



## **Background Briefing**

# **Insurance and Financial Services**

**Paul B.A. Holland, Senior Fiscal Analyst**

**December 2015**

# DIFS Overview

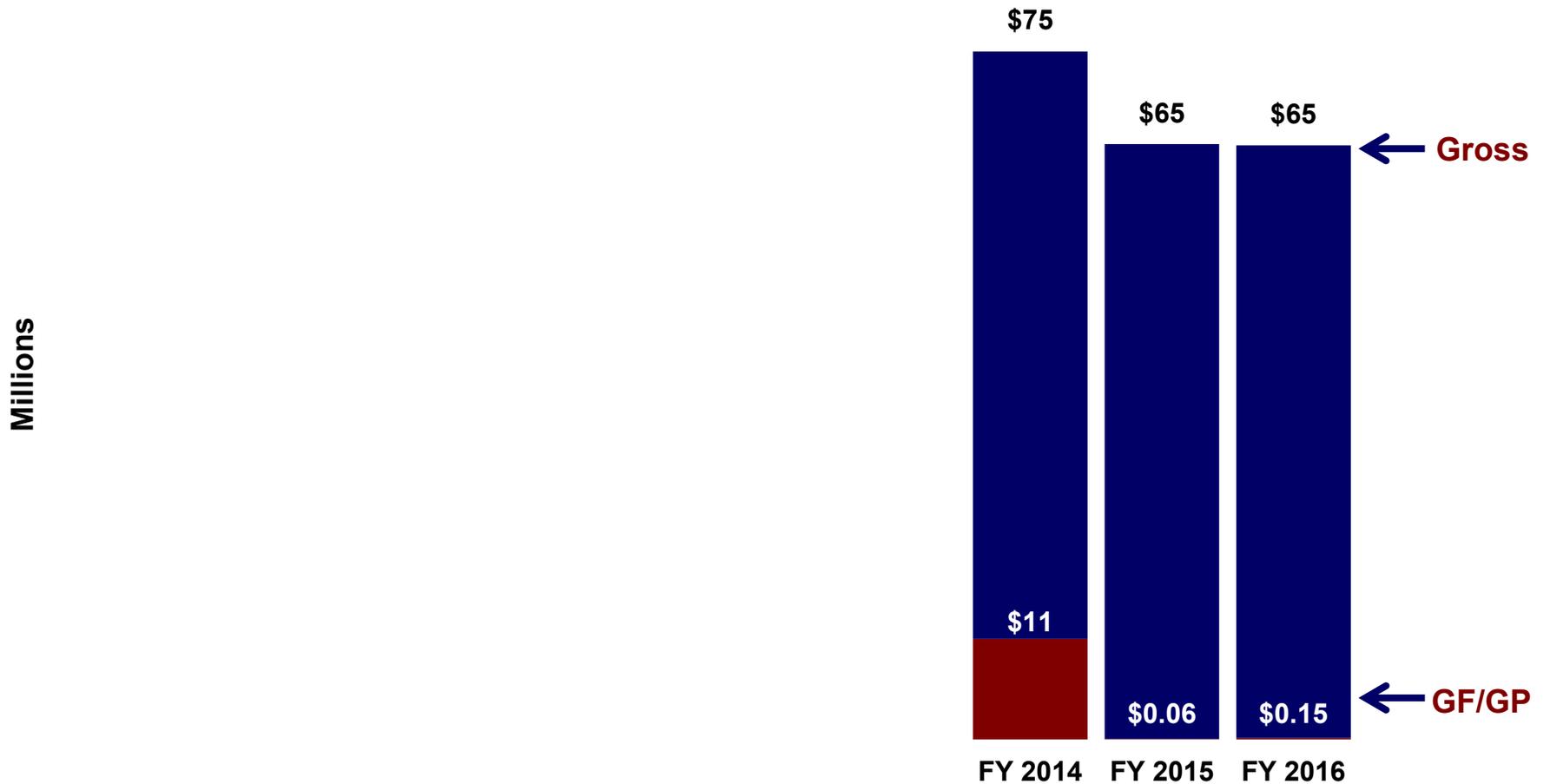
The Department of Insurance and Financial Services (DIFS) is responsible for regulating, licensing, examining, evaluating, and promoting the insurance and financial industries operating within the state and providing consumer protection for Michigan residents by managing consumer information and inquiries and investigating consumer complaints.

DIFS implements, administers, and enforces state statutes pertaining to state-chartered banks and credits unions; mortgage brokers, lenders, and servicers; various consumer finance entities; insurance companies, agents, and products; and health maintenance organizations.

DIFS was created by Executive Order 2013-1 through the transfer of the authority, powers, duties, functions, and responsibilities of the former Office of Financial and Insurance Regulation and functions of the Autism Coverage Reimbursement Program from the Department of Licensing and Regulatory Affairs.

# DIFS Historical Appropriations

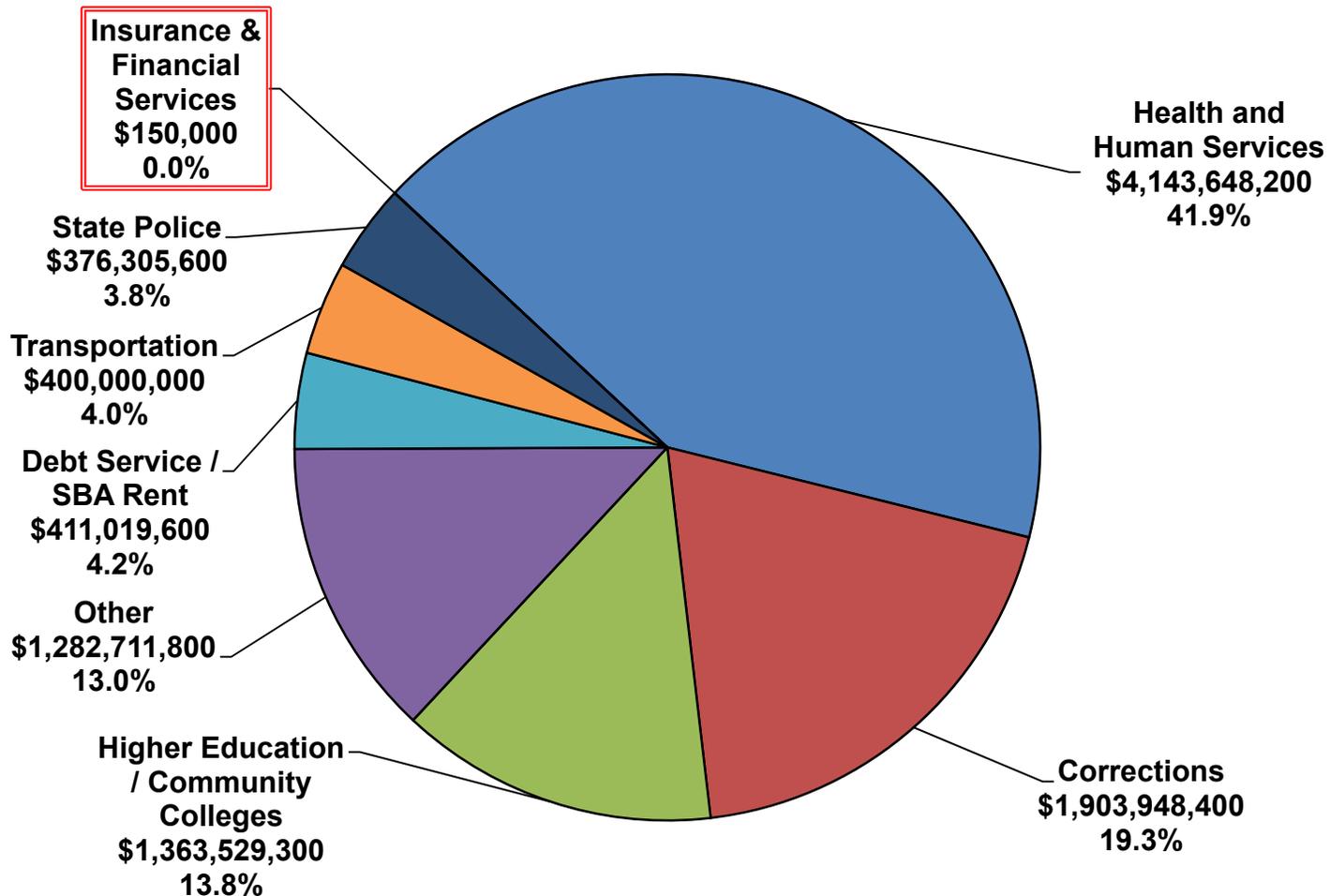
- Decrease in GF/GP subsequent to FY 2013-14 was due to elimination of appropriation to the Autism Coverage Fund



# DIFS Share of State GF/GP

DIFS makes up a trivial amount of the total statewide GF/GP budget

FY 2015-16 Statewide GF/GP Total = \$9,881,312,900

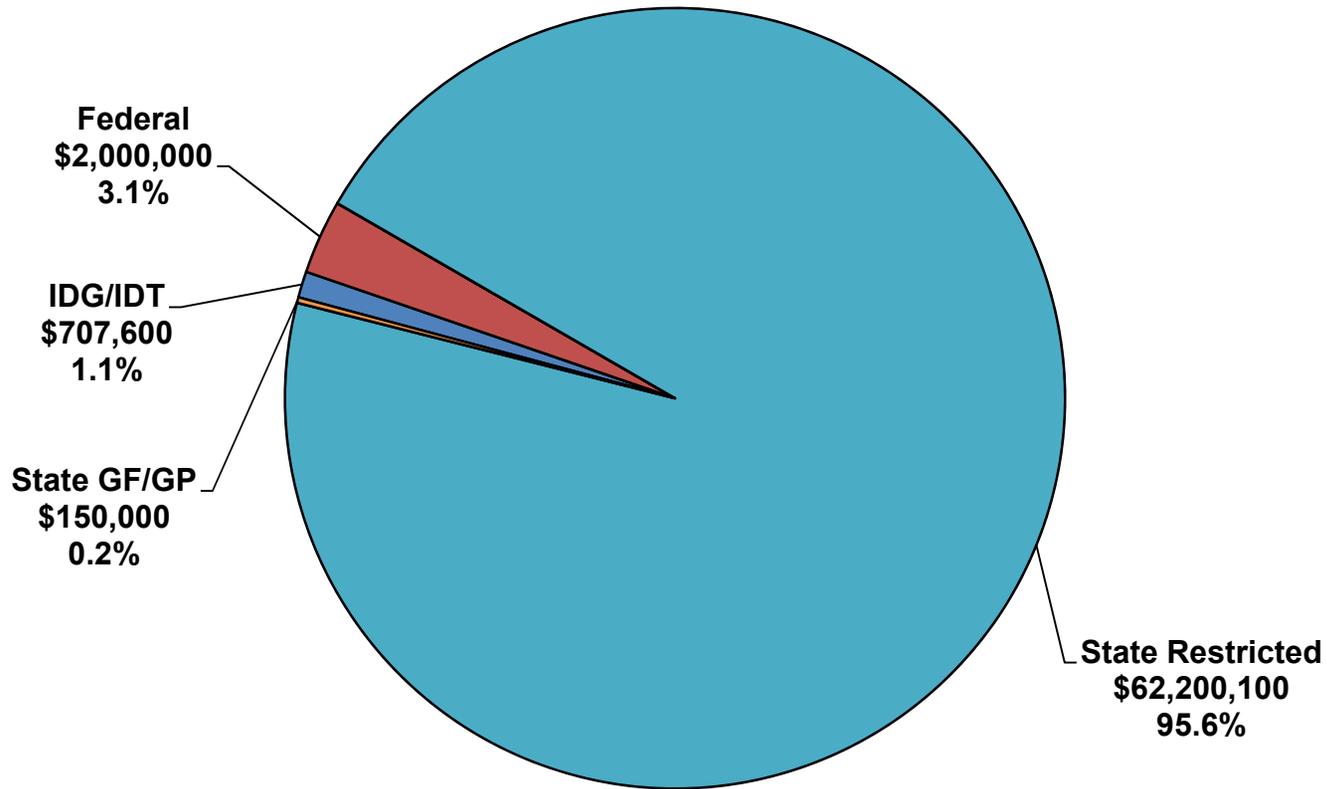


# **SOURCES OF FUNDING**

# DIFS Funding Sources

State restricted funds (e.g., regulatory fees & fines)  
constitute 95.6% of DIFS revenues

FY 2015-16 Gross Appropriation = \$65,057,700



# **APPROPRIATION AREAS**

# DIFS Appropriation Units

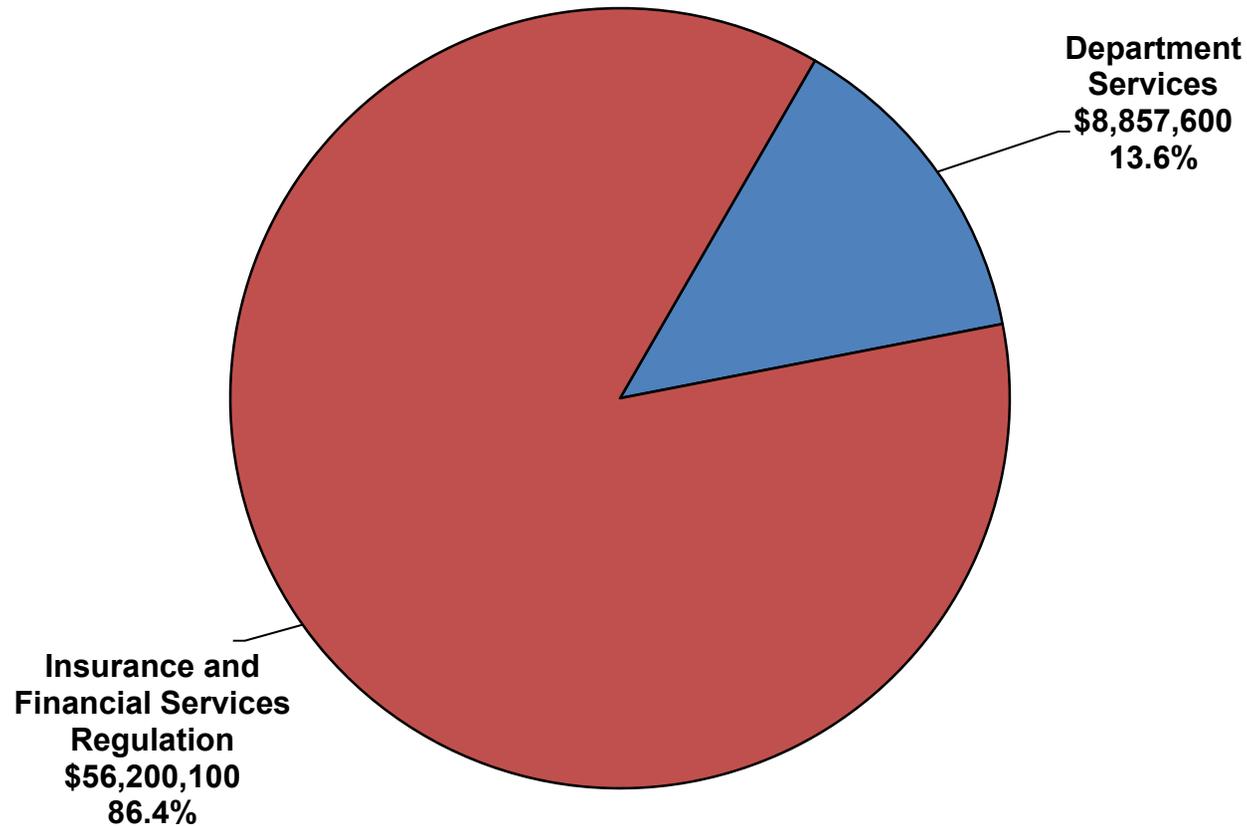
The DIFS budget is allocated into these appropriation units:

- Department Services
- Insurance and Financial Services Regulation

# DIFS Gross Appropriation

Departmental overhead costs constitute  
13.6% of DIFS appropriation

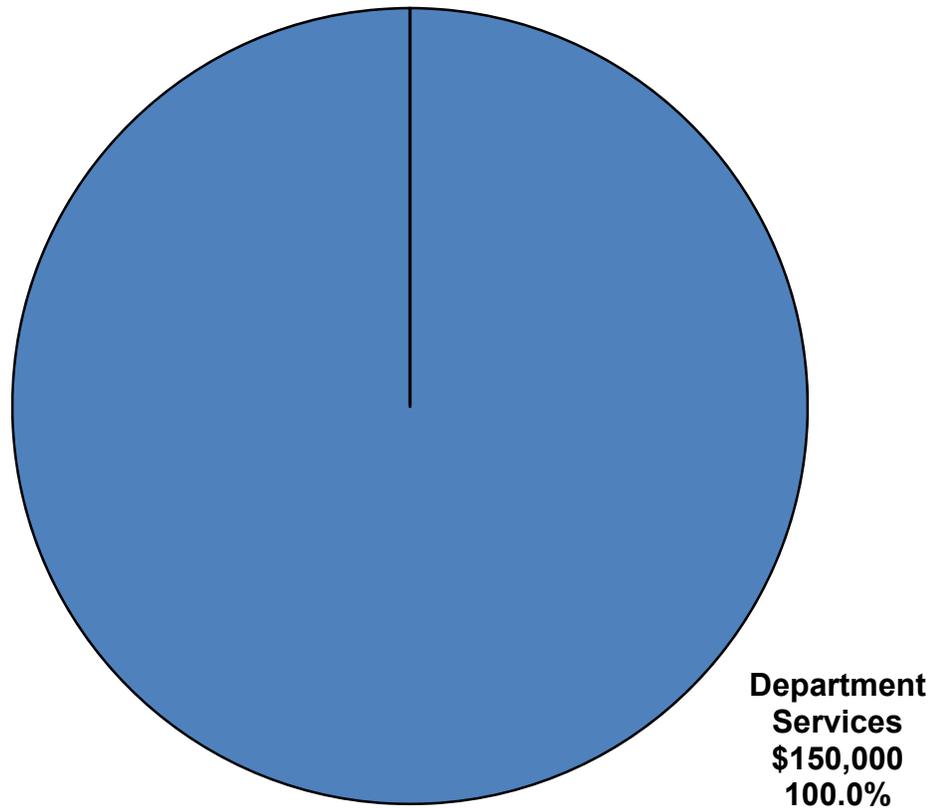
FY 2015-16 Gross Appropriation = \$65,057,700



# DIFS GF/GP Appropriation

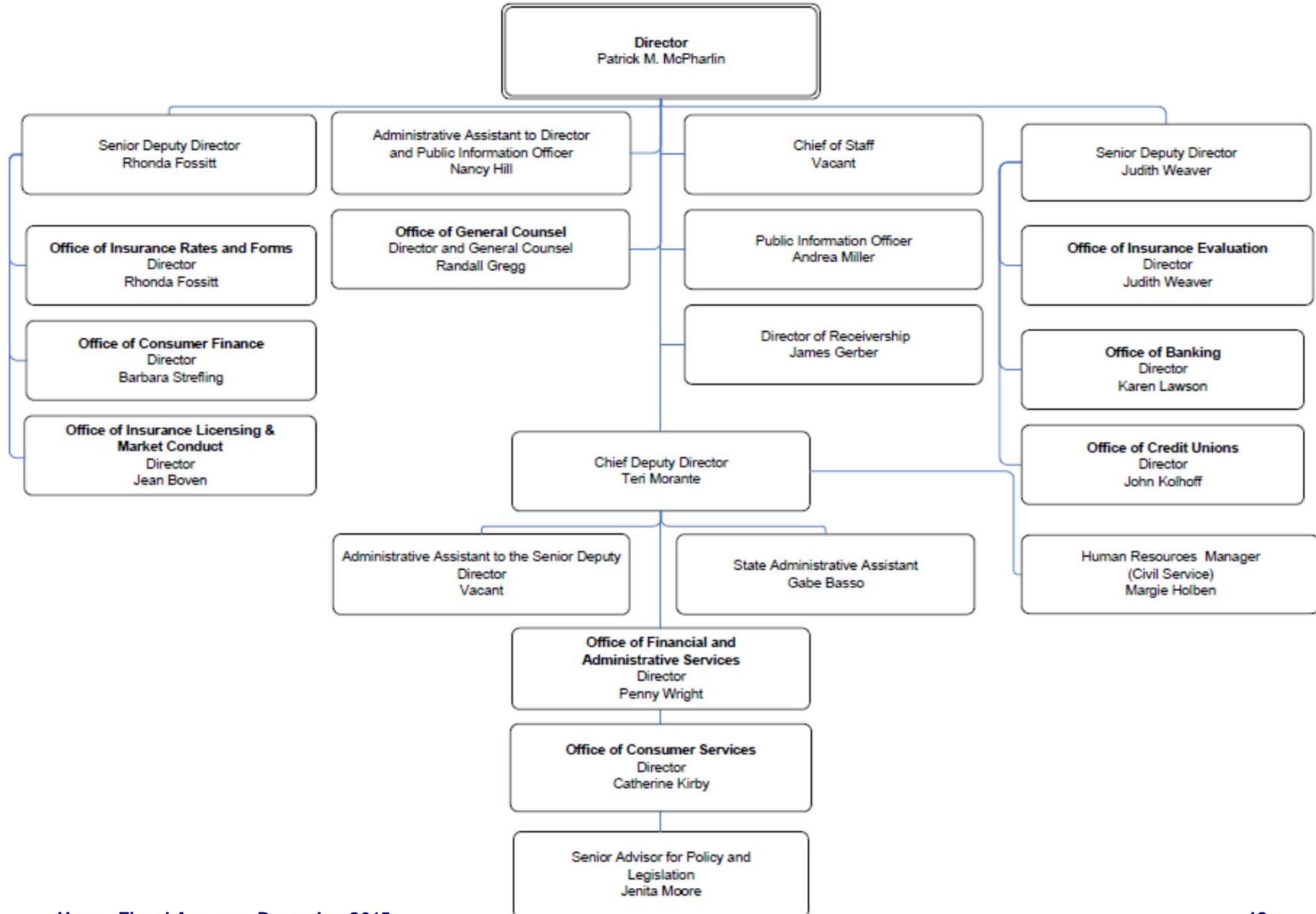
The GF/GP funding appropriated for DIFS supports the reporting and staffing costs associated with the Healthy Michigan Plan

FY 2015-16 GF/GP Appropriation = \$150,000



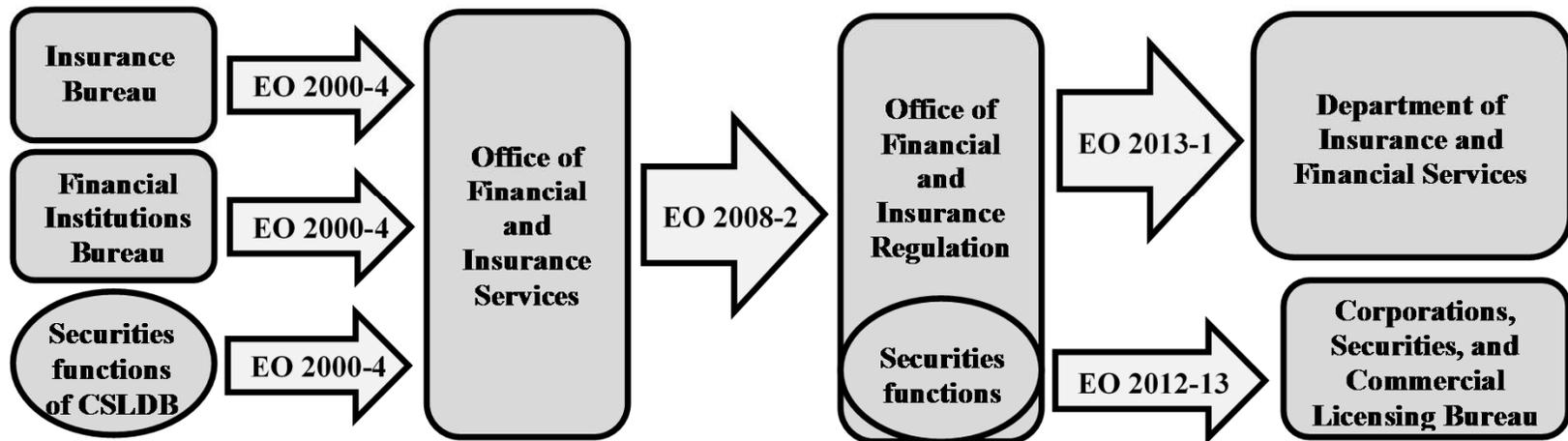
# **MAJOR BUDGET TOPICS**

# DIFS Organizational Chart



# DIFS Organizational History

DIFS is the successor to the Office of Financial and Insurance Regulation (OFIR) which was preceded by the Office of Financial and Insurance Services which was synthesized from the Insurance Bureau, Financial Institutions Bureau, and the securities functions of the former Corporation, Securities, and Land Development Bureau. DIFS retains all of the authority, powers, duties, functions, and responsibilities of OFIR except for the enforcement of financial securities regulations by the Securities Division which was transferred to the Corporations, Securities, and Commercial Licensing Bureau within LARA.



# DIFS Offices

**DIFS is organized into the following offices:**

- Office of Banking
- Office of Credit Unions
- Office of Consumer Finance
- Office of Insurance Evaluation
- Office of Insurance Rates and Forms
- Office of Insurance Licensing and Market Conduct
- Office of Consumer Services
- Office of Financial and Administrative Services
- Office of General Counsel

# **DIFS Sources of Funding**

## **State Restricted Revenues**

Various licensing and regulatory fees and fines levied on individuals and entities engaged in the insurance and financial industries regulated under DIFS.

## **Federal Revenues**

Grant from the U.S. Department of Health and Human Services for health insurance activities pursuant to the federal Patient Protection and Affordable Care Act.

## **State General Fund Revenue**

The state's primary operating fund which does not include restricted revenue.

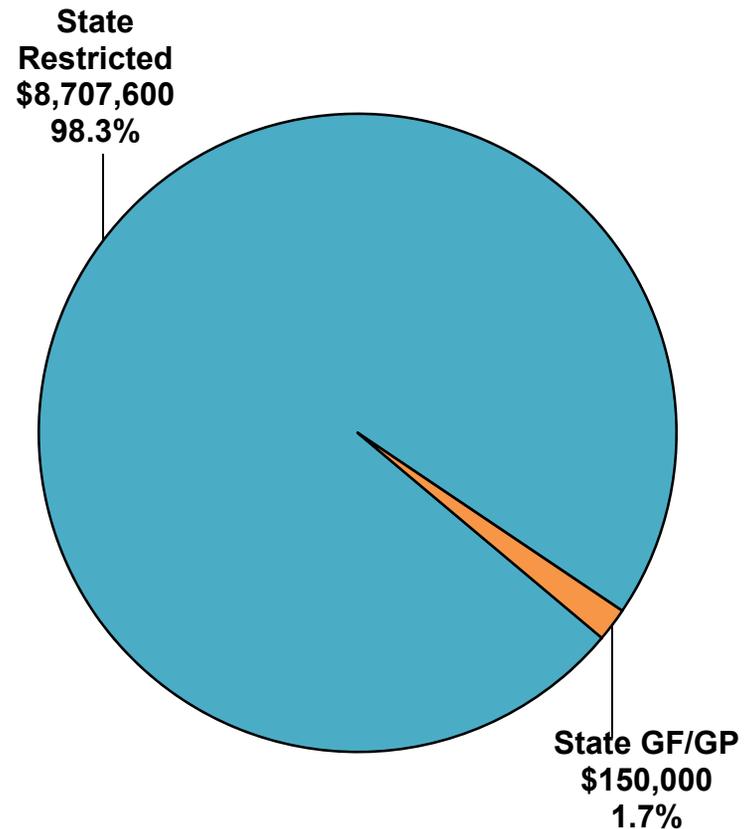
## **Interdepartmental Grant Revenues**

Revenue appropriated for LARA and granted to DIFS for the implementation and enforcement of the Debt Management Act.

# Department Services

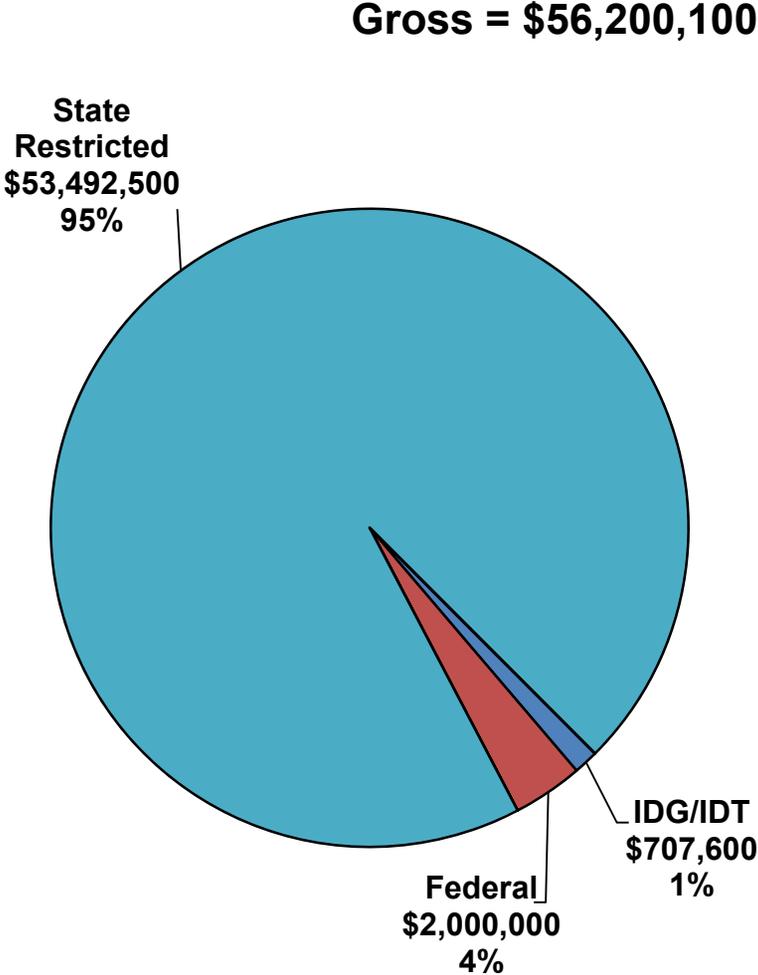
Appropriation unit supports the executive and administrative functions and overhead costs of DIFS, including: financial and administrative services, policy research and development, property management, information technology, administrative hearings, and workers' compensation.

**Gross = \$8,857,600**



# Insurance and Financial Services Regulation

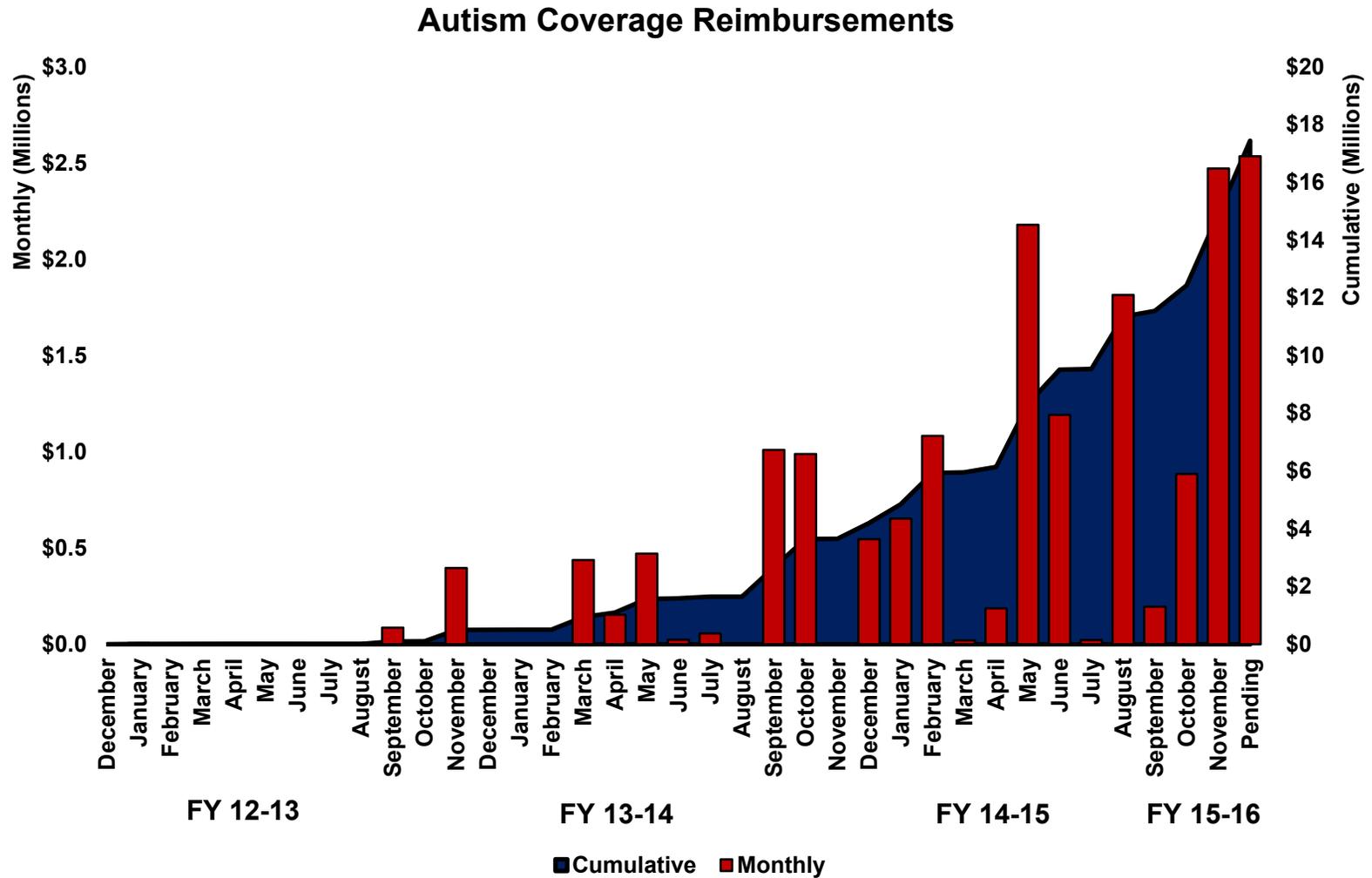
Appropriation unit supports the state's regulatory oversight of the insurance and financial industries, including: state-chartered banks and credit unions; mortgage brokers, lenders, and servicers; various consumer finance entities; insurance companies, agents, and products; and health maintenance organizations. Also supports DIFS legal advice and representation and consumer services and protection functions.



# Autism Coverage Reimbursement Program

- The autism spectrum disorder (ASD) coverage mandate, under 2012 PAs 99 and 100, became effective for insurance certificates and policies issued, amended, or renewed on or after October 15, 2012
- 2012 PA 101 established the Autism Coverage Reimbursement Program (ACRP) to reimburse health insurance carriers for paid claims for diagnosis and treatment of ASD from the Autism Coverage Fund (ACF)
- Appropriation for the ACF was \$15.0 million GF/GP in FY 2012-13 and \$11.0 million GF/GP in FY 2013-14, with no appropriation *for* the ACF during subsequent years; however, \$8.5 million was appropriated *from* the ACF within the DCH budget during FY 2014-15 for autism provider education programs and family assistance services
- **A total of 27 carriers (1 insurer, 5 HMOs, 17 group health plans, and 4 third-party administrators) have received \$17.4 million in reimbursements for 143,766 claims, since October 2012**
- The number of claims and amount of reimbursements have substantially and continually risen since the inception of the ACRP as evidence in the chart on the following slide
- **The ACF was depleted by November 24, 2015, with \$2.1 million in unreimbursed claims outstanding as of December 07, 2015**

# Autism Coverage Reimbursement Program



**For more information about the  
Department of Insurance and Financial  
Services budget, contact:**

**Paul B.A. Holland  
pholland@house.mi.gov  
(517) 373-8080**