
AGENCY OVERVIEW**Date:** 12/07/2012**401 Office of the Insurance Commissioner****Time:** 13:52:35

Statutory Authority

North Dakota Century Code Title 26.1.

Agency Description

The North Dakota Insurance Department is a state regulatory agency headed by the Insurance Commissioner. The Department is made up of seven main divisions: Legal and Enforcement, Product Filing, Consumer Assistance, Examinations and Company Licensing, Agent Licensing, Administration and Special Funds. The Department employs 49.50 full-time staff members. All fees and fines paid by companies or agents are deposited into the insurance regulatory trust fund, from which the money to operate the office is appropriated by the North Dakota Legislative Assembly.

Agency Mission Statement

It is the mission of the North Dakota Insurance Department to protect the public good by fairly and effectively administering the laws of North Dakota. We are committed to vigorous consumer protection efforts while fostering a strong, competitive marketplace that provides consumers with choices and access to high-quality insurance products and services at competitive prices. In pursuit of our mission, we will treat all of our constituencies with the highest ethical standards and respect they deserve.

Agency Performance Measures

Goals for the Department and individuals are completed each year, and are reviewed for completion and accuracy on an ongoing basis. Statistics are kept in each division and compared to previous years. Each division submits regular reports depicting activities, problems and how to resolve them, status on special projects and upcoming events requiring special attention.

Major Accomplishments

1. Facilitated \$803,323 in consumer relief during 2010-11 through consumer assistance (hot-line) calls.
2. Facilitated \$8.4 million in consumer relief during 2010-11 through State Health Insurance Counseling (SHIC) and Prescription Connection contacts.
3. Closed out 449 agent and company complaints resulting in \$1.8 million in consumer relief during 2010-11.
4. Published consumer information about the 2011 floods around the state. The webpage included information about filing a flood insurance claim, flood disaster and insurance questions and answers, and information on counties eligible for individual assistance.
5. Received number one in the nation ranking in 2010 by the Centers for Medicare and Medicaid Services (CMS) for the second year in a row for the SHIC program. The ranking is based on performance criteria.
6. Investigated 214 insurance fraud referrals in 2010-11.
7. Provided low-cost insurance through the Fire and Tornado Fund to approximately 1,090 state entities and political subdivisions.
8. Provided a 50.0 percent premium credit to all Fire and Tornado Fund policyholders for the new policy year effective July 1, 2010.
9. Implemented statutory changes to surplus lines requirements resulting from the federal enactment of the Non-Admitted and Reinsurance Reform Act.
10. Implemented a successful graduated driver's license law.
11. Completed 15 market analyses per year to identify general market disruptions and specific market conduct problems before they harm consumers.
12. Collected and deposited into the general fund \$63.0 million of premium tax and transferred \$6.9 million from the Insurance Regulatory Trust Fund to the general fund.
13. Participated in the discussion and implementation of the federal health care reform activities under the Patient Protection and Affordable Care Act (PPACA).

Future Critical Issues

1. Foster and maintain healthy competition in all lines of insurance while preserving necessary consumer protections.
2. Maintaining an adequate computer system and imaging technology to improve Department efficiency and meet the changing needs of the industry and public.
3. Maintaining adequate staff to meet the existing and changing demands of the Department, especially in extremely competitive market positions.
4. Educate customers on the importance of understanding their insurance coverage and providing information and assistance to support that understanding.
5. Work with the US HHS Centers for Medicare and Medicaid Services (CMS) to assist Medicare beneficiaries.
6. Ensure compliance with insurance laws and administrative rules to ensure that consumers are treated fairly and are protected from unfair practices.
7. Investigate insurance fraud and other insurance-related misconduct.
8. Continue to work with state leaders and industry in the discussion and implementation of the Patient Protection and Affordable Care Act.

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9. Implement any statutory changes as required by the 63rd Legislative Assembly.

REQUEST SUMMARY401 Office of the Insurance Commissioner
Biennium: 2013-2015

Bill#: HB1010

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
By Major Program					
Grants To Local Fire Departments	6,804,486	6,870,000	0	6,870,000	0
Regulatory and Administration	7,419,621	12,174,080	(1,513,751)	10,660,329	0
Total Major Program	14,224,107	19,044,080	(1,513,751)	17,530,329	0
By Line Item					
Salaries and Wages	5,823,539	6,859,830	772,491	7,632,321	0
Operating Expenses	1,391,082	3,431,900	(573,892)	2,858,008	0
Capital Assets	10,000	70,000	(70,000)	0	0
Technology Project Carryover	25,000	0	0	0	0
Grants to Fire Districts	6,974,486	7,040,000	0	7,040,000	0
American Health Benefit	0	1,000,000	(1,000,000)	0	0
Federal Affordable Care Act	0	642,350	(642,350)	0	0
Total Line Items	14,224,107	19,044,080	(1,513,751)	17,530,329	0
By Funding Source					
General Fund					
Federal Funds	487,197	3,872,869	(2,519,238)	1,353,631	0
Special Funds	13,736,910	15,171,211	1,005,487	16,176,698	0
Total Funding Source	14,224,107	19,044,080	(1,513,751)	17,530,329	0
Total FTE	45.50	49.50	0.00	49.50	0.00

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Salaries and Wages					
Salaries - Permanent	4,281,521	4,945,360	528,792	5,474,152	0
Salaries - Other	0	0	12,000	12,000	0
Temporary Salaries	34,931	107,568	(53,788)	53,780	0
Overtime	1,170	0	0	0	0
Fringe Benefits	1,505,917	1,806,902	285,487	2,092,389	0
Total	5,823,539	6,859,830	772,491	7,632,321	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	267,382	527,573	(109,794)	417,779	0
Special Funds	5,556,157	6,332,257	882,285	7,214,542	0
Total	5,823,539	6,859,830	772,491	7,632,321	0
Operating Expenses					
Travel	196,278	377,160	19,864	397,024	0
Supplies - IT Software	58,018	143,590	(54,100)	89,490	0
Supply/Material-Professional	16,510	35,350	(18,370)	16,980	0
Food and Clothing	466	2,100	(1,000)	1,100	0
Bldg, Ground, Maintenance	0	176	(176)	0	0
Miscellaneous Supplies	13,172	33,015	(16,935)	16,080	0
Office Supplies	26,913	44,100	(15,280)	28,820	0
Postage	84,350	126,200	(26,325)	99,875	0
Printing	48,993	108,200	(49,534)	58,666	0
IT Equip Under \$5,000	35,813	59,780	(20,730)	39,050	0
Other Equip Under \$5,000	423	2,500	0	2,500	0
Office Equip & Furn Supplies	18,309	78,100	(51,415)	26,685	0
Insurance	15,974	27,980	(12,805)	15,175	0
Rentals/Leases-Equip & Other	16,216	29,160	(7,320)	21,840	0
Rentals/Leases - Bldg/Land	229,451	315,818	48,631	364,449	0
Repairs	422	36,873	(34,243)	2,630	0
IT - Data Processing	293,097	295,028	81,926	376,954	0
IT - Communications	68,913	106,979	(12,843)	94,136	0
IT Contractual Svcs and Rprs	39,706	188,100	(119,500)	68,600	0
Professional Development	42,077	74,685	7,923	82,608	0
Operating Fees and Services	74,695	237,935	(64,576)	173,359	0
Fees - Professional Services	111,286	1,109,071	(227,084)	881,987	0
Total	1,391,082	3,431,900	(573,892)	2,858,008	0

Operating Expenses

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
General Fund	0	0	0	0	0
Federal Funds	219,815	1,652,946	(717,094)	935,852	0
Special Funds	1,171,267	1,778,954	143,202	1,922,156	0
Total	1,391,082	3,431,900	(573,892)	2,858,008	0
Capital Assets					
IT Equip/Sftware Over \$5000	10,000	70,000	(70,000)	0	0
Total	10,000	70,000	(70,000)	0	0
Capital Assets					
General Fund	0	0	0	0	0
Federal Funds	0	50,000	(50,000)	0	0
Special Funds	10,000	20,000	(20,000)	0	0
Total	10,000	70,000	(70,000)	0	0
Technology Project Carryover					
IT Equip/Sftware Over \$5000	25,000	0	0	0	0
Total	25,000	0	0	0	0
Technology Project Carryover					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	25,000	0	0	0	0
Total	25,000	0	0	0	0
Grants to Fire Districts					
Grants, Benefits & Claims	6,974,486	7,040,000	0	7,040,000	0
Total	6,974,486	7,040,000	0	7,040,000	0
Grants to Fire Districts					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	6,974,486	7,040,000	0	7,040,000	0
Total	6,974,486	7,040,000	0	7,040,000	0
American Health Benefit					
Travel	0	1,205	(1,205)	0	0
Rentals/Leases-Equip & Other	0	30	(30)	0	0
Rentals/Leases - Bldg/Land	0	1,550	(1,550)	0	0

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
IT - Data Processing	0	10,235	(10,235)	0	0
Professional Development	0	370	(370)	0	0
Fees - Professional Services	0	986,610	(986,610)	0	0
Total	0	1,000,000	(1,000,000)	0	0

American Health Benefit

General Fund	0	0	0	0	0
Federal Funds	0	1,000,000	(1,000,000)	0	0
Special Funds	0	0	0	0	0
Total	0	1,000,000	(1,000,000)	0	0

Federal Affordable Care Act

Salaries - Permanent	0	395,000	(395,000)	0	0
Fringe Benefits	0	130,350	(130,350)	0	0
Travel	0	8,000	(8,000)	0	0
Supplies - IT Software	0	4,000	(4,000)	0	0
Supply/Material-Professional	0	1,000	(1,000)	0	0
Food and Clothing	0	100	(100)	0	0
Miscellaneous Supplies	0	2,000	(2,000)	0	0
Office Supplies	0	1,200	(1,200)	0	0
Postage	0	2,600	(2,600)	0	0
Printing	0	1,000	(1,000)	0	0
IT Equip Under \$5,000	0	8,000	(8,000)	0	0
Other Equip Under \$5,000	0	12,000	(12,000)	0	0
Insurance	0	1,000	(1,000)	0	0
Rentals/Leases-Equip & Other	0	1,500	(1,500)	0	0
Rentals/Leases - Bldg/Land	0	40,000	(40,000)	0	0
Repairs	0	100	(100)	0	0
IT - Data Processing	0	4,000	(4,000)	0	0
IT - Communications	0	6,000	(6,000)	0	0
IT Contractual Srvcs and Rprs	0	1,000	(1,000)	0	0
Professional Development	0	3,000	(3,000)	0	0
Operating Fees and Services	0	2,952	(2,952)	0	0
Fees - Professional Services	0	17,548	(17,548)	0	0
Total	0	642,350	(642,350)	0	0

Federal Affordable Care Act

General Fund	0	0	0	0	0
Federal Funds	0	642,350	(642,350)	0	0
Special Funds	0	0	0	0	0

REQUEST DETAIL

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
Total	0	642,350	(642,350)	0	0
Funding Sources					
General Fund	0	0	0	0	0
Federal Funds	487,197	3,872,869	(2,519,238)	1,353,631	0
Special Funds	13,736,910	15,171,211	1,025,487	16,176,698	0
Total Funding Sources	14,224,107	19,044,080	(1,493,751)	17,530,329	0

CHANGE PACKAGE SUMMARY401 Office of the Insurance Commissioner
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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
Base Budget Changes						
Ongoing Budget Changes						
A-A 2 BASE BUDGET CHANGES		0.00	0	(750,094)	59,202	(690,892)
A-A 3 APPROPRIATION SOURCE CHANGE		0.00	0	(84,000)	84,000	0
A-A 4 REMOVE AMERICAN HEALTH BENEFIT		0.00	0	(1,000,000)	0	(1,000,000)
A-F 1 REMOVE IT EQUIPMENT		0.00	0	(50,000)	(20,000)	(70,000)
Base Payroll Change		0.00	0	(635,144)	882,285	247,141
Total Ongoing Budget Changes		0.00	0	(2,519,238)	1,005,487	(1,513,751)
Total Base Budget Changes		0.00	0	(2,519,238)	1,005,487	(1,513,751)

BUDGET CHANGES NARRATIVE

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Change Group: A	Change Type: A	Change No: 2	Priority: 1
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BASE BUDGET CHANGES - BASE BUDGET CHANGES FOR 13-15

(\$690,892) - Total decrease in the Operating Expenses for the department. This change package is a result of the Insurance Department's federal funding decrease and an increase in operating expenses that are not within the agency's control. The agency has also combined the Federal Affordable Care Act with the Operating line because they are all part of the everyday operations of the agency.

The overall impact of the federal funding on the agency's operating expenses:

- The Rate Review Grant (\$708,636)
- The State Health Insurance Counseling Grant (\$41,458)

The changes in Operating Expenses are identified in the following and are netted between the Operating & Federal Affordable Care Act lines:

Travel increase \$11,864: The Agency is anticipating an increase in travel expenses for their boiler inspectors due to the rates published for the state fleet vehicles and because they are doing more traveling in the western part of the state for the increased number of boilers. The agency has not seen a large impact by the state lodging rate increases so they were able to maintain the amount budgeted in previous years. The agency also anticipates to see an increase in commercial airfare for their employee's to attend various conferences for professional growth of the both insurance industry and their employees.

IT Software (\$58,100): The agency performed upgrades to some of their software programs in the 2011-13 biennium and do not anticipate the need for additional upgrades in the 2013-15 biennium.

Supply/Material - Professional (\$19,370): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for additional supplies.

Miscellaneous Supplies (\$18,935): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for additional supplies. The State Health Insurance Counseling grant is also anticipating a decrease therefore the agency is therefore reducing the promotional expenses for the program.

Office Supplies (\$16,480): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for additional supplies. The agency also looked at ways to eliminate costs in areas where they had more control over the expenditures and found cost savings within their divisions with office supplies being one of them.

Printing (\$50,534): The agency reviewed their processes of sending out information to their customers. The agency began making items available electronically instead of sending out printed mailers to their customers. The agency plans to continue to look for ways to improve their methods of communication that is more cost effective for the state during the 2013-15 biennium.

Postage (\$28,925): The decrease in printing within the agency also affected the amount of postage the agency uses to mail out the information to their customers. The use of electronic delivery of information has made a large impact on the amount of postage the agency uses.

IT Equip Under \$5,000 (\$28,730): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for IT equipment.

Office Equip & Furn Supplies (\$51,415): The agency setup an additional office location during the 2011-13 biennium creating one time purchases of office furniture.

Insurance (\$13,805): The information supplied by Risk Management shows a 52% decrease in premium for 2013-15.

BUDGET CHANGES NARRATIVE

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Rentals/Leases - Equip & Other (\$8,820): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for additional equipment.

Rentals/Leases - Bldg/Land \$8,631: The agency will see an increase in their capitol office rent of 9% and a slight increase in their off-site office spaces.

Repairs (\$34,343): The agency made a one time purchase to replace the carpet in the capitol offices.

IT-Data Processing \$77,926: The additional amount needed to cover the increase in ITD's rates to cover the ongoing costs of the various software applications for the agency.

IT-Communications (\$18,843): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for communication services.

IT Contractual Services (\$120,500): The Rate Review Grant was used for updates to SERFF and has been completed thus eliminating the need for additional services.

Professional Development \$4,923: The positions within the agency require certain levels of professional designation. The agency continues to encourage their employees to attend training in order to remain competitive in the market and to ensure their employees have the adequate knowledge to perform their jobs efficiently and effectively.

Operating Fees (\$67,528): The Rate Review Grant is anticipated to be solely used to hire an actuarial consultant thus eliminating the need for additional operating fees. The SHIC grant's operating fees are also being reduced because of the decrease in federal funding.

Fees-Professional Services (\$244,632): The Rate Review Grant funding available will be decreased by the amount spent during 2011-13 therefore decreasing the amount available for hiring the consultant.

Change Group: A	Change Type: A	Change No: 3	Priority: 1
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APPROPRIATION SOURCE CHANGE - APPROPRIATION SOURCE CHANGE 11-13 FED. CARE ACT

Funding source change: (\$642,350) Federal Funding and \$642,350 Special Funding (239) with no change in expenditures. This change package is to correctly record the funding source of the Federal Affordable Care Act appropriations that was approved during the special Legislative Session in November 2011.

Change Group: A	Change Type: A	Change No: 4	Priority: 1
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REMOVE AMERICAN HEALTH BENEFIT - REMOVE AMERICAN HEALTH BENEFIT GRANT

The agency received a grant to be used for exchange planning. The agency used the funding to hire a consulting group to prepare a report on the exchange to aid in the decision of the state during 2011-13. The remaining funds available under this grant are being transferred to another state agency. The decrease is the removal of the grant from the agency's appropriations for 2013-15.

Change Group: A	Change Type: F	Change No: 1	Priority: 1
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REMOVE IT EQUIPMENT - REMOVE IT EQUIPMENT

(\$70,000) This change package is to remove the 11-13 Biennium one time IT Equipment Appropriation from the base budget.

BUDGET CHANGES NARRATIVE

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Change Group: R	Change Type: A	Change No: 1	Priority:
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Increase Grants to Fire Districts

This recommendation provides an increase of \$800,000, or about 13%, for grants to fire districts from the insurance tax distribution fund. This increase brings the appropriation to \$7 million for the biennium, or \$3.5 million per year. The appropriation for this program has not been increased since the 2005-07 biennium. This recommended funding level was determined by adjusting the 2003-05 appropriation for inflation, as measured by the consumer price index (CPI).

Change Group: R	Change Type: A	Change No: 100	Priority:
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Executive Compensation Package Adjustment

This budget change provides funding for recommended 2013-15 compensation adjustments. Compensation adjustments for each agency were calculated following the recommendations of the Hay Group developed through the 2011 study of the state's classified employee compensation system. Pursuant to those recommendations, compensation adjustments were calculated to provide funding to allow for both performance-based salary adjustments and market-based salary adjustments. This funding allows for increases of 2% to 4% for employees in the first quartile of the pay range and 1% to 2% for those in the second quartile of the range. For employees in the third and fourth quartiles, which are above the market policy position, no market policy increase is funded. Performance-based increases are assumed to be 3% for employees meeting performance standards and up to 5% for employees exceeding performance standards. No performance-based increases are provided for employees that fail to meet performance standards.