

FY 2024-25: INSURANCE AND FINANCIAL SERVICES
Summary: As Passed by the Senate
Senate Bill 765 (S-2)



Analyst: Marcus Coffin

	FY 2023-24 Enacted as of 2/7/24	FY 2024-25 Executive	FY 2024-25 House	FY 2024-25 Senate	FY 2024-25 Conference	Difference: Senate From FY 2023-24 Enacted	
						Amount	%
IDG/IDT	\$732,100	\$753,500	\$753,500	\$753,500		\$21,400	2.9
Federal	1,017,100	700,000	700,000	700,000		(317,100)	(31.2)
Local	0	0	0	0		0	--
Private	0	0	0	0		0	--
Restricted	72,398,700	76,317,900	76,317,900	77,817,900		5,419,200	7.5
GF/GP	0	0	0	0		0	--
Gross	\$74,147,900	\$77,771,400	\$77,771,400	\$79,271,400		\$5,123,500	6.9
FTEs	394.5	401.5	401.5	406.5		12.0	3.0

Note: Appropriation figures for FY 2024-25 include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Insurance and Financial Services (DIFS) is responsible for regulating and promoting the insurance and financial services industries operating within this state. The department also provides consumer protection by managing consumer information and inquiries and investigating consumer complaints. DIFS administers and enforces state statutes pertaining to state-chartered banks and credit unions; mortgage brokers, lenders, and servicers; consumer finance entities; insurance companies, agents, and products; and health maintenance organizations.

Budget Changes from FY 2023-24 Enacted Appropriations

1. Staffing Increase

Executive includes \$1.3 million Gross (\$0 GF/GP) and authorization for 7.0 FTE positions to hire additional staff to address increased work volumes due to insurance sector growth. This increase would impact two line items and the additional staff that would be hired includes 2 analyst positions, 2 management positions, 1 licensing technician, 1 enforcement attorney, and 1 communications representative. The funding would support salaries and benefits associated with the FTE positions, as well as IT licenses that would be necessary for the new positions. House and Senate concur.

	FY 2023-24 Enacted (as of 2/7/24)	FY 2024-25 Senate Change
FTE	225.0	7.0
Gross	\$38,672,500	\$1,314,100
IDG/IDT	61,600	2,800
Federal	1,017,100	0
Restricted	37,593,800	1,311,300
GF/GP	\$0	\$0

2. Customer Service for Auto Insurance and Auto Accident Survivors

Senate includes \$1.5 million of state restricted funding authorization from the Insurance Bureau Fund and authorization for 5.0 FTE positions to provide customer service related to auto insurance and for auto accident care claimants.

FTE	NA	5.0
Gross	NA	\$1,500,000
Restricted	NA	1,500,000
GF/GP	NA	\$0

3. Pharmacy Benefit Manager Licensure and Registration Act

Executive includes \$660,000 of state restricted funding authorization from the Insurance Bureau Fund to support regulatory activities related to pharmacy benefit managers required under 2022 PA 11. House and Senate concur.

Gross	NA	\$660,000
Restricted	NA	660,000
GF/GP	NA	\$0

4. Auto Insurance Reform Study

Senate includes \$250,000 of state restricted funding authorization from Insurance Licensing and Regulation Fees (one-time) to contract with a university or research institute to study the effects of the 2019 auto no-fault insurance reforms.

Gross	\$0	\$250,000
Restricted	0	250,000
GF/GP	\$0	\$0

		FY 2023-24 Enacted (as of 2/7/24)	FY 2024-25 Senate Change
<u>Budget Changes from FY 2023-24 Enacted Appropriations</u>			
5. Insurance Complaints and Healthcare Appeals Outreach Campaign	Gross	\$0	\$0
	Restricted	0	0
	GF/GP	\$0	\$0
<i>Executive</i> includes \$250,000 of state restricted funding authorization from Insurance Licensing and Regulation Fees (one-time) to support an outreach campaign to raise awareness of consumer rights regarding filing insurance complaints and seeking appeals of health insurance denials. These rights are established under the Insurance Code of 1956 (1956 PA 218) and the Patient's Right to Independent Review Act (2000 PA 251). It is anticipated that funding would be used for media purchases (billboards, TV, radio, social media, etc.) and contracted production services. <u>House</u> concurs. <u>Senate</u> does not include.			
6. Technical Adjustments	Gross	NA	\$0
	Federal	NA	(317,100)
	Restricted	NA	317,100
	GF/GP	NA	\$0
<i>Executive</i> includes internal FTE adjustments, funding adjustments, and transfers throughout the budget, which have no overall impact on Gross, GF/GP, or FTE position authorization. Adjustments are made to reflect employee counts more accurately and to align funding authorization with revenue received and department operations and activities. <u>House</u> and <u>Senate</u> concur.			
7. Economic Adjustments	Gross	NA	\$1,399,400
	IDG/IDT	NA	18,600
	Restricted	NA	1,380,800
	GF/GP	NA	\$0
<i>Executive</i> reflects increased costs of \$1.4 million Gross (\$0 GF/GP) for negotiated salary and wage increases (5.0% on October 1, 2024), insurances, actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments. <u>House</u> and <u>Senate</u> concur.			

Major Boilerplate Changes from FY 2023-24

Note: Boilerplate throughout the bill was revised to include non-substantive technical changes agreed to by the House, the Senate, and the Legislative Service Bureau. Boilerplate section numbers listed in this document are section numbers as they appear in the Senate bill.

Sec. 207. Communication With the Legislature – RETAINED

Prohibits DIFS from taking disciplinary action against employees for communicating with legislators or their staff, unless the communication is prohibited by law. Executive deletes. House and Senate retain.

Sec. 209. Hiring of External Legal Counsel – REVISED

Prohibits using appropriations to hire a person to provide legal services that are the responsibility of the attorney general; prohibition does not apply to legal services for bonding activities or services authorized by attorney general. Executive and House revise to include different stylistic changes. Senate revises to include stylistic changes and to allow the Department of Attorney General to assess penalties for late payments for legal services provided to DIFS.

Sec. 211. Legislative Contingency Transfer Authorization – RETAINED

Allows for the legislative transfer process to increase federal authorization by up to \$200,000 and state restricted authorization by up to \$1.0 million. Executive revises to increase maximum amounts of contingency authorizations to increase federal authorization by up to \$1.0 million and state restricted authorization by up to \$5.0 million. House and Senate retain.

Sec. 212. Transparency Website – RETAINED

Requires DIFS to cooperate with DTMB to maintain a searchable website accessible by the public at no cost that includes information on expenditures, vendor payments, number of active employees, job specifications, and wage rates. Executive deletes. House and Senate retain.

Sec. 213. State Restricted Funds Report – RETAINED

Requires DIFS to work with SBO to report on estimated restricted fund revenues, expenditures, and balances for the prior two fiscal years. Executive deletes. House and Senate retain.

Sec. 214. Department Website Information – DELETED

Requires DIFS to maintain, on a publicly accessible website, information that identifies, tracks, and regularly updates key metrics used to monitor and improve department performance. Executive, House, and Senate delete.

Major Boilerplate Changes from FY 2023-24

Sec. 216. FTE Positions and Vacancies Reports – REVISED

Requires DIFS to submit quarterly reports containing FTE volumes and a comparison of actual and authorized FTE position counts. Executive revises to delete reporting on FTE volumes. House retains. Senate revises to include detailed reporting on vacant positions.

Sec. 217. Work Project Usage – DELETED

Stipulates that appropriations are not to be expended, if possible, until all existing work project authorization for the same purpose is exhausted. Executive deletes. House retains. Senate deletes.

Sec. 218. State Administrative Board Transfers – DELETED

Stipulates that the legislature may inter-transfer funds via concurrent resolution if the State Administrative Board transfers funds. Executive, House, and Senate delete.

Sec. 219. Retention of Reports – RETAINED

Requires DIFS to receive and retain copies of all reports funded by the department's budget, while complying with federal and state guidelines for records retention. Executive deletes. House and Senate retain.

Sec. 220. Report on Policy Changes for Public Act Implementation – RETAINED

Requires DIFS to report on policy changes made to implement public acts that took effect during the prior calendar year. Executive deletes. House and Senate retain.

Sec. 221. Severance Pay Reporting – RETAINED

Requires DIFS to report any severance pay for a director or other high-ranking official not later than 14 days after a severance agreement is signed; requires report on total amount of severance pay remitted and number of DIFS employees receiving severance pay in FY 2022-23. Executive and House delete. Senate retains.

Sec. 222. In-Person Work – DELETED

Expresses legislative intent that DIFS maximize the efficiency of the state workforce, prioritize in-person work where possible, and post its in-person, remote, or hybrid work policy on its website. Executive deletes. House retains. Senate deletes.

Sec. 225. Television and Radio Production Expenditure Report – DELETED

Requires DIFS to report any expenditure of funds to a third-party vendor for television or radio productions; delineates information to be included. Executive deletes. House retains. Senate deletes.

Sec. 301. Health Insurance Rate Change Report – REVISED

Requires DIFS to electronically transmit the annual health insurance rate change report prepared pursuant to 45 CFR 154.301(b). Executive deletes. House retains. Senate revises to require a report on health insurer annual rate filings and details reporting requirements.

Sec. 302. Conservatorship and Insurance Liquidation Funds – RETAINED

Requires funds collected by DIFS in connection with a conservatorship pursuant to section 32 of 1987 PA 173 and from corporations being liquidated pursuant to 1956 PA 218 to be appropriated for expenses necessary to provide required services and to not lapse to General Fund; limits appropriations to \$1.0 million. Executive and House revise to remove the \$1.0 million cap. Senate retains.

Sec. 303. Fees for Customized Listings – RETAINED

Permits DIFS to provide customized lists of non-confidential information to interested parties and to charge reasonable fees; requires funds to lapse to appropriate restricted fund accounts and limits amount appropriated to \$1.0 million. Revises to remove the \$1.0 million cap. Executive and House revise to remove the \$1.0 million cap. Senate retains.

Sec. 304. Annual Reports Transmission – RETAINED

Requires DIFS to electronically transmit the annual report required under the Insurance Code of 1956 and the Banking Code of 1999. Executive deletes. House and Senate retain.

Sec. 305. Financial Institutions Marijuana Evaluation Guidance – RETAINED

Requires DIFS to update examination manuals and letters of guidance for institutions providing financial services to businesses involved in the marijuana industry to reflect how those institutions will be evaluated. Executive deletes. House and Senate retain.

Sec. 306. Auto Insurance Rate Filings Report – NEW

Requires DIFS to report on auto insurer annual rate filings, including the number of approvals and denials, processing times, justifications for rate filing approvals, and the average change in rates. Executive and House do not include. Senate includes new language.

Major Boilerplate Changes from FY 2023-24

Sec. 307. Auto Insurance and Auto Accident Care Customer Service – NEW

Requires DIFS to expend \$1.5 million and allocate 5.0 FTEs to provide customer service to auto insurance and auto accident care claimants, with at least 1.0 FTE designated to assist catastrophic auto accident survivors. Executive and House do not include. Senate includes new language.

Sec. 308. Satellite Offices – NEW

Requires DIFS to create a plan to establish satellite offices to provide in-person services, provides criteria DIFS must consider when choosing satellite office locations, and allows DIFS to partner with the Secretary of State. Executive and House do not include. Senate includes new language.

Sec. 401. Auto Insurance Reform Study – NEW

Requires DIFS to contract with a university or research institute to conduct a study of the effects of the 2019 auto no-fault insurance reforms. Executive and House do not include. Senate includes new language.

Sec. 402. Insulin Market Study – NEW

Requires DIFS to conduct a study of the insulin market and to submit recommendations to lower the price of insulin; requires the study to include information and data regarding insurers, pharmacy benefit managers, pharmacies, insulin consumers, and any other relevant stakeholders. Executive and House do not include. Senate includes new language.