

Director: Christina Urias

JLBC Analyst: Leatta McLaughlin

|   | FY 2005<br>Actual | FY 2006<br>Estimate | FY 2007<br>Approved           |
|---|-------------------|---------------------|-------------------------------|
| <b>OPERATING BUDGET</b>                           |                   |                     |                               |
| <i>Full Time Equivalent Positions</i>             | 114.9             | 106.5               | 106.5 <sup>1/</sup>           |
| Personal Services                                 | 3,440,800         | 4,067,200           | 4,139,300                     |
| Employee Related Expenditures                     | 1,096,400         | 1,291,800           | 1,469,000                     |
| Professional and Outside Services                 | 115,000           | 113,600             | 116,800                       |
| Travel - In State                                 | 40,000            | 37,400              | 37,400                        |
| Travel - Out of State                             | 8,300             | 5,000               | 5,000                         |
| Other Operating Expenditures                      | 819,300           | 595,600             | 803,600                       |
| Equipment   | 327,200           | 0                   | 0                             |
| <b>OPERATING SUBTOTAL</b>                         | <b>5,847,000</b>  | <b>6,110,600</b>    | <b>6,571,100</b>              |
| <b>SPECIAL LINE ITEMS</b>                         |                   |                     |                               |
| Managed Care and Dental Plan Oversight            | 495,900           | 553,300             | 601,700                       |
| NCOIL Participation                               | 0                 | 25,000              | 25,000 <sup>2/</sup>          |
| <b>AGENCY TOTAL</b>                               | <b>6,342,900</b>  | <b>6,688,900</b>    | <b>7,197,800<sup>3/</sup></b> |
| <b>FUND SOURCES</b>                               |                   |                     |                               |
| General Fund                                      | 6,342,900         | 6,663,900           | 7,172,800                     |
| <u>Other Appropriated Funds</u>                   |                   |                     |                               |
| Captive Insurance Regulatory and Supervision Fund | 0                 | 25,000              | 25,000                        |
| SUBTOTAL - Other Appropriated Funds               | 0                 | 25,000              | 25,000                        |
| <b>SUBTOTAL - Appropriated Funds</b>              | <b>6,342,900</b>  | <b>6,688,900</b>    | <b>7,197,800</b>              |
| Other Non-Appropriated Funds                      | 11,526,900        | 14,534,200          | 14,574,200                    |
| <b>TOTAL - ALL SOURCES</b>                        | <b>17,869,800</b> | <b>21,223,100</b>   | <b>21,772,000</b>             |

**AGENCY DESCRIPTION** — The Department of Insurance licenses and authorizes the transaction of insurance business by insurers, producers and other insurance-related entities. The department’s oversight responsibilities include solvency regulation, collection and audit of insurance premium taxes, agent licensing, company certification, consumer assistance, complaint resolution, rate and policy form regulation, and administration of companies in receivership. The department collects various filing and licensing fees, which are deposited into the state General Fund. The revenues derived from these fees are required by law to be between 95% and 110% of the department’s state General Fund appropriation.

<sup>1/</sup> Includes 7.5 FTE Positions funded from Special Line Items in FY 2007.

<sup>2/</sup> The \$25,000 appropriated in the NCOIL Participation Special Line Item is for the costs of participating in the National Conference of Insurance Legislators. (General Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

| PERFORMANCE MEASURES   | FY 2003 | FY 2004 | FY 2005 | FY 2007  |
|--|---------|---------|---------|----------|
|  | Actual  | Actual  | Actual  | Approved |
| • Average calendar days to complete a consumer complaint investigation   | 79.0    | 118.9   | 75.9    | 110.0    |
| • % of survey licensees respondents indicating “satisfied” or “better”<br>Comments: The Department of Insurance reports that the percent of survey licensees respondents indicating “satisfied” or “better” increased because of improved information on the department’s Web site. The minimum quality rating of “satisfied” made by consumer complainants is consistently around 70%.  | 89.4    | 91.4    | 92.6    | 92.0     |
| • % of consumer services survey respondents indicating “satisfied” or “better”   | 70.4    | 69.9    | 76.2    | 75.0     |
| • Average number of days to issue a license<br>Comments: The average number of days to issue a license begins on the day an application is received and culminates the day that the license decision is rendered. The following license types are included in the “average days to issue a license” performance measure: Insurers, Re-insurers, Service Corporations, Health Care Service Organizations and Prepaid Dental Plan Organizations. | --      | 48.3    | 40.4    | 45.0     |

This agency’s budget was originally appropriated in Laws 2005, Chapter 286. For details on this agency’s original FY 2007 budget, please see the *FY 2006 Appropriations Report*. Laws 2006, Chapter 344 made adjustments to the agency’s FY 2007 budget as discussed below.

#### ***Operating Budget***

The budget provides \$6,571,100 from the General Fund for the operating budget in FY 2007. The amount includes an increase of \$655,900 from the General Fund for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

#### ***Special Line Items***

##### ***Managed Care and Dental Plan Oversight***

The budget provides \$601,700 from the General Fund for Managed Care and Dental Plan Oversight in FY 2007. The approved amount includes an increase of \$66,700 from the General Fund for statewide adjustments.

#### ***Additional Legislation***

##### ***Health Insurance Premium Tax Credit***

Effective after December 31, 2006, Laws 2006, Chapter 378 establishes a premium tax credit for health care insurers that provide health insurance to qualified individuals and small businesses that are certified by the Arizona Department of Revenue (DOR). The person receiving the credit must be a United States citizen or legally residing resident. The individual must also: 1) earn less than 250% of the federal poverty level, be a resident of Arizona, not have had health insurance for at least the past 6 consecutive months, and not be enrolled by any other state or federal government health insurance

program; or 2) work for a small business that has been in existence for at least 1 calendar year in this state, that has not provided health insurance to its employees for at least 6 months and that had between 2 and 25 employees during the most recent calendar year. The amount of the tax credit for individuals is the lesser of the following: \$1,000 for single coverage, \$500 for coverage of a child, or \$3,000 for family coverage; or 50% of the health insurance premium. The amount of the tax credit for small businesses is the lesser of the following: \$1,000 for single coverage or \$3,000 for family coverage; or 50% of the health insurance premium. The maximum amount of tax credits allowed in a calendar year is capped at \$5,000,000. The tax credits will be administered by DOR.