

0845 Department of Insurance

California's publicly-elected Insurance Commissioner regulates the sixth largest insurance economy in the world with insurers collecting more than \$259 billion in premium annually in California while protecting consumers and the integrity, health and vitality of the insurance marketplace. The vision of the Department of Insurance (CDI) is "Insurance Protection for All Californians." The Department accomplishes this by enforcing insurance laws and regulations, assisting consumers in their dealings with insurers, and using innovation to improve services for insurance producers and consumers.

The CDI licenses and regulates insurance companies, agents and brokers in California. Currently, the CDI oversees and licenses approximately 1,300 insurance companies and more than 385,000 individuals and business entities as insurance agents, brokers, adjusters and bail agents. Additionally, the CDI receives and investigates approximately 250,000 consumer inquiries and complaints annually; performs examinations to ensure the financial solvency of companies; receives approximately 33,000 suspected fraudulent claim referrals annually; and works in conjunction with local, state and federal law enforcement agencies to investigate and prosecute fraudulent insurance practices.

3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
0520 Regulation of Insurance Companies and Insurance Producers	430.8	428.4	437.3	\$81,529	\$83,645	\$86,004
0525 Consumer Protection	299.5	304.4	316.2	54,049	61,279	58,854
0530 Fraud Control	255.6	278.0	283.1	107,270	123,332	123,283
0535 General Fund Tax Collection and Compliance	9.7	10.3	10.4	1,602	1,280	1,282
9900100 Administration	225.4	220.2	219.8	31,616	32,854	35,123
9900200 Administration - Distributed	-	-	-	-31,616	-32,854	-35,123
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	1,221.0	1,241.3	1,266.8	\$244,450	\$269,536	\$269,423
FUNDING				2014-15*	2015-16*	2016-17*
0001 General Fund				\$3,393	\$9,261	\$5,698
0217 Insurance Fund				239,237	258,875	262,379
0890 Federal Trust Fund				1,810	1,150	1,096
0995 Reimbursements				10	250	250
TOTALS, EXPENDITURES, ALL FUNDS				\$244,450	\$269,536	\$269,423

LEGAL CITATIONS AND AUTHORITY

PROGRAM AUTHORITY

0520-Regulation of Insurance Companies and Insurance Producers:

Insurance Code, Sections 1-16032, except as noted below.

0525-Consumer Protection:

Insurance Code, Division 1, Part 2, Chapter 1, Articles 4, 5.1, 6, 6.3, and 6.5, Chapter 5, Article 12, Sections 1872.81, 10127.17, 10273.7, 12921.1-12921.5, 12928, and 12930.

0530-Fraud Control:

Insurance Code, Division 1, Part 2, Chapter 12 (except Section 1872.81 cited above).

0535-General Fund Tax Collection and Compliance:

Insurance Code, Sections 1774-1780; and Revenue and Taxation Code, Part 7 of Division 2.

DETAILED BUDGET ADJUSTMENTS

	2015-16*			2016-17*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Workload Budget Change Proposals						
• CMMP Year 3	\$-	\$-	-	\$963	\$1,786	6.5

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0845 Department of Insurance - Continued

	2015-16*			2016-17*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
• CDI Network Switch Replacement	-	-	-	-	1,669	-
• Principle-Based Reserving (SB 696)	-	-	-	-	925	5.0
• Life and Disability Policies (AB 387)	-	-	-	-	430	2.0
• Outpatient Prescription Drugs (AB 339)	-	-	-	-	242	1.0
Totals, Workload Budget Change Proposals	\$-	\$-	-	\$963	\$5,052	14.5
Other Workload Budget Adjustments						
• Salary Adjustments	\$46	\$2,520	-	\$46	\$2,520	-
• Retirement Rate Adjustments	23	1,036	-	23	1,036	-
• Benefit Adjustments	21	1,388	-	22	1,744	-
• Miscellaneous Baseline Adjustments	-	342	-	-	437	1.0
• SWCAP	-	-	-	-	165	-
• Budget Position Transparency	-	-	-161.5	-	-	-158.0
• Pro Rata	-	-	-	-	-637	-
Totals, Other Workload Budget Adjustments	\$90	\$5,286	-161.5	\$91	\$5,265	-157.0
Totals, Workload Budget Adjustments	\$90	\$5,286	-161.5	\$1,054	\$10,317	-142.5
Totals, Budget Adjustments	\$90	\$5,286	-161.5	\$1,054	\$10,317	-142.5

PROGRAM DESCRIPTIONS

0520 - REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS

The objectives of this program are to: (1) prevent losses to policyholders, beneficiaries or the public due to the insolvency of insurers; (2) prevent unlawful or unfair practices by insurers as defined by the Insurance Code; (3) ensure that property and casualty insurance rates are not excessive, inadequate, unfairly discriminatory or otherwise in violation of the Insurance Code; (4) review health insurance rates filed with the Department to determine whether they are reasonable and attempt to get unreasonable rates lowered by insurers; (5) ensure that applicants for insurance licenses, and holders of insurance licenses, satisfy and maintain the qualifications for licensure. Through the Conservation and Liquidation Office, the CDI administers the estates of insolvent and delinquent insurance companies.

0525 - CONSUMER PROTECTION

The objectives of this program are to: (1) provide direct service to California consumers by protecting insurance policyholders and other parties involved in insurance transactions against unfair or illegal practices with respect to claims handling, rating or underwriting by insurers and (2) protect applicants and policyholders from discriminatory, unlawful or fraudulent practices or incompetence relating to the sale of insurance.

0530 - FRAUD CONTROL

The objective of this program is to protect the public from economic loss by actively investigating, arresting and referring for prosecution or adjudication those who commit insurance fraud and other violations of the law. The program is staffed by sworn peace officers who conduct criminal investigations of insurance fraud and related criminal cases.

0535 - GENERAL FUND TAX COLLECTION AND COMPLIANCE

This program performs tax collection; ensures compliance from insurance companies and surplus line brokers with the laws contained in the Insurance Code and Revenue and Taxation Code; and works with the Board of Equalization and State Controller's Office with various refund, assessment, and accounting matters relative to the premium tax program. Tax collections from this program are deposited in the State's General Fund.

9900 - ADMINISTRATION

This program provides administrative support services to the CDI including budgets, accounting, human resources, business services and information technology, as well as legislative and legal services.

DETAILED EXPENDITURES BY PROGRAM

PROGRAM REQUIREMENTS	2014-15*	2015-16*	2016-17*
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0845 Department of Insurance - Continued

		<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
0520	REGULATION OF INSURANCE COMPANIES AND INSURANCE PRODUCERS			
	State Operations:			
0217	Insurance Fund	\$79,709	\$82,245	\$84,658
0890	Federal Trust Fund	1,810	1,150	1,096
0995	Reimbursements	<u>10</u>	<u>250</u>	<u>250</u>
	Totals, State Operations	\$81,529	\$83,645	\$86,004
	SUBPROGRAM REQUIREMENTS			
0520010	Rate Regulation			
	State Operations:			
0217	Insurance Fund	\$25,733	\$21,127	\$21,359
0890	Federal Trust Fund	1,810	1,150	1,096
0995	Reimbursements	<u>10</u>	<u>250</u>	<u>250</u>
	Totals, State Operations	\$27,553	\$22,527	\$22,705
	SUBPROGRAM REQUIREMENTS			
0520019	Regulatory			
	State Operations:			
0217	Insurance Fund	<u>\$19,004</u>	<u>\$25,015</u>	<u>\$26,193</u>
	Totals, State Operations	\$19,004	\$25,015	\$26,193
	SUBPROGRAM REQUIREMENTS			
0520028	Licensing			
	State Operations:			
0217	Insurance Fund	<u>\$28,454</u>	<u>\$26,669</u>	<u>\$27,591</u>
	Totals, State Operations	\$28,454	\$26,669	\$27,591
	SUBPROGRAM REQUIREMENTS			
0520037	Special Programs			
	State Operations:			
0217	Insurance Fund	<u>\$6,518</u>	<u>\$9,434</u>	<u>\$9,515</u>
	Totals, State Operations	\$6,518	\$9,434	\$9,515
	PROGRAM REQUIREMENTS			
0525	CONSUMER PROTECTION			
	State Operations:			
0001	General Fund	\$315	\$3,714	\$715
0217	Insurance Fund	<u>52,984</u>	<u>56,815</u>	<u>57,389</u>
	Totals, State Operations	\$53,299	\$60,529	\$58,104
	Local Assistance:			
0217	Insurance Fund	<u>\$750</u>	<u>\$750</u>	<u>\$750</u>
	Totals, Local Assistance	\$750	\$750	\$750
	SUBPROGRAM REQUIREMENTS			
0525010	Legal Compliance			
	State Operations:			
0217	Insurance Fund	<u>\$7,139</u>	<u>\$10,001</u>	<u>\$10,095</u>
	Totals, State Operations	\$7,139	\$10,001	\$10,095
	SUBPROGRAM REQUIREMENTS			
0525019	Investigations			
	State Operations:			
0217	Insurance Fund	<u>\$15,985</u>	<u>\$16,588</u>	<u>\$16,765</u>
	Totals, State Operations	\$15,985	\$16,588	\$16,765

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0845 Department of Insurance - Continued

		<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
	Local Assistance:			
0217	Insurance Fund	\$750	\$750	\$750
	Totals, Local Assistance	\$750	\$750	\$750
	SUBPROGRAM REQUIREMENTS			
0525028	Consumer Services and Market Conduct			
	State Operations:			
0001	General Fund	\$-	\$3,000	\$-
0217	Insurance Fund	29,860	30,226	30,529
	Totals, State Operations	\$29,860	\$33,226	\$30,529
	SUBPROGRAM REQUIREMENTS			
0525037	Enhanced Fraud Investigation Division			
	State Operations:			
0001	General Fund	\$315	\$714	\$715
	Totals, State Operations	\$315	\$714	\$715
	PROGRAM REQUIREMENTS			
0530	FRAUD CONTROL			
	State Operations:			
0001	General Fund	\$2,078	\$4,547	\$3,983
0217	Insurance Fund	45,378	53,917	54,432
	Totals, State Operations	\$47,456	\$58,464	\$58,415
	Local Assistance:			
0001	General Fund	\$1,000	\$1,000	\$1,000
0217	Insurance Fund	58,814	63,868	63,868
	Totals, Local Assistance	\$59,814	\$64,868	\$64,868
	SUBPROGRAM REQUIREMENTS			
0530010	Fraud - Auto			
	State Operations:			
0217	Insurance Fund	\$19,521	\$22,021	\$22,231
	Totals, State Operations	\$19,521	\$22,021	\$22,231
	Local Assistance:			
0217	Insurance Fund	\$21,951	\$21,951	\$21,951
	Totals, Local Assistance	\$21,951	\$21,951	\$21,951
	SUBPROGRAM REQUIREMENTS			
0530019	Fraud - Workers' Compensation			
	State Operations:			
0217	Insurance Fund	\$21,192	\$25,234	\$25,477
	Totals, State Operations	\$21,192	\$25,234	\$25,477
	Local Assistance:			
0217	Insurance Fund	\$31,759	\$35,101	\$35,101
	Totals, Local Assistance	\$31,759	\$35,101	\$35,101
	SUBPROGRAM REQUIREMENTS			
0530028	Fraud - General Assessment			
	State Operations:			
0217	Insurance Fund	\$2,149	\$2,949	\$2,979
	Totals, State Operations	\$2,149	\$2,949	\$2,979
	SUBPROGRAM REQUIREMENTS			
0530037	Fraud - Disability and Healthcare			

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0845 Department of Insurance - Continued

		<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
State Operations:				
0217	Insurance Fund	\$2,516	\$3,713	\$3,745
	Totals, State Operations	\$2,516	\$3,713	\$3,745
Local Assistance:				
0217	Insurance Fund	\$5,104	\$6,816	\$6,816
	Totals, Local Assistance	\$5,104	\$6,816	\$6,816
SUBPROGRAM REQUIREMENTS				
0530055	Enhanced Fraud - Fraud Division			
State Operations:				
0001	General Fund	\$1,967	\$3,830	\$3,281
	Totals, State Operations	\$1,967	\$3,830	\$3,281
Local Assistance:				
0001	General Fund	\$1,000	\$1,000	\$1,000
	Totals, Local Assistance	\$1,000	\$1,000	\$1,000
SUBPROGRAM REQUIREMENTS				
0530064	Enhanced Fraud - Legal Branch			
State Operations:				
0001	General Fund	\$111	\$717	\$702
	Totals, State Operations	\$111	\$717	\$702
PROGRAM REQUIREMENTS				
0535	GENERAL FUND TAX COLLECTION AND COMPLIANCE			
State Operations:				
0217	Insurance Fund	\$1,602	\$1,280	\$1,282
	Totals, State Operations	\$1,602	\$1,280	\$1,282
SUBPROGRAM REQUIREMENTS				
9900100	Administration			
State Operations:				
0217	Insurance Fund	\$31,616	\$32,854	\$35,123
	Totals, State Operations	\$31,616	\$32,854	\$35,123
SUBPROGRAM REQUIREMENTS				
9900200	Administration - Distributed			
State Operations:				
0217	Insurance Fund	-\$31,616	-\$32,854	-\$35,123
	Totals, State Operations	-\$31,616	-\$32,854	-\$35,123
TOTALS, EXPENDITURES				
	State Operations	183,886	203,918	203,805
	Local Assistance	60,564	65,618	65,618
	Totals, Expenditures	\$244,450	\$269,536	\$269,423

EXPENDITURES BY CATEGORY

	1 State Operations			Expenditures		
	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
PERSONAL SERVICES						
Baseline Positions	1,383.3	1,402.8	1,409.3	\$99,417	\$101,187	\$100,541
Budget Position Transparency	-	-161.5	-158.0	-	-	-
Total Adjustments	-162.3	-	15.5	-10,837	2,737	4,137

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0845 Department of Insurance - Continued

1 State Operations	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
Net Totals, Salaries and Wages	1,221.0	1,241.3	1,266.8	\$88,580	\$103,924	\$104,678
Staff Benefits	-	-	-	42,254	45,802	46,516
Totals, Personal Services	1,221.0	1,241.3	1,266.8	\$130,834	\$149,726	\$151,194
OPERATING EXPENSES AND EQUIPMENT				\$51,206	\$54,192	\$52,611
SPECIAL ITEMS OF EXPENSES				1,846	-	-
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$183,886	\$203,918	\$203,805

2 Local Assistance	Expenditures		
	2014-15*	2015-16*	2016-17*
Grants and Subventions - Governmental	\$60,564	\$65,618	\$65,618
TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)	\$60,564	\$65,618	\$65,618

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2014-15*	2015-16*	2016-17*
0001 General Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$3,585	\$5,171	\$4,698
Allocation for employee compensation	6	46	-
Allocation for staff benefits	2	21	-
Section 3.60 pension contribution adjustment	50	23	-
002 Budget Act appropriation	-	3,000	-
Totals Available	\$3,643	\$8,261	\$4,698
Unexpended balance, estimated savings	-1,250	-	-
TOTALS, EXPENDITURES	\$2,393	\$8,261	\$4,698
0217 Insurance Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$182,290	\$189,313	\$197,761
Allocation for employee compensation	1,587	2,520	-
Allocation for staff benefits	721	1,388	-
Miscellaneous adjustment to realign Current Service Level	6	-	-
Past year actual adjustments	-2	-	-
Section 3.60 pension contribution adjustment	3,287	1,036	-
Totals Available	\$187,889	\$194,257	\$197,761
Unexpended balance, estimated savings	-8,216	-	-
TOTALS, EXPENDITURES	\$179,673	\$194,257	\$197,761
0890 Federal Trust Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$3,103	\$808	\$1,096
Control Section 28.00 Cycle III Federal Funds Adjustment	-779	342	-
Past year actual adjustments	-514	-	-
TOTALS, EXPENDITURES	\$1,810	\$1,150	\$1,096
0995 Reimbursements			
APPROPRIATIONS			
Reimbursements	\$10	\$250	\$250

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0845 Department of Insurance - Continued

1 STATE OPERATIONS	<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
TOTALS, EXPENDITURES	\$10	\$250	\$250
Total Expenditures, All Funds, (State Operations)	\$183,886	\$203,918	\$203,805
2 LOCAL ASSISTANCE	<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
0001 General Fund			
APPROPRIATIONS			
101 Budget Act appropriation	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$1,000</u>
TOTALS, EXPENDITURES	\$1,000	\$1,000	\$1,000
0217 Insurance Fund			
APPROPRIATIONS			
101 Budget Act appropriation	<u>\$61,391</u>	<u>\$64,618</u>	<u>\$64,618</u>
Totals Available	\$61,391	\$64,618	\$64,618
Unexpended balance, estimated savings	<u>-1,827</u>	<u>-</u>	<u>-</u>
TOTALS, EXPENDITURES	\$59,564	\$64,618	\$64,618
Total Expenditures, All Funds, (Local Assistance)	\$60,564	\$65,618	\$65,618
TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)	\$244,450	\$269,536	\$269,423

FUND CONDITION STATEMENTS

	<u>2014-15*</u>	<u>2015-16*</u>	<u>2016-17*</u>
0217 Insurance Fund^s			
BEGINNING BALANCE	\$13,699	\$16,621	\$16,792
Prior Year Adjustments	<u>846</u>	<u>-</u>	<u>-</u>
Adjusted Beginning Balance	\$14,545	\$16,621	\$16,792
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4124000 Insurance Company - Examination Fees	23,377	23,718	24,326
4124200 Insurance Company - License Fees and Penalties	47,062	51,499	53,044
4124400 Insurance Company - General Fees	26,839	29,297	31,389
4124600 Insurance Company - Proposition 103 Fees	29,208	31,140	31,679
4124800 Insurance Fraud Assessment - Automobile	49,145	50,786	52,309
4125000 Insurance Fraud Assessment - General	11,469	13,584	13,838
4125200 Insurance Fraud Assessment - Workers Compensation	52,502	59,262	58,444
4140000 Document Sales	88	87	87
4143500 Miscellaneous Services to the Public	20	20	20
4163000 Investment Income - Surplus Money Investments	51	51	51
4171100 Cost Recoveries - Other	1,797	1,300	1,300
4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons	4	4	4
4172500 Miscellaneous Revenue	933	374	374
4173000 Penalty Assessments - Other	501	-	-
Transfers and Other Adjustments			
Revenue Transfer from Insurance Fund (0217) to Office of Patient Advocate Trust Fund (3209) per Chapter 552, Statutes of 2011	-209	-211	-208
Loan Repayment from Insurance Fund (0217) to General Fund (0001) per Item 0845-011-0001, Budget Act of 2013	-165	-121	-96
Total Revenues, Transfers, and Other Adjustments	\$242,622	\$260,790	\$266,561
Total Resources	\$257,167	\$277,411	\$283,353
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			

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0845 Department of Insurance - Continued

	2014-15*	2015-16*	2016-17*
0845 Department of Insurance (State Operations)	179,671	194,255	197,760
0845 Department of Insurance (Local Assistance)	59,564	64,618	64,618
1690 Alfred E. Alquist Seismic Safety Commission (State Operations)	1,167	1,412	1,360
8880 Financial Information System for California (State Operations)	144	334	241
Total Expenditures and Expenditure Adjustments	\$240,546	\$260,619	\$263,979
FUND BALANCE	\$16,621	\$16,792	\$19,374
Reserve for economic uncertainties	16,621	16,792	19,374

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
Baseline Positions	1,383.3	1,402.8	1,409.3	\$99,417	\$101,187	\$100,541
Budget Position Transparency	-	-161.5	-158.0	-	-	-
Salary and Other Adjustments	-162.3	-	1.0	-10,837	2,737	2,727
Workload and Administrative Adjustments						
CMMP Year 3						
Sr Programmer Analyst (Spec)	-	-	1.0	-	-	81
Sys Software Spec II (Tech)	-	-	1.0	-	-	81
Sys Software Spec III (Supvry)	-	-	1.0	-	-	93
Sys Software Spec III (Tech)	-	-	1.0	-	-	88
Temporary Help	-	-	2.5	-	-	207
Life and Disability Policies (AB 387)						
Atty	-	-	2.0	-	-	241
Outpatient Prescription Drugs (AB 339)						
Atty	-	-	1.0	-	-	80
Principle-Based Reserving (SB 696)						
Sr Life Actuary	-	-	1.0	-	-	114
Sr Programmer Analyst (Spec)	-	-	1.0	-	-	81
Statistical Methods Analyst III	-	-	1.0	-	-	65
Sys Software Spec III (Tech)	-	-	1.0	-	-	89
Various	-	-	1.0	-	-	190
TOTALS, WORKLOAD AND ADMINISTRATIVE ADJUSTMENTS	-	-	14.5	\$-	\$-	\$1,410
Totals, Adjustments	-162.3	-161.5	-142.5	-\$10,837	\$2,737	\$4,137
TOTALS, SALARIES AND WAGES	1,221.0	1,241.3	1,266.8	\$88,580	\$103,924	\$104,678

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