

DEPARTMENT OF INSURANCE

Charles Cohen, Director

A.R.S. § 20-101
JLBC Analyst: Pat Mah

General Fund	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	100.0	105.0	107.0 ^{1/}	107.0 ^{1/}
Personal Services	2,259,900	2,692,500	2,793,400	2,849,300
Employee Related Expenditures	492,800	577,900	602,000	627,900
Professional and Outside Services	32,300	15,000	15,000 ^{2/}	15,000 ^{2/}
Travel - In State	4,400	4,200	4,200	4,200
Travel - Out of State	9,600	10,100	10,100	10,100
Other Operating Expenditures	728,500	740,400	758,700	791,900
Equipment	48,200	349,900	19,500	10,500
Operating Subtotal	3,575,700	4,390,000	4,202,900	4,308,900
Insurance Rate Publication	13,300	42,000	0	0
Fraud Unit	935,500	1,086,200	1,106,900	1,126,500
Total Appropriations	4,524,500	5,518,200	5,309,800^{3/}	5,435,400^{3/}

Agency Description — *The department regulates the insurance industry. The department's major duties 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 to 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.*

Licensing Section Backlog — The approved FY 2000 amount reflects an increase of \$58,500 for 2 new Examiner Technician II positions to address a significant backlog that has occurred from statutory required changes in the licensing procedures and growth in the number of people requesting licenses. In FY 2001, this amount is reduced by \$(9,000) to eliminate one-time expenditures for equipment. Applications for licenses have increased 18.9%, from 35,187 in FY 1996 to 41,853 in FY 1998. Continued growth is expected to be 10% each year, for a projected level of 50,600 applications in FY 2000. The additional staffing will prevent further growth in the processing time and, in conjunction with additional automation efficiencies planned by the department, should lower the amount of processing days.

Computer Maintenance — The approved FY 2001 amount reflects an increase of \$34,200 for additional maintenance cost associated with personal computers and a local area network purchased in FY 1999 and warranted for 2 years. The monies are for replacement parts and repairs that cannot be handled by in-house staff.

Equipment — The approved FY 2000 amount reflects \$10,500 for a replacement copier. The same amount is approved in FY 2001 for another replacement copier. The FY 2000 recommendation reflects a net reduction of \$(339,400) to eliminate the cost of one-time equipment purchases in FY 1999.

Insurance Rate Publication — Laws 1993, Chapter 1, 5th Special Session, requires the department to hold public hearings in at least 5 geographical areas, report on the profit or loss of auto insurance, compile auto insurance premium comparisons and complaint ratios, and provide copies of the premium comparisons and complaint ratios to the Arizona Department of Transportation for distribution to the public. The approved FY 2000 amount reflects a reduction of \$(22,000) in the Insurance Rate Publication Special Line Item. The reduction was requested by the agency based on actual expenditures and leaves a total of \$20,000 beginning in FY 2000. The approved budget also transfers the remaining \$20,000 for this Special Line Item to the operating budget. As an ongoing part of the agency's activities, the resources for this activity are more appropriately placed in the operating budget.

Fraud Unit — Laws 1994, Chapter 154 established a fraud unit in the department, starting in FY 1995. The Fraud Unit Special Line Item funds 16 FTE Positions to investigate suspected fraud committed against insurance companies and report alleged violations to the Office of the Attorney General. The department annually assesses insurance companies for the administration and operation of the Fraud Unit. The approved budget reflects \$1,106,900 in FY 2000 and \$1,126,500 in FY 2001 for the activities.

^{1/} Includes 16 FTE Positions funded from Special Line Items in FY 2000 and FY 2001.

^{2/} Includes an adjustment for Office of the Attorney General legal services. (See the Salary Adjustment table at the front of this report for more information.)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.