

# FY 2019-20: DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

## Summary: As Passed by the Senate Senate Bill 141 (S-1)



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	FY 2018-19 YTD as of 3/5/19	FY 2019-20 Executive	FY 2019-20 House	FY 2019-20 Senate	FY 2019-20 Enacted	Difference: Senate From FY 2018-19 YTD	
						Amount	%
IDG/IDT	\$713,800	\$723,100	\$723,100	\$723,100		\$9,300	1.3
Federal	2,017,300	1,017,600	1,017,600	1,017,600		(999,700)	(49.6)
Local	0	0	0	0		0	--
Private	0	0	0	0		0	--
Restricted	64,690,800	66,999,100	67,099,100	66,999,100		2,308,300	3.6
GF/GP	550,000	150,000	50,000	150,000		(400,000)	(72.7)
Gross	<b>\$67,971,900</b>	<b>\$68,889,800</b>	<b>\$68,889,800</b>	<b>\$68,889,800</b>		<b>\$917,900</b>	<b>1.4</b>
FTEs	342.5	352.5	352.5	352.5		10.0	2.9

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

### Overview

The Department of Insurance and Financial Services (DIFS) is responsible for regulating, licensing, examining, evaluating, and promoting the insurance and financial services industries operating within the state. The department also provides consumer protection by managing consumer information and inquiries and investigating consumer complaints. DIFS administers and enforces state statutes pertaining to state-chartered banks and credit unions; mortgage brokers, lenders, and servicers; consumer finance entities; insurance companies, agents, and products; and health maintenance organizations.

		FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 Senate Change
<b>Major Budget Changes From FY 2018-19 YTD Appropriations</b>			
<b>1. Anti-Fraud Unit</b>			
Executive includes \$499,300 Gross (\$0 GF/GP) and authorization for 6.0 FTE positions for the Anti-Fraud Unit, created under Executive Order 2018-9. The unit would provide the department greater ability to conduct background checks and to investigate instances of fraudulent activity in the financial services and insurance industries. FTE positions that would be filled include departmental analysts, departmental specialists, and departmental technicians. <u>House</u> and <u>Senate</u> concur with the Executive.	FTE	NA	6.0
	Gross	NA	<b>\$499,300</b>
	IDG	NA	1,400
	Restricted	NA	497,900
	GF/GP	NA	\$0
<b>2. Removal of FY 2018-19 One-Time Funding</b>			
Executive eliminates \$400,000 GF/GP that was included in the FY 2018-19 budget to fund an actuarial and economic study to support the pursuit of a state innovation waiver, available under section 1332 of the Patient Protection and Affordable Care Act. <u>House</u> and <u>Senate</u> concur with the Executive.	Gross	<b>\$400,000</b>	<b>(\$400,000)</b>
	GF/GP	\$400,000	(\$400,000)
<b>3. Net-to-Zero Fund Shifts</b>			
Executive reflects the replacement of federal funding with restricted funding (due to reductions in federal funding based on the maturity of the Patient Protection and Affordable Care Act) and fund source adjustments to align with the department's cost allocation plan. <u>House</u> concurs and also reduces GF/GP funding while increasing restricted authorization from the Insurance Bureau Fund by a like amount. <u>Senate</u> concurs with the Executive.	Gross	NA	<b>\$0</b>
	Federal	NA	(1,000,000)
	Restricted	NA	1,000,000
	GF/GP	NA	\$0

		<b>FY 2018-19 Year-to-Date (as of 3/5/19)</b>	<b>FY 2019-20 Senate Change</b>
<b><u>Major Budget Changes From FY 2018-19 YTD Appropriations</u></b>			
<b>4. FTE Increase</b>	FTE	NA	4.0
<u>Executive</u> includes authorization for 4.0 additional FTE positions to address workload increases in the Financial Institutions Evaluation and Insurance Evaluation line items. Due to recent statutory changes to the Insurance Code of 1956, departmental responsibilities have increased with respect to licensing of insurance agents, maintenance of continuing education programs, and approval of qualifying insurance companies. FTE positions that would be filled include financial institutions examiners, departmental analysts, and departmental technicians. <u>House</u> and <u>Senate</u> concur with the Executive.	<b>Gross</b>	<b>NA</b>	<b>\$0</b>
	GF/GP	NA	\$0

<b>5. Economic Adjustments</b>	<b>Gross</b>	<b>NA</b>	<b>\$818,600</b>
<u>Executive</u> reflects increased costs of \$818,600 Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), insurance rate increases, actuarially required retirement contributions, worker's compensation premium costs, building occupancy charges, and other economic adjustments. <u>House</u> and <u>Senate</u> concur with the Executive.	IDG	NA	7,900
	Federal	NA	300
	Restricted	NA	810,400
	GF/GP	NA	\$0

#### **Major Boilerplate Changes From FY 2018-19**

##### ***Sec. 207. Out-of-State Travel Requirements and Report – RETAINED***

Stipulates limitations regarding conditions when DIFS may send employees on out-of-state travel, further limits the expenditure of state funds on out-of-state professional development conferences, and requires a detailed report on out-of-state travel. Executive revises to strike sections delineating conditions under which out-of-state travel is permissible and to modify reporting requirements. House and Senate retain current law.

##### ***Sec. 210. Contingency Funding – DELETED***

Appropriates federal and state restricted contingency funds of up to \$6 million total, available for expenditure when transferred to a line item through the legislative transfer process. Executive and House retain current law. Senate deletes.

##### ***Sec. 218. Communication with the Legislature – RETAINED***

Prohibits DIFS from taking disciplinary action against an employee for communicating with a member of the legislature or their staff. Executive deletes. House and Senate retain current law.

##### ***Sec. 219. Television and Radio Productions – RETAINED***

Prohibits DIFS from developing or producing television or radio productions. Executive and House delete. Senate retains current law.

##### ***Sec. 220. Healthy Michigan Plan Accounting Structure – RETAINED***

Requires DIFS, in conjunction with the Department of Health and Human Services (DHHS), to maintain an accounting structure within the state's accounting system which facilitates the identification of expenditures associated with the Healthy Michigan Plan. Executive deletes. House and Senate retain current law.

##### ***Sec. 221. Appropriation for Healthy Michigan Plan Statutory Reporting Requirements – RETAINED***

Stipulates that the appropriation from the General Fund for Executive Director Programs shall only be expended on DIFS' reporting requirements pursuant to subsection 105d(9) of the Social Welfare Act of 1939. Executive deletes. House and Senate retain current law.

##### ***Sec. 222. Insurance Bureau Fund Use – RETAINED***

Stipulates that appropriations from the Insurance Bureau Fund may be used to support legislative participation in insurance activities coordinated by insurance and legislative associations, in accordance with the Insurance Code of 1956. Executive deletes. House and Senate retain current law.

##### ***Sec. 301. Health Insurance Rate Filings Report – RETAINED***

Requires DIFS to submit a report based on the annual rate filings from health insurers and delineates the information to be included. Executive deletes. House and Senate retain current law.

## **Major Boilerplate Changes From FY 2018-19**

### ***Sec. 304. 0850 Reporting Requirements – NOT INCLUDED***

House includes language requiring the department to update the 0850 report to differentiate primary and specific claims functions of third party administrators. Senate does not include.

### ***Sec. 305. Insurance Marketplace Feasibility Study – NOT INCLUDED***

House includes language requiring DIFS to conduct a study to determine the feasibility of an auto insurance marketplace where consumers could compare offerings from different insurers. Senate does not include.

### ***Sec. 306. Anti-Fraud Unit Cost Savings Report – NOT INCLUDED***

House includes language requiring DIFS to report on cost savings that the anti-fraud unit achieves in the FY 2019-20 fiscal year and stipulates requirements for the report. Senate does not include.

### ***Sec. 307. Consumer Services Complaints Report – NOT INCLUDED***

House includes language requiring DIFS to report on complaints received by the Office of Consumer Services and stipulates requirements for the report. Senate does not include.

### ***Sec. 401. Section 1332 State Innovation Waiver Study – DELETED***

Requires DIFS to use one-time GF/GP funding to have an actuarial firm complete a study capable of supporting the state's pursuit of a state innovation waiver, available under section 1332 of the Patient Protection and Affordable Care Act; outlines material to be contained in the study. Executive, House, and Senate delete.