

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

**Summary: As Reported by House Appropriations Committee  
House Bill 4237 (H-3)**



**Analyst: Marcus Coffin**

	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: House From FY 2018-19 YTD	
						Amount	%
<b>IDG/IDT</b>	\$713,800	\$723,100	\$723,100			\$9,300	1.3
<b>Federal</b>	2,017,300	1,017,600	1,017,600			(999,700)	(49.6)
<b>Local</b>	0	0	0			0	--
<b>Private</b>	0	0	0			0	--
<b>Restricted</b>	64,690,800	66,999,100	67,099,100			2,408,300	3.7
<b>GF/GP</b>	550,000	150,000	50,000			(500,000)	(90..9)
<b>Gross</b>	<b>\$67,971,900</b>	<b>\$68,889,800</b>	<b>\$68,889,800</b>			<b>\$917,900</b>	<b>1.4</b>
<b>FTEs</b>	342.5	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.

**Major Budget Changes From FY 2018-19 YTD Appropriations**

**1. Anti-Fraud Unit**

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. House concurs.

	FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
FTE	NA	6.0
<b>Gross</b>	<b>NA</b>	<b>\$499,300</b>
IDG	NA	1,400
Restricted	NA	497,900
GF/GP	NA	\$0

**2. Removal of FY 2018-19 One-Time Funding**

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. House concurs.

<b>Gross</b>	<b>\$400,000</b>	<b>(\$400,000)</b>
GF/GP	\$400,000	(\$400,000)

**3. Net-to-Zero Fund Shifts**

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. House concurs and also reduces GF/GP funding while increasing restricted authorization from the Insurance Bureau Fund by a like amount.

<b>Gross</b>	<b>NA</b>	<b>\$0</b>
Federal	NA	(1,000,000)
Restricted	NA	1,100,000
GF/GP	NA	(\$100,000)

<u>Major Budget Changes From FY 2018-19 YTD Appropriations</u>	<u>FY 2018-19 Year-to-Date (as of 3/5/19)</u>	<u>FY 2019-20 House Change</u>	
<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> concurs.	<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> concurs.	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 retains current language.

**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 retains.

**Sec. 219. Television and Radio Productions – DELETED**

Prohibits DIFS from developing or producing television or radio productions. Executive deletes. House deletes.

**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 retains.

**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 retains.

**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 retains.

**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 retains.

**Sec. 304. 0850 Reporting Requirements – NEW**

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

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

***Sec. 305. Insurance Marketplace Feasibility Study – NEW***

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

***Sec. 306. Anti-Fraud Unit Cost Savings Report – NEW***

Requires 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. Executive does not include. House includes new language.

***Sec. 307. Consumer Services Complaints Report – NEW***

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

***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 deletes. House deletes.