

INSURANCE

Budget Summary						FTE Position Summary				
Fund	2006-07 Adjusted Base	Request		2007-09 Change Over Base Year Doubled		2006-07	Request		2008-09 Over 2006-07	
		2007-08	2008-09	Amount	%		2007-08	2008-09	Number	%
PR	\$18,503,900	\$16,044,900	\$16,147,500	-\$4,815,400	- 13.0%	118.25	128.25	128.25	10.00	8.5%
SEG	<u>87,835,000</u>	<u>88,451,200</u>	<u>88,060,800</u>	<u>842,000</u>	0.5	<u>13.75</u>	<u>13.75</u>	<u>13.75</u>	<u>0.00</u>	0.0
TOTAL	\$106,338,900	\$104,496,100	\$104,208,300	-\$3,973,400	- 1.9%	132.00	142.00	142.00	10.00	7.6%

Major Request Items

1. STANDARD BUDGET ADJUSTMENTS

PR	\$2,087,200
SEG	<u>139,800</u>
Total	\$2,227,000

Request \$1,113,500 (\$1,043,600 PR and \$69,900 SEG) annually to adjust the Office of the Commissioner of Insurance's base budget for:

(a) turnover reduction (-\$149,100 PR annually); and (b) full funding of continuing salaries and fringe benefits (\$1,192,700 PR and \$69,900 SEG annually).

2. CONSOLIDATE PROGRAM REVENUE APPROPRIATIONS

PR	- \$9,229,200
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Request a reduction of \$4,614,600 in 2007-08 and \$4,614,600 in 2008-09 to reflect the net fiscal effect of eliminating a current appropriation that funds agency-wide administrative and support services and transferring \$4,614,600 annually and 18.0 positions that are currently supported from that appropriation to the agency's general program operations appropriation. This proposed change reflects a reorganization within the agency that eliminated the Division of Administrative Services, effective May 1, 2006.

Currently, funding to support these agency-wide administrative and support services appears twice in the agency's budget -- in the program revenue-service appropriation that would be eliminated under this item, and the agency's general program operations appropriation, which funds these costs on a charge-back basis. Under this request, these activities would be funded in the agency's general program operations appropriation, thereby eliminating the current "double counting" of these funds. The item would not reduce total funding available to the agency to support its operations.

3. PROCESSING FEES FOR ELECTRONIC LICENSE APPLICATIONS AND BIENNIAL LICENSE RENEWALS

PR	\$708,000
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Request \$354,000 in 2007-08 and \$354,000 in 2008-09 for OCI to pay processing fees associated with electronic license applications and biennial license renewals.

Beginning in January 2007, OCI will require all agents and firms to pay their biennial license renewal fees using a credit card, debit card, or electronic check. OCI's current vendor will charge OCI \$5.00 per transaction to cover all service fees associated with these payments. OCI estimates 60,000 agents will be billed during each year of the 2007-09 biennium, at a total estimated annual cost of \$300,000. In November, 2006, OCI began requiring applicants for resident agent licenses to submit their applications electronically to the vendor. OCI's current vendor charges \$9.00 per electronic application to cover all service fees associated with each transaction. OCI estimates 6,000 resident agent licenses will be issued in each year of the 2007-09 biennium, at a total annual cost of \$54,000.

4. INSURANCE EXAMINERS FOR THE BUREAU OF MARKET REGULATION

	Funding	Positions
PR	\$486,300	4.00

Request \$224,300 in 2007-08 and \$262,000 in 2008-09 to fund 4.0 insurance examiner positions, beginning in 2007-08, to expand market analysis activities in the Bureau of Market Regulation. OCI has joined other states in implementing a system of standardized market conduct reviews to identify patterns of abuse, and to conduct targeted on-site examinations. Participating states are responsible for periodically reviewing the operating policies and procedures of domestic insurers, compiling information on consumer complaints and calculating complaint indices, identifying companies for further review, and reporting significant findings to a work group of the National Association of Insurance Commissioners. Of the positions requested by OCI, 3.0 positions would conduct activities relating to this initiative, and 1.0 position would be assigned to the Bureau's property and casualty section to address increased workload due to increasing frequency and severity of storms that have affected property and casualty policies and claims.

5. FINANCIAL EXAMINERS

	Funding	Positions
PR	\$224,500	2.00

Request \$104,200 in 2007-08 and \$120,300 in 2008-09 to fund 2.0 additional insurance financial examiner positions, beginning in 2007-08, in the Bureau of Financial Analysis and Examinations to address projected net increases in workload resulting from: (a) insurance companies that had been domiciled in other states choosing to domicile in Wisconsin ("redomestications"); (b) insurance company mergers; (c) new insurance companies licensed in Wisconsin; and (d) insurance company dissolutions. These positions would assist in the timely review of insurer financial

data and analysis, and assist in the completion and publication of insurer examination reports. The Bureau is currently authorized 29.0 insurance financial examiner positions.

6. INJURED PATIENTS AND FAMILIES COMPENSATION FUND COMPUTER SYSTEM	SEG	\$599,400
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Request \$462,100 in 2007-08 and \$137,300 in 2008-09 to fund costs to upgrade the computer system OCI uses to maintain information on approximately 14,000 providers that participate in the injured patients and families compensation fund. The system maintains information on primary insurance coverage, billing and collection of fees, claims information, and provider noncompliance. OCI requests funding to support: (a) 2.0 contracted systems analysts for one year to make systems changes (\$247,500 in 2007-08); (b) hardware and software (\$77,300 in 2007-08); and (c) ongoing service and maintenance fees (\$137,300 annually).

10% Budget Reduction Plan

	<u>Amount of Reduction</u>	
	<u>2007-08</u>	<u>2008-09</u>
Transfer to General Fund		
Lapse to General Fund. Lapse \$1,669,100 from the cash balance of insurance-related program revenues collected by OCI to the general fund in each year of the 2007-09 biennium	\$1,669,100	\$1,669,100