



## **Background Briefing**

# **Insurance and Financial Services**

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**December 2013**

**The fiscal information in this background briefing is based on data through December 31, 2013.**

# DIFS Overview

The Department of Insurance and Financial Services (DIFS) is responsible for licensing, evaluating, regulating, and promoting the insurance and financial industries operating within the state and providing consumer protection for Michigan residents by managing consumer information and inquiries and investigating consumer complaints.

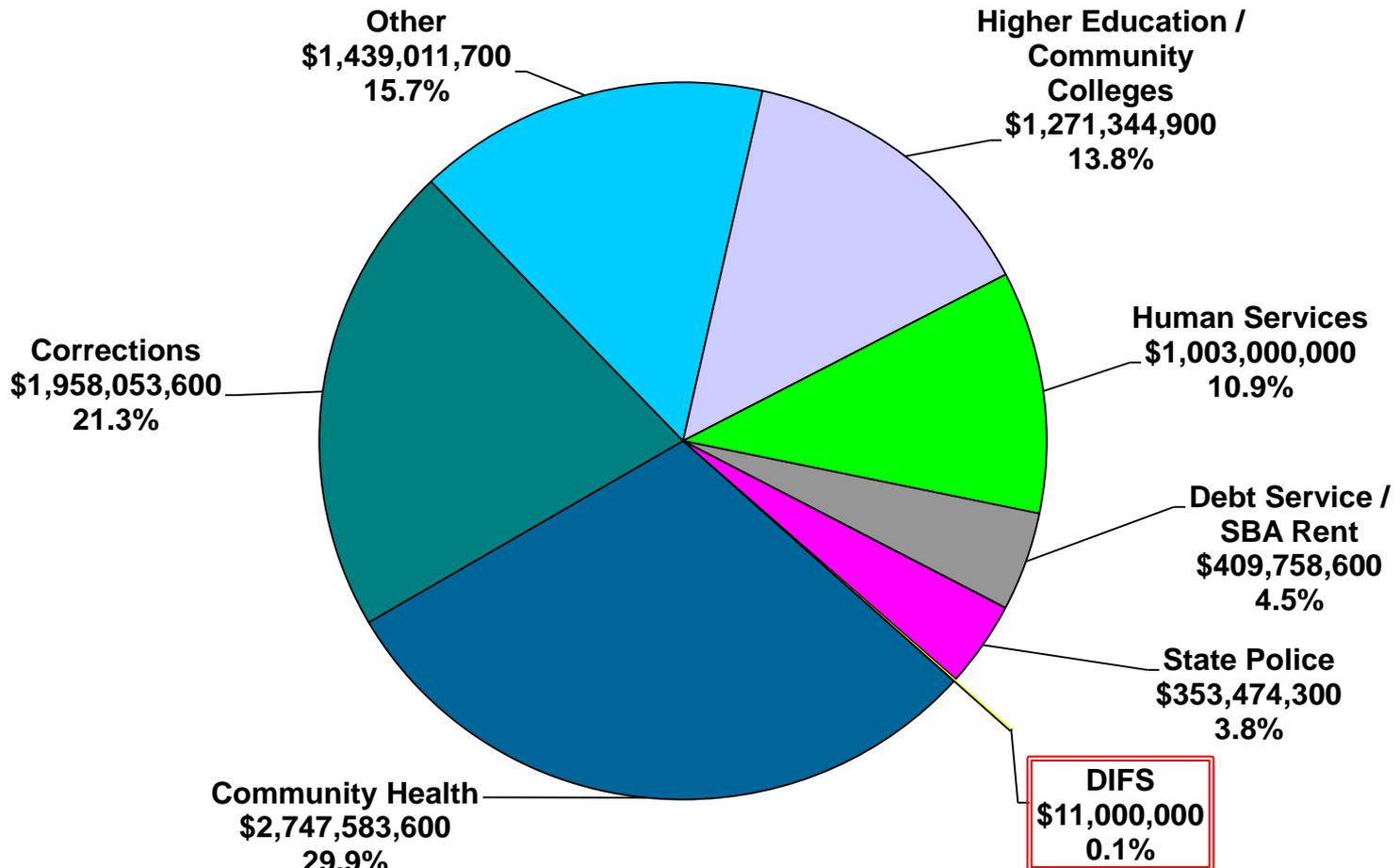
DIFS administers, implements, and enforces state statutes pertaining to: state-chartered banks, credits unions, mortgage lenders, consumer finance entities, insurance companies and agents, health maintenance organizations, and the Autism Coverage Reimbursement Program

DIFS was created by Executive Order 2013-1 through the transfer of the authority, powers, duties, functions, and responsibilities of the former Office of Financial and Insurance Regulation and functions of the Autism Coverage Reimbursement Program created by 2012 PA 101 from the Department of Licensing and Regulatory Affairs.

# DIFS Share of State GF/GP

DIFS makes up 0.1% of the total state GF/GP budget

FY 2013-14 GF/GP Total = \$9,193,226,700

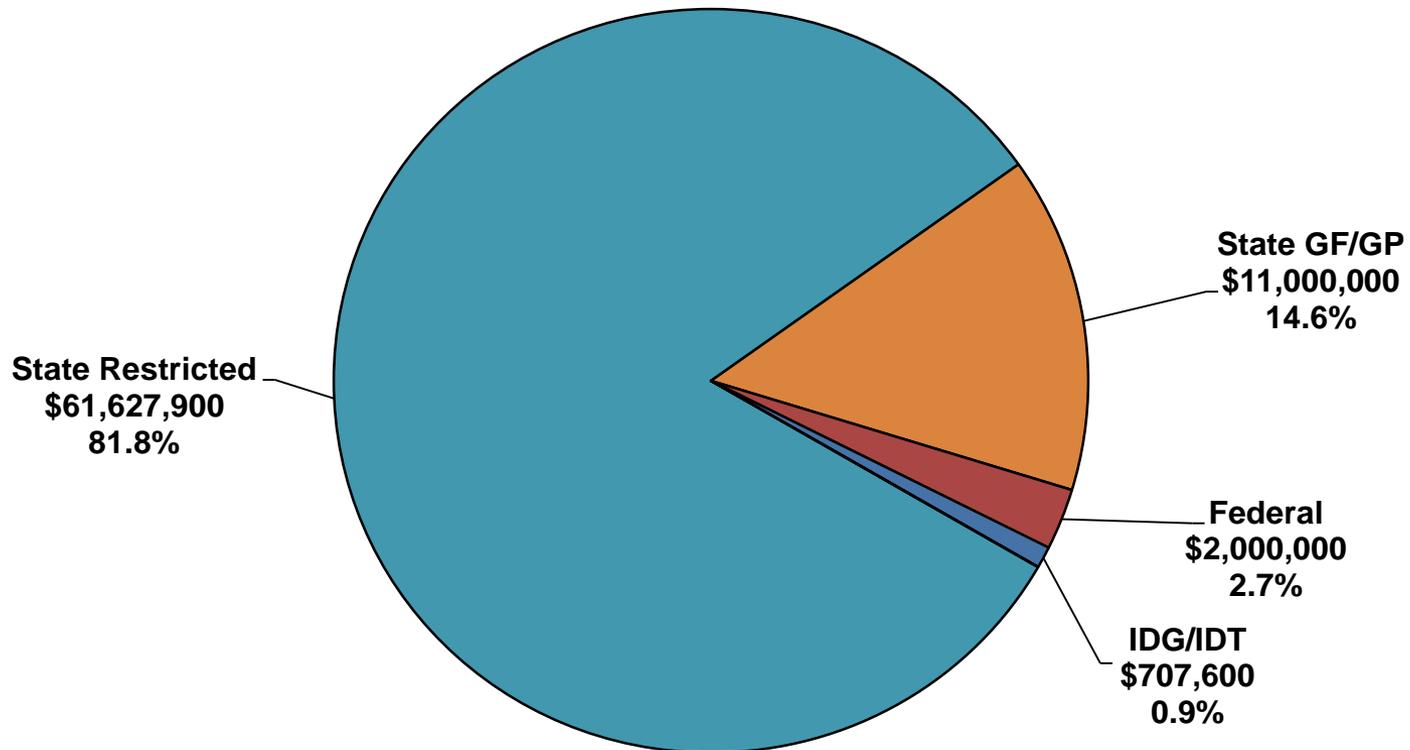


# **SOURCES OF FUNDING**

# DIFS Funding Sources

State restricted funds (e.g. regulatory fees) constitute 81.8% and state GF/GP constitutes 14.6% of DIFS revenues

FY 2013-14 DIFS Total Appropriation = \$73,335,500



# **DEPARTMENT APPROPRIATIONS**

# **DIFS Appropriation**

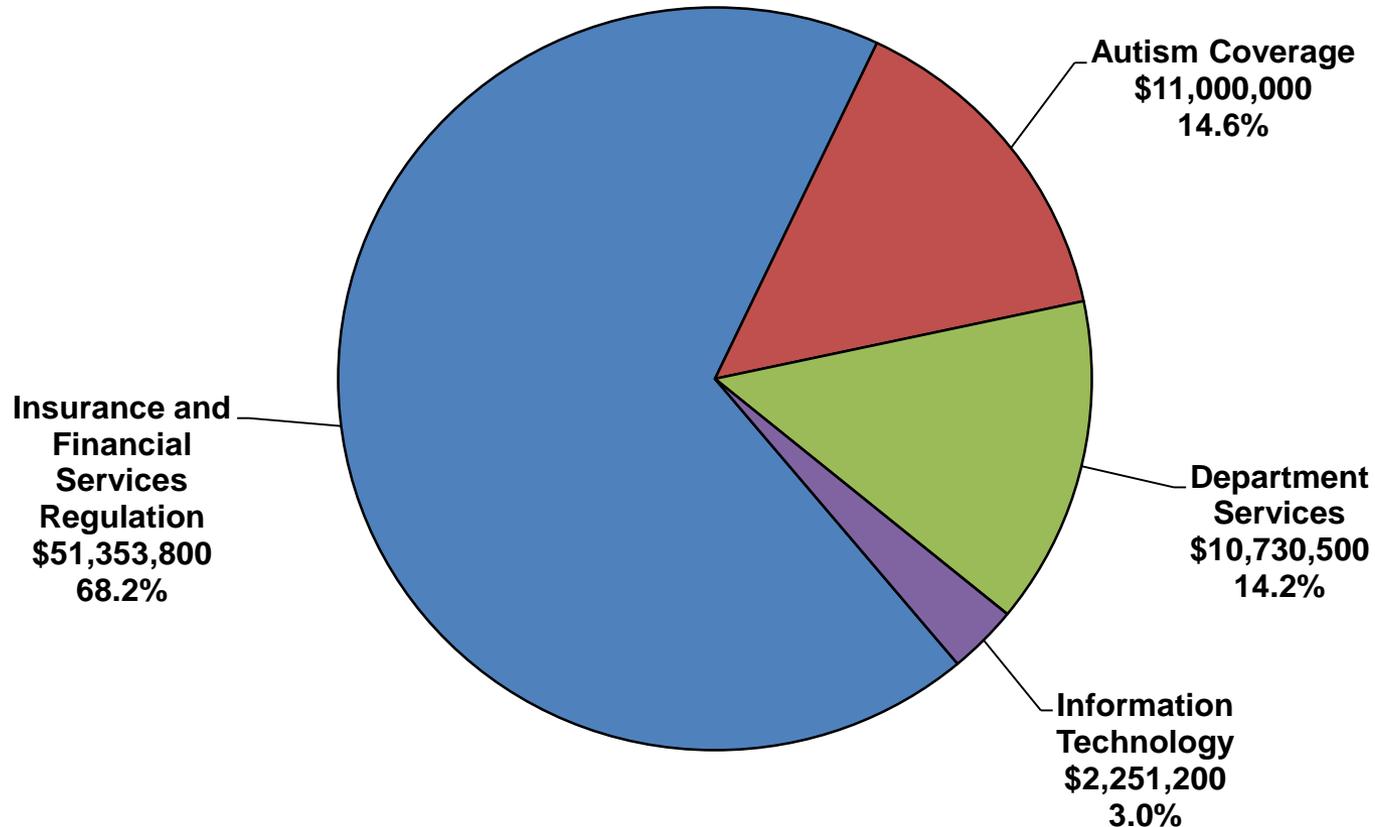
**The DIFS budget is allocated into these appropriation units:**

- **Department Services**
- **Insurance and Financial Services Regulation**
- **Information Technology**
- **Autism Coverage**

# DIFS Appropriation

Insurance and Financial Services Regulation constitutes 68.2% and Autism Coverage constitutes 14.6% of the DIFS appropriation

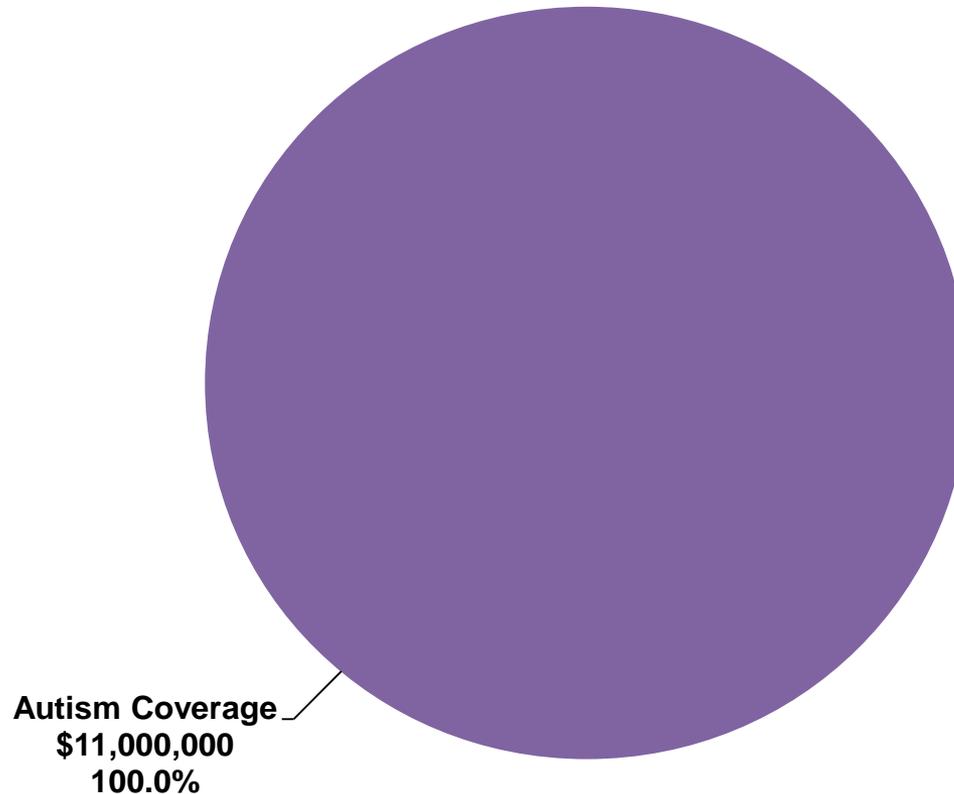
FY 2013-14 DIFS Appropriation = \$75,335,500



# DIFS GF/GP Appropriation

Autism Coverage constitutes 100.0% of the DIFS GF/GP appropriation

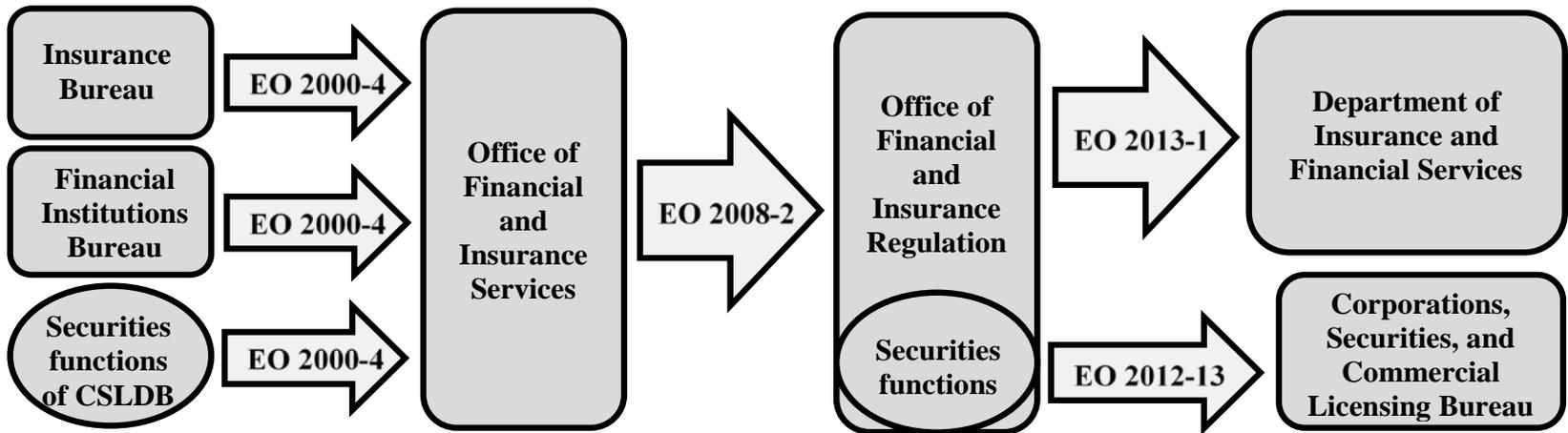
FY 2013-14 DIFS GF/GP Appropriation = \$11,000,000



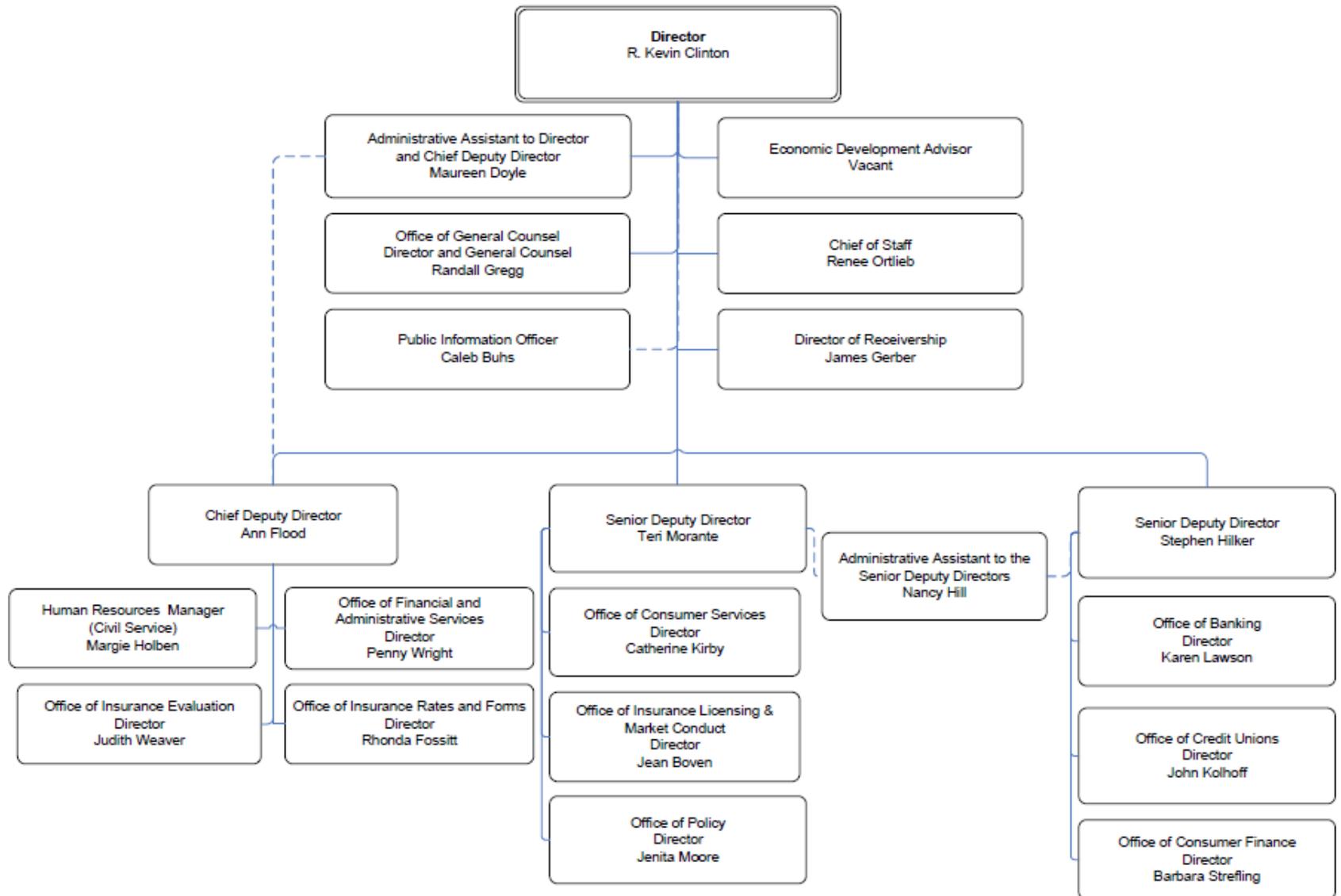
# **MAJOR BUDGET TOPICS**

# 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 which 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 which was transferred to the Corporations, Securities, and Commercial Licensing Bureau within LARA.



# DIFS Organizational Chart



# DIFS Offices

**DIFS is organized into the following offices:**

- **Office of Banking**
- **Office of Credit Unions**
- **Office of Consumer Finance**
- **Office of Insurance Evaluation**
- **Office of Insurance Rates and Forms**
- **Office of Insurance Licensing and Market Conduct**
- **Office of Consumer Services**
- **Office of Finance and Administrative Services**
- **Office of Policy**
- **Office of General Counsel**

# **DIFS Sources of Funding**

## **State Restricted Revenues**

Comprised of various licensing and regulatory fees and fines levied on individuals and entities engaged in the insurance and financial industries regulated under DIFS.

## **Federal Revenues**

Comprised of grants from the Department of Health and Human Services for health insurance activities related to the federal Patient Protection and Affordable Care Act.

## **State General Fund Revenue**

The state's primary operating fund which does not include restricted revenue.

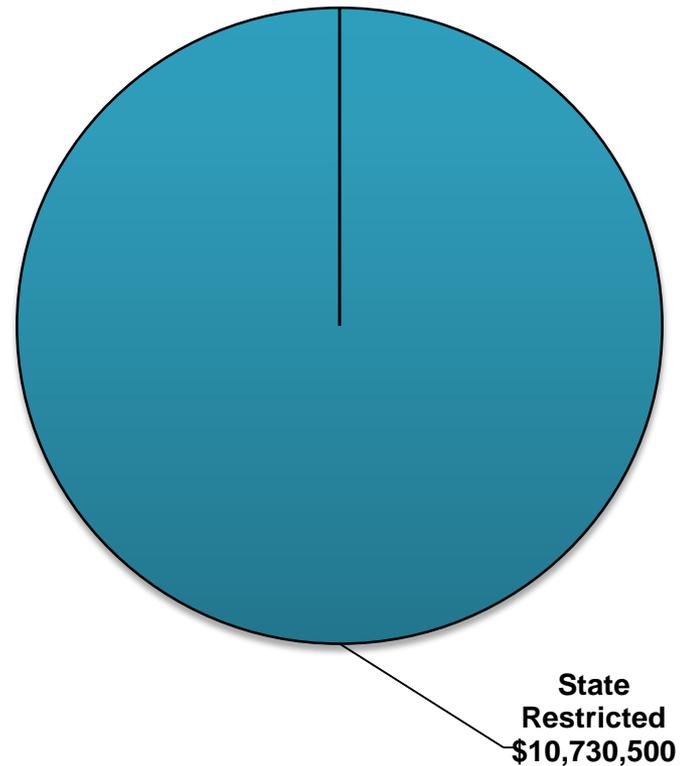
## **Interdepartmental Grant Revenues**

Revenue appropriated for LARA and granted to DIFS for the implementation and enforcement of the Debt Management Act.

# Department Services

Appropriation unit includes support for the executive and administrative functions and overhead costs of DIFS, including: financial and administrative services, policy research and development, legal services, property management, rent, workers' compensation insurance, and administrative hearings.

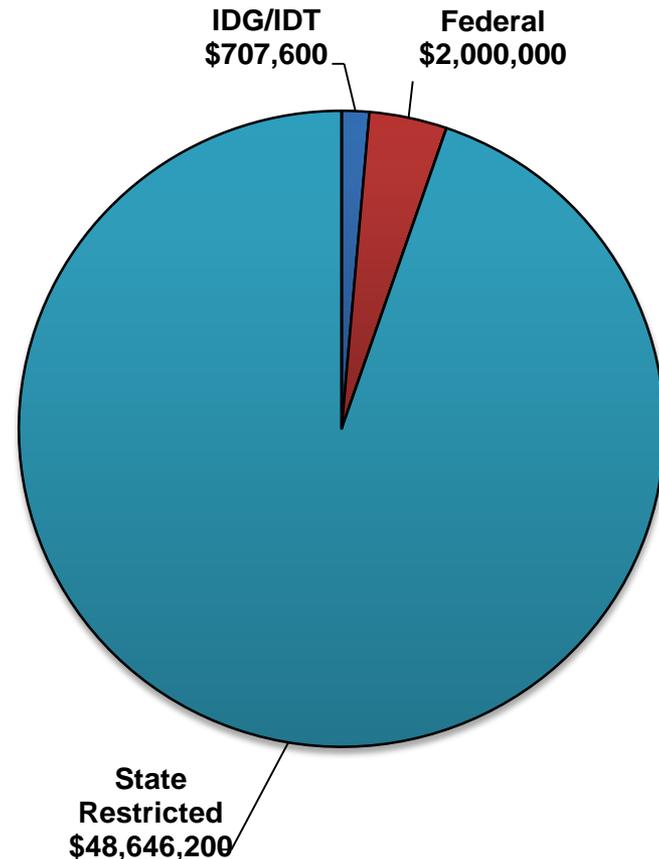
FY 2013-14 Total = \$10,730,500



# Insurance and Financial Services Regulation

**Appropriation unit includes support for the state's regulatory oversight of the insurance and financial industries, including: state-chartered banks and trusts, credits unions, mortgage lenders and brokers, various consumer finance entities, insurance companies and agents, and health maintenance organizations. Also supports DIFS consumer services and protection.**

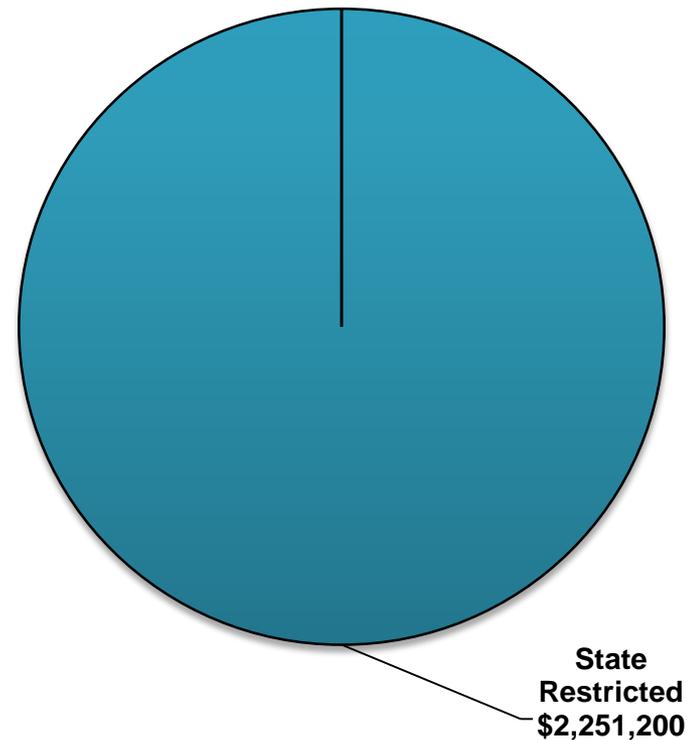
FY 2013-14 Total = \$51,353,800



# Information Technology

Appropriation unit includes support for information technology services and projects within DIFS provided through the Department of Technology, Management, and Budget (DTMB).

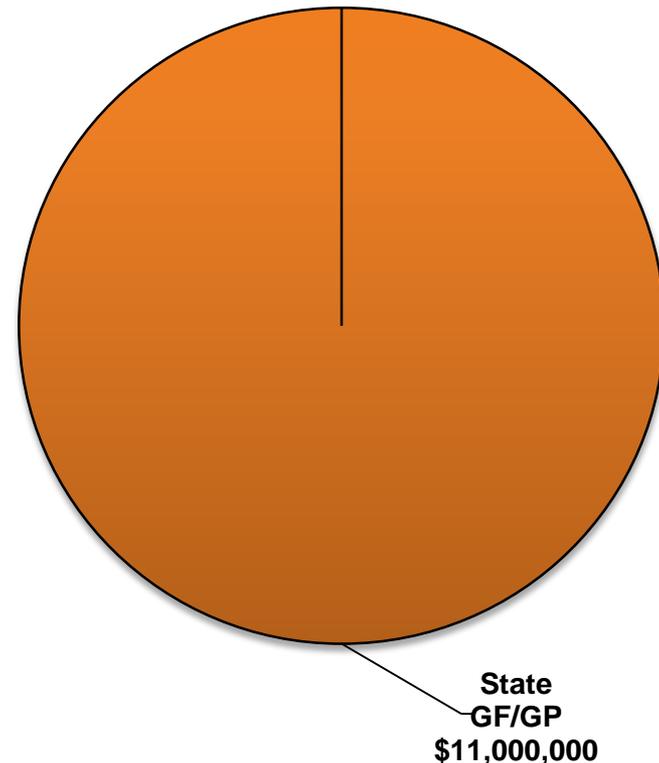
FY 2013-14 Total = \$2,251,200



# Autism Coverage

Appropriation unit includes funding for the Autism Coverage Reimbursement Program, through the Autism Coverage Fund, created by 2012 PA 101, and under which insurance carriers may seek reimbursement for claims associated with the diagnosis and treatment of autism spectrum disorders through an application process implemented by DIFS; 1% of the appropriation may be expended for administrative costs.

FY 2013-14 Total = \$11,000,000



# Autism Coverage Reimbursement Program

- The autism spectrum disorders (ASD) coverage mandate, under 2012 Pas 99 and 100, became effective for insurance certificates and policies issued, amended, or renewed on or after October 15, 2012
- 2012 PA 101 established the Autism Coverage Reimbursement Program which reimburses health insurance carriers for 100% of paid claims for diagnosis and treatment of ASD from the Autism Coverage Fund, subject to statutory limitations and available resources within the Fund
- Appropriation for the Fund was \$15.0 million GF/GP in FY 2012-13 and \$11.0 million GF/GP in FY 2013-14, money in the Fund does not lapse
- **As of 12/13/13, 9 carriers have submitted 21 applications for reimbursement, totaling \$529,060, of which \$501,937 has been paid**
- DIFS provided these explanations for the low-volume of reimbursements:
  - Lack of awareness about the Program among consumers and providers
  - Limited number of providers of ASD diagnosis and treatment services
  - Low utilization due to higher administrative costs to file reimbursement claims
  - Lag time due to missing or inaccurate coding for reimbursement claims
- DIFS anticipates reimbursement claims will substantially increase by FY 2014-15

# OFIR/DIFS Appropriation Comparison

- The net reduction in appropriations for OFIR/DIFS between FY 2012-13 and FY 2013-14 is the result of an increase in economics adjustments, the transfer of the Securities Division from OFIR to the CSCLB via Executive Order 2012-13, a reduction in spending authorization for the Autism Coverage Fund, and a reduction in spending authorization from the Bank Fees fund.

OFIR/DIFS Enacted Appropriations			
FY 2012-13, as enacted		FY 2013-14, as enacted	
<b>Departmental Administration (OFIR Portion)</b>	<b>\$2,422,100</b>	<b>Department Services</b>	<b>\$10,730,500</b>
Unclassified Salaries	\$165,800	Unclassified Salaries	\$700,000
Executive Director Programs	\$615,700	Executive Director Programs	\$615,700
Administrative Services	\$577,100	Department Services	\$8,168,800
Property Management	\$792,000	Property Management	\$792,000
Rent	\$258,800	Rent	\$258,800
Worker's Compensation	\$12,700	Worker's Compensation	\$12,700
<b>Office of Financial and Insurance Regulation</b>	<b>\$64,512,600</b>	Administrative Hearings	\$182,500
Administration	\$7,956,900	<b>Insurance and Financial Services Regulation</b>	<b>\$51,353,800</b>
Financial Evaluation	\$36,871,300	Insurance Evaluation	\$13,142,400
Regulatory Compliance and Consumer Assistance	\$19,684,400	Insurance Rates and Forms	\$5,400,000
<b>Michigan Administrative Hearing System (OFIR Portion)</b>	<b>\$182,500</b>	Financial Institutions Evaluation	\$18,661,000
Michigan Administrative Hearing System	\$182,500	Regulatory Compliance, Market Conduct, and Licensing	\$10,150,400
<b>Information Technology (OFIR Portion)</b>	<b>\$2,251,200</b>	Consumer Services and Protection	\$4,000,000
Information Technology Services and Projects	\$2,251,200	<b>Information Technology</b>	<b>\$2,251,200</b>
<b>Autism Coverage</b>	<b>\$15,000,000</b>	Information Technology Services and Projects	\$2,251,200
Autism Coverage Fund	\$15,000,000	<b>Autism Coverage</b>	<b>\$11,000,000</b>
		Autism Coverage Fund	\$11,000,000
<b>GROSS APPROPRIATION</b>	<b>\$84,368,400</b>	<b>GROSS APPROPRIATION</b>	<b>\$75,335,500</b>
State General Fund/General Purpose	\$15,000,000	State General Fund/General Purpose	\$11,000,000

**For more information about the  
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