

OFFICE OF THE COMMISSIONER OF INSURANCE

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY11 Adjusted Base	FY12 Recommended	% Change Over FY11	FY13 Recommended	% Change Over FY12
PR-O	16,695,500	16,675,800	-0.1	16,675,800	0.0
SEG-O	87,267,700	87,261,500	0.0	87,261,500	0.0
TOTAL	103,963,200	103,937,300	0.0	103,937,300	0.0

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY11 Adjusted Base	FY12 Recommended	FTE Change From FY11	FY13 Recommended	FTE Change From FY12
PR-O	131.25	130.25	-1.00	130.25	0.00
SEG-O	12.75	12.75	0.00	12.75	0.00
TOTAL	144.00	143.00	-1.00	143.00	0.00

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 insurance problems; researching special insurance issues to understand and assess the 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 intra-agency 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 officewide 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
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. ²	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. ³	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

Prog. No.	Performance Measure	Goal 2009	Actual 2009	Goal 2010	Actual 2010 ¹
4.	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
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: Based on calendar year.

¹Actuals for 2010 are not yet available.

²Three 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.

³Two 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

Prog. No.	Performance Measure	Goal 2011	Goal 2012	Goal 2013
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.

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OFFICE OF THE COMMISSIONER OF INSURANCE**GOVERNOR'S BUDGET RECOMMENDATIONS****RECOMMENDATIONS**

1. Increase Employee Contributions to Pension and Health Insurance
2. Budget Efficiencies
3. Eliminate Long-Term Vacancies
4. Technical Modification
5. Elimination of the Contraceptive Mandate
6. Closure of the State Life Insurance Fund
7. Lapse of Surplus Revenue
8. Medigap Helpline
9. Local Government Property Insurance Fund Reallocation
10. Organizational Support Services
11. Standard Budget Adjustments

ITEMS NOT APPROVED

12. Investment Portfolio Analysis Service Fees
13. Pay Plan Progression Adjustments
14. Create Federal Appropriations
15. State Life Insurance Fund General Services Fee

Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY10	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY12	FY13	FY12	FY13
PROGRAM REVENUE (2)	\$15,122.8	\$16,695.5	\$18,292.3	\$18,336.8	\$16,675.8	\$16,675.8
State Operations	15,122.8	16,695.5	18,292.3	18,336.8	16,675.8	16,675.8
SEGREGATED REVENUE (3)	\$37,830.7	\$87,267.7	\$87,321.0	\$87,321.0	\$87,261.5	\$87,261.5
State Operations	2,631.1	2,931.6	3,446.5	3,482.8	3,387.0	3,423.3
Local Assistance	19,665.8	26,657.3	26,195.7	26,159.4	26,195.7	26,159.4
Aids to Ind. & Org.	15,533.8	57,678.8	57,678.8	57,678.8	57,678.8	57,678.8
TOTALS - ANNUAL	\$52,953.5	\$103,963.2	\$105,613.3	\$105,657.8	\$103,937.3	\$103,937.3
State Operations	17,753.9	19,627.1	21,738.8	21,819.6	20,062.8	20,099.1
Local Assistance	19,665.8	26,657.3	26,195.7	26,159.4	26,195.7	26,159.4
Aids to Ind. & Org.	15,533.8	57,678.8	57,678.8	57,678.8	57,678.8	57,678.8

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

Table 2
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY12	FY13	FY12	FY13
PROGRAM REVENUE (2)	131.25	131.25	131.25	130.25	130.25
SEGREGATED REVENUE (3)	12.75	12.75	12.75	12.75	12.75
TOTALS - ANNUAL	144.00	144.00	144.00	143.00	143.00

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

(4) All positions are State Operations unless otherwise specified

Table 3
Department Budget Summary by Program (in thousands of dollars)

	ACTUAL FY10	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY12	FY13	FY12	FY13
1. Supervision of the insurance industry	\$15,122.8	\$16,695.5	\$18,292.3	\$18,336.8	\$16,675.8	\$16,675.8
2. Injured patients and families compensation fund	\$13,509.9	\$55,494.5	\$55,558.4	\$55,558.4	\$55,520.3	\$55,520.3
3. Local government property insurance fund	\$20,526.0	\$27,589.2	\$27,553.1	\$27,553.1	\$27,548.5	\$27,548.5
4. State life insurance fund	\$3,794.8	\$4,184.0	\$4,209.5	\$4,209.5	\$4,192.7	\$4,192.7
TOTALS	\$52,953.5	\$103,963.2	\$105,613.3	\$105,657.8	\$103,937.3	\$103,937.3

Table 4
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY12	FY13	FY12	FY13
1. Supervision of the insurance industry	131.25	131.25	131.25	130.25	130.25
2. Injured patients and families compensation fund	8.11	8.11	8.11	8.11	8.11
3. Local government property insurance fund	1.07	1.07	1.07	1.07	1.07
4. State life insurance fund	3.57	3.57	3.57	3.57	3.57
TOTALS	144.00	144.00	144.00	143.00	143.00

(4) All positions are State Operations unless otherwise specified

1. Increase Employee Contributions to Pension and Health Insurance

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	-610,000	0.00	-610,000	0.00
SEG-O	0	0.00	0	0.00	-58,800	0.00	-58,800	0.00
TOTAL	0	0.00	0	0.00	-668,800	0.00	-668,800	0.00

The Governor recommends increasing state employee contributions towards pension and health insurance costs. Employees will generally pay 50 percent of the total required retirement contribution, which for calendar year 2011 equals 5.8 percent of salary. The Governor further recommends increasing employee contributions for health insurance from approximately 6 percent of the premium to 12.6 percent of the premium. These modifications are necessary to bring state employee compensation in line with private sector employment and reduce compensation costs.

2. Budget Efficiencies

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	-664,900	0.00	-664,900	0.00
TOTAL	0	0.00	0	0.00	-664,900	0.00	-664,900	0.00

The Governor recommends reducing funding, excluding salary and fringe benefits, in most GPR and PR appropriations by 10 percent to create additional efficiencies and balance the budget.

3. Eliminate Long-Term Vacancies

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	-62,800	-1.00	-62,800	-1.00
TOTAL	0	0.00	0	0.00	-62,800	-1.00	-62,800	-1.00

The Governor recommends eliminating position authority and related funding for positions that have been vacant for longer than 12 months.

4. Technical Modification

The Governor recommends incorporating position changes related to budget repair legislation.

5. Elimination of the Contraceptive Mandate

The Governor recommends eliminating the requirement that health insurance policies provide coverage for contraceptives prescribed by a health care provider and outpatient medical services related to contraceptives. This requirement is an unacceptable government mandate on employers with moral objections to these services, and increases the cost of health insurance for all payers.

6. Closure of the State Life Insurance Fund

The Governor recommends closing the state life insurance fund to new enrollment. This fund was created a century ago to ensure that state residents have access to life insurance products. That situation no longer exists since a wide array of affordable life insurance products are available in the market today. The agency will continue to operate the fund until all existing policyholders have terminated coverage. The closure of the fund to new business will reduce revenues to the fund by approximately \$70,000 PR-O per year.

7. Lapse of Surplus Revenue

The Governor recommends lapsing surplus program revenue, less 10 percent of the fiscal year expenditures, from the agency to the general fund annually. There will be no impact on the operations of the agency, and is consistent with the policy that applies to program revenues collected by the Department of Financial Institutions.

8. Medigap Helpline

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	91,000	0.00	108,900	0.00	-121,800	0.00	-121,800	0.00
TOTAL	91,000	0.00	108,900	0.00	-121,800	0.00	-121,800	0.00

The Governor recommends adjusting expenditure authority to fully fund the Board on Aging and Long-Term Care's Medigap Helpline to provide seniors with information on health insurance options. See Board on Aging and Long-Term Care, Item #4.

9. Local Government Property Insurance Fund Reallocation

The Governor recommends reallocating contract funding to the administrative appropriation of the local government property insurance fund.

10. Organizational Support Services

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	13,400	0.00	13,400	0.00	13,400	0.00	13,400	0.00
TOTAL	13,400	0.00	13,400	0.00	13,400	0.00	13,400	0.00

The Governor recommends adjusting expenditure authority to reflect actual cost allocation within the agency for agencywide support services.

11. Standard Budget Adjustments

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	1,439,800	0.00	1,439,800	0.00	1,439,800	0.00	1,439,800	0.00
SEG-O	39,900	0.00	39,900	0.00	39,200	0.00	39,200	0.00
TOTAL	1,479,700	0.00	1,479,700	0.00	1,479,000	0.00	1,479,000	0.00

The Governor recommends adjusting the agency's base budget for: (a) turnover reduction (-\$204,300 in each year); (b) full funding of continuing position salaries and fringe benefits (\$1,653,200 in each year); and (c) full funding of lease and directed moves costs (\$30,100 in each year).

ITEMS NOT APPROVED

The following requests are not included in the Governor's budget recommendations for the Office of the Commissioner of Insurance.

Decision Item	Source of Funds	FY12		FY13	
		Dollars	Positions	Dollars	Positions
12. Investment Portfolio Analysis Service Fees	PR-O	30,000	0.00	40,000	0.00
13. Pay Plan Progression Adjustments	PR-O	36,000	0.00	52,600	0.00
14. Create Federal Appropriations	SEG-F	0	0.00	0	0.00
15. State Life Insurance Fund General Services Fee	SEG-O	0	0.00	0	0.00
TOTAL OF ITEMS NOT APPROVED	PR-O	66,000	0.00	92,600	0.00