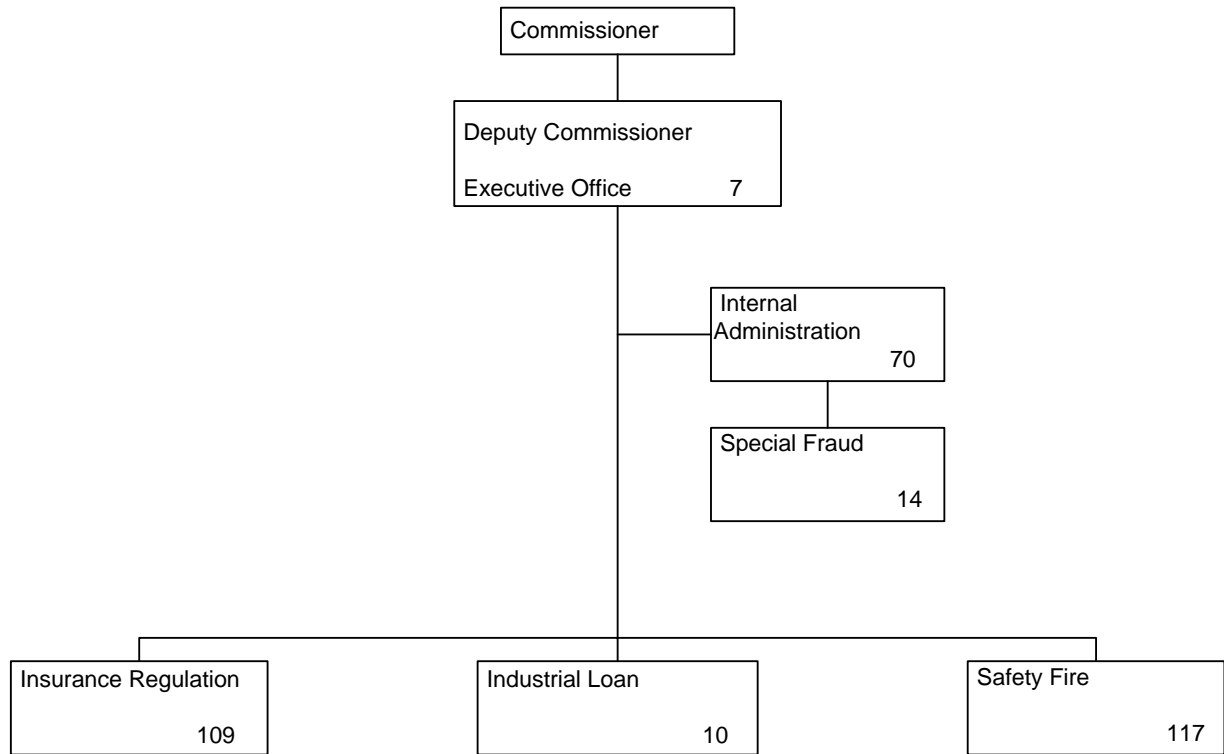


# DEPARTMENT OF INSURANCE

Total Budgeted Positions -- 327



**DEPARTMENT OF INSURANCE**  
**Financial Summary**

**Expenditures, Current Budget, and Agency Requests**

Budget Classes / Fund Sources	FY 2001 Expenditures	FY 2002 Expenditures	FY 2003 Current Budget	FY 2004 Agency Requests		
				Adjusted Base	Enhancements	Totals
Personal Services	\$13,870,551	\$14,041,085	\$14,653,490	\$14,150,450	\$834,709	\$14,985,159
Regular Operating Expenses	755,334	744,702	702,947	662,109	41,757	703,866
Travel	418,086	402,216	463,030	433,030	30,000	463,030
Motor Vehicle Purchases	184,729	131,251	80,176	105,000		105,000
Equipment	28,156	10,590	30,400	20,000	10,400	30,400
Computer Charges	236,918	224,559	223,000	260,405		260,405
Real Estate Rentals	796,048	560,684	601,164	601,164		601,164
Telecommunications	345,043	364,908	251,329	235,800	15,529	251,329
Per Diem and Fees	483,521	43,413	223,856	217,856	6,000	223,856
Austerity Adjustments						
Total Funds	<u>\$17,118,386</u>	<u>\$16,523,408</u>	<u>\$17,229,392</u>	<u>\$16,685,814</u>	<u>\$938,395</u>	<u>\$17,624,209</u>
Less Federal & Other Funds:						
Federal Funds	\$963,301	\$814,857	\$934,034	\$884,034		\$884,034
Other Funds	83,621	114,314	102,466	102,466		102,466
Total Federal & Other Funds	<u>\$1,046,922</u>	<u>\$929,171</u>	<u>\$1,036,500</u>	<u>\$986,500</u>		<u>\$986,500</u>
TOTAL STATE FUNDS	<u>\$16,071,464</u>	<u>\$15,594,237</u>	<u>\$16,192,892</u>	<u>\$15,699,314</u>	<u>\$938,395</u>	<u>\$16,637,709</u>
Positions	326	327	327	327		327
Motor Vehicles	51	51	51	51		51

# DEPARTMENT OF INSURANCE

## Financial Summary

### Current Budget and Governor's Recommendations

Budget Classes / Fund Sources	FY 2003 Current Budget	FY 2004 Governor's Recommendations				Totals
		Budget Reductions	Annualizers and Adjustments	Adjusted Base	Enhancements	
Personal Services	\$14,653,490	(\$423,858)	(\$201,015)	\$14,028,617	\$1,921,305	\$15,949,922
Regular Operating Expenses	702,947		(40,838)	662,109		662,109
Travel	463,030	(30,000)		433,030		433,030
Motor Vehicle Purchases	80,176		24,824	105,000		105,000
Equipment	30,400	(10,400)		20,000		20,000
Computer Charges	223,000		37,405	260,405		260,405
Real Estate Rentals	601,164		33,525	634,689		634,689
Telecommunications	251,329	(15,529)		235,800		235,800
Per Diem and Fees	223,856	(6,000)		217,856		217,856
Austerity Adjustments		(485,787)		(485,787)		(485,787)
<b>Total Funds</b>	<b>\$17,229,392</b>	<b>(\$971,574)</b>	<b>(\$146,099)</b>	<b>\$16,111,719</b>	<b>\$1,921,305</b>	<b>\$18,033,024</b>
Less Federal & Other Funds:						
Federal Funds	\$934,034		(\$50,000)	\$884,034		\$884,034
Other Funds	102,466			102,466		102,466
<b>Total Federal &amp; Other Funds</b>	<b>\$1,036,500</b>		<b>(\$50,000)</b>	<b>\$986,500</b>		<b>\$986,500</b>
<b>TOTAL STATE FUNDS</b>	<b>\$16,192,892</b>	<b>(\$971,574)</b>	<b>(\$96,099)</b>	<b>\$15,125,219</b>	<b>\$1,921,305</b>	<b>\$17,046,524</b>
Positions	327			327		327
Motor Vehicles	51			51		51

# DEPARTMENT OF INSURANCE

## Budget Summary

Governor's  
Recommendations

### ADJUSTMENTS TO CURRENT BUDGET

FY 2003 STATE APPROPRIATIONS		\$16,192,892
BUDGET REDUCTIONS		
1. Reduce funding from personal services (\$100,000), travel (\$30,000), equipment (\$10,400), per diem and fees (\$6,000), and telecommunications (\$15,529).		(161,929)
2. Adjust personal services in the Safety Fire Division (\$237,388) and the Insurance Regulation Division (\$86,470).		(323,858)
3. Allow for an austerity adjustment.		(485,787)
	Subtotal	(\$971,574)
ANNUALIZERS AND OTHER ADJUSTMENTS		
4. Reduce personal services to delete funding for DOAS insurance cost.		(\$30,411)
5. Transfer \$33,525 from personal services to real estate rentals for a standard GBA rental rate of \$10.37 per rentable square footage.		Yes
6. Provide adjustments to object classes to reflect projected expenditures, including a transfer of funds from personal services (\$21,391) and regular operating expenses (\$40,838) to motor vehicle purchases (\$24,824) and computer charges (\$37,405), and reduce personal services (\$65,688).		(65,688)
	Subtotal	(\$96,099)
ADJUSTED BASE		\$15,125,219
ENHANCEMENT FUNDS		
ENHANCEMENTS		
1. Provide funding for personal services to meet required national accreditation standards.		\$1,921,305
TOTAL ENHANCEMENT FUNDS		\$1,921,305
TOTAL FY 2004 STATE FUNDS		\$17,046,524

**DEPARTMENT OF INSURANCE**  
**Functional Budget Summary**

Functional Budgets	FY 2003 Appropriations		FY 2004 Recommendations	
	Total	State	Total	State
1. Internal Administration	\$5,483,073	\$5,483,073	\$5,458,789	\$5,458,789
2. Insurance Regulation	5,901,075	5,901,075	6,275,565	6,275,565
3. Industrial Loan Regulation	511,268	511,268	531,741	531,741
4. Fire Safety and Manufactured Housing Regulation	4,760,123	3,723,623	5,432,851	4,446,351
5. Special Insurance Fraud Fund	573,853	573,853	819,865	819,865
AUSTERITY ADJUSTMENTS			(485,787)	(485,787)
TOTAL APPROPRIATIONS	\$17,229,392	\$16,192,892	\$18,033,024	\$17,046,524

RECOMMENDED APPROPRIATION: The Department of Insurance is the budget unit for which the following State Fund Appropriation is recommended for FY 2004: \$17,046,524.

## DEPARTMENT OF INSURANCE

### Roles and Responsibilities

The Department of Insurance is accountable for upholding state laws regulating insurance, small loans, fire safety, and manufactured housing. The department organizes its efforts in fulfilling these responsibilities around five divisions as follows.

#### INTERNAL ADMINISTRATION

The Internal Administration Division provides management, policy direction, and enforcement and administrative support for the department's programs which regulate companies and protect consumers in the areas of insurance, industrial loans, fire safety, manufactured housing, arson investigations, building inspections, and hazardous materials handling and storage. The division's activities include performing accounting, budgetary, personnel, and purchasing duties for all agency divisions. Additionally, the division oversees the establishment and implementation of department policies and procedures.

#### INSURANCE REGULATION

The Insurance Regulation Division is responsible for administering Georgia insurance laws and regulations. Staff members process applications for insurance companies to conduct business in the state and insurance agent license applications. The division is also responsible for reviewing and approving insurance company life and health and property and casualty policy forms, and rates as well as regulating group self-insurance funds.

#### INDUSTRIAL LOAN REGULATION

The Industrial Loan Regulation Division administers the Georgia Industrial Loan Act by performing examinations of all accounts held by industrial loan

companies (small loan companies making loans of \$3,000 or less) licensed to do business in Georgia and accounting for all fees and taxes payable by such companies. Additionally, division staff members process applications for new industrial loan company licenses and investigate consumer complaints.

#### FIRE SAFETY AND MANUFACTURED HOUSING REGULATION

The Fire Safety and Manufactured Housing Regulation Division administers and enforces compliance with state and federal laws regarding fire safety and manufactured housing. The division is charged with reviewing construction plans for public buildings and manufactured houses and ensuring that the plans meet fire prevention and protection standards. In addition, division staff members process applications for licenses and permits to use/store hazardous or physically unstable substances and materials. The division is also responsible for investigating suspicious fires in the state.

#### SPECIAL INSURANCE FRAUD UNIT

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

#### AUTHORITY

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

## DEPARTMENT OF INSURANCE

### Strategies and Services

#### IMPLEMENTATION OF THE GRAMM-LEACH-BLILEY ACT

Approved by Congress in 1999, the federal Gramm-Leach-Bliley Act (GLB) – also known as the Financial Services Modernization Act – will significantly impact the insurance industry once fully implemented. The legislation repealed or amended many laws originally passed in the 1930's that affected banks, insurance companies, securities dealers, and other financial institutions. In particular, GLB modifies legal limitations imposed on the specified entities regarding their ownership and affiliations and what products each can offer. Additionally, it establishes important new consumer privacy protections regarding how the entities can use and share personal financial information. Within the Department of Insurance's realm of responsibility, GLB affects the licensing of insurance companies and agents and requirements for financial services holding companies. In accordance with the legislation's emphasis on modernization, successful implementation will require a degree of procedural uniformity among state insurance regulators, which is to be accomplished through heightened use of information technology resources. Due to this requirement and the comprehensive nature of the legislation, implementation is expected to take several years.

#### CONSUMER SERVICES

Consumer services personnel within the department strive to assist citizens with any insurance concerns they might have. Toward this end, consumer services activities include interceding in claim and other insurance related disputes, educating the general public on a variety of insurance issues through delivery of public presentations and issuance of publications, offering expertise on insurance matters to citizens affected by natural or other disasters, and making referrals to appropriate state and federal programs for resolution of problems beyond the department's purview.

The primary activity of consumer services staff is the investigation of claim disputes. In their efforts to resolve such disputes, investigators interview insurance company personnel, independent adjusters, insurance agents, and the claimant as well as review related documentation. Once all pertinent information has been gathered and analyzed, an investigator reports relevant findings to the parties involved and works with them as a third-party mediator to resolve the complaint.

#### FIRE SAFETY EDUCATION

The fire safety section of the department has created a variety of educational programs, which aim to inform

citizens of all ages regarding the principles of fire safety. Program goals include limiting the occurrence of fire incidents, reducing fire related deaths, and limiting fire related property loss.

In an effort to teach young children about the importance of fire safety, the section operates two fire safety houses. A fire safety house is a mobile education unit that includes a kitchen, living room, and bedroom. During a demonstration, nontoxic smoke is used to simulate an actual fire situation that is quite realistic for visiting children – the bedroom door becomes warm to the touch and the route to the primary exit is blocked. At the fire safety house children are taught to practice exit drills that include alternate escape routes and to crawl low under smoke. A visit to one of the department's fire safety houses could indeed turn out to be a life-saving event.

In addition to teaching children about the principles of fire safety, the fire safety section also coordinates an annual fire safety symposium for local fire safety educators and inspectors. Throughout the symposium, material is presented on state laws, relevant agency rules and regulations, innovative alternative teaching methods, and new developments in the field of fire safety.

#### MANUFACTURED HOUSING

The manufactured housing section, in conjunction with the federal Department of Housing and Urban Development (HUD), administers 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. Under its 20-year association with HUD, the manufactured housing section enforces this act through inspection and licensing of manufacturers, dealers, and installers of manufactured housing. Before a manufactured housing plant commences 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. In addition, plants already in operation are inspected on a regular basis. Manufactured housing plants and the homes they produce must be in full compliance with all relevant federal and state standards before a HUD label of approval is awarded and the homes are offered for sale. Staff members also inspect manufactured homes on dealer lots for possible damage during transit to the dealer, unauthorized dealer alterations, and various other violations.

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