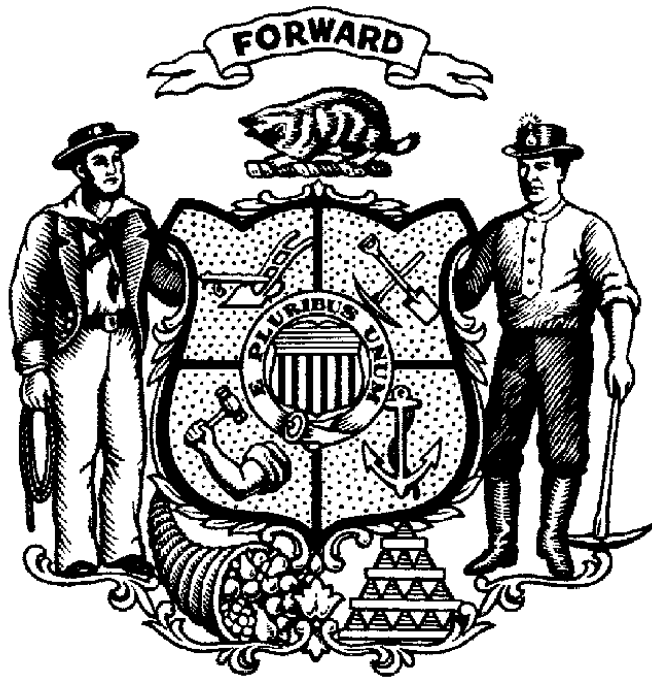


State of Wisconsin

Office of the Commissioner of Insurance



Agency Budget Request
2011 – 2013 Biennium
September 15, 2010

State of Wisconsin

Office of the Commissioner of Insurance

Table of Contents

Section	Page
Cover Letter and Agency Information	- 3 -
Agency Total by Fund Source	- 12 -
Agency Total by Program and Sub Program	- 13 -
Agency Total by Decision Item	- 15 -
GPR Earned	- 16 -
Program Revenue	- 17 -
Segregated Funds Revenue and Balance Sheet	- 19 -
Decision Item Information	- 25 -
Statutory Language Changes	- 50 -



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ocinformation@wisconsin.gov
Web Address: oci.wi.gov

September 15, 2010

Daniel Schooff, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53702

Dear Secretary Schooff:

Attached is the 2011-2013 biennial budget request from the Office of the Commissioner of Insurance (OCI). This budget request includes decision item narratives to support ongoing agency operations. OCI's program revenue projections show that the requested spending level can be supported through the agency's current fee structure. There are no FTE positions or GPR funding requests in our budget submission.

I recommend approval of this budget request so that effective insurance regulation will be maintained, Wisconsin's policyholders continue to be adequately protected, and that a stable business base for Wisconsin domestic insurers is provided. This budget request recognizes that adequate funding is essential to ensure Wisconsin's leadership role in insurance regulation and to promote a healthy insurance marketplace.

Sincerely,

Sean Dilweg
Commissioner

AGENCY DESCRIPTION

The agency was created by the Legislature in 1871, and the original intent of the agency has not changed drastically over the past 139 years. The agency is vested with broad powers to ensure that the insurance industry responsibly and adequately meets the insurance needs of Wisconsin citizens. The agency performs a variety of tasks to protect insurance consumers and ensure a competitive insurance environment. The agency's major functions include: reviewing insurance policies that are sold in Wisconsin to make sure they meet the requirements set forth in Wisconsin law; conducting examinations of domestic and foreign insurers to ensure compliance with Wisconsin laws and rules; monitoring the financial solvency of licensed companies to make sure that consumers have the insurance coverage they expect when they need it; issuing licenses to the various parties involved in selling and marketing insurance products; assisting insurance consumers with their insurance problems; researching special insurance issues to understand and assess their impact on Wisconsin; providing technical assistance on legislation and promulgating administrative rules to interpret insurance laws; creating and distributing public information and consumer education pieces to educate people about insurance; and operating a state life insurance fund, a property fund for the property owned by local units of government, and an injured patients and families compensation fund insuring health care providers for medical malpractice.

MISSION

The mission of the agency is to lead the way in informing and protecting the public and responding to its insurance needs.

PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

Program 1: Supervision of the Insurance Industry

Goal: Proactively address the root causes of problems in the insurance marketplace through effective regulation, with an emphasis on early detection and prevention.

Objective/Activity: Aggressively conduct all regulatory core mission functions including information collection, analysis, licensing and adjudication; refine and improve early warning systems in financial and market regulation; train staff to facilitate intraagency communication and early identification of regulatory issues; and encourage external interaction and feedback.

Goal: Provide information and assistance to the public including consumers, legislators, insurers, agents, other states, the federal government and other organizations.

Objective/Activity: Ensure that staff directly interacting with the public have the training and equipment to provide information and assistance in a timely and courteous manner; continue to use and improve performance measures; provide public information through the development and implementation of a coordinated communication plan; and improve and preserve state regulation of insurance by communicating with and informing the public.

Goal: Provide ongoing support and development of each staff member.

Objective/Activity: Provide a healthy and safe work environment; develop the full potential of staff by promoting training and growth opportunities; foster diversity in the workplace; promote positive communication, cooperation and mutual respect within and among all work units, and continue to develop work group teams to improve cross-functional work processes; through continued use of performance standards, strive to improve all functions; and assess restructuring and reallocation of staff resources as appropriate to better address work needs.

Goal: Use appropriate technology to provide tools for the regulation of insurance.

Objective/Activity: Continually review emerging technologies and conduct cost-benefit analyses of applications; encourage office-wide participation in technology planning and implementation such as through the Information Technology Strategic Planning Committee; improve state regulation and service by implementing the use of technology to facilitate the sharing of information with other regulatory authorities; and provide opportunities for staff to research and develop new approaches to optimize the use of technology.

Program 2: Injured Patients and Families Compensation Fund

The major objective of the program is to assure that adequate funds are available to compensate patients for serious injuries resulting from acts of medical malpractice. Approximately 15,138 health care providers are covered by the fund. From its inception in 1975 through December 31, 2009, the fund paid 665 claims totaling \$772,337,268.

Goal: Provide excess medical malpractice coverage for Wisconsin health care providers.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

Program 3: Local Government Property Insurance Fund

The purpose of the fund is to make reasonably-priced property insurance available for tax-supported local government property such as government buildings, schools, libraries and motor vehicles. The fund

provides policy and claim service to the policyholders. As of June 30, 2010, the fund insured 1,108 policyholders. The total amount of insurance in force as of June 30, 2010, was \$49.9 billion, up from \$48.1 billion at the previous fiscal year end.

Goal: Make reasonably-priced property insurance available for tax-supported local government property.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

Program 4: State Life Insurance Fund

The fund is a state-sponsored program established to provide low-cost life insurance coverage. The maximum level of coverage available to each policyholder is \$10,000.

Goal: Provide a state-sponsored life insurance program for the benefit of residents of Wisconsin.

Objective/Activity: Ensure the sound fiscal management and integrity of the fund and provide a regular accounting or audit of the fund.

PERFORMANCE MEASURES

2009 AND 2010 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2009	Actual 2009	Goal 2010	Actual 2010*
1.	Number of financial examinations.	60	62	48	n/a
1.	Number of market conduct examinations.	12	8	12	n/a
1.	Consumer complaints handled in a timely fashion.	92%	87%	92%	n/a
1.	Policy form reviews conducted in a timely manner.	6,000	7,766	6,000	n/a
1.	Insurance intermediary licensing function processed in a timely manner.	22,000	20,537	22,000	n/a
1.	Develop, maintain and distribute consumer education material to the public in a timely manner. ¹	210 4 15,000	15,738 0 31,008	300 3 38,000	n/a n/a n/a
1.	Continually update the Web site so users can find the information they need. ²	1,500 150,000	933 54,098	1,000 132,000	n/a n/a
2.	Injured patients and families compensation fund report accepted by Board of Governors.	Report accepted	Report accepted	Report accepted	n/a
3.	Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.	Meet GAAP standards	Met GAAP standards	Meet GAAP standards	n/a

3.	Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or qualified audit opinion being rendered.	Unqualified opinion	Unqualified opinion	Unqualified opinion	n/a
4.	Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP requirements.	Meet GAAP standards	Met GAAP standards	Meet GAAP standards	n/a
4.	Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or qualified opinion being rendered.	Unqualified opinion	Unqualified opinion	Unqualified opinion	n/a

Note: The data is based on calendar year. Therefore, the actuals for 2010 are not yet available.

¹Three figures are presented. The first is the number of "views" of the Consumer Publications List on the Web site. The second is the number of new publications developed. The third is the number of printed publications distributed.

²Two numbers are presented. The first is the number of major updates or additions to the Web site per year. The second is the total number of "hits" per week on the Web site.

2011, 2012 AND 2013 GOALS

Prog. No.	Performance Measure	Goal 2011	Goal 2012	Goal 2013
1.	Number of financial examinations.	51	55	59
1.	Number of market conduct examinations.	12	12	12
1.	Consumer complaints handled in a timely fashion.	90%	90%	90%
1.	Policy form reviews conducted in a timely manner.	6,000	6,000	6,000
1.	Insurance intermediary licensing function processed in a timely manner.	22,000	22,000	22,000

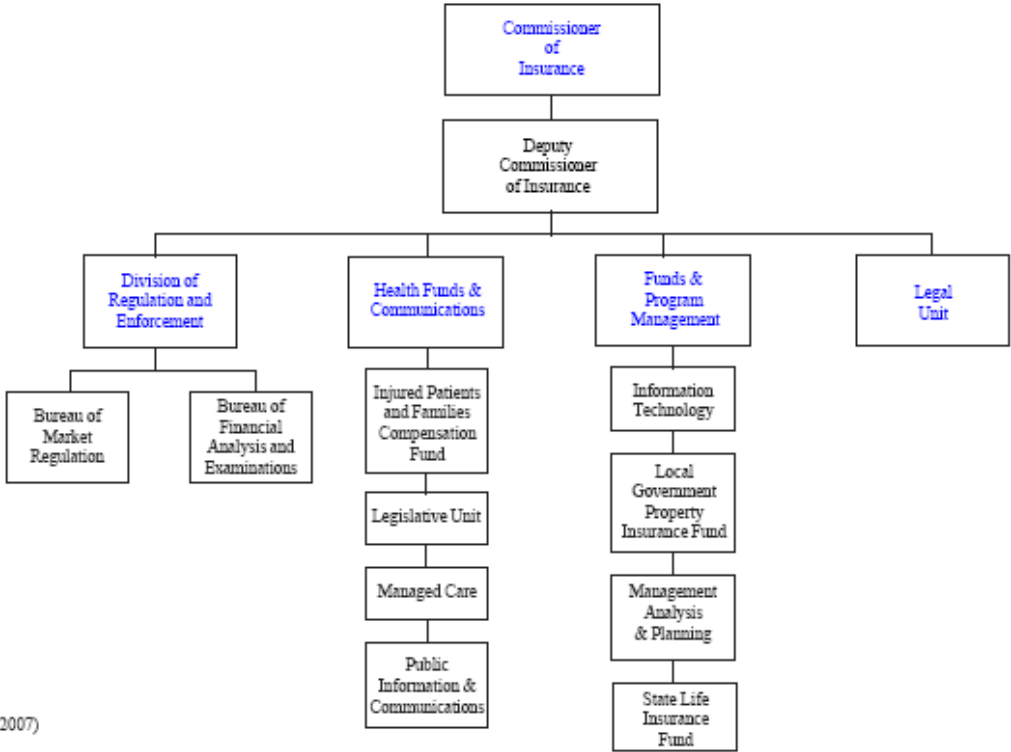
1.	Develop, maintain and distribute consumer education material to the public in a timely manner. ¹	15,700 0 31,000	15,700 0 31,000	15,700 0 31,000
1.	Continually update the Web site so users can find the information they need. ²	950 54,100	950 54,100	950 54,100
2.	Injured patients and families compensation fund report accepted by Board of Governors.	Report accepted	Report accepted	Report accepted
3.	Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.	Meet GAAP standards	Meet GAAP standards	Meet GAAP standards
3.	Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or qualified audit opinion being rendered.	Unqualified opinion	Unqualified opinion	Unqualified opinion
4.	Submit annual statement to regulator of the fund timely and in accordance with statutory and GAAP reporting requirements.	Meet GAAP standards	Meet GAAP standards	Meet GAAP standards
4.	Provide a regular accounting or audit of fund via a Legislative Audit Bureau audit, which results in no major issues being identified or qualified opinion being rendered.	Unqualified opinion	Unqualified opinion	Unqualified opinion

Note: Based on calendar year.

¹Three figures are presented. The first is the number of "views" of the Consumer Publications List on the Web site. The second is the number of new publications developed. The third is the number of printed publications distributed.

²Two numbers are presented. The first is the number of major updates or additions to the Web site per year. The second is the total number of "hits" per week on the Web site.

**Organization and Staffing of the
Office of the Commissioner of Insurance**



(12/01/2007)

Agency Total by Fund Source

Office of the Commissioner of Insurance

		ANNUAL SUMMARY						BIENNIAL SUMMARY			
Source of Funds		Prior Year Total	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
PR	S	\$15,107,206	\$16,695,500	\$18,292,300	\$18,336,800	131.25	131.25	\$33,391,000	\$36,629,100	\$3,238,100	9.7%
Total		\$15,107,206	\$16,695,500	\$18,292,300	\$18,336,800	131.25	131.25	\$33,391,000	\$36,629,100	\$3,238,100	9.7%
PR Federal	S	\$0	\$0	\$0	\$0	0.00	0.00	\$0	\$0	\$0	
Total		\$0	\$0	\$0	\$0	0.00	0.00	\$0	\$0	\$0	
SEG	A	\$15,533,809	\$57,678,800	\$57,678,800	\$57,678,800	0.00	0.00	\$115,357,600	\$115,357,600	\$0	0.0%
	L	\$19,396,621	\$26,657,300	\$26,195,700	\$26,159,400	0.00	0.00	\$53,314,600	\$52,355,100	(\$959,500)	-1.8%
	S	\$2,705,546	\$2,931,600	\$3,446,500	\$3,482,800	12.75	12.75	\$5,863,200	\$6,929,300	\$1,066,100	18.2%
Total		\$37,635,976	\$87,267,700	\$87,321,000	\$87,321,000	12.75	12.75	\$174,535,400	\$174,642,000	\$106,600	0.1%
Grand Total		\$52,743,182	\$103,963,200	\$105,613,300	\$105,657,800	144.00	144.00	\$207,926,400	\$211,271,100	\$3,344,700	1.6%

Agency Total by Program & SubProgram

Office of the Commissioner of Insurance

		ANNUAL SUMMARY					BIENNIAL SUMMARY			
Source of Funds		Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
01	Supervision of the insurance industry									
PR	S	\$16,695,500	\$18,292,300	\$18,336,800	131.25	131.25	\$33,391,000	\$36,629,100	\$3,238,100	9.70%
PR Federal	S	\$0	\$0	\$0	0.00	0.00	\$0	\$0	\$0	
Total		\$16,695,500	\$18,292,300	\$18,336,800	131.25	131.25	\$33,391,000	\$36,629,100	\$3,238,100	9.70%
PGM 01 Total		\$16,695,500	\$18,292,300	\$18,336,800	131.25	131.25	\$33,391,000	\$36,629,100	\$3,238,100	9.70%
02	Injured patients and families compensation fund									
SEG	A	\$54,150,400	\$54,150,400	\$54,150,400	0.00	0.00	\$108,300,800	\$108,300,800	\$0	0.00%
	S	\$1,344,100	\$1,408,000	\$1,408,000	8.11	8.11	\$2,688,200	\$2,816,000	\$127,800	4.75%
Total		\$55,494,500	\$55,558,400	\$55,558,400	8.11	8.11	\$110,989,000	\$111,116,800	\$127,800	0.12%
PGM 02 Total		\$55,494,500	\$55,558,400	\$55,558,400	8.11	8.11	\$110,989,000	\$111,116,800	\$127,800	0.12%
03	Local government property insurance fund									
	L	\$26,657,300	\$26,195,700	\$26,159,400	0.00	0.00	\$53,314,600	\$52,355,100	(\$959,500)	-1.80%
	S	\$931,900	\$1,357,400	\$1,393,700	1.07	1.07	\$1,863,800	\$2,751,100	\$887,300	47.61%
Total		\$27,589,200	\$27,553,100	\$27,553,100	1.07	1.07	\$55,178,400	\$55,106,200	(\$72,200)	-0.13%
PGM 03 Total		\$27,589,200	\$27,553,100	\$27,553,100	1.07	1.07	\$55,178,400	\$55,106,200	(\$72,200)	-0.13%

Agency Total by Program & SubProgram

Office of the Commissioner of Insurance

04	State life insurance fund									
	A	\$3,528,400	\$3,528,400	\$3,528,400	0.00	0.00	\$7,056,800	\$7,056,800	\$0	0.00%
	S	\$655,600	\$681,100	\$681,100	3.57	3.57	\$1,311,200	\$1,362,200	\$51,000	3.89%
	Total	\$4,184,000	\$4,209,500	\$4,209,500	3.57	3.57	\$8,368,000	\$8,419,000	\$51,000	0.61%
	PGM 04 Total	\$4,184,000	\$4,209,500	\$4,209,500	3.57	3.57	\$8,368,000	\$8,419,000	\$51,000	0.61%
	Agency Total	\$103,963,200	\$105,613,300	\$105,657,800	144.00	144.00	\$207,926,400	\$211,271,100	\$3,344,700	1.61%

Agency Total by Decision Item

Office of the Commissioner of Insurance

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level	\$103,963,200	\$103,963,200	144.00	144.00
3001 Turnover Reduction	(\$204,300)	(\$204,300)	0.00	0.00
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$1,653,900	\$1,653,900	0.00	0.00
3010 Full Funding of Lease and Directed Moves Costs	\$30,100	\$30,100	0.00	0.00
4001 Investment Portfolio Analysis Service Fees	\$30,000	\$40,000	0.00	0.00
4002 LGPIF - Reallocation Between Appropriations	\$0	\$0	0.00	0.00
4003 Pay Plan Progression for Certain WPEC Classifications	\$36,000	\$52,600	0.00	0.00
4004 Organizational Support Services	\$13,400	\$13,400	0.00	0.00
4005 Fully Fund the Board on Aging's Medigap Helpline	\$91,000	\$108,900	0.00	0.00
Agency Total	\$105,613,300	\$105,657,800	144.00	144.00

GPR Earned

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
PROGRAM	01	Supervision of the insurance industry
CHANGE CODE	AR	Agency Request
DATE	September 15, 2010	

Revenue	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$0	\$0	\$0	\$0
10% Revenue Transfer to GPR-E	\$3,955,200	\$3,958,200	\$3,961,200	\$3,961,200
1% ATB Lapse	\$161,600	\$161,600	\$0	\$0
2% Rollback Lapse	\$165,400	\$165,400	\$0	\$0
5.135% ATB Lapse	\$829,600	\$829,600	\$0	\$0
Furlough Lapse	\$253,500	\$253,500	\$0	\$0
Agency Lapse	\$5,000,000	\$5,000,000	\$0	\$0
Lapse of Fee Increases	\$11,378,100	\$11,392,200	\$0	\$0
Allocation of \$106 million cut	\$382,100	\$382,100	\$0	\$0
Allocation of \$200 million cut	\$2,586,300	\$1,672,500	\$0	\$0
Total	\$24,711,800	\$23,815,100	\$3,961,200	\$3,961,200

Program Revenue

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
PROGRAM	01	Supervision of the insurance industry
SUBPROGRAM		
NUMERIC APPROPRIATION	31	General program operations

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$2,867,400	\$2,905,600	\$2,137,500	\$19,033,300
Fees	\$33,429,200	\$33,429,200	\$33,429,200	\$33,429,200
Assessments and Exams	\$6,127,800	\$6,152,900	\$6,182,900	\$6,182,900
Chargeback Revenue	\$177,900	\$177,900	\$177,900	\$177,900
CMO Examinations	\$122,300	\$122,600	\$122,600	\$122,600
Total Revenue	\$42,724,600	\$42,788,200	\$42,050,100	\$58,945,900
Expenditures	\$39,819,000	\$40,650,700	\$0	\$0
Compensation Reserve	\$0	\$0	\$193,200	\$390,400
Health Insurance Reserves	\$0	\$0	\$173,200	\$343,700
27th Pay Period Reserve	\$0	\$0	\$371,600	\$0
Space Rental Reserve	\$0	\$0	\$25,300	\$51,200
2000 Adjusted Base Funding Level	\$0	\$0	\$16,695,500	\$16,695,500
3001 Turnover Reduction	\$0	\$0	(\$204,300)	(\$204,300)
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$1,615,300	\$1,615,300
4001 Investment Portfolio Analysis Service Fees	\$0	\$0	\$30,000	\$40,000

4005 Fully Fund the Board on Aging's Medigap Helpline	\$0	\$0	\$91,000	\$108,900
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	\$28,800	\$28,800
4003 Pay Plan Progression for Certain WPEC Classifications	\$0	\$0	\$36,000	\$52,600
Transfer to GPR Earned (10%)	\$0	\$0	\$3,961,200	\$3,961,200
Total Expenditures	\$39,819,000	\$40,650,700	\$23,016,800	\$23,083,300
<u>Closing Balance</u>	\$2,905,600	\$2,137,500	\$19,033,300	\$35,862,600

Segregated Funds Revenue and Balances Statement

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
NUMERIC APPROPRIATION		
PROGRAM	02	Injured patients and families compensation fund
SUBPROGRAM		
WISMART FUND		INJURED PATIENTS & FAMILY COMPENSATION

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$7,833,437,900	\$7,917,516,000	\$7,960,883,300	\$8,002,797,400
Assessments	\$29,350,400	\$29,350,400	\$29,350,400	\$29,350,400
Investments	\$68,167,300	\$68,167,300	\$68,167,300	\$68,167,300
Total Revenue	\$7,930,955,600	\$8,015,033,700	\$8,058,401,000	\$8,100,315,100
Expenditures	\$13,439,600	\$54,150,400	\$0	\$0
Compensation Reserve	\$0	\$0	\$11,700	\$23,700
Health Insurance Reserves	\$0	\$0	\$10,400	\$20,600
27th Pay Period Reserve	\$0	\$0	\$22,500	\$0
Space Rental Reserve	\$0	\$0	\$600	\$1,300
2000 Adjusted Base Funding Level	\$0	\$0	\$55,494,500	\$55,494,500
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$49,800	\$49,800
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	\$700	\$700
4004 Organizational Support Services	\$0	\$0	\$13,400	\$13,400

Total Expenditures	\$13,439,600	\$54,150,400	\$55,603,600	\$55,604,000
<u>Closing Balance</u>	\$7,917,516,000	\$7,960,883,300	\$8,002,797,400	\$8,044,711,100

Segregated Funds Revenue and Balances Statement

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
NUMERIC APPROPRIATION		
PROGRAM	03	Local government property insurance fund
SUBPROGRAM		
WiSMART FUND		LOCAL GOVERNMENT PROPERTY INSURANCE

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$60,553,500	\$55,248,100	\$43,587,000	\$38,802,400
Premiums	\$14,433,700	\$14,333,700	\$22,112,400	\$22,112,400
Investments	\$662,500	\$662,500	\$662,500	\$662,500
Total Revenue	\$75,649,700	\$70,244,300	\$66,361,900	\$61,577,300
Expenditures	\$20,401,600	\$26,657,300	\$0	\$0
Compensation Reserve	\$0	\$0	\$1,500	\$2,900
Health Insurance Reserves	\$0	\$0	\$2,000	\$3,900
27th Pay Period Reserve	\$0	\$0	\$2,800	\$0
Space Rental Reserves	\$0	\$0	\$100	\$200
2000 Adjusted Base Funding Level	\$0	\$0	\$27,589,200	\$27,589,200
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	(\$36,200)	(\$36,200)
3010 Full Funding of Lease and Directed Moves	\$0	\$0	\$100	\$100

4002 LGPIF - Reallocation Between Appropriations	\$0	\$0	\$0	\$0
Total Expenditures	\$20,401,600	\$26,657,300	\$27,559,500	\$27,560,100
<u>Closing Balance</u>	<u>\$55,248,100</u>	<u>\$43,587,000</u>	<u>\$38,802,400</u>	<u>\$34,017,200</u>

Segregated Funds Revenue and Balances Statement

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
NUMERIC APPROPRIATION		
PROGRAM	04	State life insurance fund
SUBPROGRAM		
WiSMART FUND		STATE LIFE INSURANCE

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$102,424,100	\$113,120,600	\$119,526,600	\$129,787,300
Premiums	\$1,004,700	\$1,004,700	\$1,004,700	\$1,004,700
Investments	\$13,486,600	\$13,486,600	\$13,486,600	\$13,486,600
Total Revenue	\$116,915,400	\$127,611,900	\$134,017,900	\$144,278,600
Expenditures	\$3,794,800	\$8,085,300	\$0	\$0
2000 Adjusted Base Funding Level	\$0	\$0	\$4,184,000	\$4,184,000
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	\$25,000	\$25,000
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	\$500	\$500
Compensation Reserve	\$0	\$0	\$5,300	\$10,600
Health Insurance Reserves	\$0	\$0	\$5,300	\$10,600
27th Pay Period Reserve	\$0	\$0	\$10,100	\$0
Space Rental Reserve	\$0	\$0	\$400	\$900
Total Expenditures	\$3,794,800	\$8,085,300	\$4,230,600	\$4,231,600

Closing Balance

\$113,120,600

\$119,526,600

\$129,787,300

\$140,047,000

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	2000	Adjusted Base Funding Level

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$7,561,500	\$7,561,500
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$38,100	\$38,100
05	Fringe Benefits	\$3,533,300	\$3,533,300
06	Supplies and Services	\$7,294,700	\$7,294,700
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$7,100	\$7,100
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$85,528,500	\$85,528,500
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$103,963,200	\$103,963,200
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	142.00	142.00
20	Unclassified Positions Authorized	2.00	2.00

NARRATIVE

Adjusted Base Funding Level

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	2000	Adjusted Base Funding Level			
01	Supervision of the insurance industry				
	21 Holding company restructuring expenses	\$0	\$0	0.00	0.00
	31 General program operations	\$16,695,500	\$16,695,500	131.25	131.25
	35 Gifts and grants	\$0	\$0	0.00	0.00
	41 Federal funds	\$0	\$0	0.00	0.00
	Supervision of the insurance industry SubTotal	\$16,695,500	\$16,695,500	131.25	131.25
02	Injured patients and families compensation fund				
	60 Interest earned on future medical expenses	\$0	\$0	0.00	0.00
	61 Administration	\$1,205,900	\$1,205,900	6.61	6.61
	62 Peer review council	\$138,200	\$138,200	1.50	1.50
	76 Specified responsibilities, inv. board payments and future medical expenses	\$54,150,400	\$54,150,400	0.00	0.00
	Injured patients and families compensation fund SubTotal	\$55,494,500	\$55,494,500	8.11	8.11
03	Local government property insurance fund				
	61 Administration	\$931,900	\$931,900	1.07	1.07
	76 Specified payments, fire dues and reinsurance	\$26,657,300	\$26,657,300	0.00	0.00
	Local government property insurance fund SubTotal	\$27,589,200	\$27,589,200	1.07	1.07
04	State life insurance fund				
	61 Administration	\$655,600	\$655,600	3.57	3.57
	76 Specified payments and losses	\$3,528,400	\$3,528,400	0.00	0.00
	State life insurance fund SubTotal	\$4,184,000	\$4,184,000	3.57	3.57
	Adjusted Base Funding Level SubTotal	\$103,963,200	\$103,963,200	144.00	144.00
	Agency Total	\$103,963,200	\$103,963,200	144.00	144.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	3001	Turnover Reduction

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	(\$204,300)	(\$204,300)
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	(\$204,300)	(\$204,300)
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

Standard Budget Adjustment - Turnover Reduction

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3001	Turnover Reduction			
01	Supervision of the insurance industry				
	31 General program operations	(\$204,300)	(\$204,300)	0.00	0.00
	Supervision of the insurance industry SubTotal	(\$204,300)	(\$204,300)	0.00	0.00
	Turnover Reduction SubTotal	(\$204,300)	(\$204,300)	0.00	0.00
	Agency Total	(\$204,300)	(\$204,300)	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	3003	Full Funding of Continuing Position Salaries and Fringe Benefits

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$1,224,900	\$1,224,900
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$429,000	\$429,000
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$1,653,900	\$1,653,900
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

Standard Budget Adjustment - Full Funding of Continuing Position Salaries and Fringe Benefits

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3003	Full Funding of Continuing Position Salaries and Fringe Benefits			
01	Supervision of the insurance industry				
	31 General program operations	\$1,615,300	\$1,615,300	0.00	0.00
	Supervision of the insurance industry SubTotal	\$1,615,300	\$1,615,300	0.00	0.00
02	Injured patients and families compensation fund				
	61 Administration	\$41,400	\$41,400	0.00	0.00
	62 Peer review council	\$8,400	\$8,400	0.00	0.00
	Injured patients and families compensation fund SubTotal	\$49,800	\$49,800	0.00	0.00
03	Local government property insurance fund				
	61 Administration	(\$36,200)	(\$36,200)	0.00	0.00
	Local government property insurance fund SubTotal	(\$36,200)	(\$36,200)	0.00	0.00
04	State life insurance fund				
	61 Administration	\$25,000	\$25,000	0.00	0.00
	State life insurance fund SubTotal	\$25,000	\$25,000	0.00	0.00
	Full Funding of Continuing Position Salaries and Fringe Benefits SubTotal	\$1,653,900	\$1,653,900	0.00	0.00
	Agency Total	\$1,653,900	\$1,653,900	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	3010	Full Funding of Lease and Directed Moves Costs

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$30,100	\$30,100
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$30,100	\$30,100
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

Standard Budget Adjustment - Full Funding of Lease and Directed Moves Costs

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	3010	Full Funding of Lease and Directed Moves Costs			
01	Supervision of the insurance industry				
	31 General program operations	\$28,800	\$28,800	0.00	0.00
	Supervision of the insurance industry SubTotal	\$28,800	\$28,800	0.00	0.00
02	Injured patients and families compensation fund				
	61 Administration	\$600	\$600	0.00	0.00
	62 Peer review council	\$100	\$100	0.00	0.00
	Injured patients and families compensation fund SubTotal	\$700	\$700	0.00	0.00
03	Local government property insurance fund				
	61 Administration	\$100	\$100	0.00	0.00
	Local government property insurance fund SubTotal	\$100	\$100	0.00	0.00
04	State life insurance fund				
	61 Administration	\$500	\$500	0.00	0.00
	State life insurance fund SubTotal	\$500	\$500	0.00	0.00
	Full Funding of Lease and Directed Moves Costs SubTotal	\$30,100	\$30,100	0.00	0.00
	Agency Total	\$30,100	\$30,100	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	4001	Investment Portfolio Analysis Service Fees

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$30,000	\$40,000
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$30,000	\$40,000
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

I. Request

We are requesting funding for the investment portfolio analysis service provided by the National Association of Insurance Commissioners' (NAIC) Securities Valuation Office (SVO). This service would be used in conjunction with the financial examination of three or four insurers a year, with the insurers selected based on the large size or unusual risk characteristics of their investment portfolios. The product of the SVO's analysis is called a Portfolio Analysis Memorandum.

II. Benefit

Pursuant to s. 601.43 (2), Wis. Stat., and s. Ins 50.50 (1), Wis. Adm. Code, the commissioner shall perform an examination of most types of insurers at least once every five years. The office performs about 60 examinations of domestic insurers annually. The purpose of such an examination is to determine the financial condition of the insurer. An integral part of this examination is the evaluation of an insurer's risk profile including investment risk. For large and/or complex investment portfolios, it may be necessary to use a professional investment analyst to supplement our work. The NAIC's SVO provides such expert analysis to the states.

The SVO is uniquely qualified to provide investment analysis services that are tailored to the needs of state insurance regulators. The SVO has expertise on investment markets and instruments, statutory accounting requirements, specific financial analysis techniques used by insurance regulators (a significant portion of which are not publicly available), and the regulators' risk focused surveillance process. Other providers of investment analysis services, such as investment banking firms, could not provide a product as particularly suited to our regulatory needs. Moreover, fees charged by the SVO are less than we would expect to be charged by other experts.

The NAIC is an organization consisting of the insurance regulators of each state and the District of Columbia. It provides support to the state regulators and also facilitates cooperation and consistency among the states. Pursuant to this, the NAIC has established a program under which it accredits states that are deemed proficient in monitoring the solvency of their domestic insurers. Wisconsin's Office of the Commissioner of Insurance is currently accredited, and it is a department goal to maintain that status. One of the criteria for NAIC accreditation is the effective use of experts when deemed appropriate. To help facilitate the use of experts on a cost effective basis, the SVO offers its investment expertise to the states. Use of the SVO's expertise would help this office maintain its NAIC accreditation, as well as assist in the monitoring of insurer solvency. As a result, it would be in the best interest of the state.

III. Background

During the current biennium, this office has used the SVO's investment portfolio analysis service on one examination a year. We obtained approval of a "sole source" request to use the SVO's service and pay for it from our budget line for contracted professional services. This budget line is primarily used for actuarial consulting costs related to examinations. Using this budget line for both actuarial and investment analysis services has resulted in compromises where we cannot use either type of service to the extent deemed necessary. Moreover, the SVO revised its rate schedule for 2011. It is still a bargain compared to the possible alternatives; however, the increased rates will make it even more of a strain on the professional services budget. That is why we are requesting an additional budget line.

IV. Analysis of Need

The investment portfolios of the insurers that we examine can be extremely large and complex. They can include numerous types of stocks, real estate, mortgage loans, and bonds, including mortgage-backed securities. Some companies are permitted to use derivatives for hedging purposes. The examination must assess the risks related to an insurer's investments, and determine whether the investments are appropriate, properly valued according to statutory accounting principles, and in compliance with applicable statutes and regulations. The use of a professional investment analyst is an effective way to help accomplish the examination goals.

As mentioned above, it is a goal of this office to maintain our NAIC accreditation. One of the criteria for NAIC accreditation is the effective use of experts. Use of the SVO's investment portfolio analysis service would help us meet this goal while improving our examinations of insurers.

V. Alternatives

None

VI. Statutory Language Changes Required

None

VII. Internal and External Impact

Approval of the request will result in an improved process for analyzing the investment risks facing certain insurers thereby improving the examination process and the monitoring of insurer solvency. It also should result in improvement in our actuarial analyses of insurers, since we no longer would be using funds from that budget line. Thirdly, it should improve the likelihood that this office will maintain its NAIC accreditation.

Disapproval would result in additional audit risk related to our examinations. Audit risk is the risk that errors or irregularities will go undetected. Disapproval would result in situations where we must forego the use of a professional investment or actuarial analysis even though the insurer's risk profile indicates that such a review would be highly beneficial. As a result, it could negatively affect our score during the NAIC's next accreditation review of this office.

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4001	Investment Portfolio Analysis Service Fees			
01	Supervision of the insurance industry				
	31 General program operations	\$30,000	\$40,000	0.00	0.00
	Supervision of the insurance industry SubTotal	\$30,000	\$40,000	0.00	0.00
	Investment Portfolio Analysis Service Fees SubTotal	\$30,000	\$40,000	0.00	0.00
	Agency Total	\$30,000	\$40,000	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	4002	LGPIF - Reallocation Between Appropriations

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$461,600	\$497,900
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	(\$461,600)	(\$497,900)
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$0	\$0
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

I. Request

This request is for a transfer of expenditure authority in the amount of \$461,600 in FY 2012 and \$497,900 in FY 2013 from The Local Government Property Insurance Fund's (LGPIF) appropriation 376 (Specified Payments) to the LGPIF's appropriation 361 (Administration). This is a revenue neutral request. It is reallocating expenses that were keyed to appropriation 376 (Specified Payments) to appropriation 361 (Administration). This request is necessary to comply with a Legislative Audit Bureau (LAB) audit recommendation.

II. Benefit

Comply with Legislative Audit Bureau (LAB) audit report that all contractual services expenses be keyed to appropriation 3 61 (Administration).

III. Background

In the past the Local Government Property Insurance Fund (LGPIF) inconsistently keyed certain contract expenses to appropriation 3 76 (Specified Payments) . An LAB audit recommended these expenses be keyed to appropriation 3 61 (Administration). In addition, the LGPIF has increased contract costs that need to be reflected in appropriation 361 (Administration).

IV. Analysis of Need

This request increases expenditure authority in the administration appropriation for Contractual Services Expenses (CSE). Review of LGPIF's contracts anticipates a need of an additional \$461,600 for FY 2012 and \$497,900 for FY 2013 in this appropriation to properly classify expenditures in compliance with the LAB recommendation (see table below).

	Current Base Budget	FY 2012 Projected Expenses	FY 2012 Request
Contractual Services Expenses:	\$593,800	\$1,055,400	\$461,600

	Current Base Budget	FY 2013 Projected Expenses	FY 2013 Request
Contractual Services Expenses:	\$593,800	\$1,091,700	\$497,900

The analysis included a review of all active contracts and the amount of contracted services. The review showed the following increase could be broken out as follows:

	<u>FY 2012</u>	<u>FY 2013</u>
Underwriting Services True-up	\$221,900	\$237,200
Valuation Services	\$150,000	\$150,000
Remaining Increase	<u>\$89,700</u>	<u>\$110,700</u>
Total Requested Transfer	\$461,600	\$497,900

The majority of the requested expenditure increase can be attributed to the underwriting services true-up. This expense has been paid from appropriation 376 (Specified Payments) in the past and should have been paid from appropriation 361 (Administration). The underwriting services true-up is an estimate in this request because it is based on coverage and policies in force at the time the billing is done. To estimate the amount of the true-up, LGPIF projected an increase of 2% per year consistent with LGPIF growth. Also, FY 2012 included an increase of 15% based on the fact it has been recognized that some of the property coverages may be undervalued at this time.

The \$150,000 in valuation services charges were consistently coded to appropriation 376 (Specified Payments) and are to be reallocated to appropriation 361 (Administration) based on the LAB audit.

The remaining increase is due to other contractual expenses inconsistently coded between appropriation 376 (Specified Payments) and appropriation 361 (Administration). A portion of the increase is also due to the increases in vendor contract rates over the years.

V. Alternatives

Continue keying expenses to appropriation 376 (Specified Payments) in violation LAB recommendations.

VI. Statutory Language Changes Required

No statutory language changes are required.

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year 2nd Year			
		1st Year Total	2nd Year Total	FTE	FTE
	4002	LGPIF - Reallocation Between Appropriations			
03	Local government property insurance fund				
	61 Administration	\$461,600	\$497,900	0.00	0.00
	76 Specified payments, fire dues and reinsurance	(\$461,600)	(\$497,900)	0.00	0.00
	Local government property insurance fund SubTotal	\$0	\$0	0.00	0.00
	LGPIF - Reallocation Between Appropriations SubTotal	\$0	\$0	0.00	0.00
	Agency Total	\$0	\$0	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	4003	Pay Plan Progression for Certain WPEC Classifications

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$29,900	\$43,700
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$6,100	\$8,900
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$36,000	\$52,600
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

I. Request

The Office of the Commissioner of Insurance requests \$36,000 FY 2012 and \$52,600 in FY 2013 to fund pay progression adjustments for certain Wisconsin Professional Employee Council (WPEC) Classifications. These pay adjustments have been negotiated through the collective bargaining process.

II. Benefit

This expenditure authority will allow the agency to pay for progression adjustments for eligible insurance examiner and insurance financial examiner positions.

III. Background

Through the state's collective bargaining process, the state and WPEC agreed to a progression series where certain positions (e.g. Insurance Examiners and Insurance Financial Examiners) will receive progression adjustments based on the employee's state service seniority date. Insurance examiners receive a one-time progression adjustment of \$1.20 per hour on the state service seniority date and Insurance Financial Examiners receive a two-time progression adjustment of \$1.50 per hour on the state service seniority date.

IV. Analysis of Needs

The attached worksheet outlines the calculation of the funding amount required for the Insurance Examiner and Insurance Financial Examiner positions in this agency that are eligible for these pay progression adjustments

V. Alternatives

These progression adjustments were agreed to in the State's collective bargaining process. There is no alternative but to pay these progression adjustments to the eligible classifications.

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4003	Pay Plan Progression for Certain WPEC Classifications			
01	Supervision of the insurance industry				
	31 General program operations	\$36,000	\$52,600	0.00	0.00
	Supervision of the insurance industry SubTotal	\$36,000	\$52,600	0.00	0.00
	Pay Plan Progression for Certain WPEC Classifications SubTotal	\$36,000	\$52,600	0.00	0.00
	Agency Total	\$36,000	\$52,600	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	4004	Organizational Support Services

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$13,400	\$13,400
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$13,400	\$13,400
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

I. Request/Objective

This request is to provide additional expenditure authority in the Injured Patients and Compensation Fund – Peer Review Council appropriation to be used for the costs related to organizational support services that are provided to this fund by certain program areas in the Office of the Commissioner of Insurance. Currently, of each of the SEG funds within the Office of the Commissioner of Insurance, except for the Injured Patients and Compensation Fund – Peer Review Council appropriation, are charged for organizational support services that are provided to these funds by certain program areas in

the Office of the Commissioner of Insurance. This request will add expenditure authority to this appropriation so that all SEG funds are charged for organizational support services in a consistent manner.

II. Benefit

The Management Analysis and Planning Section and the Information Services Section of the Funds & Program Management Division and the Public Information and Communication Section of the Health Funds and Communications Division provide OCI programmatic units and segregated funds with organizational support services such as purchasing, accounting, budget oversight & coordination, project management, public information services, information technology services and hardware and facility management. The Department of Administration provides the agency with Human Resources and some contract management oversight. This budget request will provide the Injured Patients and Compensation Fund – Peer Review Council appropriation with additional expenditure authority to pay for the services provided by the Management Analysis and Planning Section, Information Services Section, Public Information and Communication Section and the Department of Administration.

III. Background

Organizational Support Services provided by the Management Analysis and Planning Section, Public Information and Communication Section and Information Services Section are charged to the segregated funds based on an allocation of costs by FTE. The agency retains 100% of the revenues collected from the segregated funds for said services. The agency has charged the Injured Patients and Compensation Fund – Administration appropriation for these services, but should actually be charging the Injured Patients and Compensation Fund – Peer Review Council appropriation as well. This request will allow the Peer Review Council appropriation to accurately be billed its share of the allocated operational support costs.

IV. Analysis of Need

If the requested budget changes are not made, the agency will be unable to collect revenue from the Injured Patients and Compensation Fund – Peer Review Council appropriation for services it provides to them. This could lead to audit exceptions for costs not being charged to the appropriate funds and appropriations.

V. Alternatives

There are no viable alternatives.

VI. Statutory Language Changes Required

None

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4004	Organizational Support Services			
02	Injured patients and families compensation fund				
	62 Peer review council	\$13,400	\$13,400	0.00	0.00
	Injured patients and families compensation fund SubTotal	\$13,400	\$13,400	0.00	0.00
	Organizational Support Services SubTotal	\$13,400	\$13,400	0.00	0.00
	Agency Total	\$13,400	\$13,400	0.00	0.00

Decision Item by Line

	CODES	TITLES
DEPARTMENT	145	Office of the Commissioner of Insurance
	CODES	TITLES
DECISION ITEM	4005	Fully Fund the Board on Aging's Medigap Helpline

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13	Special Purpose	\$91,000	\$108,900
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
17	Total Cost	\$91,000	\$108,900
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

NARRATIVE

I. Request/Objective

This request is for additional budget authority to fully fund the Board on Aging's Medigap Helpline. The increased budget amount is \$ 91,000 in FY 2012 and \$ 108,900 in FY 2013. This request helps to achieve the state's goals of promoting healthy people and communities and improving government service delivery. It would also help support our agency's goal of providing information and assistance to our public, including consumers, legislators, agents, other states, the federal government, and other

organizations.

II. Benefit

The Board on Aging bills OCI for the costs of running the Medigap Helpline. Since the Board on Aging is requesting an increase in budget authority in the 2011-2013 biennial budget, OCI will need a corresponding increase in budget authority in order to reimburse the Board on Aging for its increased costs.

III. Background

The Board on Aging runs a Medigap Helpline to assist the elderly. The Board on Aging bills OCI bi-monthly for the costs associated with the Medigap Helpline. As the costs of the Medigap Helpline increase, OCI's budget must increase accordingly so that it can fully reimburse the Board on Aging for these costs.

IV. Analysis of Need

The Board on Aging is requesting a budget increase above the current base funding level that OCI has for the Medigap Helpline. The increase is \$ 91,000 in FY 2012 and \$ 108,900 in FY 2013. OCI will need this increased budget authority to fully reimburse the Board on Aging for these additional costs.

V. Alternatives

- A. Request additional budget authority to fully reimburse the Board on Aging for the costs related to the Medigap Helpline.
- B. Not fully reimburse the Board on Aging for the costs of the Medigap Helpline.

VI. Statutory Language Changes Needed.

No statutory language changes are needed.

VII. Internal and External Impact

Granting of this request will allow OCI to fully reimburse the Board on Aging for the costs associated with the Medigap Helpline.

Decision Item by Numeric

Office of the Commissioner of Insurance

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	4005	Fully Fund the Board on Aging's Medigap Helpline			
01	Supervision of the insurance industry				
	31 General program operations	\$91,000	\$108,900	0.00	0.00
	Supervision of the insurance industry SubTotal	\$91,000	\$108,900	0.00	0.00
	Fully Fund the Board on Aging's Medigap Helpline SubTotal	\$91,000	\$108,900	0.00	0.00
	Agency Total	\$91,000	\$108,900	0.00	0.00

Statutory Language Changes

Office of the Commissioner of Insurance

DIN 4006 - Create Federal Funds Appropriations for SEG Funds

I. Request

The purpose of this request is to create a federal funds appropriation for each of the agency's segregated funds. The agency has three Segregated Funds; the Injured Patients and Families Compensation Fund, the Local Government Property Insurance Fund, and the State Life Insurance Fund.

II Benefit

These appropriations would allow the segregated funds to take advantage of any federal funds that may become available to them.

III Background

The agency currently has a federal funds appropriation for Supervision of the Insurance Industry but does not have similar appropriations for each of its three segregated funds.

IV Analysis of Need

In order for the agency's Segregated Funds to receive and expend federal funds, they would need federal funds appropriations established.

V Suggested Statutory Language

The agency suggests language be added to each of the three Segregated Fund programs. The language could be similar to the federal funds appropriation language in the Supervision of the Insurance Industry program.

Federal Funds. All moneys received from the federal government as authorized by the governor under s. 16.54 for the purposes for which made and received.

Statutory Language Changes

Office of the Commissioner of Insurance

DIN 4007 - SLIF - Statutory Language Change

I Request

The purpose of this request is to eliminate Wis. Stat. Chapter 607.21 (4) and Chapter 20.145 (4) (v). This refers to “a fee equal to 2% of **net premiums collected** to the department of administration for general services rendered by state administrative and legislative agencies which are not otherwise charged to the fund.” There is also a reference in Wis. Stat. Chapter 20.145 (4) (v) referencing payments to the general fund under s 607.21 (4).

The State Life Insurance Fund (hereafter referred to as the Fund) is the **only** fund that is subject to this fee.

II Benefit

The Fund is owned by the policyholders and the money in the Fund is to carry out the purposes of the Fund and for the integrity of the policyholders. Serving the public is a cornerstone of our agency.

III Background

When the fee reference was added to the statutory language in 1973, the Fund did not pay for every cost incurred. Today, the Fund pays for everything. As a segregated fund, all costs are charged to the Fund's appropriations. There are **no** services rendered by DOA for the payment of this fee. This request is to eliminate the fee reference in the State Life Insurance Fund's statutes.

On December 27, 1996, the State Controller's Office transferred an amount totaling \$829,226 from the State Life Fund to the General Fund. This amount was based on DOA's interpretation of the calculation of “2% of net premiums collected” since 1980. The OCI did not come to any agreement as to the methodology for the calculation of this fee. Likewise, the dividend scale had to be reduced in 1998.

According to the State Accounting Manual established by DOA, the policy section states that receipts and disbursements are to be reported on a net basis. Net premiums collected are the amount of money the Fund receives in lock box deposits. These lock box deposits are net of dividends used to reduce the premium and may include interest income. These are the “net premiums collected” which should be the basis of the fee calculation. Instead, DOA is using the gross premiums which are charged less the reinsurance and disability premiums paid from the Fund. The difference is substantial over and above the fee which is not supported by any services.

IV Analysis of Need

The interpretation of “net premiums collected” is actually gross premiums less waiver and reinsurance premiums. The Fund collects **net** premiums from policyholders, which is the revenue that the Office of the Treasury has on the state accounting records. The Fund does not collect the gross amount, which is what the current fee is (interpreted to be) based on.

When the language was put into the statute (1973), there was no way that DOA had any way of determining the “fee” amount, other than by premiums collected via deposits through the state depository. These deposits are **net** of dividends paid. Therefore, to take the gross premium amounts as collected would not have been determinable in those years. Only through much work and effort has the accounting and reporting of the Fund been modified to reflect that of an insurance organization. This was done in 1980. The DOA uses the account balances of the Fund accounting system in determining the net premium collected which is in reality gross premiums collected from our account balances.

In the Fund operations, **no** services are provided that the Fund is not charged either directly or indirectly (through the agency in the form of a charge-back). The language is outdated and does not meet with the original intent or purpose of the statute.

Statutory Language Changes

Office of the Commissioner of Insurance

V. Alternatives

1. Meet with DOA and a neutral party for a definition of “net premiums collected” which both agencies can agree on.
2. Have DOA justify the fee by providing a list of the “services rendered which are not otherwise charged to the Fund”.
3. Strike the wording and let the money be used for the policyholder’s benefit which is the intent of the Fund.

VI. Statutory Language Changes Required

Eliminate 607.21(4) in total. It reads as follows:

607.21 Payments from life fund.

~~(4) A fee equal to 2% of net premiums collected to the department of administration for general services rendered by state administrative and legislative agencies which are not otherwise charged to the fund.~~

Eliminate 20.145(4) (v) in part. It reads as follows:

v) *Specified payments and losses.* After deducting the amounts appropriated under par. (u), the balance of moneys in the state life fund for payments authorized under chs. 604 and 607, excluding payment of expenses related to administering the fund except for those administrative expenses specifically authorized in ch. 604 or 607. Payments to the investment board pursuant to s. 20.536, ~~payments to the general fund under s. 607.21 (4)~~ and payments for medical examinations and inspection reports shall be charged directly to this subsection.

VII. Internal and External Impact

Internally, if the request is approved, the Fund will continue to operate as an enterprise fund which pays for every service it obtains or incurs.

Externally, the consumer will have the benefit of more surplus in the Fund due to the elimination of the overcharge made each year by DOA. With the elimination of the expense, the dividend scale may be increased for the benefit of the policyholders.

Internally, if the request is denied, the Fund will continue to overpay for costs already billed during operation of the Fund. At a minimum the net premiums collected should be used in the calculation.

Externally, consumer will have fewer surpluses in the Fund due to the overcharge made each year by DOA. The dividend scale will remain lower in anticipation of the \$37,000 fee payment made each year for “services rendered”.