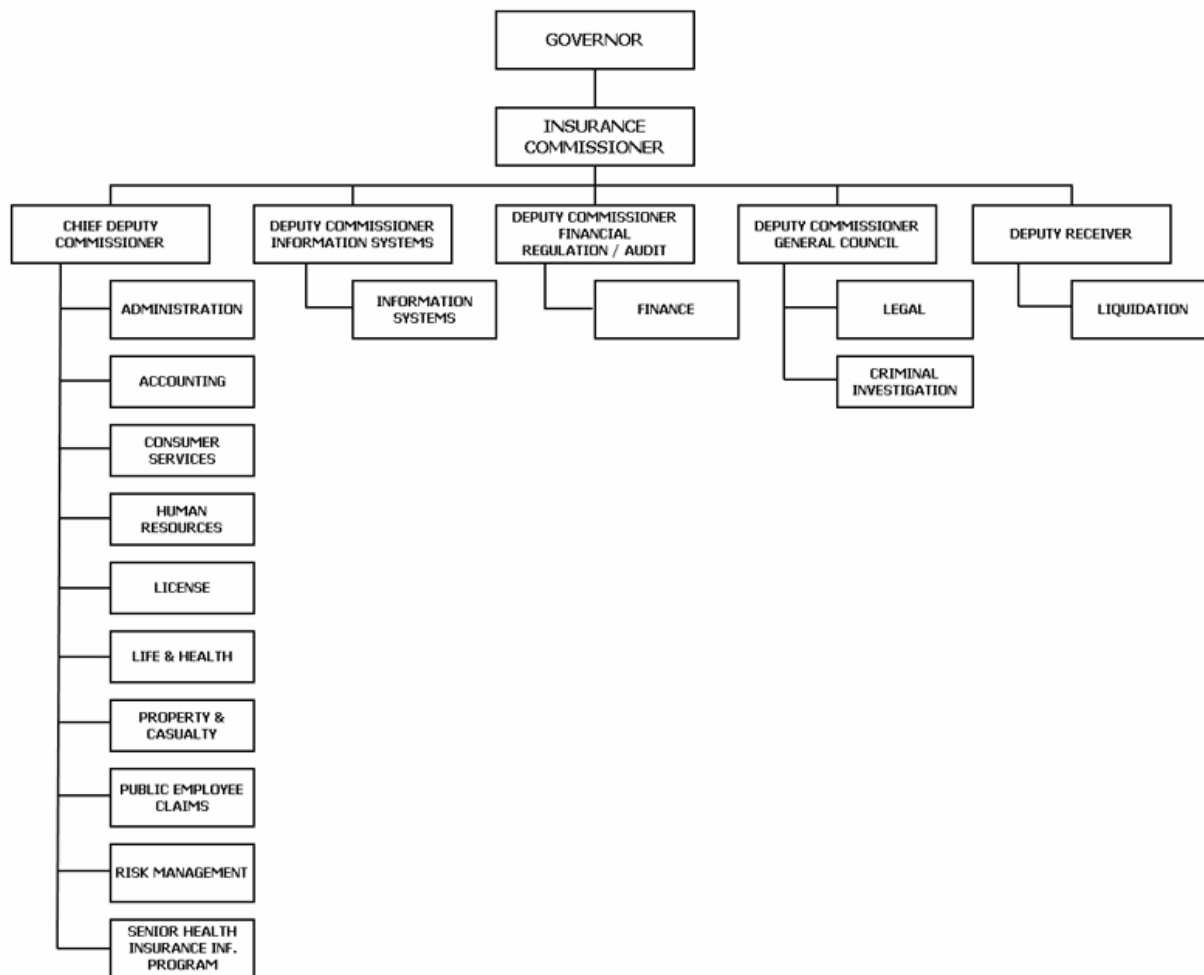
Act 2036 of 2005
AR Code §21-2-801 et seq.
AR Code §21-5-601 et seq.
AR Code §23-60-101---23-101-114
AR Code §26-57-601---26-57-616
AR Code §24-11-301; 24-11-809
AR Code §23-102-105---23-102-119
AR Code §11-9-301---11-9-307
AR Code §21-14-101(d)(2)
AR Code §23-40-101
AR Code §21-2-707-21-2-708(b)&(c) et seq.

History and Organization

The purpose of the Arkansas Insurance Department is to serve and protect the public interest by the equitable enforcement of the State's laws and regulations affecting the insurance industry. The primary mission of the Department is consumer protection through insurer solvency, market conduct regulation, and fraud prevention and deterrence.

It is the responsibility of the State Insurance Department to regulate all persons conducting the business of insurance in the State of Arkansas. This includes the review and licensing of insurance companies desiring to be admitted, and the review and approval of companies wishing to do business on a non-admitted or surplus lines basis, the examination of the affairs and financial condition of each domestic insurer every three to five years and foreign insurers when necessary, testing and licensing of all persons applying to become insurance agents, reviewing and analyzing policy forms and rate filings, and the collection of applicable premium taxes and fees. In addition, regulate and license limited surety agents, automobile clubs, health maintenance organizations, pre-paid legal insurers and hospital and medical service corporations. Registration requirements have been established for third party administrators. The Department has responsibility for the collection of funds for the Firemen's and Police Officers' Pension Funds. It assists state agencies, institutions and schools in the establishment of appropriate insurance programs and procurement of coverage. The Department receives and investigates complaints from citizens concerning persons engaging in any of the areas regulated, and provides information to the public with regard to these entities. Legislation is prepared and rules and regulations are promulgated to effectively carry out duties. The Department administers domiciliary and ancillary receivership proceedings for companies placed in rehabilitation or liquidation. The State Insurance Department operates with a trust fund. Legislation established the Workers' Compensation Fraud Investigation Unit, the Insurance Fraud Investigation Division, and PrePaid Funeral Benefits Division; all operating with trust funds.

The Public Employee Claims Division was created within the State Insurance Department. The Division is designated as the unit of State government primarily responsible for the administration of Public Employee Workers' Compensation claims in the state of Arkansas.



Agency Commentary

It is the responsibility of the State Insurance Department to regulate all persons conducting the business of insurance in the State of Arkansas. This includes the review and licensing of insurance companies desiring to be admitted, and the review and approval of companies wishing to do business on a non-admitted or surplus lines basis, the examination of the affairs and financial condition of each domestic insurer every three to five years and foreign insurers when necessary, testing and licensing of all persons applying to become insurance agents, reviewing and analyzing policy forms and rate filings, and the collection of applicable premium taxes and fees. In addition, regulate and license limited surety agents, automobile clubs, health maintenance organizations, pre-paid legal insurers and hospital and medical service corporations. Registration requirements have been established for third party administrators. The Department has responsibility for the collection of funds for the Firemen's and Police Officers' Pension Funds. We assist state agencies, institutions and schools in the establishment of appropriate insurance programs and procurement of coverage. The Department receives and investigates complaints from citizens concerning persons engaging in any of the areas regulated, and for providing information to the public with regard to these entities. Legislation is prepared and rules and regulations are promulgated to effectively carry out duties. The Department administers domiciliary and ancillary receivership proceedings for companies placed in rehabilitation or liquidation. Legislation has added the Workers' Compensation

Fraud Investigation Unit, the Insurance Fraud Investigation Division and PrePaid Funeral Benefits Division to the Department.

The Public Employee Claims Division was created within the State Insurance Department. The Division was designated as the unit of state government primarily responsible for the administration of Public Employee Workers' Compensation claims in the State of Arkansas.

Discontinuation of the Arkansas Comprehensive Health Insurance Pool appropriation is requested. The agreement to provide funding assistance for this purpose will end June 30, 2007.

The Department is requesting an increase of \$100,000 each year above the Base Level in Professional Services to provide actuarial support during financial examinations of licensed insurers to assure company solvency and to protect the policyholders of Arkansas; to restore \$100,000 in Capital Outlay appropriation for each year in Information Technology to replace and update equipment and to add an additional \$25,000 for FY08 and \$35,000 for FY09 to provide disaster recovery capabilities for IT operations. Also requested is \$20,000 in Capital Outlay each year to replace non IT equipment, including folder sealer machines to process agent licensing documents. Reductions of \$25,000 in FY08 and \$35,000 in FY09 in Operating Expenses are requested for reallocation to support the IT portion of this Capital Outlay request

Capital Outlay of \$6,070 each year is requested for replacement of IT equipment in the Insurance Fraud Investigation Division.

The Public Employee Claims Division is requesting a \$1,850,000 increase in each year of next biennium for the WC State Employee Claims payment account and the establishment of a \$2,000,000 appropriation each year for reinsurance and claims in the requested new Arkansas Multi-Agency Workers' Compensation Trust Program. Capital Outlay is requested for each year in the amounts of \$5,000 for replacement of IT equipment and \$10,000 to replace non IT equipment. A reduction of \$7,000 each year in Operating Expenses is requested for reallocation to support this Capital Outlay request.

Capital Outlay of \$8,000 each year is requested for replacement of IT equipment in the Health Information Counseling Program. Also requested is continuation of \$116,261 each year that was originally approved in FY06 and renewed in FY07 as a miscellaneous federal grant.

Continuation of \$100,000 each year in appropriation is requested for Criminal Background Checks - Cash in Treasury. All new agent license applicants must submit to criminal background checks before becoming licensed. Funding is provided by fees collected from applicants.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
 AUDIT OF :
 STATE INSURANCE DEPARTMENT
 FOR THE YEAR ENDED JUNE 30, 2005

Findings	Recommendations
None	None

Employment Summary

	Male	Female	Total	%
White Employees	57	80	137	78 %
Black Employees	3	31	34	19 %
Other Racial Minorities	1	4	5	3 %
Total Minorities			39	22 %
Total Employees			176	100 %

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Annual Report	A.C.A. 23-61-112	Y	N	120	Required for the Governor and provided to others upon request.
Newsletter	None	N	N	500	Annually provide insurance fraud information to the public.

Department Appropriation Summary

		Historical Data						Agency Request and Executive Recommendation							
Appropriation		2005-2006		2006-2007		2006-2007		2007-2008				2008-2009			
		Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
1QA	AMAIT - Operations	2,963,857	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0	10,000,000	0
2HJ	School Motor Vehicle Operations	1,315,933	0	5,000,000	0	5,000,000	0	5,000,000	0	5,000,000	0	5,000,000	0	5,000,000	0
2HK	PE/Sec School Ins Operations	3,510,804	0	9,000,000	0	9,000,000	0	9,000,000	0	9,000,000	0	9,000,000	0	9,000,000	0
2SW	Insurance-State Operations	9,311,630	128	10,635,355	133	10,518,792	133	10,846,977	133	10,490,365	133	10,848,566	133	10,501,954	133
2SX	Fraud Investigation Unit	265,826	4	311,329	4	309,105	4	312,719	4	312,719	4	312,719	4	312,719	4
2SY	Insurance Fraud Investigation Division	800,158	12	949,784	12	933,877	12	953,989	12	953,989	12	953,989	12	953,989	12
2SZ	Prepaid Funeral Benefits Division	236,539	4	326,473	4	318,634	4	327,805	4	327,805	4	327,805	4	327,805	4
2TA	Continuing Education Program	25,730	1	27,357	1	30,227	1	27,717	1	27,717	1	27,717	1	27,717	1
2TB	State Employee Claims	10,040,480	0	10,150,000	0	10,150,000	0	12,000,000	0	12,000,000	0	12,000,000	0	12,000,000	0
2TC	Gvmt'l Bonding Bd Operations	529,793	0	2,104,855	0	2,104,855	0	2,104,855	0	2,104,855	0	2,104,855	0	2,104,855	0
2TD	Public Employees Claims Section	1,237,232	24	1,382,305	24	1,389,097	24	1,388,324	24	1,388,324	24	1,388,324	24	1,388,324	24
2TE	Health Information Counseling	272,034	4	430,061	4	336,004	4	431,450	4	431,450	4	431,450	4	431,450	4
2TF	Refunds of Overpayments	6,346,199	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0	11,000,000	0
2TG	Public School Employees Claims	255,878	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0	450,000	0
2TH	County Employee Claims	51,814	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0	200,000	0
2TJ	City Employee Claims	361,076	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0	600,000	0
2TK	Consumer Info System - Cash	80,560	0	173,000	0	173,000	0	173,000	0	173,000	0	173,000	0	173,000	0
2TM	Travel & Subsistence-Cash	45,654	0	88,222	0	88,222	0	88,222	0	88,222	0	88,222	0	88,222	0
2TN	Prpd Funeral Contracts Recovery	114,856	0	885,144	0	0	0	1,000,000	0	1,000,000	0	0	0	0	0
4HH	Criminal Background Checks-Cash	5,000	0	100,000	0	0	0	100,000	0	100,000	0	100,000	0	100,000	0
4KV	AR Multi-Agcy Wkrs' Comp Trust	0	0	0	0	0	0	2,000,000	0	2,000,000	0	2,000,000	0	2,000,000	0
NOT REQUESTED FOR THE BIENNIUM															
1NZ	Comprehensive Health Ins Pool	2,000,000	0	2,000,000	0	2,000,000	0	0	0	0	0	0	0	0	0
1PG	Fire Departments	0	0	0	0	2,000,000	0	0	0	0	0	0	0	0	0
Total		39,771,053	177	65,813,885	182	66,601,813	182	68,005,058	182	67,648,446	182	67,006,647	182	66,660,035	182

Funding Sources			%		%		%		%		%		%		
Fund Balance	4000005	43,986,894	49.8	50,563,263	44.4			48,019,294	41.7	48,019,294	41.7	47,393,689	41.7	47,750,301	41.9
Federal Revenue	4000020	272,034	0.3	430,061	0.4			431,450	0.4	431,450	0.4	431,450	0.4	431,450	0.4
Special Revenue	4000030	15,993,229	18.1	14,143,778	12.4			16,266,043	14.1	16,266,043	14.1	15,266,043	13.4	15,266,043	13.4
Cash Fund	4000045	58,927	0.1	191,222	0.2			188,222	0.2	188,222	0.2	188,222	0.2	188,222	0.2

Funding Sources		%		%		%		%		%		%		
Trust Fund	4000050	10,967,785	12.4	26,104,855	22.9		26,104,855	22.6	26,104,855	22.6	26,104,855	23.0	26,104,855	22.9
Miscellaneous Revolving	4000350	7,014,967	7.9	12,250,000	10.8		12,250,000	10.6	12,250,000	10.6	12,250,000	10.8	12,250,000	10.7
Workers' Comp Revolving	4000735	10,040,480	11.4	10,150,000	8.9		12,000,000	10.4	12,000,000	10.4	12,000,000	10.5	12,000,000	10.5
Total Funds		88,334,316	100.0	113,833,179	100.0		115,259,864	100.0	115,259,864	100.0	113,634,259	100.0	113,990,871	100.0
Excess Appropriation/(Funding)		(48,563,263)		(48,019,294)			(47,254,806)		(47,611,418)		(46,627,612)		(47,330,836)	
Grand Total		39,771,053		65,813,885			68,005,058		67,648,446		67,006,647		66,660,035	

FY07 Budgeted in the various appropriations exceed the Authorized amount due to salary and matching rate adjustments during the 2005-2007 biennium.

For FY07, the Fund Balance amount includes \$2,000,000 that is reserved for transfer to the Comprehensive Health Insurance Pool in accordance with provisions in Arkansas Code §23-79-507(e).

Excess funding at the foot of the Agency Request and Executive Recommendation columns for 2007-2008 is reduced by \$138,883 in unfunded appropriation. The amount of unfunded appropriation for 2008-2009 is \$173,000.

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
180	163	17	180	0	9.44%	182	173	9	182	0	4.95%	182	176	6	182	0	3.30%

Analysis of Budget Request

Appropriation: 1QA - AMAIT - Operations

Funding Sources: TMI - Arkansas Multi-Agency Insurance Trust Fund

The Arkansas Multi-Agency Insurance Trust Fund Program was established by Act 1762 of 2003 to reduce the costs of insurance coverage for state agencies by combining their premium dollars in purchasing broader coverage for property and vehicle insurance with higher deductibles. The program is also designed to build a growing reserve to self-insure ever larger deductible amounts allowing further reductions in policy prices.

Base Level is \$10,000,000 each year and is the Department's request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1QA AMAIT - Operations
Funding Sources: TMI - Arkansas Multi-Agency Insurance Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
AMAIT 5900046	2,963,857	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total	2,963,857	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Funding Sources									
Fund Balance 4000005	5,318,770	7,620,232		7,620,232	7,620,232	7,620,232	7,620,232	7,620,232	7,620,232
Trust Fund 4000050	5,265,319	10,000,000		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total Funding	10,584,089	17,620,232		17,620,232	17,620,232	17,620,232	17,620,232	17,620,232	17,620,232
Excess Appropriation/(Funding)	(7,620,232)	(7,620,232)		(7,620,232)	(7,620,232)	(7,620,232)	(7,620,232)	(7,620,232)	(7,620,232)
Grand Total	2,963,857	10,000,000		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Analysis of Budget Request

Appropriation: 2HJ - School Motor Vehicle Operations

Funding Sources: TVI - School Vehicle Insurance Reserve Trust Fund

The Public School Motor Vehicle Insurance Program was transferred to the State Insurance Department from the Department of Education by Act 78 of 2003, 2nd Extraordinary Session, in February of 2004. This program provides voluntary insurance coverage to insure school district buses and other vehicles owned by the public schools.

Base Level for this program is \$5,000,000 each year and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2HJ School Motor Vehicle Operations
Funding Sources: TVI - School Vehicle Insurance Reserve Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses & Claims	5900046	1,315,933	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Total		1,315,933	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Funding Sources										
Fund Balance	4000005	2,589,521	2,563,076		2,563,076	2,563,076	2,563,076	2,563,076	2,563,076	2,563,076
Trust Fund	4000050	1,289,488	5,000,000		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Total Funding		3,879,009	7,563,076		7,563,076	7,563,076	7,563,076	7,563,076	7,563,076	7,563,076
Excess Appropriation/(Funding)		(2,563,076)	(2,563,076)		(2,563,076)	(2,563,076)	(2,563,076)	(2,563,076)	(2,563,076)	(2,563,076)
Grand Total		1,315,933	5,000,000		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000

Analysis of Budget Request

Appropriation: 2HK - PE/Sec School Ins Operations

Funding Sources: TBA - Public Elementary and Secondary School Insurance Fund

The Public Elementary/Secondary School Property Insurance Program was transferred to the State Insurance Department from the Department of Education by Act 78 of 2003, 2nd Extraordinary Session, in February of 2004. This program is designed to provide building and contents insurance to local school districts on a voluntary basis. Funding comes from charges to school districts that volunteer for insurance coverage.

Base Level for this program is \$9,000,000 and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2HK PE/Sec School Ins Operations
Funding Sources: TBA - Public Elementary and Secondary School Insurance Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses & Claims 5900046	3,510,804	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Total	3,510,804	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Funding Sources									
Fund Balance 4000005	6,713,556	7,095,560		7,095,560	7,095,560	7,095,560	7,095,560	7,095,560	7,095,560
Trust Fund 4000050	3,892,808	9,000,000		9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Total Funding	10,606,364	16,095,560		16,095,560	16,095,560	16,095,560	16,095,560	16,095,560	16,095,560
Excess Appropriation/(Funding)	(7,095,560)	(7,095,560)		(7,095,560)	(7,095,560)	(7,095,560)	(7,095,560)	(7,095,560)	(7,095,560)
Grand Total	3,510,804	9,000,000		9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000

Analysis of Budget Request

Appropriation: 2SW - Insurance-State Operations

Funding Sources: TSI - State Insurance Department Trust Fund

The State Insurance Department's State Operations appropriation is funded by special revenues that are authorized in Arkansas Code §19-5-922. Base Level for this program is \$10,626,977 for FY08 and \$10,628,566 for FY09, with 133 positions authorized and budgeted.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Changes are requested as follows: An increase of \$100,000 each year in Professional Services for additional actuarial support during financial examinations of licensed insurers and Capital Outlay of \$20,000 each year for replacement of office equipment.

For the Department's Information Technology Program, restoration of Capital Outlay in the amount of \$100,000 each year is requested for replacement of IT equipment and additions in Capital Outlay of \$25,000 in the first year and \$35,000 in the second year are requested to provide disaster recovery capabilities for IT operations. Also requested are reductions in IT related expenses in the Operating Expense line item of \$25,000 in FY08 and \$35,000 in FY09 for reallocation to support the disaster recovery portion of the Capital Outlay request.

The Executive Recommendation provides for the Agency Request, but also includes the following changes:

Reductions of \$170,605 for FY08 and \$160,605 for FY09 in Operating Expenses, reductions of \$60,136 each year in Conference & Travel Expenses, reductions of \$60,871 each year in Professional Fees, and reductions of \$65,000 each year in the Data Processing line item.

Appropriation Summary

Appropriation: 2SW Insurance-State Operations
Funding Sources: TSI - State Insurance Department Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
		Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	5,172,833	5,648,465	5,614,682	5,648,465	5,648,465	5,648,465	5,648,465	5,648,465	5,648,465
#Positions		128	133	133	133	133	133	133	133	133
Extra Help	5010001	84,840	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
#Extra Help		18	19	19	19	19	19	19	19	19
Personal Services Matching	5010003	1,532,470	1,664,278	1,581,498	1,755,900	1,755,900	1,755,900	1,757,489	1,757,489	1,757,489
Overtime	5010006	2,963	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Operating Expenses	5020002	1,695,861	2,195,605	2,195,605	2,195,605	2,170,605	2,000,000	2,195,605	2,160,605	2,000,000
Conference & Travel Expenses	5050009	135,927	190,136	190,136	190,136	190,136	130,000	190,136	190,136	130,000
Professional Fees	5060010	47,749	110,871	110,871	110,871	110,871	50,000	110,871	110,871	50,000
Data Processing	5090012	96,399	215,000	215,000	215,000	215,000	150,000	215,000	215,000	150,000
Capital Outlay	5120011	219,552	100,000	100,000	0	145,000	145,000	0	155,000	155,000
Special Maintenance	5120032	37,036	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Professional Services	5900043	286,000	286,000	286,000	286,000	386,000	386,000	286,000	386,000	386,000
Total		9,311,630	10,635,355	10,518,792	10,626,977	10,846,977	10,490,365	10,628,566	10,848,566	10,501,954
Funding Sources										
Fund Balance	4000005	21,550,454	25,159,251		25,023,896	25,023,896	25,023,896	24,676,919	24,676,919	25,033,531
Special Revenue	4000030	12,920,427	10,500,000		10,280,000	10,500,000	10,500,000	10,280,000	10,500,000	10,500,000
Total Funding		34,470,881	35,659,251		35,303,896	35,523,896	35,523,896	34,956,919	35,176,919	35,533,531
Excess Appropriation/(Funding)		(25,159,251)	(25,023,896)		(24,676,919)	(24,676,919)	(25,033,531)	(24,328,353)	(24,328,353)	(25,031,577)
Grand Total		9,311,630	10,635,355		10,626,977	10,846,977	10,490,365	10,628,566	10,848,566	10,501,954

The FY07 Budgeted amounts for Regular Salaries and Personal Services Matching exceed the Authorized amounts due to salary and matching rate adjustments during the 2005-2007 Biennium.

The FY06 Actual expenditures for Capital Outlay exceed the Authorized amount due to transfers from the Motor Vehicle Acquisition Fund totaling \$119,875 for replacement of 5 vehicles.

Change Level by Appropriation

Appropriation:

2SW-Insurance-State Operations

Funding Sources:

TSI - State Insurance Department Trust Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	10,626,977	133	10,626,977	100.0	10,628,566	133	10,628,566	100.0
C01	Existing Program	120,000	0	10,746,977	101.1	120,000	0	10,748,566	101.1
C03	Discontinue Program	(25,000)	0	10,721,977	100.8	(35,000)	0	10,713,566	100.8
C08	Technology	125,000	0	10,846,977	102.0	135,000	0	10,848,566	102.0

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	10,626,977	133	10,626,977	100.0	10,628,566	133	10,628,566	100.0
C01	Existing Program	120,000	0	10,746,977	101.1	120,000	0	10,748,566	101.1
C03	Discontinue Program	(25,000)	0	10,721,977	100.8	(35,000)	0	10,713,566	100.8
C08	Technology	125,000	0	10,846,977	102.0	135,000	0	10,848,566	102.0
C19	Executive Changes	(356,612)	0	10,490,365	98.7	(346,612)	0	10,501,954	98.8

Justification

C01	Requesting increase of \$100,000 each year above the base level in Professional Services to provide for additional actuarial support during financial examinations of licensed insurers to assure company solvency and to protect the policyholders of Arkansas. Also requesting \$20,000 in Capital Outlay each year to replace non IT equipment, including folder sealer machines to process agent licensing documents.
C03	Reductions of \$25,000 in FY08 and \$35,000 in FY09 in Operating Expenses are requested for reallocation to support the IT portion of this Capital Outlay request.
C08	Restore \$100,000 Capital Outlay appropriation for each year in Information Technology to replace and update equipment and to add an additional \$25,000 for FY08 and \$35,000 for FY09 to provide disaster recovery capabilities for IT operations.
C19	The Executive Recommendation provides for reductions in Operating Expenses of \$170,605 in the first year and \$160,605 in the second year, reductions in Conference & Travel Expenses of \$60,136 each year, reductions in Professional Fees of \$60,871 each year, and reductions in Data Processing of \$65,000 each year.

Analysis of Budget Request

Appropriation: 2SX - Fraud Investigation Unit

Funding Sources: TSI - State Insurance Department Trust Fund

The Fraud Investigation Unit was created with the passage of Act 1136 of 1993 to investigate allegations of fraud in workers' compensation cases. Funding is provided by special revenues collected by the Insurance Department and earmarked for this purpose.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for 4 authorized and budgeted positions. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Base Level for this program is \$312,719 each year and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SX Fraud Investigation Unit
Funding Sources: TSI - State Insurance Department Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	154,769	150,912	150,912	150,912	150,912	150,912	150,912	150,912	150,912
#Positions	4	4	4	4	4	4	4	4	4
Personal Services Matching 5010003	46,464	47,011	44,787	48,401	48,401	48,401	48,401	48,401	48,401
Operating Expenses 5020002	53,209	90,406	90,406	90,406	90,406	90,406	90,406	90,406	90,406
Conference & Travel Expenses 5050009	11,384	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Professional Fees 5060010	0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	265,826	311,329	309,105	312,719	312,719	312,719	312,719	312,719	312,719
Funding Sources									
Special Revenue 4000030	265,826	311,329		312,719	312,719	312,719	312,719	312,719	312,719
Total Funding	265,826	311,329		312,719	312,719	312,719	312,719	312,719	312,719
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	265,826	311,329		312,719	312,719	312,719	312,719	312,719	312,719

The FY06 Actual amounts for Regular Salaries and Personal Services Matching as well as the FY07 Budgeted for Personal Services Matching exceed the Authorized amount due to matching rate adjustments during the 2005-2007 Biennium.

Analysis of Budget Request

Appropriation: 2SY - Insurance Fraud Investigation Division

Funding Sources: TIF - Insurance Fraud Investigation Division Trust Fund

Act 337 of 1997 (Arkansas Code §23-100-101 et seq.) provides for funding of an Insurance Fraud Investigation Division in the State Insurance Department to investigate suspected cases of fraud over a broad range of activities in the insurance industry in Arkansas. An annual administrative and regulatory fee exclusively to support fraud investigation efforts is collected annually from each company under the Department's jurisdiction.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for 12 incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Base Level for this program is \$947,919 each year. In addition, the Department is requesting Capital Outlay of \$6,070 each year for replacement of information technology equipment.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SY Insurance Fraud Investigation Division
Funding Sources: TIF - Insurance Fraud Investigation Division Trust Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	536,098	561,338	554,889	561,338	561,338	561,338	561,338	561,338	561,338
#Positions	12	12	12	12	12	12	12	12	12
Personal Services Matching 5010003	154,590	163,741	154,283	167,946	167,946	167,946	167,946	167,946	167,946
Operating Expenses 5020002	81,626	171,635	171,635	171,635	171,635	171,635	171,635	171,635	171,635
Conference & Travel Expenses 5050009	14,671	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Professional Fees 5060010	5,265	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing 5090012	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Capital Outlay 5120011	7,908	6,070	6,070	0	6,070	6,070	0	6,070	6,070
Total	800,158	949,784	933,877	947,919	953,989	953,989	947,919	953,989	953,989
Funding Sources									
Fund Balance 4000005	1,283,738	1,291,348		1,091,564	1,091,564	1,091,564	887,575	887,575	887,575
Special Revenue 4000030	807,768	750,000		743,930	750,000	750,000	743,930	750,000	750,000
Total Funding	2,091,506	2,041,348		1,835,494	1,841,564	1,841,564	1,631,505	1,637,575	1,637,575
Excess Appropriation/(Funding)	(1,291,348)	(1,091,564)		(887,575)	(887,575)	(887,575)	(683,586)	(683,586)	(683,586)
Grand Total	800,158	949,784		947,919	953,989	953,989	947,919	953,989	953,989

The FY07 Budgeted amounts for Regular Salaries and Personal Services Matching exceed the Authorized amounts due to salary and matching rate adjustments during the 2005-2007 Biennium.

FY06 Authorized Appropriation for Capital Outlay was \$19,570 per Act 2036 of 2005, with \$6,070 Authorized for FY07.

Change Level by Appropriation

Appropriation: 2SY-Insurance Fraud Investigation Division
Funding Sources: TIF - Insurance Fraud Investigation Division Trust Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	947,919	12	947,919	100.0	947,919	12	947,919	100.0
C08	Technology	6,070	0	953,989	100.6	6,070	0	953,989	100.6

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	947,919	12	947,919	100.0	947,919	12	947,919	100.0
C08	Technology	6,070	0	953,989	100.6	6,070	0	953,989	100.6

Justification

C08	Capital Outlay of \$6,070 each year is requested for replacement of IT equipment in the Insurance Fraud Investigation Division.
-----	---

Analysis of Budget Request

Appropriation: 2SZ - Prepaid Funeral Benefits Division

Funding Sources: TIP - State Insurance Department Prepaid Trust Fund

Act 372 of 1997 (Arkansas Code §23-40-107 et seq.) provides for administration of prepaid funeral benefit plans in the State of Arkansas and established the Division of Prepaid Funeral Benefits within the State Insurance Department for this purpose. Funding is derived from initial application or renewal fees for annual permits to sell prepaid funeral benefits.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for 4 incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Base Level is \$327,805 each year and is the Agency Request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2SZ Prepaid Funeral Benefits Division
Funding Sources: TIP - State Insurance Department Prepaid Trust Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	173,677	172,494	168,104	172,494	172,494	172,494	172,494	172,494	172,494
#Positions	4	4	4	4	4	4	4	4	4
Personal Services Matching 5010003	50,777	51,589	48,140	52,921	52,921	52,921	52,921	52,921	52,921
Operating Expenses 5020002	12,050	69,390	69,390	69,390	69,390	69,390	69,390	69,390	69,390
Conference & Travel Expenses 5050009	35	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Professional Fees 5060010	0	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Data Processing 5090012	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	236,539	326,473	318,634	327,805	327,805	327,805	327,805	327,805	327,805
Funding Sources									
Fund Balance 4000005	384,946	617,652		556,179	556,179	556,179	493,374	493,374	493,374
Special Revenue 4000030	469,245	265,000		265,000	265,000	265,000	265,000	265,000	265,000
Total Funding	854,191	882,652		821,179	821,179	821,179	758,374	758,374	758,374
Excess Appropriation/(Funding)	(617,652)	(556,179)		(493,374)	(493,374)	(493,374)	(430,569)	(430,569)	(430,569)
Grand Total	236,539	326,473		327,805	327,805	327,805	327,805	327,805	327,805

The FY07 Budgeted amounts for Regular Salaries and Personal Services Matching exceed the Authorized amounts due to salary and matching rate adjustments during the 2005-2007 Biennium.

Analysis of Budget Request

Appropriation: 2TA - Continuing Education Program

Funding Sources: TIE - Insurance Continuing Education Trust Fund

The Insurance Department's Continuing Education Program has one position budgeted to process continuing education records of agents that are required for license renewal. Funding is provided from continuing education application fees, as authorized in Arkansas Code §23-64-308.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for the incumbent position. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Department is requesting continuation at the Base Level of \$27,717 each year.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TA Continuing Education Program
Funding Sources: TIE - Insurance Continuing Education Trust Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	18,125	19,445	22,079	19,445	19,445	19,445	19,445	19,445	19,445
#Positions	1	1	1	1	1	1	1	1	1
Personal Services Matching 5010003	7,605	7,912	8,148	8,272	8,272	8,272	8,272	8,272	8,272
Total	25,730	27,357	30,227	27,717	27,717	27,717	27,717	27,717	27,717
Funding Sources									
Fund Balance 4000005	445,453	597,598		620,241	620,241	620,241	642,524	642,524	642,524
Special Revenue 4000030	177,875	50,000		50,000	50,000	50,000	50,000	50,000	50,000
Total Funding	623,328	647,598		670,241	670,241	670,241	692,524	692,524	692,524
Excess Appropriation/(Funding)	(597,598)	(620,241)		(642,524)	(642,524)	(642,524)	(664,807)	(664,807)	(664,807)
Grand Total	25,730	27,357		27,717	27,717	27,717	27,717	27,717	27,717

Analysis of Budget Request

Appropriation: 2TB - State Employee Claims

Funding Sources: TUW - Workers' Compensation Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of workers' compensation claims payments for employees of the State. Revolving funds derived from agency workers' compensation benefits contributions are the revenue sources for this appropriation, as authorized in Arkansas Code §19-5-805. Base Level is \$10,150,000 each year. The Department is requesting the addition of \$1,850,000 each year to assure sufficient appropriation to cover the growing level of claims expenses.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TB State Employee Claims
Funding Sources: TUW - Workers' Compensation Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	10,040,480	10,150,000	10,150,000	10,150,000	12,000,000	12,000,000	10,150,000	12,000,000	12,000,000
Total	10,040,480	10,150,000	10,150,000	10,150,000	12,000,000	12,000,000	10,150,000	12,000,000	12,000,000
Funding Sources									
Workers' Comp Revolving 4000735	10,040,480	10,150,000		10,150,000	12,000,000	12,000,000	10,150,000	12,000,000	12,000,000
Total Funding	10,040,480	10,150,000		10,150,000	12,000,000	12,000,000	10,150,000	12,000,000	12,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	10,040,480	10,150,000		10,150,000	12,000,000	12,000,000	10,150,000	12,000,000	12,000,000

Change Level by Appropriation

Appropriation: 2TB-State Employee Claims

Funding Sources: TUW - Workers' Compensation Revolving Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	10,150,000	0	10,150,000	100.0	10,150,000	0	10,150,000	100.0
C01	Existing Program	1,850,000	0	12,000,000	118.2	1,850,000	0	12,000,000	118.2

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	10,150,000	0	10,150,000	100.0	10,150,000	0	10,150,000	100.0
C01	Existing Program	1,850,000	0	12,000,000	118.2	1,850,000	0	12,000,000	118.2

Justification

C01	Requesting \$1,850,000 increase for each year of the next biennium in appropriation for WC State Employee Claims payments.
-----	--

Analysis of Budget Request

Appropriation: 2TC - Gvmt'l Bonding Bd Operations

Funding Sources: TFB - Fidelity Bond Trust Fund

The State Insurance Department is the managing agency for the appropriation through which the Governmental Bonding Board administers the Self-Insured Fidelity Bond Program on behalf of officials and public employees of counties, municipalities, public schools, and the State of Arkansas. Funding is authorized in Arkansas Code §21-2-711 and is derived from bond premiums withheld from the County Aid, Municipal Aid, and Public School funds and from premiums transferred from the fund accounts of State agencies. The Department requests that the current level of \$2,104,855 each year be continued for this appropriation.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TC Gvmt'l Bonding Bd Operations
Funding Sources: TFB - Fidelity Bond Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	156	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Conference & Travel Expenses 5050009	0	0	0	0	0	0	0	0	0
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements 5110014	71	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Claims 5110015	529,566	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Investments 5120013	0	760,637	760,637	760,637	760,637	760,637	760,637	760,637	760,637
Professional Services 5900043	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Reinsurance 5900046	0	139,218	139,218	139,218	139,218	139,218	139,218	139,218	139,218
Total	529,793	2,104,855	2,104,855	2,104,855	2,104,855	2,104,855	2,104,855	2,104,855	2,104,855
Funding Sources									
Fund Balance 4000005	3,424,052	3,414,429		3,414,429	3,414,429	3,414,429	3,414,429	3,414,429	3,414,429
Trust Fund 4000050	520,170	2,104,855		2,104,855	2,104,855	2,104,855	2,104,855	2,104,855	2,104,855
Total Funding	3,944,222	5,519,284		5,519,284	5,519,284	5,519,284	5,519,284	5,519,284	5,519,284
Excess Appropriation/(Funding)	(3,414,429)	(3,414,429)		(3,414,429)	(3,414,429)	(3,414,429)	(3,414,429)	(3,414,429)	(3,414,429)
Grand Total	529,793	2,104,855		2,104,855	2,104,855	2,104,855	2,104,855	2,104,855	2,104,855

Analysis of Budget Request

Appropriation: 2TD - Public Employees Claims Section

Funding Sources: HUA - Miscellaneous Agencies Fund

This program is funded by transfers from the Public School Fund, the County Aid Fund, the Municipal Aid Fund, and the fund accounts of State agencies for which workers' compensation claims are administered by this Section, as authorized in Arkansas Code §11-9-307.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for 24 incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Base Level for this program is \$1,380,324 each year. Requested changes are as follows: A reduction of \$7,000 each year in Operating Expenses for reallocation to partially support a Capital Outlay request of \$15,000 each year for equipment replacement, of which \$5,000 each year is earmarked as this program's share of information technology equipment costs.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TD Public Employees Claims Section
Funding Sources: HUA - Miscellaneous Agencies Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	796,957	844,480	860,860	844,480	844,480	844,480	844,480	844,480	844,480
#Positions	24	24	24	24	24	24	24	24	24
Personal Services Matching 5010003	254,795	269,616	260,028	277,635	277,635	277,635	277,635	277,635	277,635
Operating Expenses 5020002	172,241	240,209	240,209	240,209	233,209	233,209	240,209	233,209	233,209
Conference & Travel Expenses 5050009	5,993	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Professional Fees 5060010	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Data Processing 5090012	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Capital Outlay 5120011	7,246	10,000	10,000	0	15,000	15,000	0	15,000	15,000
Total	1,237,232	1,382,305	1,389,097	1,380,324	1,388,324	1,388,324	1,380,324	1,388,324	1,388,324
Funding Sources									
Special Revenue 4000030	1,237,232	1,382,305		1,380,324	1,388,324	1,388,324	1,380,324	1,388,324	1,388,324
Total Funding	1,237,232	1,382,305		1,380,324	1,388,324	1,388,324	1,380,324	1,388,324	1,388,324
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	1,237,232	1,382,305		1,380,324	1,388,324	1,388,324	1,380,324	1,388,324	1,388,324

The FY07 Budgeted amount for Personal Services Matching exceeds the Authorized amount due to matching rate adjustments during the 2005-2007 Biennium.

Change Level by Appropriation

Appropriation: 2TD-Public Employees Claims Section

Funding Sources: HUA - Miscellaneous Agencies Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	1,380,324	24	1,380,324	100.0	1,380,324	24	1,380,324	100.0
C01	Existing Program	10,000	0	1,390,324	100.7	10,000	0	1,390,324	100.7
C03	Discontinue Program	(7,000)	0	1,383,324	100.2	(7,000)	0	1,383,324	100.2
C08	Technology	5,000	0	1,388,324	100.5	5,000	0	1,388,324	100.5

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	1,380,324	24	1,380,324	100.0	1,380,324	24	1,380,324	100.0
C01	Existing Program	10,000	0	1,390,324	100.7	10,000	0	1,390,324	100.7
C03	Discontinue Program	(7,000)	0	1,383,324	100.2	(7,000)	0	1,383,324	100.2
C08	Technology	5,000	0	1,388,324	100.5	5,000	0	1,388,324	100.5

Justification

C01	Requesting \$10,000 each year in Capital Outlay to replace non IT equipment.
C03	Reduction of \$7,000 each year in Operating Expenses requested for reallocation to support Capital Outlay requests.
C08	Requesting \$5,000 each year in Capital Outlay for replacement of IT equipment.

Analysis of Budget Request

Appropriation: 2TE - Health Information Counseling

Funding Sources: FID - Insurance Department-Federal

The Insurance Department's Health Information Counseling Program is 100% federally funded by the U.S. Department of Health and Human Services. Its purpose is to develop and maintain a network of local volunteers to dispense information and assist senior citizens with their insurance needs.

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for 4 incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

Base Level for this program is \$307,189 each year. The Department is requesting Capital Outlay of \$8,000 each year as this program's share of the costs of replacing information technology equipment. Also requested is continuation of a miscellaneous federal grant that increases Operating Expenses in the amount of \$116,261 each year, providing additional capability to assist senior citizens with the various available insurance coverages.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TE Health Information Counseling
Funding Sources: FID - Insurance Department-Federal

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	94,572	105,356	122,035	105,356	105,356	105,356	105,356	105,356	105,356
#Positions	4	4	4	4	4	4	4	4	4
Personal Services Matching 5010003	34,991	37,472	42,997	38,861	38,861	38,861	38,861	38,861	38,861
Operating Expenses 5020002	137,397	274,633	150,372	158,372	274,633	274,633	158,372	274,633	274,633
Conference & Travel Expenses 5050009	0	0	8,000	0	0	0	0	0	0
Professional Fees 5060010	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Data Processing 5090012	0	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Capital Outlay 5120011	5,074	8,000	8,000	0	8,000	8,000	0	8,000	8,000
Total	272,034	430,061	336,004	307,189	431,450	431,450	307,189	431,450	431,450
Funding Sources									
Federal Revenue 4000020	272,034	430,061		307,189	431,450	431,450	307,189	431,450	431,450
Total Funding	272,034	430,061		307,189	431,450	431,450	307,189	431,450	431,450
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	272,034	430,061		307,189	431,450	431,450	307,189	431,450	431,450

The FY07 Budgeted amount for Operating Expenses exceeds the Authorized appropriation due to a Budget Classification Transfer and a transfer from the Miscellaneous Federal Grant Holding Account.

Change Level by Appropriation

Appropriation: 2TE-Health Information Counseling
Funding Sources: FID - Insurance Department-Federal

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	307,189	4	307,189	100.0	307,189	4	307,189	100.0
C06	Restored Position	116,261	0	423,450	137.8	116,261	0	423,450	137.8
C08	Technology	8,000	0	431,450	140.4	8,000	0	431,450	140.4

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	307,189	4	307,189	100.0	307,189	4	307,189	100.0
C06	Restored Position	116,261	0	423,450	137.8	116,261	0	423,450	137.8
C08	Technology	8,000	0	431,450	140.4	8,000	0	431,450	140.4

Justification

C06	Continuation of \$116,261 each year that was originally approved in FY06 and renewed in FY07 as a miscellaneous federal grant.
C08	Capital Outlay of \$8,000 each year is requested for replacement of IT equipment.

Analysis of Budget Request

Appropriation: 2TF - Refunds of Overpayments

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department requests that its Refunds of Overpayments appropriation be approved to continue at the current level of \$11,000,000 each year. This account is used to return premium taxes paid to this State in error and to return amounts that are overpaid.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TF Refunds of Overpayments
Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	6,346,199	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Total	6,346,199	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Funding Sources									
Miscellaneous Revolving 4000350	6,346,199	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Total Funding	6,346,199	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	6,346,199	11,000,000		11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000

Analysis of Budget Request

Appropriation: 2TG - Public School Employees Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to July 1, 1994, by public school employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Department is requesting continuation of the Base Level of \$450,000 each year.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TG Public School Employees Claims
Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	255,878	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Total	255,878	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Funding Sources									
Miscellaneous Revolving 4000350	255,878	450,000		450,000	450,000	450,000	450,000	450,000	450,000
Total Funding	255,878	450,000		450,000	450,000	450,000	450,000	450,000	450,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	255,878	450,000		450,000	450,000	450,000	450,000	450,000	450,000

Analysis of Budget Request

Appropriation: 2TH - County Employee Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to January 1, 1985, by county employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Department is requesting continuation of the Base Level of \$200,000 each year.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TH County Employee Claims
Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	51,814	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total	51,814	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Funding Sources									
Miscellaneous Revolving 4000350	51,814	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Total Funding	51,814	200,000		200,000	200,000	200,000	200,000	200,000	200,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	51,814	200,000		200,000	200,000	200,000	200,000	200,000	200,000

Analysis of Budget Request

Appropriation: 2TJ - City Employee Claims

Funding Sources: MTA - Miscellaneous Revolving Fund

The Insurance Department's Public Employee Claims Section is the processor of payments for long-term workers' compensation claims filed prior to January 1, 1985, by city employees. Revolving funds derived from employer workers' compensation benefits contributions are the revenue sources for the appropriation through which claims payments are made, as authorized in Arkansas Code §19-5-1009.

The Department is requesting continuation of the Base Level of \$600,000 each year.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TJ City Employee Claims
Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	361,076	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Total	361,076	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Funding Sources									
Miscellaneous Revolving 4000350	361,076	600,000		600,000	600,000	600,000	600,000	600,000	600,000
Total Funding	361,076	600,000		600,000	600,000	600,000	600,000	600,000	600,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	361,076	600,000		600,000	600,000	600,000	600,000	600,000	600,000

Analysis of Budget Request

Appropriation: 2TK - Consumer Info System - Cash
Funding Sources: NDD - Insurance Department-Cash in Treasury

The Department's Consumer Information System Cash Fund is used to dispense information to the public concerning the various policy types, coverages, and purchasing options offered by the insurance industry. Base Level for this program is \$173,000 each year and is the request for 2007-2009.

The current Cash in Treasury balance and previous funding support for this program were derived from a \$100 annual assessment levied on each licensed insurer, as authorized in Arkansas Code §23-63-108. This assessment is no longer collected and support of consumer information through this appropriation will end when the current fund balance and earned interest have been depleted.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TK Consumer Info System - Cash
Funding Sources: NDD - Insurance Department-Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	80,560	173,000	93,000	173,000	173,000	173,000	173,000	173,000	173,000
Conference & Travel Expenses 5050009	0	0	5,000	0	0	0	0	0	0
Professional Fees 5060010	0	0	75,000	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Total	80,560	173,000	173,000	173,000	173,000	173,000	173,000	173,000	173,000
Funding Sources									
Fund Balance 4000005	276,404	204,117		34,117	34,117	34,117	0	0	0
Cash Fund 4000045	8,273	3,000		0	0	0	0	0	0
Total Funding	284,677	207,117		34,117	34,117	34,117	0	0	0
Excess Appropriation/(Funding)	(204,117)	(34,117)		138,883	138,883	138,883	173,000	173,000	173,000
Grand Total	80,560	173,000		173,000	173,000	173,000	173,000	173,000	173,000

The FY07 Budgeted amount for Operating Expenses exceeds the Authorized appropriation by authority of a Budget Classification Transfer.

Analysis of Budget Request

Appropriation: 2TM - Travel & Subsistence-Cash

Funding Sources: NDD - Travel & Subsistence-Cash in Treasury

The Insurance Department's Travel and Subsistence Cash Fund is requested to continue at \$88,222 each year. Arkansas Code §23-67-220 provides for recovery of reasonable costs incurred by the Department in conducting financial examinations of entities under its jurisdiction. Part of the recovered costs are passed through this account to reimburse individual examiners for their personal expenses incurred during the examination process.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TM Travel & Subsistence-Cash
Funding Sources: NDD - Travel & Subsistence-Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Travel & Subsistence Expenses 5900046	45,654	88,222	88,222	88,222	88,222	88,222	88,222	88,222	88,222
Total	45,654	88,222	88,222	88,222	88,222	88,222	88,222	88,222	88,222
Funding Sources									
Cash Fund 4000045	45,654	88,222		88,222	88,222	88,222	88,222	88,222	88,222
Total Funding	45,654	88,222		88,222	88,222	88,222	88,222	88,222	88,222
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	45,654	88,222		88,222	88,222	88,222	88,222	88,222	88,222

Analysis of Budget Request

Appropriation: 2TN - Prpd Funeral Contracts Recovery

Funding Sources: TIP - Prepaid Funeral Contracts Program Recovery Fund

Act 1043 of 2001 established the Prepaid Funeral Contracts Recovery Program to reimburse purchasers of preneed funeral contracts who suffer financial loss due to impairment, insolvency, business interruption, or improper inactivity of a licensed prepaid funeral organization. Funding is authorized from one-time fees of not less than \$5 per contract, up to a maximum set by the State Insurance Commissioner. Such fees collected are to be deposited into the State Insurance Department Prepaid Trust Fund. A portion of these collections may be designated by the State Insurance Commissioner for transfer to the Prepaid Funeral Contracts Recovery Program Fund to pay expenses and claims incurred.

This is a biennial appropriation with a Base Level \$1,000,000. The Agency is requesting that the Base Level be continued as a biennial appropriation.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 2TN Prpd Funeral Contracts Recovery
Funding Sources: TIP - Prepaid Funeral Contracts Program Recovery Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Expenses & Claims 5900046	114,856	885,144	0	1,000,000	1,000,000	1,000,000	0	0	0
Total	114,856	885,144	0	1,000,000	1,000,000	1,000,000	0	0	0
Funding Sources									
Special Revenue 4000030	114,856	885,144		1,000,000	1,000,000	1,000,000	0	0	0
Total Funding	114,856	885,144		1,000,000	1,000,000	1,000,000	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	114,856	885,144		1,000,000	1,000,000	1,000,000	0	0	0

This is a biennial appropriation provided by Section 7 of Act 2036 of 2005.

Analysis of Budget Request

Appropriation: 4HH - Criminal Background Checks-Cash

Funding Sources: NDD - Criminal Background Checks-Cash in Treasury

The Insurance Department's appropriation for conducting criminal background checks was established by requests from the Cash Fund Holding Account during FY06 and again in FY07. Funding is provided through a \$20 fee charged to each first-time license applicant and is used to obtain criminal background data from the Arkansas State Police. The Department is requesting approval of \$100,000 for each year of the 2007-2009 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 4HH Criminal Background Checks-Cash
Funding Sources: NDD - Criminal Background Checks-Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	5,000	100,000	0	0	100,000	100,000	0	100,000	100,000
Total	5,000	100,000	0	0	100,000	100,000	0	100,000	100,000
Funding Sources									
Cash Fund 4000045	5,000	100,000		0	100,000	100,000	0	100,000	100,000
Total Funding	5,000	100,000		0	100,000	100,000	0	100,000	100,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	5,000	100,000		0	100,000	100,000	0	100,000	100,000

This appropriation was established by transfers from the Cash Fund Holding Account for FY06 and FY07. Continuation is requested for the 2007-2009 Biennium.

Change Level by Appropriation

Appropriation: 4HH-Criminal Background Checks-Cash

Funding Sources: NDD - Criminal Background Checks-Cash in Treasury

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	0	0	0	x	0	0	0	x
C01	Existing Program	100,000	0	100,000	x	100,000	0	100,000	x

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	0	0	0	100.0	0	0	0	100.0
C01	Existing Program	100,000	0	100,000	100.0	100,000	0	100,000	100.0

Justification

C01	Continuation of \$100,000 each year in appropriation is requested for Cash Fund-Criminal Background Checks. All new agent license applicants must submit to criminal background checks before becoming licensed. Funding is provided by fees collected from applicants. This appropriation was approved by cash fund letter for FY06 and FY07.
-----	--

Analysis of Budget Request

Appropriation: 4KV - AR Multi-Agcy Wkrs' Comp Trust

Funding Sources: TIS - AR Multi-Agency Wkrs' Comp Trust Program Fund

This appropriation of \$2,000,000 each year is requested to establish the Arkansas Multi-Agency Workers' Compensation Trust Program to provide for reinsurance, administration, and payments of claims filed by State employees that exceed \$250,000 per claim and also to provide resources in the event that expenditures in the workers' compensation State Employee Claims account exceed its authorization. The Department will submit legislation during the General Assembly's 86th Regular Session to create the program fund, outline its operation, and designate revenues for its support.

The Executive Recommendation provides for establishment of the requested appropriation.

Appropriation Summary

Appropriation: 4KV AR Multi-Agcy Wkrs' Comp Trust
Funding Sources: TIS - AR Multi-Agency Wkrs' Comp Trust Program Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
AMAWCT 5900046	0	0	0	0	2,000,000	2,000,000	0	2,000,000	2,000,000
Total	0	0	0	0	2,000,000	2,000,000	0	2,000,000	2,000,000
Funding Sources									
Special Revenue 4000030	0	0		0	2,000,000	2,000,000	0	2,000,000	2,000,000
Total Funding	0	0		0	2,000,000	2,000,000	0	2,000,000	2,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	0		0	2,000,000	2,000,000	0	2,000,000	2,000,000

Change Level by Appropriation

Appropriation: 4KV-AR Multi-Agcy Wkrs' Comp Trust

Funding Sources: TIS - AR Multi-Agency Wkrs' Comp Trust Program Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
C02	New Program	2,000,000	0	2,000,000	100.0	2,000,000	0	2,000,000	100.0

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
C02	New Program	2,000,000	0	2,000,000	100.0	2,000,000	0	2,000,000	100.0

Justification

C02	This request is to establish an appropriation for a program of reinsurance, administration, and payments of workers' compensation claims filed by State employees that exceed \$250,000 per claim or in the event that expenditures in the workers' compensation State Employee Claims account exceeds its authorization.
-----	---

Appropriation Summary

Appropriation: 1NZ Comprehensive Health Ins Pool
Funding Sources: TSI - State Insurance Department Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	2,000,000	2,000,000	2,000,000	0	0	0	0	0	0
Total	2,000,000	2,000,000	2,000,000	0	0	0	0	0	0
Funding Sources									
Fund Balance 4000005	2,000,000	2,000,000		0	0	0	0	0	0
Total Funding	2,000,000	2,000,000		0	0	0	0	0	0
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	2,000,000	2,000,000		0	0	0	0	0	0

An agreement through which the State Insurance Department provides a portion of the funding for the Comprehensive Health Insurance Pool will end on June 30, 2007. This Program is being discontinued and this appropriation will not be requested for the 2007-2009 Biennium.

Appropriation Summary

Appropriation: 1PG Fire Departments
Funding Sources: TSI - State Insurance Department Trust Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2005-2006	2006-2007	2006-2007	2007-2008			2008-2009		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Grants and Aid 5100004	0	0	2,000,000	0	0	0	0	0	0
Total	0	0	2,000,000	0	0	0	0	0	0

This appropriation not being requested for the 2007-2009 Biennium.