



Budget Briefing: Insurance and Financial Services

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

Department of Insurance and Financial Services

- The Department of Insurance and Financial Services (DIFS) is responsible for:
 - Regulating, licensing, examining, evaluating, and promoting Michigan's insurance and financial services industries
 - Consumer protection via management of consumer information and inquiries and investigation of consumer complaints
- DIFS regulates the following entities:
 - State-chartered banks and credit unions
 - Mortgage brokers, lenders, and servicers
 - Consumer finance entities
 - Insurance companies, agents, and products
 - Health maintenance organizations

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2019-20 is October 1, 2019 through September 30, 2020.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

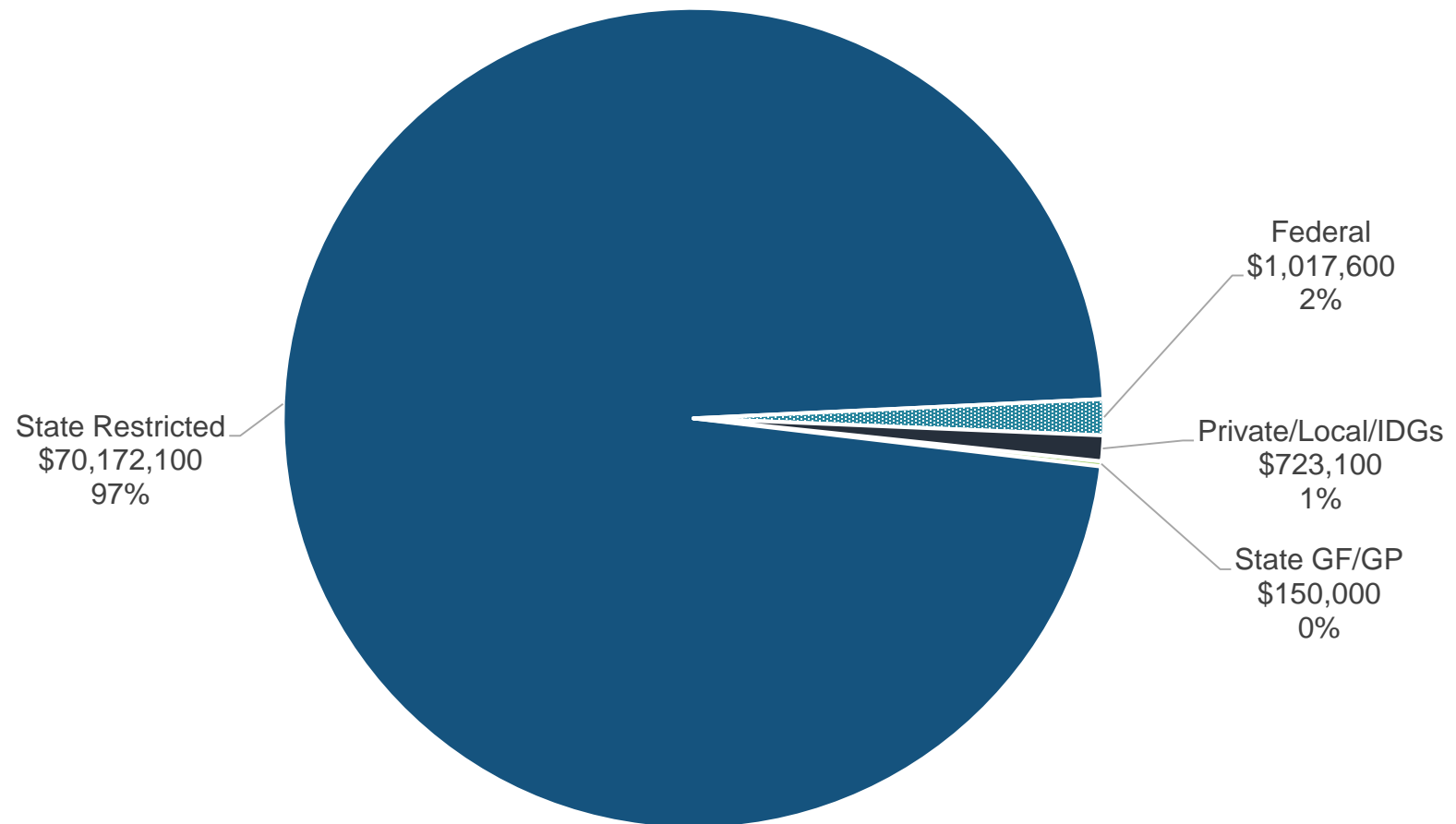
Funding Sources

FY 2019-20 DIFS Budget

Fund Source	Funding	Description
Gross Appropriations	\$72,062,800	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	723,100	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$71,339,700	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,017,600	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	70,172,100	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$150,000	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

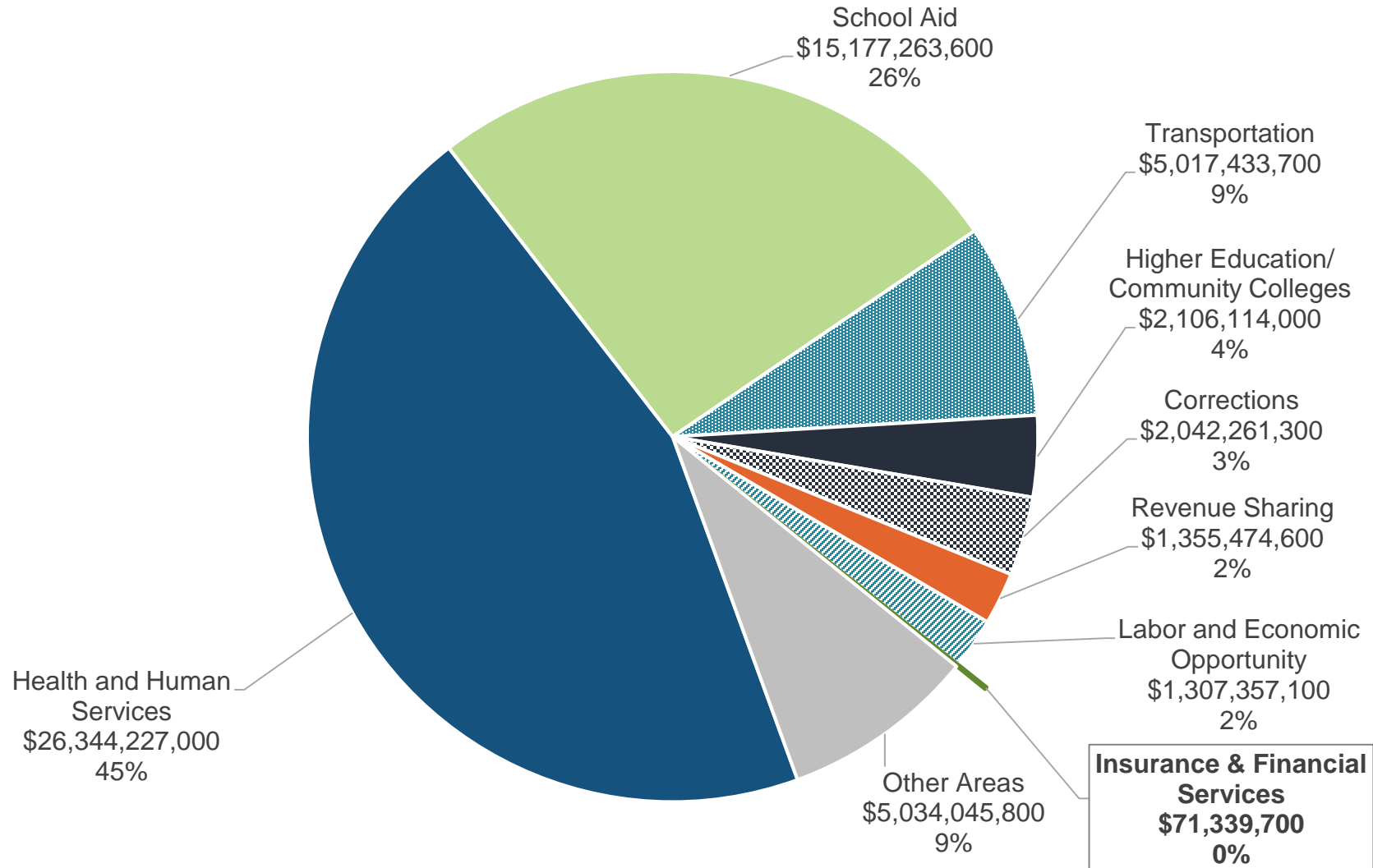
FY 2019-20 Fund Sources

Approximately **97%** of the **\$72.1 million** DIFS budget is supported by state restricted revenue generated from fees and fines levied on individuals and entities regulated by DIFS.



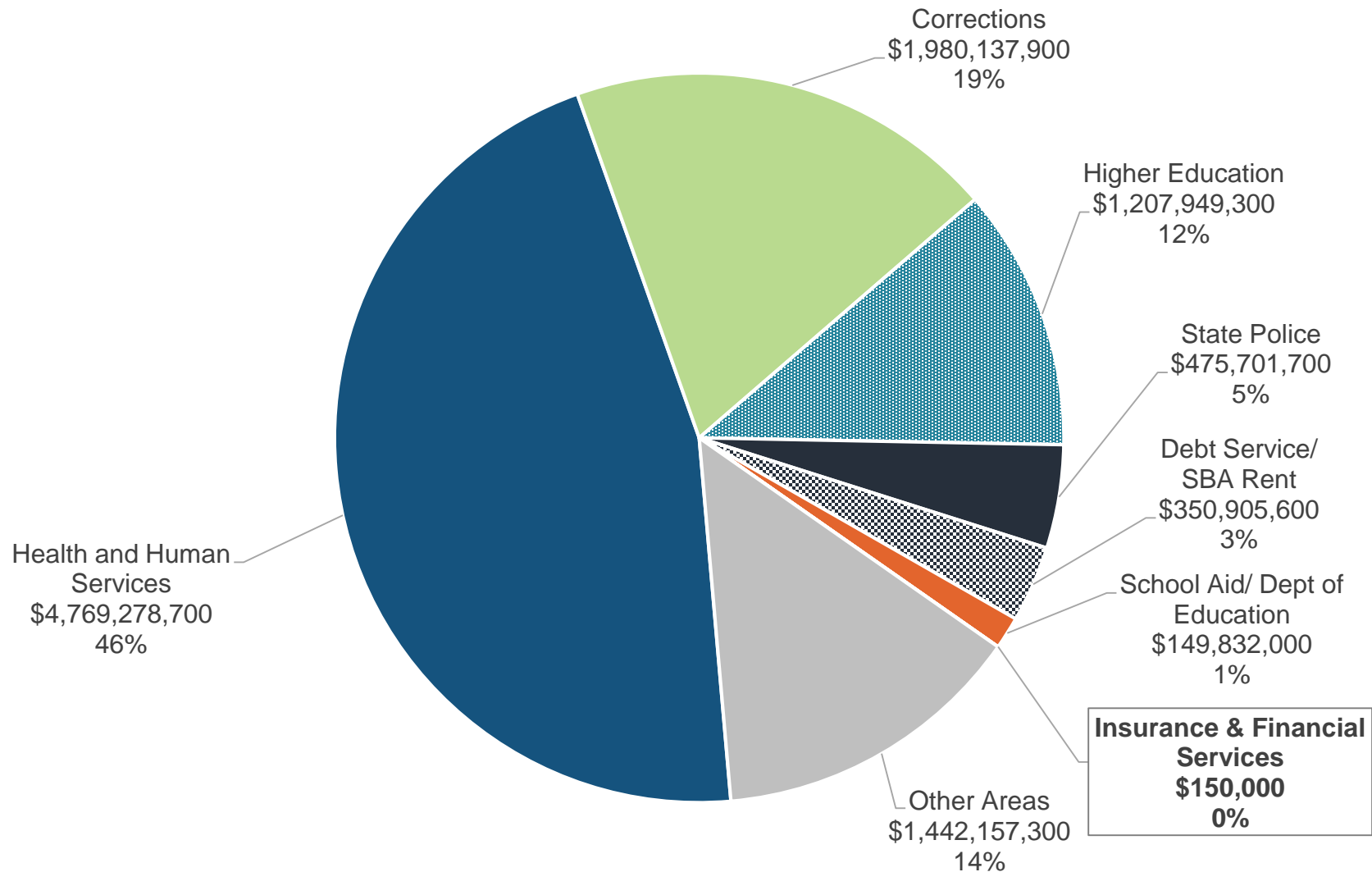
DIFS Share of Total State Budget

The DIFS budget represents less than **1%** of the **\$58.5 billion** state budget (adjusted gross) for FY 2019-20.



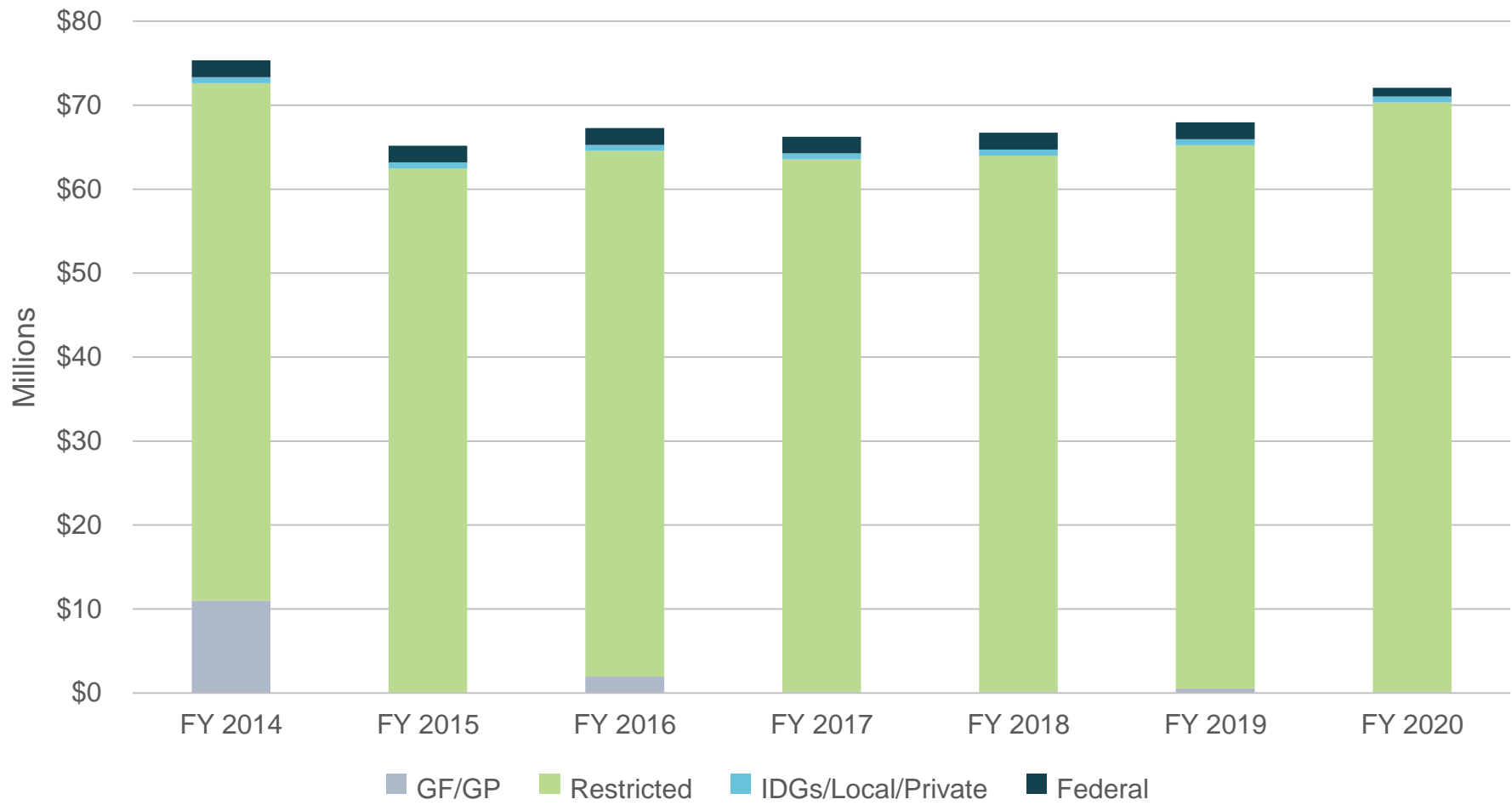
DIFS Share of Total GF/GP Budget

The DIFS budget represents a negligible amount of the state's **\$10.4 billion** GF/GP budget for FY 2019-20.



DIFS Funding History

DIFS' GF/GP funding substantially declined in FY 2014-15, due to elimination of the Autism Coverage Fund appropriation. Funding has since remained relatively stable, though a sizeable restricted funding increase was included in FY 2019-20 for No-Fault reform.



Note: DIFS functions were appropriated within LARA prior to FY 2013-14

Appropriation Areas

DIFS Appropriation Areas

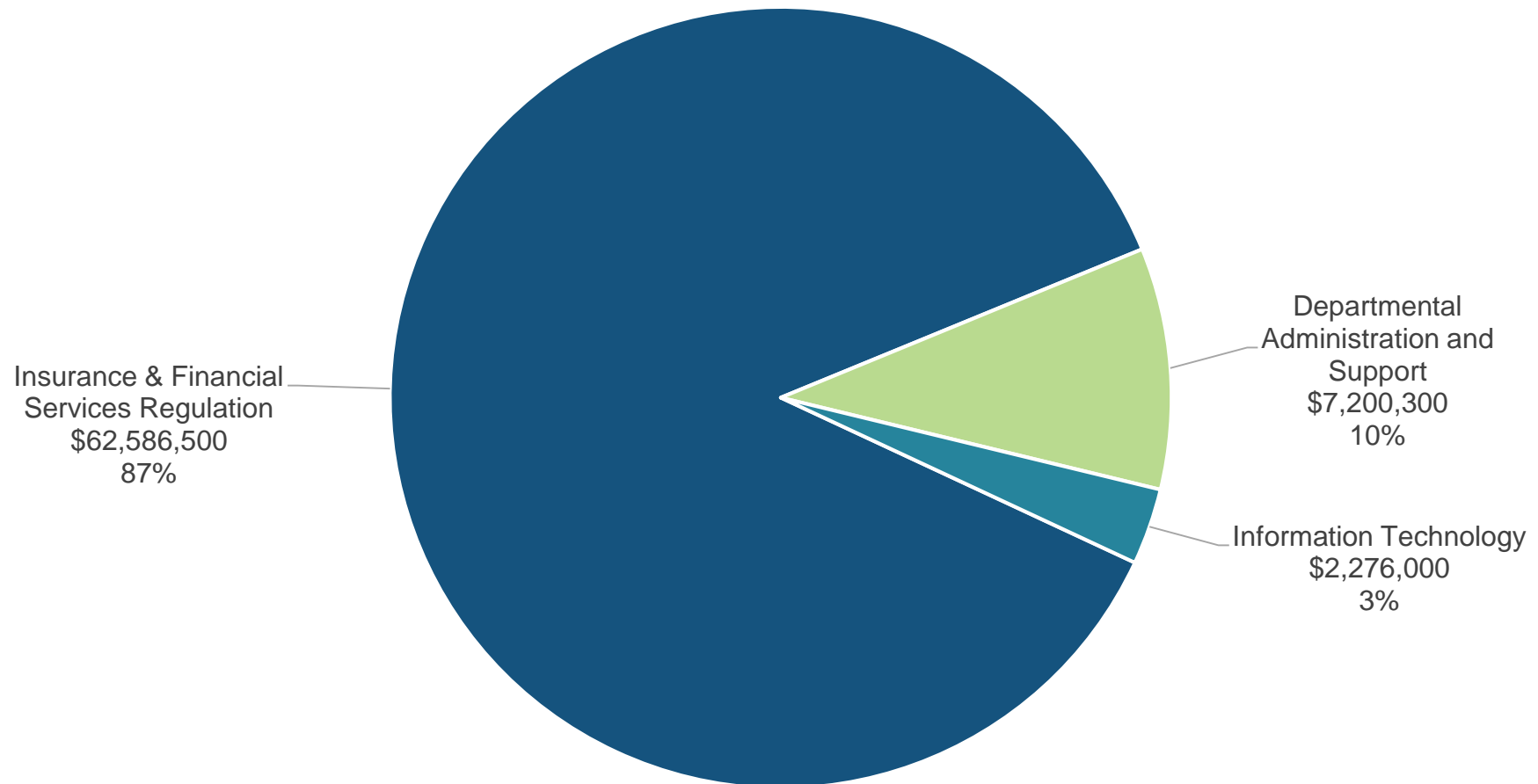
Departmental Administration and Support: Unclassified salaries, executive direction, administrative functions, and various overhead expenses

Insurance & Financial Services Regulation: Regulatory oversight of the insurance and financial services industries, legal counsel, and consumer services and protection

Information Technology: Supports information technology services and projects provided for DIFS by the Department of Technology, Management, and Budget

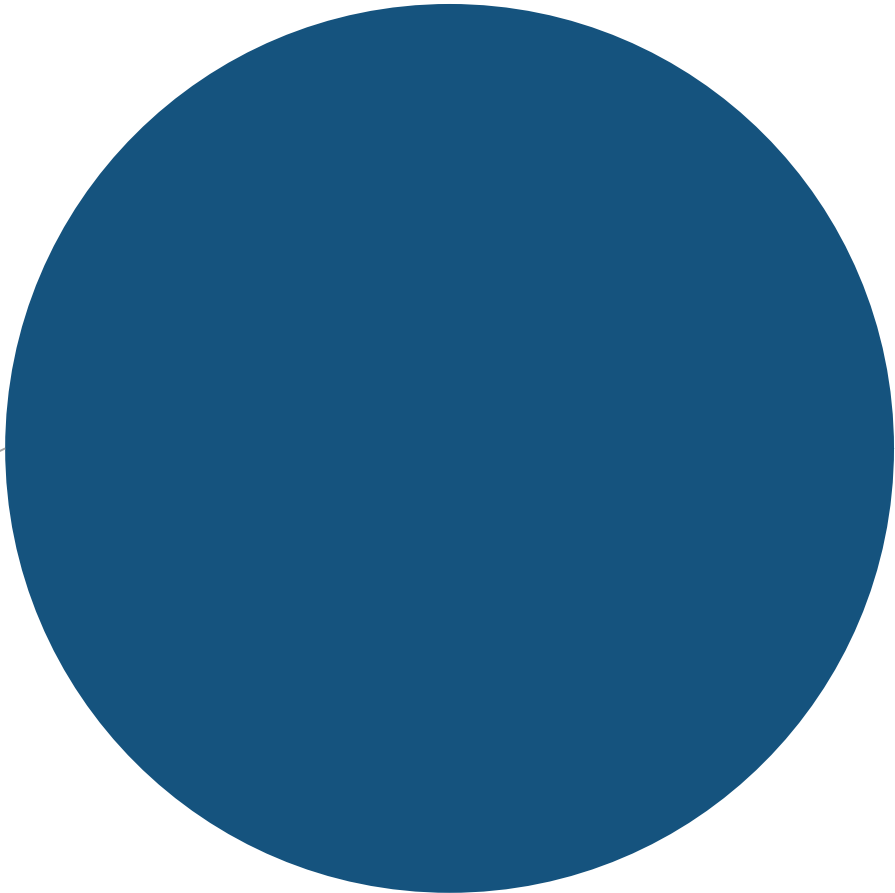
FY 2019-20 Gross Appropriations

About **13%** of the **\$72.1 million** DIFS budget supports executive and administrative functions and departmental overhead expenses.



FY 2019-20 GF/GP Appropriations

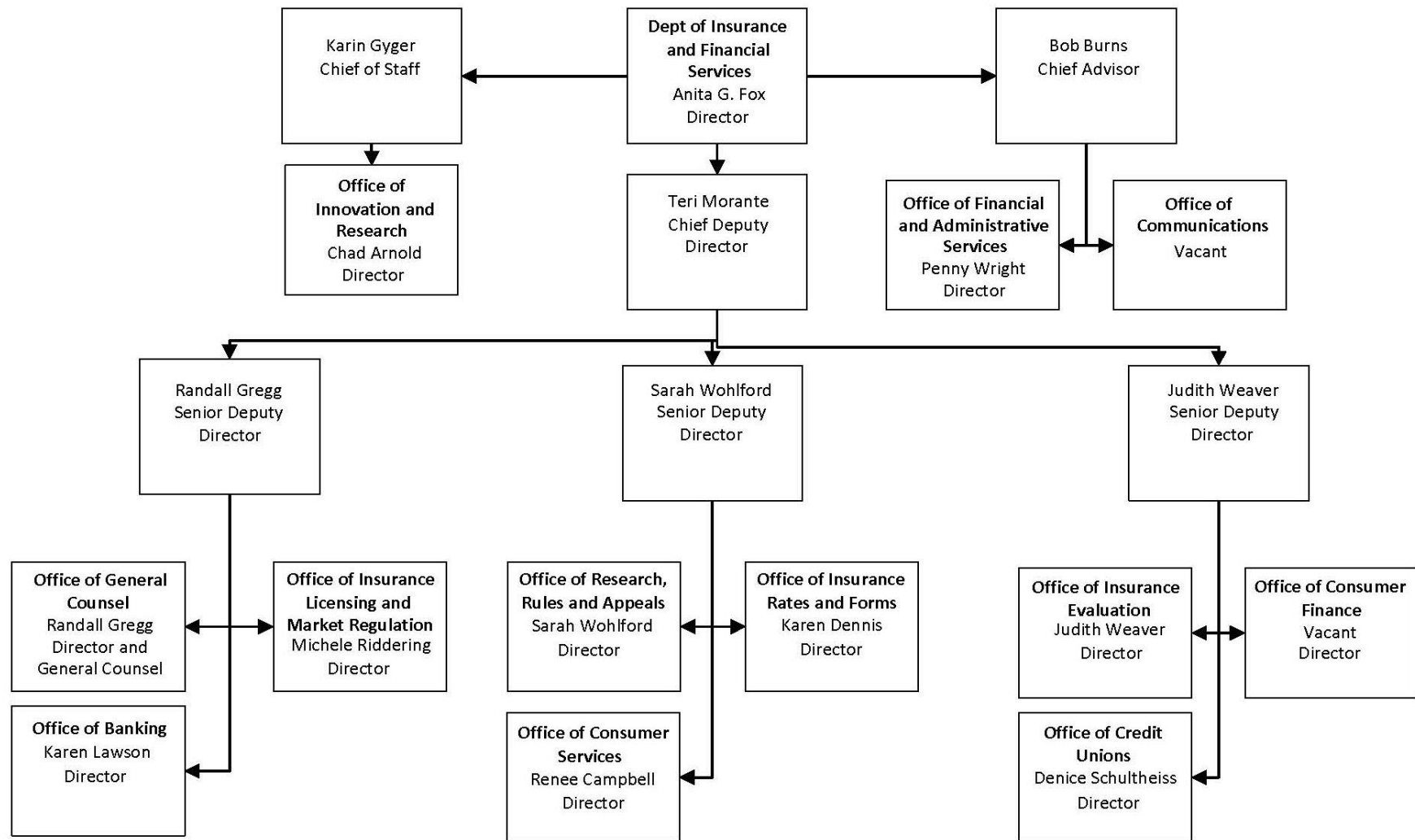
GF/GP funds (totaling **\$150,000**) are used exclusively for expenses associated with Healthy Michigan Plan reporting.



Department Services
\$150,000
100%

Major Budget Topics

DIFS Organizational Chart

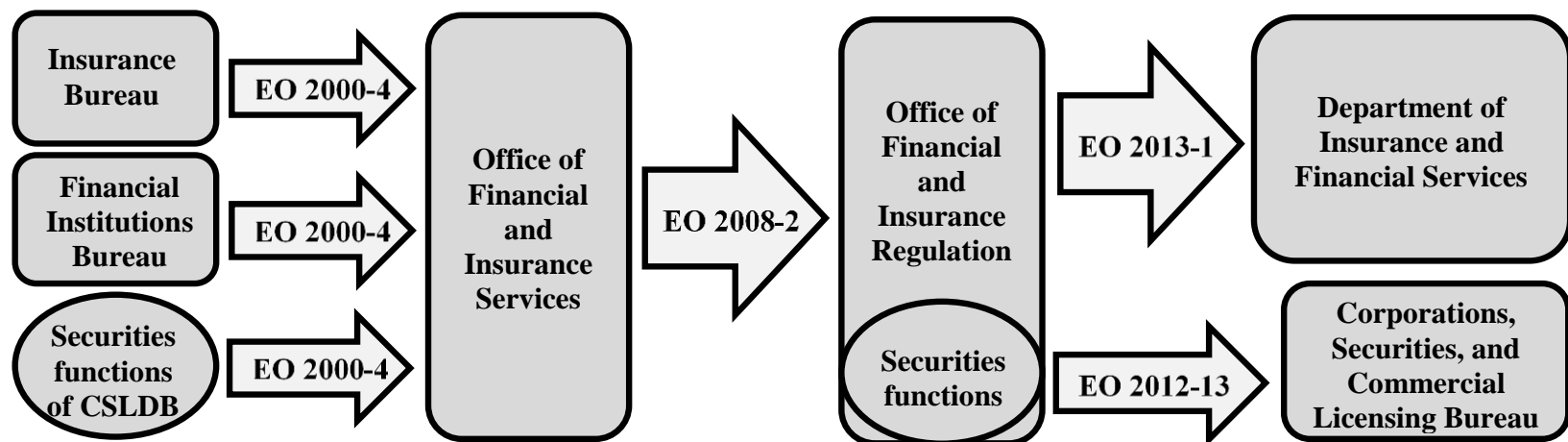


Information is as of 1/31/2020

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. That office 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 (this function was transferred to the Corporations, Securities, and Commercial Licensing Bureau within LARA).



Entities Licensed by DIFS

Type of Entity	Number Regulated in CY 2017	Number Regulated in CY 2018	Change (Decrease)
HMOs	24	23	(1)
Banks	81	77	(4)
Credit Unions	146	137	(9)
Domestic Insurance Companies	125	122	(3)
Foreign Insurance Companies	1,467	1,484	17
Insurance Agents	257,782	274,123	16,341
Insurance Agencies	19,853	1,769	(18,084)
Mortgage Licensees	13,909	14,937	1,028
Deferred Presentment Companies	522	508	(14)
Other Consumer Finance	2,677	2,672	(5)

For more information about the Insurance and Financial Services budget:

HFA Resources

<http://www.house.mi.gov/hfa/InsFinancialServices.asp>

Contact Information

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