

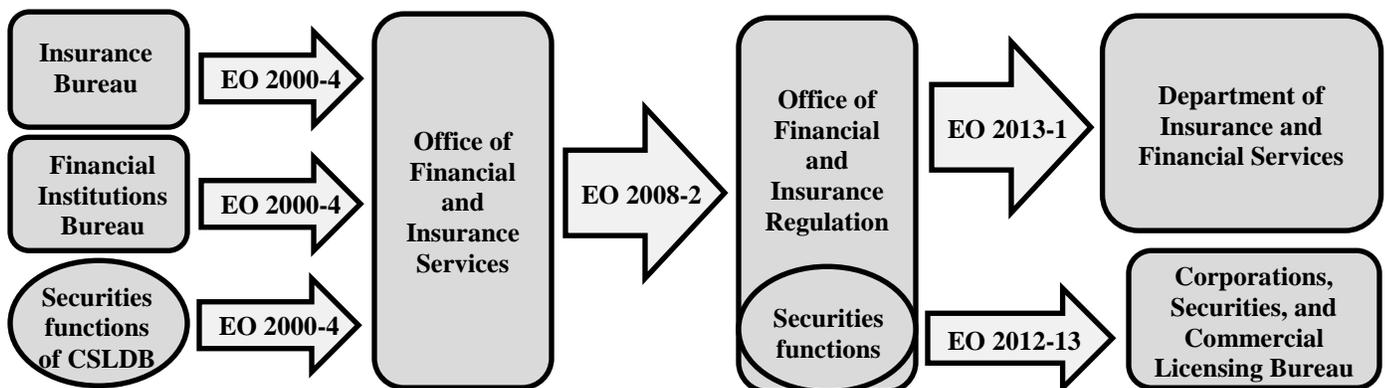
DATE: June 28, 2013
TO: Interested Parties
FROM: Paul Holland, Fiscal Analyst
RE: Overview of the Department of Insurance and Financial Services (DIFS)

Background

On April 08, 2013, the State Budget Office (SBO) issued Executive Budget Revision 2014-2 which, among other things, transferred spending authorization related to the former Office of Financial and Insurance Regulation (OFIR) from the Department of Licensing and Regulatory Affairs (LARA) to the Department of Insurance and Financial Services (DIFS) created by Executive Order 2013-1.¹ This memo will provide a brief overview of the organizational history, recent appropriations, hierarchical structure, programmatic functions, and statutory authority of DIFS.

Organizational History

The Department of Insurance and Financial Services (DIFS), created by Executive Order 2013-1, 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 Bureau of Commercial Services (renamed the Corporations, Securities, and Commercial Licensing Bureau, or CSCLB) within LARA via Executive Order 2012-13. A schematic representing the recent reorganizations of what is currently DIFS is exhibited below.



¹ Executive Order 2013-1 can be accessed at <http://www.legislature.mi.gov/documents/2013-2014/executiveorder/pdf/2013-EO-01.pdf>.

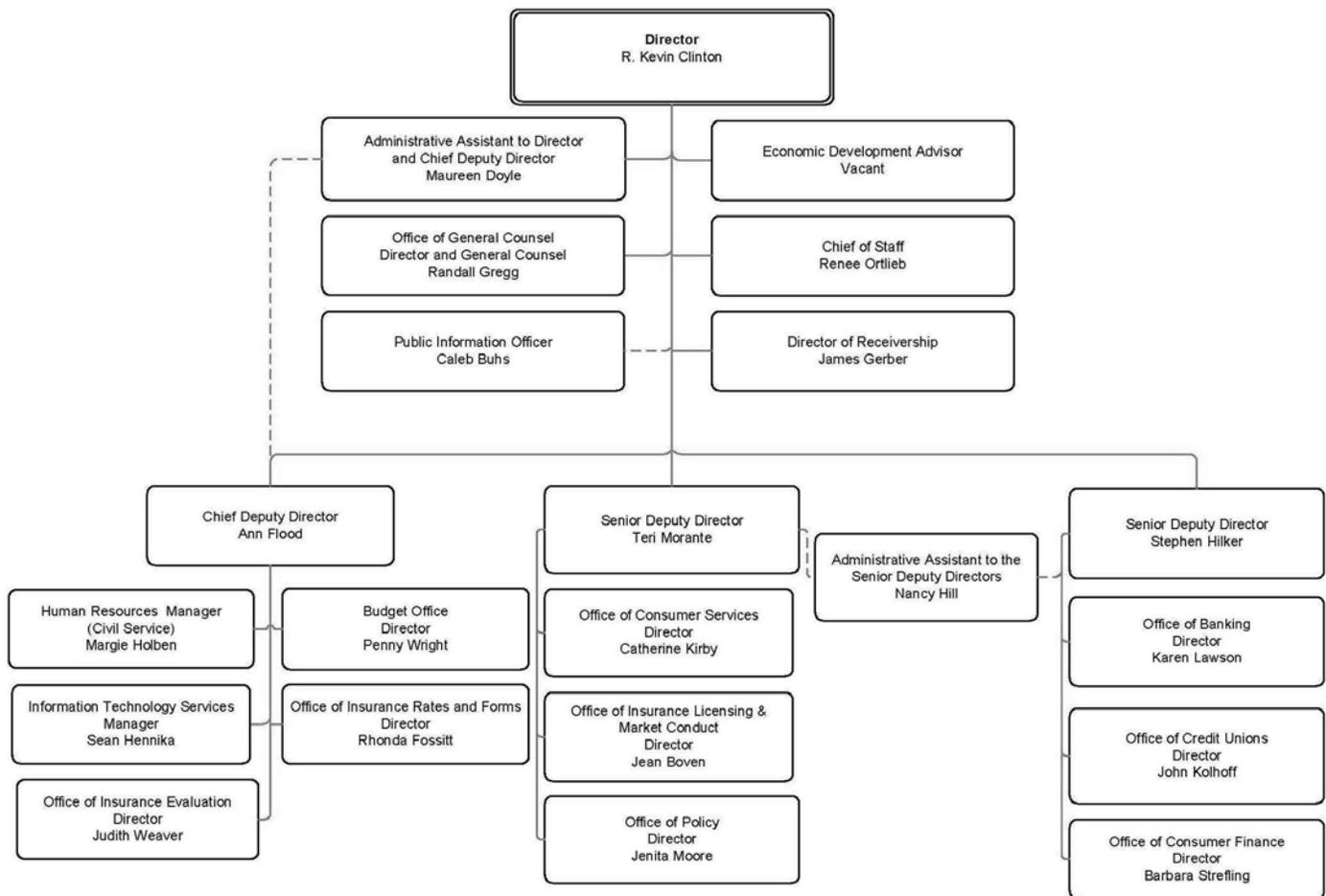
Recent Appropriations

The table exhibited below contains the FY 2012-13 enacted appropriations for OFIR and the Autism Coverage Fund within the LARA budget and the enacted appropriations for the FY 2013-14 DIFS budget. The amounts under the Department Services and Information Technology appropriation units for DIFS during FY 2013-14 are not included for OFIR because these overhead costs were not distinctly accounted for in the FY 2013-13 LARA budget. The reduction in appropriations for OFIR/DIFS between FY 2012-13 and FY 2013-14 is primarily a result of the transfer of the Securities Division from OFIR to the CSCLB via Executive Order 2012-13.

OFIR/DIFS Enacted Appropriations			
FY 2012-13, as enacted		FY 2013-14, as enacted	
Office of Financial and Insurance Regulation	\$64,512,600	Department Services	\$10,730,500
Administration	\$7,956,900	Unclassified Salaries	\$700,000
Financial Evaluation	\$36,871,300	Executive Director Programs	\$615,700
Regulatory Compliance and Consumer Assistance	\$19,684,400	Department Services	\$8,168,800
Autism Coverage	\$15,000,000	Property Management	\$792,000
Autism Coverage Fund	\$15,000,000	Rent	\$258,800
<i>* Spending authorization for LARA overhead costs attributable to OFIR during FY 2012-13 (including departmental administration, rent, property management, worker's compensation, administrative hearings, and IT projects and services) was allocated within line items in which such overhead costs are aggregated for all agencies within LARA. Consequently, spending authorization for OFIR overhead costs are not included in this table for FY 2012-13. Spending authorization for overhead costs is included for DIFS during FY 2013-14, in the columns to the left, within the Department Services and Information Technology appropriation units.</i>		Worker's Compensation	\$12,700
		Administrative Hearings	\$182,500
		Insurance and Financial Services Regulation	\$51,353,800
		Insurance Evaluation	\$13,142,400
		Insurance Rates and Forms	\$5,400,000
		Financial Institutions Evaluation	\$18,661,000
		Regulatory Compliance, Market Conduct, and Licensing	\$10,150,400
		Consumer Services and Protection	\$4,000,000
		Information Technology	\$2,251,200
		Information Technology Services and Projects	\$2,251,200
		Autism Coverage	\$11,000,000
		Autism Coverage Fund	\$11,000,000
GROSS APPROPRIATION	\$79,512,600	GROSS APPROPRIATION	\$75,335,500
State General Fund/General Purpose	\$15,000,000	State General Fund/General Purpose	\$11,000,000

Hierarchical Structure

DIFS is responsible for licensing, evaluating, regulating, and promoting the insurance and financial industries operating within the state and providing consumer information and protection for Michigan residents by managing consumer information and inquiries and investigating consumer complaints. DIFS administers, implements, and enforces state statutes pertaining to state-chartered banks, credits unions, mortgage lenders, consumer finance entities, insurance companies and agents, health maintenance organizations, and various consumer finance entities. Additionally, DIFS administers the Autism Coverage Reimbursement Program created by Public Act 101 of 2012. An organizational chart provided by DIFS is exhibited on the following page.



Programmatic Functions

There are nine principle programmatic offices within DIFS:

- Office of Insurance Evaluation, which is responsible for all aspects of monitoring and regulating the financial condition of risk bearing insurance entities including: the processing of applications for licensure filed by insurance companies; on-site financial examinations of domestic insurance companies; ongoing financial monitoring of licensed insurance companies; working with insurance companies reporting negative trends to take appropriate corrective measures; and licensing, monitoring, and examining captive insurers.
- Office of Insurance Rates and Forms, which is responsible for enforcing Michigan statutes and regulations pertaining to insurance rates and forms submitted to DIFS by insurance companies and other licensed entities.
- Office of Insurance Licensing and Market Conduct, which is responsible for licensing individual and agency insurance producers, solicitors, counselors, risk retention groups, purchasing groups, reinsurance intermediaries and third party administrators, in addition to reviewing the market conduct of insurers and audits of insurance agents and companies.
- Office of Banking, which is responsible for the regulation, examination, supervision, and safety and soundness review of state-chartered banks, savings banks, and business and industrial development companies (BIDCOs).

- Office of Credit Unions, which is responsible for the regulation, examination, and supervision of Michigan state-chartered credit unions and the processing of corporate applications filed by depository financial institutions.
- Office of Consumer Finance, which is responsible for the financial evaluation, examination, and licensing of entities and individuals doing business under various Michigan consumer finance statutes, including mortgage brokers, lenders, and servicers; mortgage loan originators; money transmitters; deferred presentment providers; direct loan companies; motor vehicle installment sellers and sales finance companies; and other consumer finance entities.
- Office of Consumer Services, which is responsible for managing consumer information, education, outreach, inquiries, and complaints; investigating insurance agents and companies; overseeing the communication center serving as the initial point of contact for all incoming calls and visitors; and developing webpages and forms.
- Office of Policy, which is responsible for developing and implementing regulatory policy, performing research and analysis of regulatory related issues, and handling legislative matters.
- Office of General Counsel, which is responsible for providing legal advice to and representation for DIFS pertaining to enforcement actions, formal administrative hearings, orders, rules, statutes, regulations, bulletins, declaratory rulings, and health benefit claims; processing PRIRA appeals; coordinating FOIA compliance; representing the Director on the State Employees Retirement System board; and acting as liaison with the Attorney General.

Moreover, additional departmental functions, including budget development, human resource management, information technology services, economic development initiatives, and receivership activities are administered under the executive direction of DIFS.

Statutory Authority

DIFS implements and enforces several state statutes pertaining to the insurance and financial industries. The table exhibited below includes hyperlinks to each of the primary statutes implemented and enforced by DIFS.

Primary Insurance Statutes
Contracts with State and Local Government subject to Patient's Right to Independent Review act of 2006
The Coordination of Benefits Act of 1984
Credit Insurance Act of 1958
Emergency Insurance Legislation of 1933
Health Benefit Agent Act of 1986
Indemnification Reserve Fund act of 1977
The Insurance Code of 1956
Intergovernmental Contracts between Municipal Corporations act of 1951
Interstate Insurance Product Regulation Compact act of 2006
Nonprofit Dental Care Corporations act of 1963
The Nonprofit Health Care Corporation Reform Act of 1980
Office Agent; Set-Off For Damages act of 1935
Patient's Right to Independent Review Act of 2000
Prudent Purchaser Act of 1984
Public Employees Health Benefit Act of 2007

Third Party Administrator Act of 1984 Viatical Settlement Contracts act of 1996 Worker's Disability Compensation Act of 1969
Primary Banking Statutes
Banking Code of 1999 Collective Investment Funds Act of 1941 Electronic Funds Transfer act of 1978 Michigan BIDCO Act of 1986 Savings Bank Act of 1996 Suspension of Business of Banks and Savings and Loan Associations act of 1978
Primary Credit Union Statutes
Credit Union Act of 2003 Electronic Funds Transfer act of 1978 Suspension of Business of Banks and Savings and Loan Associations act of 1978
Primary Consumer Finance Statutes
Consumer Financial Services Act of 1988 Consumer Mortgage Protection Act of 2002 Credit Card Arrangements act of 1984 Credit Reform Act of 1995 Debt Management Act of 1975 Deferred Presentment Service Transactions Act of 2005 Guaranteed Asset Protection Waiver Act of 2009 Money Transmission Services Act of 2006 Mortgage Lending Practices act of 1977 Mortgage Loan Originator Licensing Act of 2009 Mortgage, Brokers, Lenders, and Servicers Licensing Act of 1987 Motor Vehicle Sales Finance Act of 1950 Regulatory Loan Act of 1939 Secondary Mortgage Loan Act of 1981

Further Questions

If you have any further questions about Executive Order 2013-1, the FY 2013-14 appropriations bill, or DIFS in general, please contact Paul Holland at the House Fiscal Agency.