

## OFFICE OF THE COMMISSIONER OF INSURANCE

### GOVERNOR'S BUDGET RECOMMENDATIONS

| Source of Funds | FY03<br>Adjusted Base | FY04<br>Recommended | % Change<br>Over FY03 | FY05<br>Recommended | % Change<br>Over FY04 |
|-----------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| PR-O            | 12,387,400            | 12,774,000          | 3.1                   | 12,801,400          | 0.2                   |
| PR-S            | 4,042,400             | 4,333,000           | 7.2                   | 4,288,800           | -1.0                  |
| SEG-O           | 77,840,200            | 284,029,500         | 264.9                 | 87,169,400          | -69.3                 |
| <b>TOTAL</b>    | <b>94,270,000</b>     | <b>301,136,500</b>  | <b>219.4</b>          | <b>104,259,600</b>  | <b>-65.4</b>          |

### FULL-TIME EQUIVALENT POSITION SUMMARY

| Source of Funds | FY03<br>Adjusted Base | FY04<br>Recommended | FTE Change<br>From FY03 | FY05<br>Recommended | FTE Change<br>From FY04 |
|-----------------|-----------------------|---------------------|-------------------------|---------------------|-------------------------|
| PR-O            | 96.25                 | 88.25               | -8.00                   | 88.25               | 0.00                    |
| PR-S            | 25.00                 | 25.00               | 0.00                    | 25.00               | 0.00                    |
| SEG-O           | 13.75                 | 13.75               | 0.00                    | 13.75               | 0.00                    |
| <b>TOTAL</b>    | <b>135.00</b>         | <b>127.00</b>       | <b>-8.00</b>            | <b>127.00</b>       | <b>0.00</b>             |

### AGENCY DESCRIPTION

The agency was created by the Legislature in 1871 and the original intent of the agency has not changed drastically over the past 130 years. The agency is vested with broad powers to ensure that the insurance industry responsibly and adequately meets the insurance needs of Wisconsin citizens. The agency performs a variety of tasks to protect insurance consumers and ensure a competitive insurance environment. The agency's major functions include: reviewing insurance policies that are sold in Wisconsin to make sure they meet the requirements set forth in Wisconsin law; conducting examinations of domestic and foreign insurers to ensure compliance with Wisconsin laws and rules; monitoring the financial solvency of licensed companies to make sure that consumers have the insurance coverage they expect when they need it; issuing licenses to the various parties involved in selling and marketing insurance products; assisting insurance consumers with their insurance problems; researching special insurance issues to understand and assess their impact on Wisconsin; providing technical assistance on legislation and promulgating administrative rules to interpret insurance laws; creating and distributing public information and consumer education pieces to educate people about insurance; and operating a state life insurance fund, a property fund for the property owned by local units of government and a patients compensation fund insuring health care providers for medical malpractice.

### MISSION

The mission of the agency is to lead the way in informing and protecting the public and responding to its insurance needs.

## PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

### Program 1: Supervision of the Insurance Industry

Goal: Proactively address the root causes of problems in the insurance marketplace through effective regulation with an emphasis on early detection and prevention.

Objective/Activity: Aggressively conduct all regulatory core mission functions, including information collection, analysis, licensing and adjudication; refine and improve early warning systems in financial and market regulation; train staff to facilitate intra-agency communication and early identification of regulatory issues; and encourage external interaction and feedback.

Goal: Provide information and assistance to the public, including consumers, legislators, insurers, agents, other states, the federal government and other organizations.

Objective/Activity: Ensure that staff directly interacting with the public have the training and equipment to provide information and assistance in a timely and courteous manner; continue to use and improve performance measures; provide public information through the development and implementation of a coordinated communication plan; and improve and preserve state regulation of insurance by communicating with and informing the public.

Goal: Provide ongoing support and development of each staff member.

Objective/Activity: Provide a healthy and safe work environment; develop the full potential of staff by promoting training and growth opportunities; foster diversity in the workplace; promote positive communication, cooperation and mutual respect within and among all work units, and continue to develop work group teams to improve cross-functional work processes; through continued use of performance standards, strive to improve all functions; and assess restructuring and reallocation of staff resources as appropriate to better address work needs.

Goal: Use appropriate technology to provide tools for the regulation of insurance.

Objective/Activity: Continually review emerging technologies and conduct cost-benefit analyses of applications; encourage officewide participation in technology planning and implementation such as through the Information Technology Strategic Planning Committee; improve state regulation and service by implementing the use of technology to facilitate the sharing of information with other regulatory authorities; and provide opportunities for staff to research and develop new approaches to optimize the use of technology.

### Program 2: Patients Compensation Fund

The major objective of the program is to assure that adequate funds are available to compensate patients for serious injuries resulting from acts of medical malpractice. Approximately 12,344 health care providers are covered by the fund. Since its inception in 1975, through December 2001, the fund has paid 585 claims totaling \$507,692,824.

Goal: Provide excess medical malpractice coverage for Wisconsin health care providers.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

**Program 3: Local Government Property Insurance Fund**

The purpose of the fund is to make reasonably priced property insurance available for tax-supported local government property such as government buildings, schools, libraries and motor vehicles. The fund provides policy and claim service to the policyholders. As of June 30, 2002, the fund insured 1,183 policyholders. The total amount of insurance in force as of June 30, 2002, was \$29.7 billion, up from \$27.6 billion as of the previous fiscal year end.

Goal: Make reasonably priced property insurance available for tax-supported local government property.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

**Program 4: State Life Insurance Fund**

The fund is a state-sponsored program established to provide low-cost life insurance coverage. The maximum level of coverage available to each policyholder is \$10,000.

Goal: Provide a state-sponsored life insurance program for the benefit of residents of Wisconsin.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

**PERFORMANCE MEASURES**

## HISTORICAL DATA

| Prog. No. | Performance Measure  | Actual 2000         |
|-----------|--|---------------------|
| 1.        | Number of financial examinations.  | 47                  |
| 1.        | Number of market conduct examinations.   | 9                   |
| 1.        | Consumer complaints handled in a timely fashion.   | 93%                 |
| 1.        | Policy form reviews conducted in a timely manner.  | 46,628              |
| 1.        | Insurance intermediary licensing function processed in a timely manner.  | 15,340              |
| 1.        | Develop, maintain and distribute consumer education material to the public in a timely manner. <sup>1</sup>  | 282<br>2<br>347,775 |
| 1.        | Continually update the Web site so users can find the information they need. <sup>2</sup>  | 636<br>31,321       |
| 2.        | Patients Compensation Fund report accepted by Board of Governors.  | Report accepted     |
| 3.        | Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.  | Met GAAP standards  |
| 3.        | Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or a qualified audit opinion being rendered. | Unqualified opinion |
| 4.        | Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.  | Met GAAP standards  |

| Prog. No. | Performance Measure  | Actual 2000         |
|-----------|--|---------------------|
| 4.        | Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or a qualified opinion being rendered. | Unqualified opinion |

Note: Based on calendar year.

<sup>1</sup>Three figures are presented. The first is the number of "views" of the Consumer Publications List on the Web site. The second is the number of new publications developed. The third is the number of printed publications distributed.

<sup>2</sup>Two numbers are presented. The first is the number of major updates or additions to the Web site per year. The second is the total number of "hits" per week on the Web site.

#### 2001 AND 2002 GOALS AND ACTUALS

| Prog. No. | Performance Measure   | Goal 2001           | Actual 2001         | Goal 2002                       | Actual 2002 |
|-----------|---|---------------------|---------------------|---------------------------------|-------------|
| 1         | Number of financial examinations.   | 55                  | 54                  | 55                              | N/A         |
| 1.        | Number of market conduct examinations.  | 10                  | 16                  | 10                              | N/A         |
| 1.        | Consumer complaints handled in a timely fashion.  | 90%                 | 91.9%               | 90%                             | N/A         |
| 1.        | Policy form reviews conducted in a timely manner.   | 55,000              | 38,580              | 55,000                          | N/A         |
| 1.        | Insurance intermediary licensing function processed in a timely manner.   | 10,000              | 15,461              | 10,000                          | N/A         |
| 1.        | Develop, maintain and distribute consumer education material to the public in a timely manner. <sup>1</sup>               |                     | 261<br>0<br>226,800 | 361<br>2<br>55,000 <sup>3</sup> | N/A         |
| 1.        | Continually update the Web site so users can find the information they need. <sup>2</sup>                                 |                     | 881<br>40,104       | 1,000<br>50,000                 | N/A         |
| 2.        | Patients Compensation Fund report accepted by Board of Governors.   | Report accepted     | Report accepted     | Report accepted                 | N/A         |
| 3.        | Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements. | Meet GAAP standards | Meet GAAP standards | Meet GAAP standards             | N/A         |

| Prog. No. | Performance Measure  | Goal 2001           | Actual 2001         | Goal 2002           | Actual 2002 |
|-----------|--|---------------------|---------------------|---------------------|-------------|
| 3.        | Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or a qualified audit opinion being rendered. | Unqualified opinion | Unqualified opinion | Unqualified opinion | N/A         |
| 4.        | Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.  | Meet GAAP standards | Meet GAAP standards | Meet GAAP standards | N/A         |

Note: Based on calendar year.

<sup>1</sup>Three figures are presented. The first is the number of "views" of the Consumer Publications List on the Web site. The second is the number of new publications developed. The third is the number of printed publications distributed.

<sup>2</sup>Two numbers are presented. The first is the number of major updates or additions to the Web site per year. The second is the total number of "hits" per week on the Web site.

<sup>3</sup>The number of printed publications will continue to decrease because more information is being made available electronically. As the number of "hits" per week on the Web site goes up, the number of printed publications has been able to substantially decrease.

#### 2003, 2004 AND 2005 GOALS

| Prog. No. | Performance Measure   | Goal 2003          | Goal 2004           | Goal 2005          |
|-----------|---|--------------------|---------------------|--------------------|
| 1.        | Number of financial examinations.   | 55                 | 52                  | 61                 |
| 1.        | Number of market conduct examinations.  | 12                 | 15                  | 15                 |
| 1.        | Consumer complaints handled in a timely fashion.  | 90%                | 90%                 | 90%                |
| 1.        | Policy form reviews conducted in a timely manner.   | 55,000             | 35,000 <sup>3</sup> | 35,000             |
| 1.        | Insurance intermediary licensing function processed in a timely manner.                                     | 10,000             | 10,000              | 10,000             |
| 1.        | Develop, maintain and distribute consumer education material to the public in a timely manner. <sup>1</sup> | 450<br>2<br>50,000 | 500<br>2<br>45,000  | 550<br>2<br>40,000 |
| 1.        | Continually update the Web site so users can find the information they need. <sup>2</sup>                   | 2,000<br>60,000    | 2,500<br>70,000     | 3,000<br>75,000    |
| 2.        | Patients Compensation Fund report accepted by Board of Governors.   | Report accepted    | Report accepted     | Report accepted    |

| Prog. No. | Performance Measure  | Goal 2003           | Goal 2004           | Goal 2005           |
|-----------|--|---------------------|---------------------|---------------------|
| 3.        | Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.  | Meet GAAP standards | Meet GAAP standards | Meet GAAP standards |
| 3.        | Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or a qualified audit opinion being rendered. | Unqualified opinion | Unqualified opinion | Unqualified opinion |
| 4.        | Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.  | Meet GAAP standards | Meet GAAP standards | Meet GAAP standards |
| 4.        | Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or a qualified opinion being rendered.       | Unqualified opinion | Unqualified opinion | Unqualified opinion |

Note: Based on calendar year.

<sup>1</sup>Three figures are presented. The first is the number of "views" of the Consumer Publications List on the Web site. The second is the number of new publications developed. The third is the number of printed publications distributed.

<sup>2</sup>Two numbers are presented. The first is the number of major updates or additions to the Web site per year. The second is the total number of "hits" per week on the Web site.

<sup>3</sup>Due to the implementation of a new system, the way form filings are counted will be modified in October 2002.

**OFFICE OF THE COMMISSIONER OF INSURANCE****GOVERNOR'S BUDGET RECOMMENDATIONS****RECOMMENDATIONS**

1. Budget Efficiency Measures
2. Attorney Consolidation Initiative
3. Program and Segregated Revenue Lapses
4. Provider Availability and Cost Containment Fund
5. Patients Compensation Fund Computer System
6. Patients Compensation Fund – Legislative Audit Bureau Charges
7. COSMOS Enhancements
8. Actuarial Services
9. Travel for Financial Examiners
10. Local Government Property Insurance Fund Loss Reestimate
11. Medigap Helpline
12. Semiautomatic Pay Progression Series
13. Standard Budget Adjustments

**ITEMS NOT APPROVED**

14. Internet Programmer
15. Applications Development Staff
16. Agent Licensing
17. Market Regulation Support Staff
18. Affirmative Action Interns
19. LTE Law Clerk
20. LTE for Regulation and Enforcement
21. Advanced Financial Examiner
22. Interactive Voice Response Unit
23. Postage
24. Assessment on OCI
25. Patients Compensation Fund – Investment Consultant

**Table 1**  
**Department Budget Summary by Funding Source (in thousands of dollars)**

|                        | ACTUAL<br>FY02 | ADJUSTED     | AGENCY REQUEST |            | GOVERNOR'S<br>RECOMMENDATION |            |
|------------------------|----------------|--------------|----------------|------------|------------------------------|------------|
|                        |                | BASE<br>FY03 | FY04           | FY05       | FY04                         | FY05       |
| PROGRAM REVENUE (2)    | \$15,773.7     | \$16,429.8   | \$18,687.1     | \$18,759.3 | \$17,107.0                   | \$17,090.2 |
| State Operations       | 15,773.7       | 16,429.8     | 18,687.1       | 18,759.3   | 17,107.0                     | 17,090.2   |
| SEGREGATED REVENUE (3) | 63,271.7       | 77,840.2     | 84,275.5       | 87,415.4   | 284,029.5                    | 87,169.4   |
| State Operations       | 2,089.2        | 2,341.8      | 2,796.6        | 2,811.4    | 2,550.6                      | 2,565.4    |
| Local Assistance       | 19,209.3       | 17,821.0     | 23,801.5       | 26,926.6   | 23,801.5                     | 26,926.6   |
| Aids to Ind. & Org.    | 41,973.2       | 57,677.4     | 57,677.4       | 57,677.4   | 257,677.4                    | 57,677.4   |
| TOTALS-ANNUAL          | 79,045.4       | 94,270.0     | 102,962.6      | 106,174.7  | 301,136.5                    | 104,259.6  |
| State Operations       | 17,862.9       | 18,771.6     | 21,483.7       | 21,570.7   | 19,657.6                     | 19,655.6   |
| Local Assistance       | 19,209.3       | 17,821.0     | 23,801.5       | 26,926.6   | 23,801.5                     | 26,926.6   |
| Aids to Ind. & Org.    | 41,973.2       | 57,677.4     | 57,677.4       | 57,677.4   | 257,677.4                    | 57,677.4   |

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

**Table 2**  
**Department Position Summary by Funding Source (in FTE positions) (4)**

|                        | ADJUSTED     | AGENCY REQUEST |        | GOVERNOR'S<br>RECOMMENDATION |        |
|------------------------|--------------|----------------|--------|------------------------------|--------|
|                        | BASE<br>FY03 | FY04           | FY05   | FY04                         | FY05   |
| PROGRAM REVENUE (2)    | 121.25       | 130.25         | 130.25 | 113.25                       | 113.25 |
| SEGREGATED REVENUE (3) | 13.75        | 13.75          | 13.75  | 13.75                        | 13.75  |
| TOTALS-ANNUAL          | 135.00       | 144.00         | 144.00 | 127.00                       | 127.00 |

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

(4) All positions are State Operations unless otherwise specified



**Table 3**  
**Department Budget Summary by Program (in thousands of dollars)**

|   | ACTUAL<br>FY02 | ADJUSTED     | AGENCY REQUEST |            | GOVERNOR'S<br>RECOMMENDATION |            |
|---|----------------|--------------|----------------|------------|------------------------------|------------|
|   |                | BASE<br>FY03 | FY04           | FY05       | FY04                         | FY05       |
| 1. Supervision of the insurance industry    | \$15,773.7     | \$16,429.8   | \$18,687.1     | \$18,759.3 | \$17,107.0                   | \$17,090.2 |
| 2. Patients compensation fund               | 40,333.8       | 55,655.2     | 56,075.1       | 56,089.9   | 255,966.3                    | 55,981.1   |
| 3. Local government property insurance fund | 19,812.5       | 18,593.2     | 24,586.2       | 27,711.3   | 24,509.5                     | 27,634.6   |
| 4. State life insurance fund                | 3,125.4        | 3,591.8      | 3,614.2        | 3,614.2    | 3,553.7                      | 3,553.7    |
| TOTALS                                      | 79,045.4       | 94,270.0     | 102,962.6      | 106,174.7  | 301,136.5                    | 104,259.6  |

**Table 4**  
**Department Position Summary by Program (in FTE positions) (4)**

|   | ADJUSTED     | AGENCY REQUEST |        | GOVERNOR'S<br>RECOMMENDATION |        |
|---|--------------|----------------|--------|------------------------------|--------|
|   | BASE<br>FY03 | FY04           | FY05   | FY04                         | FY05   |
| 1. Supervision of the insurance industry    | 121.25       | 130.25         | 130.25 | 113.25                       | 113.25 |
| 2. Patients compensation fund               | 8.11         | 8.11           | 8.11   | 8.11                         | 8.11   |
| 3. Local government property insurance fund | 1.07         | 1.07           | 1.07   | 1.07                         | 1.07   |
| 4. State life insurance fund                | 4.57         | 4.57           | 4.57   | 4.57                         | 4.57   |
| TOTALS                                      | 135.00       | 144.00         | 144.00 | 127.00                       | 127.00 |

(4) All positions are State Operations unless otherwise specified

**1. Budget Efficiency Measures**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 0              | 0.00      | 0       | 0.00      | 0                         | -4.00     | 0       | -4.00     |
| TOTAL           | 0              | 0.00      | 0       | 0.00      | 0                         | -4.00     | 0       | -4.00     |

The Governor recommends reducing position authority in the office's program revenue state operations appropriation in the amounts shown to create additional operational efficiencies and balance the budget.

**2. Attorney Consolidation Initiative**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 0              | 0.00      | 0       | 0.00      | -67,800                   | -4.00     | -90,300 | -4.00     |
| TOTAL           | 0              | 0.00      | 0       | 0.00      | -67,800                   | -4.00     | -90,300 | -4.00     |

The Governor recommends improving the provision of state legal services by consolidating attorneys under the secretary of the Department of Administration. The Department of Administration secretary will determine the assignment of attorneys to individual agencies. The initiative results in the reduction of expenditure and position authority within the office and the transfer of 3.0 FTE positions to the Department of Administration. Funding related to the transferred positions will remain in the office's budget to purchase legal services from the Department of Administration. See Department of Administration, Item #10.

**3. Program and Segregated Revenue Lapses**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |          |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|----------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05     |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars  | Positions |
| SEG-O           | 0              | 0.00      | 0       | 0.00      | -218,200                  | 0.00      | -218,200 | 0.00      |
| TOTAL           | 0              | 0.00      | 0       | 0.00      | -218,200                  | 0.00      | -218,200 | 0.00      |

The Governor recommends transferring balances to the general fund from the following appropriations: (a) \$1,226,800 PR in each year from s. 20.145(1)(g); (b) \$83,600 SEG each year from s. 20.145 (2)(u); (c) \$75,100 SEG in each year from s. 20.145(3)(u); and (d) \$59,500 SEG in each year from s. 20.145(4)(u).

#### 4. Provider Availability and Cost Containment Fund

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| SEG-O           | 0              | 0.00      | 0       | 0.00      | 200,000,000               | 0.00      | 0       | 0.00      |
| TOTAL           | 0              | 0.00      | 0       | 0.00      | 200,000,000               | 0.00      | 0       | 0.00      |

The Governor recommends (a) creating a health care provider availability and cost control fund in Chapter 655, Wisconsin Statutes, for the purpose of ensuring the availability of health care providers in the state and controlling the cost of health care services to state taxpayers, workers and employers; (b) transferring \$200,000,000 in FY04 from the patients compensation fund to the health care provider availability and cost control fund; and (c) appropriating \$200,000,000 from the health care provider availability and cost control fund to the Medical Assistance program. This transfer from the fund to the Medical Assistance program will ensure that the steep cuts in Medical Assistance program payment rates to health care providers that would otherwise be necessary to balance the FY04 budget, and which would result in a severe decline in the availability of health care providers to low-income, disabled and elderly patients, as well as major cost-shifting to and health care cost increases for private sector employers, will not happen in FY04. See Department of Health and Family Services, Item #41.

#### 5. Patients Compensation Fund Computer System

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| SEG-O           | 296,500        | 0.00      | 311,300 | 0.00      | 296,500                   | 0.00      | 311,300 | 0.00      |
| TOTAL           | 296,500        | 0.00      | 311,300 | 0.00      | 296,500                   | 0.00      | 311,300 | 0.00      |

The Governor recommends providing one-time expenditure authority to purchase and implement a new computer system for the patients compensation fund. The current system is used to track insurance coverage, bill and collect fees, process claims information and monitor noncompliance. The system was developed in the early 1990s and there are problems updating accounts and performing calculations.

#### 6. Patients Compensation Fund – Legislative Audit Bureau Charges

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| SEG-O           | 62,000         | 0.00      | 62,000  | 0.00      | 62,000                    | 0.00      | 62,000  | 0.00      |
| TOTAL           | 62,000         | 0.00      | 62,000  | 0.00      | 62,000                    | 0.00      | 62,000  | 0.00      |

The Governor recommends providing expenditure authority to pay for the charges from the Legislative Audit Bureau which is required to audit the patients compensation fund annually. There is no base budget for this service since the fund was previously audited every three years. A change in national accounting standards now mandates that this fund be audited annually.

**7. COSMOS Enhancements**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 200,000        | 0.00      | 200,000 | 0.00      | 200,000                   | 0.00      | 200,000 | 0.00      |
| PR-S            | 200,000        | 0.00      | 200,000 | 0.00      | 200,000                   | 0.00      | 200,000 | 0.00      |
| TOTAL           | 400,000        | 0.00      | 400,000 | 0.00      | 400,000                   | 0.00      | 400,000 | 0.00      |

The Governor recommends providing one-time expenditure authority to purchase enhancements for the COSMOS software that the office uses to license insurance companies, license agents and process payments for both. It is also used to track insurance policy rate and form filings.

**8. Actuarial Services**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 95,200         | 0.00      | 95,200  | 0.00      | 95,200                    | 0.00      | 95,200  | 0.00      |
| TOTAL           | 95,200         | 0.00      | 95,200  | 0.00      | 95,200                    | 0.00      | 95,200  | 0.00      |

The Governor recommends providing additional expenditure authority for consultations with actuaries. These services will be used by the Market Regulation Bureau to examine a number of different required filings and by the Financial Examination Bureau to complete complicated audits.

**9. Travel for Financial Examiners**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 43,100         | 0.00      | 42,100  | 0.00      | -40,700                   | 0.00      | 42,100  | 0.00      |
| TOTAL           | 43,100         | 0.00      | 42,100  | 0.00      | -40,700                   | 0.00      | 42,100  | 0.00      |

The Governor recommends using some of the funding placed in unallotted reserve in a previous biennium to support travel costs in FY04. Different types of insurance companies must be audited within different intervals of years, but all must be examined at least once every five years. In that final year, work load is heavier than in other years and additional travel is necessary. In the 1999-2001 biennial budget, \$83,800 was placed in unallotted reserve to be used for the fifth year's travel.

**10. Local Government Property Insurance Fund Loss Reestimate**

| Source of Funds | Agency Request |           |           |           | Governor's Recommendation |           |           |           |
|-----------------|----------------|-----------|-----------|-----------|---------------------------|-----------|-----------|-----------|
|                 | FY04           |           | FY05      |           | FY04                      |           | FY05      |           |
|                 | Dollars        | Positions | Dollars   | Positions | Dollars                   | Positions | Dollars   | Positions |
| SEG-O           | 5,980,500      | 0.00      | 9,105,600 | 0.00      | 5,980,500                 | 0.00      | 9,105,600 | 0.00      |
| TOTAL           | 5,980,500      | 0.00      | 9,105,600 | 0.00      | 5,980,500                 | 0.00      | 9,105,600 | 0.00      |

The Governor recommends reestimating the expenditure authority for the local government property insurance fund to reflect the expected loss experience. The fund covers 1,183 local governmental entities such as schools, libraries and government buildings with \$29.7 billion of insurance coverage in force.

**11. Medigap Helpline**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 44,600         | 0.00      | 44,600  | 0.00      | 44,600                    | 0.00      | 44,600  | 0.00      |
| TOTAL           | 44,600         | 0.00      | 44,600  | 0.00      | 44,600                    | 0.00      | 44,600  | 0.00      |

The Governor recommends providing expenditure authority to support the increased cost of the Medigap Hotline operated by the Board on Aging and Long-Term Care on behalf of the office. The board requested standard budget adjustments, conversion of a grant-funded position to funding from the office, and postage and rent increases.

**12. Semiautomatic Pay Progression Series**

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 0              | 0.00      | 0       | 0.00      | 55,100                    | 0.00      | 66,400  | 0.00      |
| TOTAL           | 0              | 0.00      | 0       | 0.00      | 55,100                    | 0.00      | 66,400  | 0.00      |

The Governor recommends providing expenditure authority for the semiautomatic pay progression series for financial examiners as authorized by the Department of Employment Relations. The office included this as a standard budget adjustment but this appropriation has over 40 FTE so the request must be addressed as a stand-alone decision item.

## 13. Standard Budget Adjustments

| Source of Funds | Agency Request |           |         |           | Governor's Recommendation |           |         |           |
|-----------------|----------------|-----------|---------|-----------|---------------------------|-----------|---------|-----------|
|                 | FY04           |           | FY05    |           | FY04                      |           | FY05    |           |
|                 | Dollars        | Positions | Dollars | Positions | Dollars                   | Positions | Dollars | Positions |
| PR-O            | 311,100        | 0.00      | 322,400 | 0.00      | 100,200                   | 0.00      | 56,000  | 0.00      |
| PR-S            | 246,400        | 0.00      | 246,400 | 0.00      | 90,600                    | 0.00      | 46,400  | 0.00      |
| SEG-O           | 68,500         | 0.00      | 68,500  | 0.00      | 68,500                    | 0.00      | 68,500  | 0.00      |
| TOTAL           | 626,000        | 0.00      | 637,300 | 0.00      | 259,300                   | 0.00      | 170,900 | 0.00      |

The Governor recommends adjusting the office's base budget for: (a) turnover reduction (-\$131,200 in each year); (b) removal of noncontinuing elements from the base (-\$489,400 in FY04 and -\$590,800 in FY05); (c) full funding of continuing position salaries and fringe benefits (\$821,100 in each year); and (d) fifth week of vacation as cash (\$58,800 in each year).

## ITEMS NOT APPROVED

The following requests are not included in the Governor's budget recommendations for the Office of the Commissioner of Insurance.

| Decision Item  | Source of Funds | FY04    |           | FY05    |           |
|--|-----------------|---------|-----------|---------|-----------|
|  |                 | Dollars | Positions | Dollars | Positions |
| 14. Internet Programmer                                | PR-O            | 54,600  | 0.00      | 63,500  | 0.00      |
|  | PR-S            | 54,600  | 1.00      | 63,500  | 1.00      |
| 15. Applications Development Staff                     | PR-O            | 232,300 | 0.00      | 273,900 | 0.00      |
|  | PR-S            | 232,300 | 4.00      | 273,900 | 4.00      |
| 16. Agent Licensing                                    | PR-O            | 75,300  | 2.00      | 82,000  | 2.00      |
|  | PR-S            | 6,200   | 0.00      | 1,200   | 0.00      |
| 17. Market Regulation Support Staff                    | PR-O            | 31,400  | 1.00      | 32,600  | 1.00      |
|  | PR-S            | 3,100   | 0.00      | 600     | 0.00      |
| 18. Affirmative Action Interns                         | PR-O            | 76,700  | 0.00      | 55,200  | 0.00      |
|  | PR-S            | 30,000  | 0.00      | 16,500  | 0.00      |
| 19. LTE Law Clerk                                      | PR-O            | 19,100  | 0.00      | 16,100  | 0.00      |
|  | PR-S            | 3,100   | 0.00      | 600     | 0.00      |
| 20. LTE for Regulation and Enforcement                 | PR-O            | 77,200  | 0.00      | 75,200  | 0.00      |
|  | PR-S            | 9,300   | 0.00      | 1,800   | 0.00      |
| 21. Advanced Financial Examiner                        | PR-O            | 66,800  | 1.00      | 79,800  | 1.00      |
|  | PR-S            | 3,100   | 0.00      | 600     | 0.00      |
| 22. Interactive Voice Response Unit                    | PR-O            | 30,100  | 0.00      | 30,100  | 0.00      |
|  | PR-S            | 30,100  | 0.00      | 30,100  | 0.00      |
| 23. Postage  | PR-O            | 27,200  | 0.00      | 27,200  | 0.00      |
|  | SEG-O           | 2,800   | 0.00      | 2,800   | 0.00      |
| 24. Assessment on OCI                                  | PR-O            | 27,200  | 0.00      | 27,200  | 0.00      |
|  | PR-S            | 27,200  | 0.00      | 27,200  | 0.00      |
| 25. Patients Compensation Fund – Investment Consultant | SEG-O           | 25,000  | 0.00      | 25,000  | 0.00      |
| TOTAL OF ITEMS NOT APPROVED                            | PR-O            | 717,900 | 4.00      | 762,800 | 4.00      |
|  | PR-S            | 399,000 | 5.00      | 416,000 | 5.00      |
|  | SEG-O           | 27,800  | 0.00      | 27,800  | 0.00      |