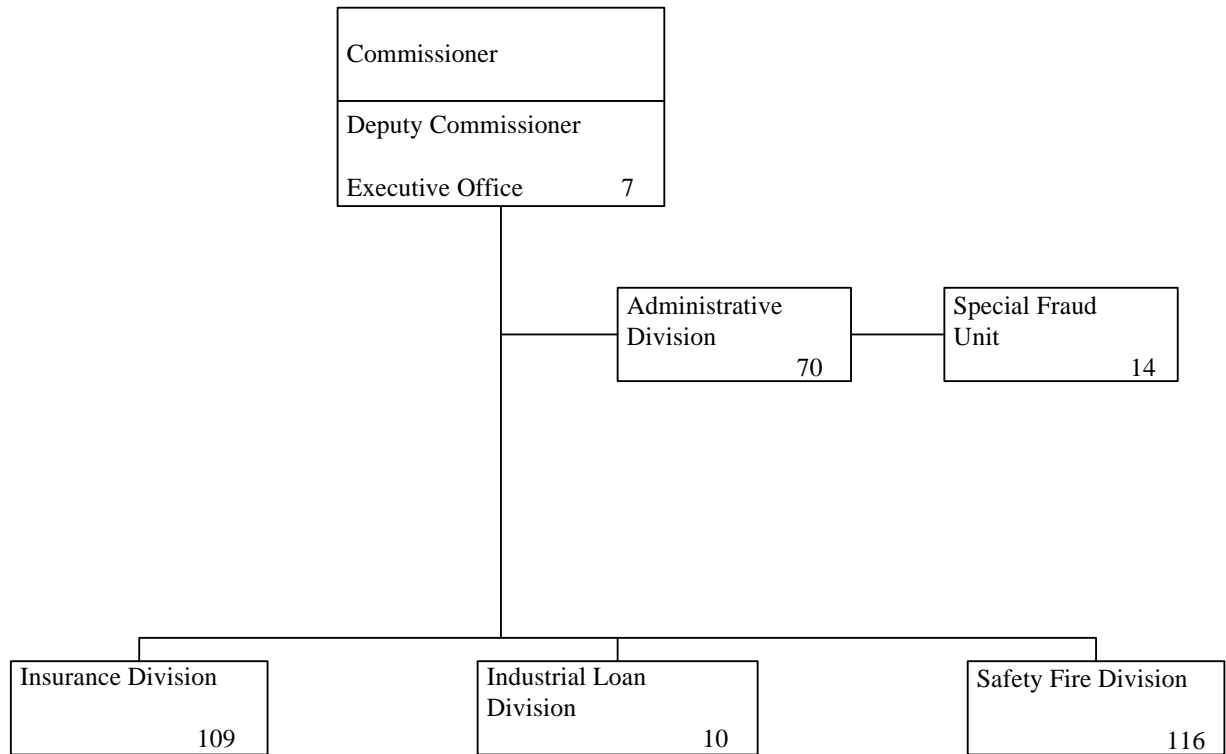


DEPARTMENT OF INSURANCE
Total Budgeted Positions -- 326



DEPARTMENT OF INSURANCE -- Financial Summary

Expenditures, Current Budget and Agency Requests

Budget Classes/Fund Sources	FY 1999 Expenditures	FY 2000 Expenditures	FY 2001 Current Budget	FY 2002 Agency Requests		
				Adjusted Base	Enhancements	Totals
Personal Services	14,492,549	13,979,189	14,635,404	14,725,806	250,273	14,976,079
Regular Operating Expenses	722,587	725,739	680,784	680,784		680,784
Travel	482,394	435,414	373,713	373,713	80,000	453,713
Motor Vehicle Purchases	121,588	118,925	100,700	185,100		185,100
Equipment	47,274	20,480	32,327	32,327		32,327
Real Estate Rentals	800,048	796,048	793,256	796,248		796,248
Per Diem, Fees & Contracts	501,817	385,716	96,658	96,658		96,658
Computer Charges	230,384	199,953	110,968	110,968	121,336	232,304
Telecommunications	411,793	298,575	405,207	405,207		405,207
Year 2000 Project		3,712				
Total Funds	\$17,810,434	\$16,963,751	\$17,229,017	\$17,406,811	\$451,609	\$17,858,420
Less Federal & Other Funds:						
Federal Funds	1,772,791	1,765,574	1,682,020	1,682,020		1,682,020
Other Funds	464,975	59,613	102,466	102,466		102,466
Total Federal & Other Funds	\$2,237,766	\$1,825,187	\$1,784,486	\$1,784,486		\$1,784,486
TOTAL STATE FUNDS	\$15,572,668	\$15,138,564	\$15,444,531	\$15,622,325	\$451,609	\$16,073,934
Positions	329	326	326	326		326
Motor Vehicles	51	51	51	51		51

DEPARTMENT OF INSURANCE -- Financial Summary

Current Budget and Governor's Recommendations

Budget Classes/Fund Sources	FY 2001 Current Budget	FY 2002 Governor's Recommendations				Totals
		Annualizers and Adjustments	Workload	Adjusted Base	Enhancements	
Personal Services	14,635,404	90,402		14,725,806	400,273	15,126,079
Regular Operating Expenses	680,784			680,784		680,784
Travel	373,713			373,713	80,000	453,713
Motor Vehicle Purchases	100,700			100,700		100,700
Equipment	32,327			32,327		32,327
Real Estate Rentals	793,256	(213,877)		579,379		579,379
Per Diem, Fees & Contracts	96,658			96,658		96,658
Computer Charges	110,968			110,968		110,968
Telecommunications	405,207			405,207		405,207
Year 2000 Project						
Total Funds	\$17,229,017	(\$123,475)		\$17,105,542	\$480,273	\$17,585,815
Less Federal & Other Funds:						
Federal Funds	1,682,020			1,682,020		1,682,020
Other Funds	102,466			102,466		102,466
Total Federal & Other Funds	\$1,784,486			\$1,784,486		\$1,784,486
TOTAL STATE FUNDS	\$15,444,531	(\$123,475)		\$15,321,056	\$480,273	\$15,801,329
Positions	326			326		326
Motor Vehicles	51			53		53

DEPARTMENT OF INSURANCE
FY 2002 Budget Summary

Governor's
Recommendations

ADJUSTMENTS TO CURRENT BUDGET

FY 2001 STATE APPROPRIATIONS	15,444,531
Annualizers:	
1. Annualize the cost of the FY 2001 salary adjustment.	90,402
Other Adjustments:	
2. Increase funds in real estate rentals to meet expenses.	2,992
Workload:	
3. Adjust GBA rental rates to a standard of \$8.75 per rentable square footage.	(216,869)
	\$15,321,056

ENHANCEMENT FUNDS

ENHANCEMENTS	
1. Fill 10 vacant positions to assist with increased workloads and responsibilities.	400,273
2. Provide travel funds at the FY2000 expenditure level.	80,000
	\$480,273
TOTAL ENHANCEMENT FUNDS	\$480,273
TOTAL STATE FUNDS	\$15,801,329

DEPARTMENT OF INSURANCE
Functional Budget Summary

	FY 2001 Appropriations		FY 2002 Recommendations	
	Total	State	Total	State
1. Internal Administration	5,098,884	5,098,884	5,125,349	5,125,349
2. Insurance Regulation	5,625,024	5,625,024	5,783,439	5,783,439
3. Industrial Loan Regulation	538,124	538,124	534,891	534,891
4. Fire Safety and Manufactured Housing	5,401,269	3,616,783	5,577,032	3,792,546
5. Special Insurance Fraud Fund	565,716	565,716	565,104	565,104
TOTAL APPROPRIATIONS	<u>\$17,229,017</u>	<u>\$15,444,531</u>	<u>\$17,585,815</u>	<u>\$15,801,329</u>

RECOMMENDED APPROPRIATION: The Department of Insurance is the budget unit for which the following State Fund Appropriation is recommended for FY 2002: \$15,801,329.

DEPARTMENT OF INSURANCE

Roles and Responsibilities

The Office of Commissioner of Insurance is accountable for upholding state laws regulating insurance, fire safety, mobile homes, and small loans. The department organizes its efforts in fulfilling these responsibilities around 5 divisions.

INTERNAL ADMINISTRATION DIVISION

The Internal Administration Division provides management, policy direction, enforcement, and administrative support for the department's programs which regulate companies and protect consumers in the areas of insurance, industrial loan regulation, fire safety, manufactured housing, arson investigation, building inspection, hazardous material handling and storage, and other related areas. The division's activities include performing personnel, purchasing, payroll, budgeting, and accounting duties for all agency divisions; and establishing department policy, procedures, regulations, and enforcement capabilities.

INSURANCE REGULATION DIVISION

The Insurance Regulation Division is responsible for administering Georgia insurance laws and regulations by reviewing and approving insurance company property; casualty, life, accident and sickness policy forms, and rates; approving applications for insurance companies to conduct business in Georgia; approving applications for individuals to obtain insurance agent licenses; and regulating group self-insurance funds for workers' compensation insurance. The division oversees the regulation of automobile self-insurers, Captive Insurance Companies, and Interlocal Risk Management.

INDUSTRIAL LOAN REGULATION DIVISION

The Industrial Loan Regulation Division administers the Georgia Industrial Loan Act by performing

examinations and on-site investigations of all accounts held by the industrial loan companies (small loan companies making loans of \$3,000 or less) licensed to do business in Georgia, accounting for all fees and taxes payable by the industrial loan companies, and approving applications for new industrial loan company licenses and investigating consumer complaints.

FIRE SAFETY AND MOBILE HOME REGULATION DIVISION

The Fire Safety and Mobile Home Regulation Division administers and enforces compliance with Georgia and federal laws affecting manufactured housing and fire safety by reviewing applications for license and permits to use or store hazardous or physically unstable substances and materials, and by reviewing construction plans for public buildings and manufactured houses for adequate fire hazard prevention and protection. The division inspects public facilities for compliance with Georgia's fire safety laws and investigates cases involving suspicious fires in Georgia.

SPECIAL INSURANCE FRAUD UNIT

The Special Insurance Fraud Unit investigates, upon request, claims fraud against insurance companies. This unit was established through enactment of HB 616 of the 1995 General Assembly with the goal of reducing the incidence of insurance fraud and the resulting financial burden it places on the insurance industry and the consumer.

AUTHORITY

State Constitution; Official Code of Georgia Annotated Title 45-14.

DEPARTMENT OF INSURANCE Strategies and Services

The Office of Commissioner of Insurance administers a number of strategies and services to fulfill its duties in regulating the state's insurance industry, industrial loan companies, and fire safety standards. These activities are geared toward enabling the department to satisfy its regulatory responsibilities effectively and to protect and assist the public in the areas the department oversees. Highlighted below are the some of these programs and developments; namely, Implementation of the Health Insurance Portability and Accountability Act, Consumer Services, Manufactured Housing, Fire Safety Education, and Hazardous Materials.

IMPLEMENTATION OF THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

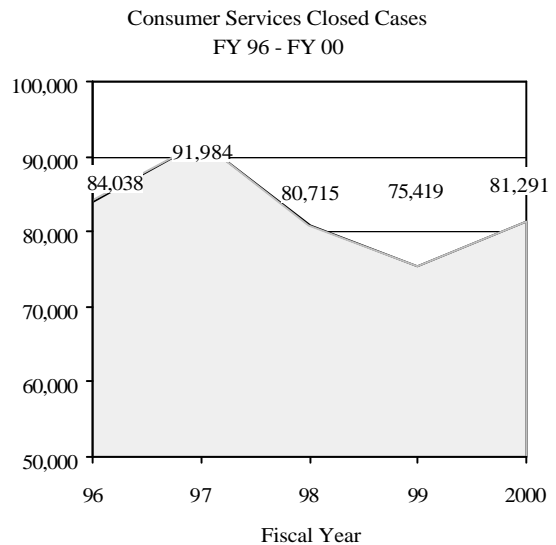
In 1996, the federal government passed into law the Health Insurance Portability and Accountability Act (i.e., Kassebaum-Kennedy Health Insurance Reform Bill), which require each state to enact and enforce the guidelines established in this act regarding health insurance plans. As a result, the 1997 General Assembly passed HB 654 to serve as the state law implementing the federal act. The department's responsibility is to educate employers and the public about the changes in the federal and state statutes concerning health insurance and to enforce these new requirements. The main changes both pieces of legislation made in health insurance law were in the areas of pre-existing condition exclusions, crediting coverage with the alternative method, special enrollment, affiliation periods, non-discrimination and guaranteed renewability, certificates of creditable coverage, and the state's alternative mechanism of obtaining portability of coverage when an individual loses group health insurance coverage. The department plans to inform the public of these changes in the law through newsletters and press releases among other means. Initially though, much of the department's efforts regarding these new requirements concerning health insurance are expected to be devoted to monitoring and enforcement due to the number of health insurance policy refilling many insurance companies will have to make.

CONSUMER SERVICES

The Consumer Services Division functions to assist citizens with insurance concerns. Toward this end, the division's activities include interceding in claims and other insurance-related disputes; educating the general public on a variety of insurance issues using public presentations, publications and other means; assisting the public on insurance matters occurring after a disaster; and referring persons to the appropriate special programs state and federal agencies may offer to resolve a situation beyond the department's purview. Investigation of claims and other insurance related disputes is the division's major

activity. Forty-three investigators located in regions statewide handle cases. These investigators interview insurance company personnel, independent adjusters, insurance agents, and the complaining party, as well as review all related documentation to determine if the complaint filed is valid. Once this research and analysis of the complaint is completed, the investigator reports the results to the parties involved and works with them to resolve the complaint. The division closed 81,291 cases in FY 2000 and recovered over \$9.1 million for consumers.

The division also aids other divisions within the department in a range of areas. For example, the division investigators routinely furnish support to: the Enforcement and Fraud Units in evidence procurement and case prosecution; Agents Licensing and Regulatory Services with records checks on agents and companies; and the Research Division on legislative matters.



MANUFACTURED HOUSING

The Manufactured Housing section of the Fire Safety & Mobile Home Regulation Division administers, in conjunction with the federal Department of Housing and Urban Development (HUD), the National Manufactured Housing Construction and Safety Act of 1974. This act requires that manufactured houses be built and installed according to established state and national standards. The Manufactured Housing section, under its 20-year association with HUD, enforces this act through the inspection and licensing of manufacturers, dealers and installers of manufactured housing who comply with the federal and state standards regarding this product. Manufactured housing plant reviews usually entail the examination and approval of each housing design plan and quality assurance manual. Before a plant commences

DEPARTMENT OF INSURANCE -- Strategies and Services

operation, an initial comprehensive inspection is conducted involving all aspects of production and material handling, along with testing and evaluating the plant's quality assurance program. Plants in operation are inspected regularly. During these inspections, each section of each home is inspected in at least 1 phase of the production process, to assure compliance. The plant and the homes it produces must be in full compliance with federal and state standards before a HUD label of approval can be placed on the manufactured homes and these homes can be offered for sale. The Manufactured Housing section also regulates the sale and installation of manufactured homes through inspecting manufactured homes on dealer lots for possible damage during transit to the dealer, for dealer alterations and other violations. Inspections can be prompted by consumer complaints.

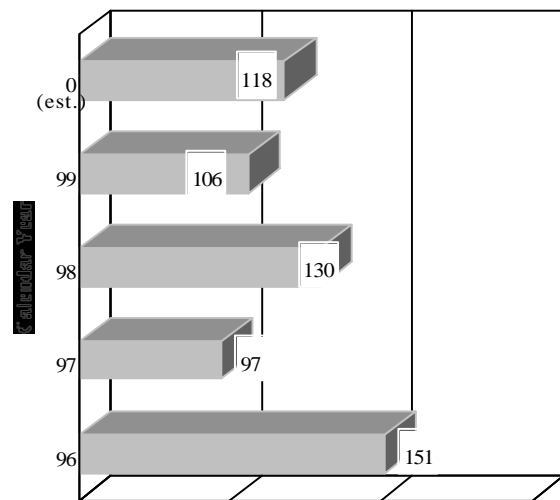
Presently, section staff have the responsibility of enforcing federal and state manufactured housing standards for the 26 licensed in-state plants and 93 out-of-state manufacturers licensed to conduct business in Georgia. Section staff regulate 780 licensed manufactured housing dealers and 542 licensed installers.

FIRE SAFETY EDUCATION

The Fire Safety Division, through its Fire Safety Education Program, develops instructional programs on and promotes awareness of fire safety. The program's efforts emphasize a person's responsibility for fire prevention and fire safety measures at home, school, work, and other areas. In this regard, the program coordinates the efforts of the commissioner, news media, State Fire Marshal's Office, and the department's Public Education section to educate the public on fire safety in a clear, organized fashion. The program is attempting to further educate the public on fire safety by expanding its involvement in several organizations such as the Coalition of Public Fire Safety Educators, Safe Kids of Georgia, and the Emergency Management Services Advisory Council.

Prompted by the importance and the effectiveness of learning and practicing fire safety at an early age, the program is initiating new and expanding current efforts directed at school-age students as a way of reaching and teaching children about fire safety. Some of these efforts include the Learn Not To Burn, Challenge For Life, and Junior Fire Marshal programs, as well as the acquisition of a mobile fire safety house where live demonstrations of fire safety techniques can be presented to school and public groups. Other areas in which the program is active include smoke detector distribution programs, establishing a volunteer fire safety education-teaching group, and developing the cooperation necessary for joint efforts by the local fire services and the local boards of education to encourage fire safety education activities in every school.

Fire Deaths in Georgia
1996 - 2000



HAZARDOUS MATERIALS

The Fire Safety Division's Hazardous Materials section enforces areas designated to the department concerning the storage, transportation, and handling of hazardous materials including liquid propane gas, anhydrous ammonia, flammable and combustible liquids, explosives, welding gases, natural gases, and blasting agents. The section, under this responsibility, conducts inspections, issues permits and licenses, investigates hazardous materials incidents, and enforces applicable fire safety codes. The section also reviews plans and specifications for proposed bulk storage facilities of these substances. The section must approve these plans and specifications before construction can begin on a proposed hazardous material bulk storage facility. The section is also assigned the department's responsibility to regulate the manufacture, transport, use, sale, and storage of explosives through licensing the individuals or organizations involved in those activities. To complement its regulatory duties, the section conducts education and training programs on storing, transporting, and handling hazardous materials in an effort to continue minimizing the loss of life and property from hazardous materials fire incidents.

DEPARTMENT OF INSURANCE

Results-Based Budgeting

INSURANCE ENFORCEMENT

Purpose: To provide legal advice regarding the enforcement of specific provisions of state law relating to insurance companies, agents and other licensees.

Goal 1: Ensure that insurance companies, agents, and other insurance licensees are in compliance with state law.	FY 2000 Desired	FY 2000 Actual	FY 2001 Desired	FY 2002 Desired
- The number of valid complaints involving insurance companies will increase from 35 in FY 2000 to 60 in FY 2002.	60	35	60	60
- The number of valid inquiries involving agents and other insurance licensees will decrease from 1,514 in FY 2000 to 826 in FY 2002.	826	1,514	826	826
Program Fund Allocation -- Total Funds		\$5,013,838	\$5,098,884	\$5,125,349
State Funds		\$5,013,838	\$5,098,884	\$5,125,349

INSURANCE REGULATIONS

Purpose: To ensure insurance entities licensed in Georgia comply with state law and to review and approve all rates and forms used by insurance companies.

Goal 1: Insurance companies licensed in Georgia are financially stable and capable of fulfilling their obligations.	FY 2000 Desired	FY 2000 Actual	FY 2001 Desired	FY 2002 Desired
- The number of licensed insurance companies that are financially unstable and unable to fulfill their obligations will decrease from 10 in FY 2000 to 8 in FY 2002.	8	10	8	8
- The number of customers suffering financial loss from insurance companies which have become financially unstable will decrease from 2,606 in FY 2000 to 2,296 in FY 2002.	2,296	2,606	2,296	2,296
- The number of insurance complaints regarding unfair or improper treatment by insurance companies will decrease from 95,105 in FY 2000 to 74,662 in FY 2002.	74,662	95,105	74,662	74,662
Program Fund Allocation -- Total Funds		\$5,492,786	\$5,625,024	\$5,783,439
State Funds		\$5,492,786	\$5,625,024	\$5,783,439

INDUSTRIAL LOAN REGULATION

Purpose: To regulate and examine, for the purpose of protecting consumers, finance companies providing loans of \$3,000 or less.

Goal 1: Consumers are protected from suffering financial loss due to financial companies becoming unstable or illegal interest rates.	FY 2000 Desired	FY 2000 Actual	FY 2001 Desired	FY 2002 Desired
- The dollar amount of refunds to consumers because of finance companies not complying with state law will decrease from 179,087 in FY 2000 to 84,423 in FY 2002.	84,423	179,087	84,423	84,423
Program Fund Allocation -- Total Funds		\$517,866	\$538,124	\$534,891
State Funds		\$517,866	\$538,124	\$534,891

DEPARTMENT OF INSURANCE -- Results-Based Budgeting

FIRE SAFETY EDUCATION AND PREVENTION

Purpose: To create a fire safe environment that protects and limits the loss of lives and property.

Goal 1: Newly constructed and existing buildings will comply with fire safety building codes. - All new construction within the commissioner's jurisdiction will comply with fire safety building codes before a certificate of occupancy is issued. - The number of fires resulting from code violations in institutional facilities will decrease.	FY 2000 Desired	FY 2000 Actual	FY 2001 Desired	FY 2002 Desired
	100%	100%	100%	100%
	900	772	900	900
	N/A	320 [1]	N/A	N/A [2]
Goal 2: Hazardous materials facilities will comply with state laws and standards. - All new construction of hazardous materials facilities within the commissioners jurisdiction will comply with standards before being given an operating permit.	100%	100%	100%	100%
	484	540	484	484
Program Fund Allocation -- Total Funds		\$5,147,137	\$5,401,269	\$5,577,032
State Funds		\$3,627,937	\$3,616,783	\$3,792,546

Note:

1. This number is an estimate due to ongoing investigations regarding the cause of fires.
2. The agency did not provide this data.

SPECIAL INSURANCE FRAUD

Purpose: To investigate, upon request, instances of insurance fraud in cooperation with Federal, State and Local Government agencies and insurance companies.

Goal 1: Deter the occurrence of insurance fraud. - The number of fraud cases referred from department and industry sources will remain at 484.	FY 2000 Desired	FY 2000 Actual	FY 2001 Desired	FY 2002 Desired
	484	493	484	484
Program Fund Allocation -- Total Funds		\$792,104	\$565,716	\$565,104
State Funds		\$792,104	\$565,716	\$565,104

TOTAL - All Programs	Total Funds	\$16,963,731	\$17,229,017	\$17,585,815
	State Funds	\$15,444,531	\$15,444,531	\$15,801,329