

**FY 2021-22: INSURANCE AND FINANCIAL SERVICES**  
**Summary: House Subcommittee Chair’s Recommendation**  
**House Bill 4405 (H-1)**



**Analyst: Marcus Coffin**

	FY 2020-21 YTD as of 2/11/21	FY 2021-22 Executive	FY 2021-22 House	FY 2021-22 Senate	FY 2021-22 Conference	Difference: House From FY 2020-21 YTD	
						Amount	%
<b>IDG/IDT</b>	\$728,600	\$724,600	\$181,100			(\$547,500)	(75.1)
<b>Federal</b>	1,017,100	1,017,100	254,300			(762,800)	(75.0)
<b>Local</b>	0	0	0			0	--
<b>Private</b>	0	0	0			0	--
<b>Restricted</b>	71,570,000	71,245,900	17,643,500			(53,926,500)	(75.3)
<b>GF/GP</b>	0	0	0			0	--
<b>Gross</b>	<b>\$73,315,700</b>	<b>\$72,987,600</b>	<b>\$18,078,900</b>			<b>(\$55,236,800)</b>	<b>(75.3)</b>
<b>FTEs</b>	378.5	388.5	388.5			10.0	2.6

Notes: (1) FY 2020-21 year-to-date figures include mid-year budget adjustments through February 11, 2021. (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 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 2020-21 YTD Appropriations**

FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
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Generally, the House Subcommittee Recommendation appropriates the equivalent of one quarter of the anticipated annual appropriation. For major budget changes listed below, the quartered appropriations are annualized for comparison purposes.

**1. Regulatory Staff Increase**

Executive includes authorization for 10.0 FTE positions, which the department has indicated would be used to fulfill departmental responsibilities related to recently enacted legislation addressing no-fault auto insurance reform, anti-fraud changes, and surprise medical billing. The FTE positions would also be used to address increased volumes of activity in health and auto insurance regulation, communication, and consumer services. Positions that would be filled are projected to include:

- 1 Call Center Operator
- 1 Insurance Property and Casualty Filing Analyst
- 1 Education and Outreach Analyst
- 2 Insurance Medical Claims Analysts
- 2 Insurance Examiners
- 3 Insurance Fraud Investigators

FTE	NA	10.0
<b>Gross</b>	<b>NA</b>	<b>\$0</b>
GF/GP	NA	\$0

House concurs.

<u>Major Budget Changes from FY 2020-21 YTD Appropriations</u>		<u>FY 2020-21 Year-to-Date (as of 2/11/21)</u>	<u>FY 2021-22 House Change</u>
<b>2. Technical Adjustments</b>		<b>NA</b>	<b>\$0</b>
<u>Executive</u> includes two net-zero adjustments within the budget to align appropriations with departmental regulatory activities:	Restricted	NA	0
	GF/GP	NA	\$0
<ul style="list-style-type: none"> <li>• Internally transfers \$2.4 million in restricted authorization and 10.0 FTE positions from the Insurance Evaluation line item to the Consumer Services and Protection line item.</li> <li>• Decreases restricted authorization from the Insurance Bureau Fund by \$2.0 million while increasing restricted authorization from Insurance Licensing and Regulation Fees by \$2.0 million, to align with regulatory activity. DIFS indicated that the volume of insurance licensing has increased over the last several fiscal years, resulting in increased revenue to the Insurance Licensing and Regulation Fund.</li> </ul>			
<u>House</u> concurs.			
<b>3. Economic Adjustments</b>		<b>NA</b>	<b>(\$328,100)</b>
<u>Executive</u> reflects decreased costs of \$328,100 Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% on October 1, 2021 and 1.0% on April 1, 2022), overtime increases, increased longevity, higher actuarially required retirement contributions, increased building occupancy charges, decreases in other employee retirement costs, decreases in worker's compensation, and other economic adjustments.	IDG/IDT	NA	(4,000)
	Restricted	NA	(324,100)
	GF/GP	NA	\$0
<u>House</u> concurs.			
<b>4. Unclassified Salaries</b>	FTE	6.0	0.0
<u>House</u> reduces restricted funding for Unclassified Salaries by \$671,900.	<b>Gross</b>	<b>\$820,600</b>	<b>(\$671,900)</b>
	Restricted	820,600	(671,900)
	GF/GP	\$0	\$0

**Major Boilerplate Changes from FY 2020-21**

**Sec. 206. Communication with the Legislature – RETAINED**

Prohibits DIFS from taking disciplinary action against employees for communicating with legislators or their staff, unless the communication is prohibited by law. Executive deletes. House retains.

**Sec. 207. Out-of-State Travel – RETAINED**

Stipulates conditions when DIFS may send employees on out-of-state travel; limits expenditure of state funds on out-of-state professional development conferences; requires detailed report on all out-of-state travel. Executive revises to strike sections delineating conditions under which out-of-state travel is permissible and to modify requirements for information to be contained in the report. House retains.

**Sec. 210. Contingency Funding – RETAINED**

Appropriates up to \$200,000 in federal and \$1.0 million in state restricted contingency funds; authorizes expenditure of funds after legislative transfer to specific line items. Executive revises to adjust appropriation amounts to \$1.0 million in federal and \$5.0 million in state restricted contingency funds. House retains.

**Sec. 216. FTE Vacancies and Remote Work Report – RETAINED**

Requires DIFS to submit a quarterly report on FTE staffing and a semiannual report on remote work and associated metrics. Executive deletes. House retains.

**Sec. 217. Work Project Usage – RETAINED**

Stipulates that appropriations are not to be expended, if possible, until all existing work project authorization for the same purpose is exhausted. Executive deletes. House retains.

**Sec. 218. State Administrative Board Transfers – RETAINED**

Stipulates that the legislature may intertransfer funds via concurrent resolution if the State Administrative Board transfers funds. Executive deletes. House retains.

## **Major Boilerplate Changes from FY 2020-21**

### **Sec. 219. Retention of Reports – RETAINED**

Requires DIFS to receive and retain copies of all reports funded by the department's budget, while complying with federal and state guidelines for records retention. Executive deletes. House retains.

### **Sec. 220. Report on Policy Changes for Public Act Implementation – RETAINED**

Requires DIFS to report on policy changes made to implement public acts that took effect during the prior calendar year. Executive deletes. House retains.

### **Sec. 221. Severance Pay Report – NEW**

Requires DIFS to report the name and any amount of severance pay given to any high-ranking department official; requires DIFS to maintain an internet site that posts any severance pay in excess of 6 weeks of wages for a former employee of any rank; requires DIFS to report on the total amount of severance pay remitted to former employees during the prior fiscal year and the number of those employees; defines "severance pay". Executive does not include. House includes new language.

### **Sec. 222. Prohibition on COVID-19 Vaccine Status Verifications – NEW**

Prohibits state entities receiving funding from part 1 from requiring proof of COVID-19 vaccination as a condition of accessing any state services or facilities, producing COVID-19 vaccine passports, and providing information to other parties for inclusion in a COVID-19 vaccine passport. Executive does not include. House includes new language.

### **Sec. 224. Television and Radio Production Expenditure Report – RETAINED**

Requires DIFS to report any expenditure of funds to a third-party vendor for television or radio productions; delineates information to be included. Executive deletes. House retains.

### **Sec. 225. Insurance Bureau Fund Use – RETAINED**

Authorizes Insurance Bureau Fund appropriations for use 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 health insurer annual rate filings; delineates information to be included. Executive deletes. House retains.

### **Sec. 302. Conservatorship and Insurance Liquidation Funds – RETAINED**

Requires funds collected by DIFS in connection with a conservatorship pursuant to section 32 of 1987 PA 173 and from corporations being liquidated pursuant to 1956 PA 218 to be appropriated for expenses necessary to provide required services and not to lapse to the General Fund; limits appropriations under the section and Sec. 303 to \$300,000. Executive revises to eliminate the cap on appropriations under this section and section 303. House retains.

### **Sec. 303. Fees for Customized Listings – RETAINED**

Permits DIFS to provide customized listings of non-confidential information to interested parties and to charge reasonable fees; states that funds lapse to appropriate restricted fund accounts and limits amount appropriated under this section and Sec. 302 to \$300,000. Executive revises to eliminate the cap on appropriations under this section and section 302. House retains.

### **Sec. 304. Out-of-Network Billing Complaints Report – RETAINED**

Requires DIFS to submit a report on out-of-network billing complaints; delineates information to be included. Executive deletes. House retains.

### **Sec. 305. Anti-Fraud Unit Report – RETAINED**

Requires DIFS to provide a mid-year update to the Anti-Fraud Unit report required under section 6303 of 1956 PA 218. Executive deletes. House retains.

### **Sec. 306. Consumer Services Complaints Report – RETAINED**

Requires DIFS to submit a report regarding the amount of consumer complaints received, the process for handling complaints, and complaint outcomes. Executive deletes. House retains.

### **Sec. 307. Financial Institutions Marijuana Evaluation Guidance – RETAINED**

Requires DIFS to update examination manuals and letters of guidance to reflect how institutions will be evaluated that provide financial services to businesses involved in the marijuana industry. Executive deletes. House retains.