

**Summary: Executive Budget Recommendation
for Fiscal Year 2022-23
INSURANCE AND FINANCIAL SERVICES**



Analyst: Marcus Coffin

	FY 2021-22	FY 2022-23	Difference: FY 2022-23	
	Year-to-Date as of 2/9/22	Executive	Amount	%
IDG/IDT	\$724,600	\$736,500	\$11,900	1.6
Federal	1,017,100	1,017,100	0	0.0
Local	0	0	0	--
Private	0	0	0	--
Restricted	71,245,900	72,581,900	1,336,000	1.9
GF/GP	0	6,000,000	6,000,000	--
Gross	\$72,987,600	\$80,335,500	\$7,347,900	10.1
FTEs	378.5	387.5	9.0	2.4

Notes: (1) FY 2021-22 year-to-date figures include mid-year budget adjustments through February 9, 2022. (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 2021-22 Year-to-Date (YTD) Appropriations	FY 2021-22 YTD (as of 2/9/22)	Executive Change from YTD
1. Regulatory Staff Increase	FTE	9.0
Includes authorization for 9.0 FTE positions, which the department indicated would be used to fulfill departmental responsibilities related to auto no-fault insurance reform, anti-fraud changes, surprise medical billing, health and auto insurance market regulation, and consumer services. Positions that would be filled would be supported with existing department appropriations and are projected to include:	Gross	\$0
<ul style="list-style-type: none"> • 1 Departmental Analyst to process provider utilization review appeals under auto no-fault insurance reforms. • 1 Departmental Analyst to review alleged violations of the Insurance Code of 1956. • 1 Auditor to audit title insurance agencies. • 2 Financial Institution Examiners to perform financial examinations of consumer finance entities. • 2 Departmental Analysts to process consumer complaints and inquiries. • 2 Departmental Analysts to review insurance licensee data security programs and insurer self-reported data breaches. 	GF/GP	\$0
2. Auto No-Fault Insurance Market Study	Gross	\$5,000,000
Includes \$5.0 million GF/GP (one-time) to perform a market conduct exam of auto insurance companies to enforce compliance with consumer protection provisions in 2019 PA 21 and 2019 PA 22, colloquially referred to as auto no-fault reform. At present, there are 103 companies that are actively writing auto insurance policies in the state.	GF/GP	\$5,000,000

<u>Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations</u>	<u>FY 2021-22 YTD (as of 2/9/22)</u>	<u>Executive Change from YTD</u>	
3. Behavioral Health Parity Health Insurance Market Review	Gross	NA	\$1,000,000
Includes \$1.0 million GF/GP (one-time) to contract for an industry-wide health insurance market review for compliance with behavioral health parity requirements under the federal Mental Health Parity and Addiction Equity Act and state statute.	GF/GP	NA	\$1,000,000
4. Technical Adjustments	Gross	NA	\$0
Includes net to zero adjustments to numerous lines and state restricted authorizations to align fund sources and line authorizations with projected revenues and expenditures. Also includes an internal net to zero transfer of \$703,500 in state restricted authorization (Insurance Bureau Fund) from the Consumer Services and Protection line to the Insurance Evaluation line to align with departmental regulatory activity.	Restricted	NA	0
	GF/GP	NA	\$0
5. Economic Adjustments	Gross	NA	\$1,347,900
Reflects increased costs of \$1.3 million Gross for negotiated salary and wage increases (5.0% on October 1, 2022 and 0.5% to annualize the FY 2021-22 1.0% increase that began on April 1, 2022), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG/IDT	NA	11,900
	Restricted	NA	1,336,000
	GF/GP	NA	\$0

Major Boilerplate Changes from FY 2021-22

Sec. 206. Communication with the Legislature – DELETED

Prohibits DIFS from taking disciplinary action against employees for communicating with legislators or their staff, unless the communication is prohibited by law. *(Governor deemed this section unenforceable in FY 2021-22.)*

Sec. 210. Contingency Authorization – REVISED

Appropriates up to \$200,000 in federal and \$1.0 million in state restricted contingency authorization; authorizes expenditure of funds after legislative transfer to specific line items. Revised to appropriate \$1.0 million in federal and \$5.0 million in state restricted contingency authorization.

Sec. 216. FTE Vacancies and Remote Work Reports – DELETED

Requires DIFS to submit quarterly reports containing FTE volumes and a comparison of actual and authorized FTE position counts; requires an annual report on the number of employees engaged in remote work in 2021, number of employees authorized to work remotely and the actual number working remotely, and estimated net cost savings and reduced use of office space achieved by remote work.

Sec. 217. Work Project Usage – DELETED

Stipulates that appropriations are not to be expended, if possible, until all existing work project authorization for the same purpose is exhausted. *(Governor deemed this section unenforceable in FY 2021-22.)*

Sec. 218. State Administrative Board Transfers – DELETED

Stipulates that the legislature may intertransfer funds via concurrent resolution if the State Administrative Board transfers funds. *(Governor deemed this section unenforceable in FY 2021-22.)*

Sec. 219. Retention of Reports – DELETED

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.

Sec. 220. Report on Policy Changes for Public Act Implementation – DELETED

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

Sec. 221. Severance Pay Reporting – DELETED

Requires DIFS to report any severance pay for a director or other high-ranking official not later than 14 days after a severance agreement is signed; requires DIFS to maintain an internet site posting any severance pay in excess of 6 weeks of wages; requires report on total amount of severance pay remitted and number of DIFS employees receiving severance pay in FY 2020-21.

Major Boilerplate Changes from FY 2021-22

Sec. 222. COVID-19 Vaccine Stipulations – DELETED

Prohibits requiring proof of having received a COVID-19 vaccine as a condition of accessing any facility or services, except as required by federal law; prohibits producing, developing, issuing, or requiring a COVID-19 vaccine passport; prohibits developing a database or making an existing database publicly available to access an individual's COVID-19 vaccine status; prohibits requiring proof of having received a COVID-19 vaccine as a condition of employment, with exceptions for hospitals and medical facilities; prohibits adverse employment consequences due to an individual's COVID-19 vaccination status; requires that exemptions be created for individuals who medically cannot receive the vaccine or who have religious or consistently held objections to vaccination if a federal mandate requires establishment of a COVID-19 vaccine policy.

Sec. 224. Television and Radio Production Expenditure Report – DELETED

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

Sec. 225. Insurance Bureau Fund Use – DELETED

Authorizes Insurance Bureau Fund appropriations for use to support legislative participation in insurance activities coordinated by insurance and legislative associations, in accordance with Insurance Code of 1956.

Sec. 301. Health Insurance Rate Filings Report – DELETED

Requires DIFS to submit report based on health insurer annual rate filings; delineates information to be included.

Sec. 302. Conservatorship and Insurance Liquidation Funds – REVISED

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 to not lapse to General Fund; limits appropriations to \$400,000. Revised to remove the \$400,000 cap.

Sec. 303. Fees for Customized Listings – REVISED

Permits DIFS to provide customized lists of non-confidential information to interested parties and to charge reasonable fees; requires funds to lapse to appropriate restricted fund accounts and limits amount appropriated to \$400,000. Revised to remove the \$400,000 cap.

Sec. 306. Annual Reports Transmission – DELETED

Requires DIFS to electronically transmit specific annual reports required under the Insurance Code of 1956 and the Banking Code of 1999.

Sec. 307. Financial Institutions Marijuana Evaluation Guidance – DELETED

Requires DIFS to update examination manuals and letters of guidance for institutions providing financial services to businesses involved in the marijuana industry to reflect how those institutions will be evaluated.

Sec. 308. State or Regional Health Care Claims Database Grant Award Criteria – DELETED

Requires DIFS to consider not-for-profit and Michigan-based status, prior experience collecting and analyzing relevant information, and prior work experiences when awarding any grant for the creation of a state or regional health care claims database utilizing federal funds.