

KANSAS INSURANCE DEPARTMENT

FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Operating Expenditures:					
State General Fund	\$ 976,666	\$ -	\$ -	\$ -	\$ -
Federal Funds	96,424	337,793	337,793	337,793	337,793
All Other Funds	32,447,147	37,204,327	37,204,327	36,766,354	36,766,354
<i>Subtotal</i>	<u>\$ 33,520,237</u>	<u>\$ 37,542,120</u>	<u>\$ 37,542,120</u>	<u>\$ 37,104,147</u>	<u>\$ 37,104,147</u>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u>\$ 33,520,237</u>	<u>\$ 37,542,120</u>	<u>\$ 37,542,120</u>	<u>\$ 37,104,147</u>	<u>\$ 37,104,147</u>
Percentage Change:					
State General Fund	100.0 %	(100.0) %	(100.0) %	-- %	-- %
All Funds	2.9 %	12.0 %	12.0 %	(1.2) %	(1.2) %
FTE Positions	136.0	135.5	135.5	135.5	135.5

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

The mission of the Kansas Insurance Department is to protect the insurance consumers of Kansas and serve the public interest through the supervision, control, and regulation of persons and organizations transacting the business of insurance within the state. This mission will be accomplished by working to obtain an affordable, accessible, and competitive insurance market.

The mission of the Office of the Securities Commissioner, a division of the Insurance Department, is to protect and inform Kansas investors; promote integrity, fairness, and full disclosure in financial services; and foster capital information.

The Commissioner of Insurance is a statewide elected official who supervises all transactions relating to insurance companies in the state. The Commissioner also oversees several programs related to insurance. The agency has five programs: Insurance Company Examination; Insurance Company Regulation; Firefighters Relief; Workers Compensation; and Office of the Securities Commissioner.

The Office of the Kansas Securities Commissioner regulates and monitors the offering of securities and financial services within Kansas by registering securities, broker-dealers and their agents, investment advisers, loan brokers, and certain land subdivisions. Agency staff also investigate potential violations of the laws and ensure registered persons and entities comply with industry, legal, and accounting standards. The staff has the authority to investigate any investment-related activity that has occurred in Kansas, even if companies or individuals from outside of the state are involved.

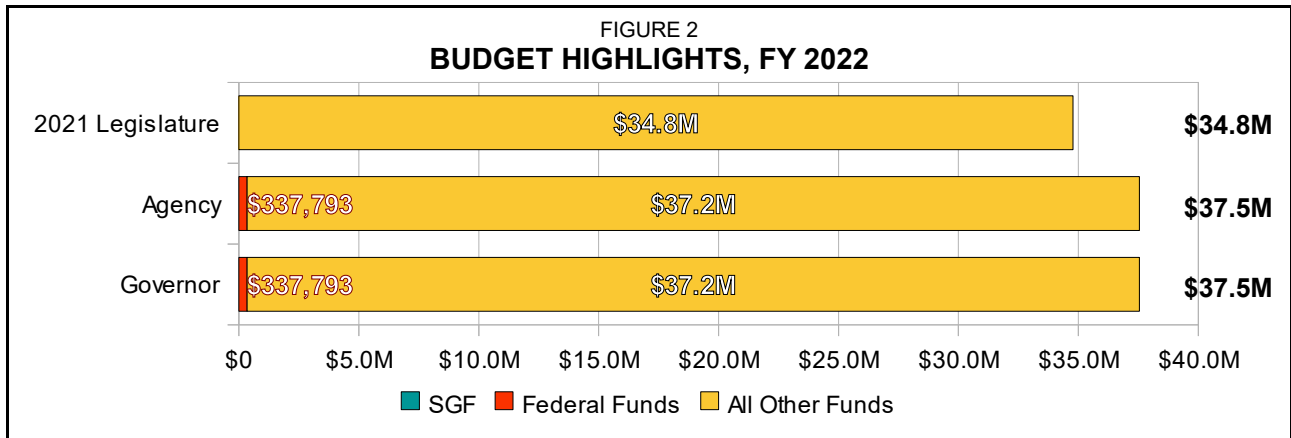
The Securities Commissioner administers the Kansas Uniform Securities Act, the Uniform Land Sales Practices Act, and the Loan Brokers Act. The Securities Commissioner enforces these laws through administrative, civil, and criminal proceedings. As defined by statute, a “security” includes

virtually any type of passive investment, not just stocks and bonds. Companies and individuals offering securities are subject to certain ethical and industry standards and must abide by federal and state laws and regulations.

The Office of the Kansas Securities Commissioner is a division of the Insurance Department funded entirely by industry fees, which fund the Securities Act Fee Fund, and fines and settlements, which fund the Investor Education Fund.

EXECUTIVE SUMMARY

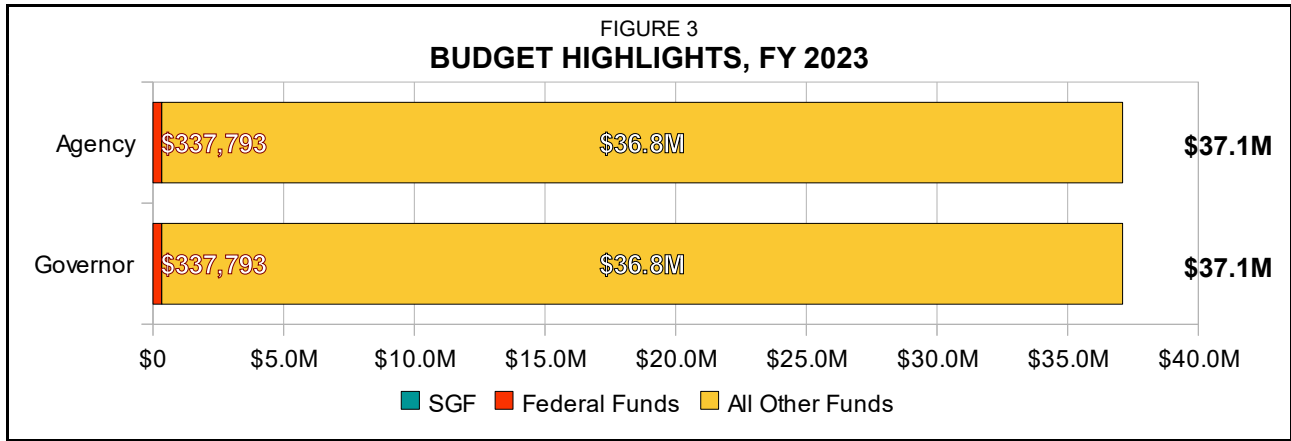
The 2021 Legislature approved a budget of \$34.8 million, all from special revenue funds, for the Kansas Insurance Department in FY 2022. No adjustments have been made subsequently to that amount.



The **agency** requests a revised estimate of \$37.5 million, from all funds, for expenditures in FY 2022. This is an increase of \$2.8 million, or 7.9 percent, above the FY 2022 approved amount. There are increased expenditures in all major categories of expenditure including salaries and wages (\$186,243), contractual services (\$2.4 million), commodities (\$1,750) and capital outlay (39,900). This amount includes a federal grant award of total of \$675,586 from the State Flexibility to Stabilize the Market Cycle II Grant from the federal Centers for Medicare and Medicaid Services (CMS) that will be split between FY 2022 and FY 2023.

The agency estimate also includes 135.5 FTE positions. This is 0.5 FTE position below the FY 2022 approved number.

The **Governor** concurs with the agency's FY 2022 revised estimate.



The **agency** requests FY 2023 expenditures of \$37.1 million, from all funds. This is a decrease of \$437,973, or 1.2 percent, below the FY 2022 revised estimate. The decrease is primarily due to expenditures on contractual services for training, accountants, and auditors. This amount includes a federal grant award of total of \$675,586 from the State Flexibility to Stabilize the Market Cycle II Grant from federal Centers for Medicare and Medicaid Services (CMS) that will be split between FY 2022 and FY 2023.

The agency request also includes 135.5 FTE positions, which is the same as the FY 2022 revised estimate number.

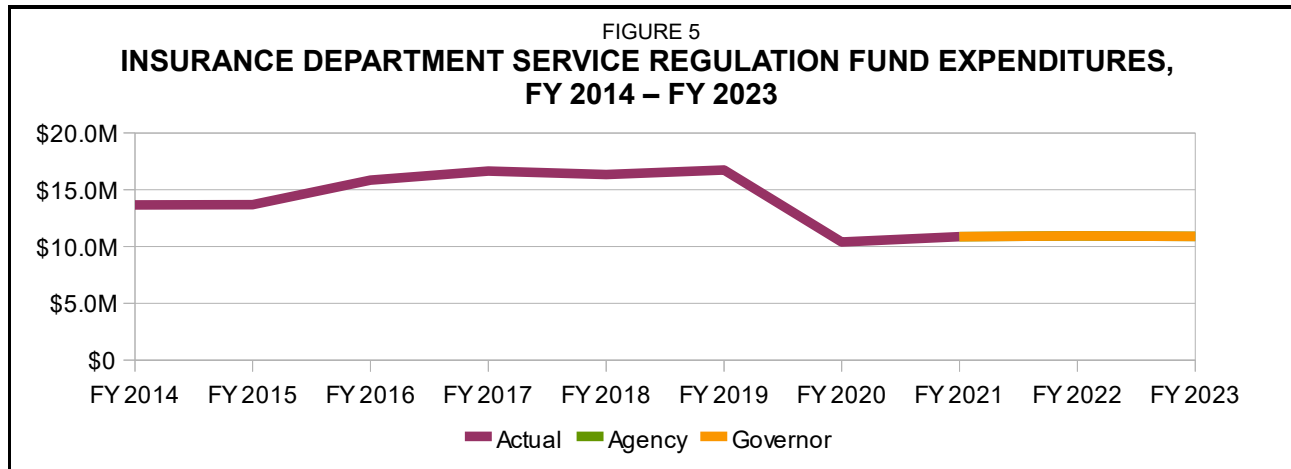
The **Governor** concurs with the agency's FY 2023 request.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Category of Expenditure:					
Salaries and Wages	\$ 10,162,017	\$ 11,461,742	\$ 11,461,742	\$ 11,666,344	\$ 11,666,344
Contractual Services	5,417,003	7,088,528	7,088,528	6,348,753	6,348,753
Commodities	173,265	196,850	196,850	197,050	197,050
Capital Outlay	264,907	114,000	114,000	211,000	211,000
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 16,017,192</u>	<u>\$ 18,861,120</u>	<u>\$ 18,861,120</u>	<u>\$ 18,423,147</u>	<u>\$ 18,423,147</u>
Aid to Local Units	14,614,946	14,500,000	14,500,000	14,500,000	14,500,000
Other Assistance	2,888,099	4,181,000	4,181,000	4,181,000	4,181,000
<i>Subtotal—Operating</i>	<u>\$ 33,520,237</u>	<u>\$ 37,542,120</u>	<u>\$ 37,542,120</u>	<u>\$ 37,104,147</u>	<u>\$ 37,104,147</u>
Capital Improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
TOTAL	<u>\$ 33,520,237</u>	<u>\$ 37,542,120</u>	<u>\$ 37,542,120</u>	<u>\$ 37,104,147</u>	<u>\$ 37,104,147</u>
Financing:					
State General Fund	\$ 976,666	\$ -	\$ -	\$ -	\$ -
Securities Act Fee	3,214,363	4,214,596	4,214,596	3,783,327	3,783,327
Fund	-	-	-	-	-
Insurance Dept.	10,673,042	10,748,462	10,748,462	10,702,638	10,702,638
Services	-	-	-	-	-
Regulation Fund	-	-	-	-	-
Federal Funds	96,424	337,793	337,793	337,793	337,793
All Other Funds	18,559,742	22,241,269	22,241,269	22,280,389	22,280,389
TOTAL	<u>\$ 33,520,237</u>	<u>\$ 37,542,120</u>	<u>\$ 37,542,120</u>	<u>\$ 37,104,147</u>	<u>\$ 37,104,147</u>
FTE Positions	136.0	135.5	135.5	135.5	135.5

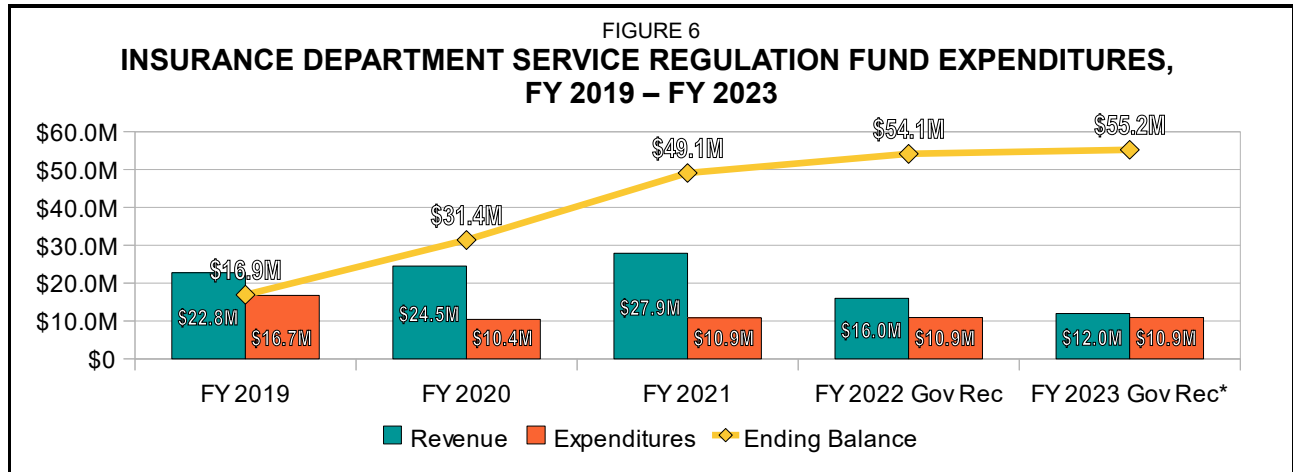
INSURANCE DEPARTMENT SERVICE REGULATION FUND



The Insurance Department Service Regulation Fund was established by KSA 40-112 for the purpose of maintaining the operations of the Kansas Insurance Department. The fund receives fees charged by the department, 1.0 percent of premium taxes received from insurance companies pursuant to KSA 40-252, and an annual assessment imposed as deemed necessary by the Commissioner to fund the operations of the Department.

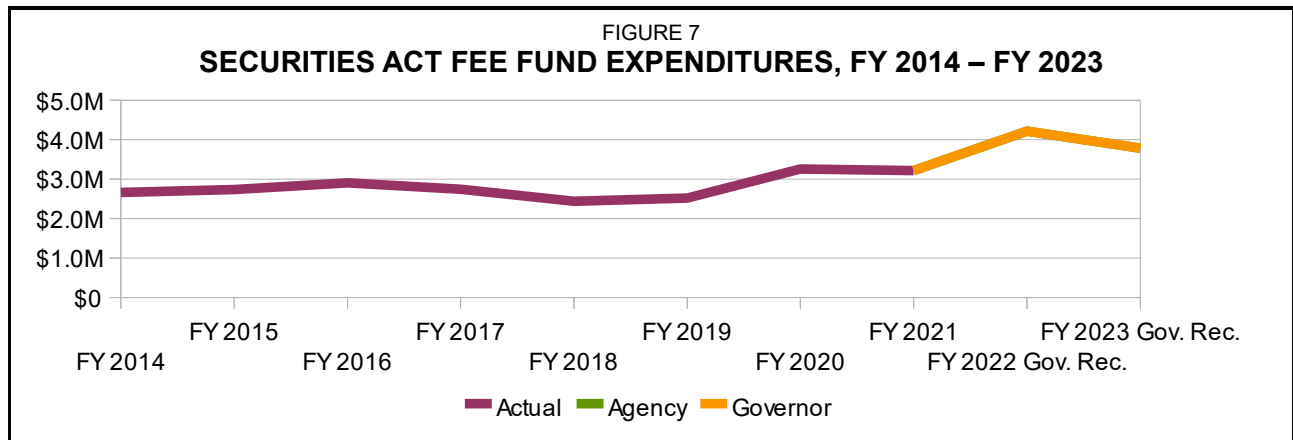
An annual transfer of \$200,000 from the Insurance Department Service Regulation Fee Fund will be used to assist in the funding of the Fraud and Abuse Criminal Prosecution Fund established by the Kansas Attorney General.

INSURANCE DEPARTMENT SERVICE REGULATION FUND



* For FY 2023, the lowest month ending balance for the Insurance Department Service Regulation Fund will occur in July, with a balance of \$55.2 million.

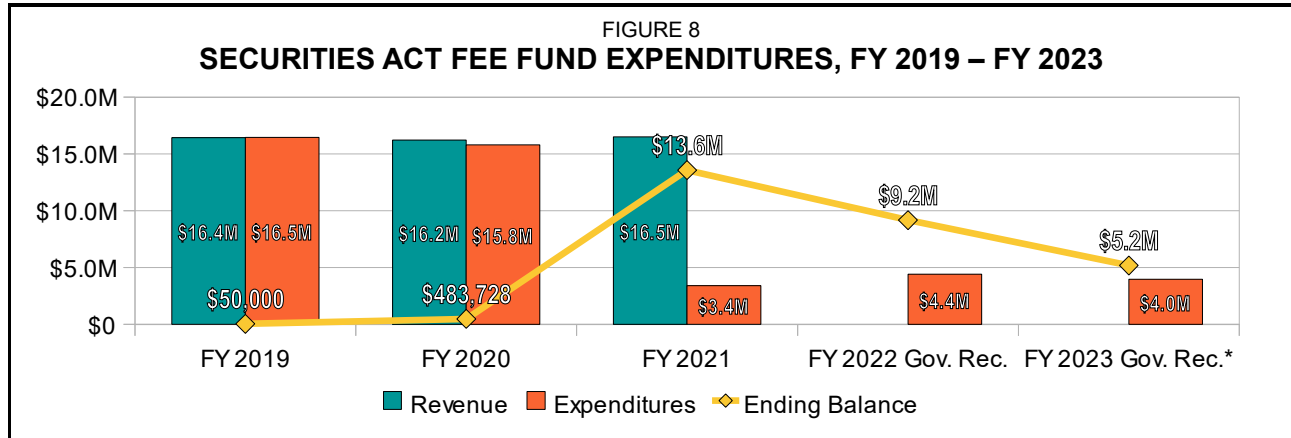
SECURITIES ACT FEE FUND



The Securities Act Fee Fund is financed by fees received from security agents, investor adviser representatives, broker-dealers, investment adviser firms, mutual fund portfolios, and investment trusts. The authority for the Commissioner of Insurance to set rates are specified in KSA 17-12a205, 17-12a302, 17-12a305, and 17-12a410.

KSA 17-12a-601 provides that 90.0 percent of fees received by the Commissioner of Insurance are credited to the Securities Act Fee Fund, and 10.0 percent of receipts are credited to the State General Fund (SGF), up to a maximum of \$100,000. There is an annual transfer of \$200,000 to the Fraud and Abuse Criminal Prosecution Fund for services provided by the Kansas Office of the Attorney General. On the last day of each fiscal year, the Director of Accounts and Reports is required by subsection (a) to transfer any funds in the Securities Act Fee Fund in excess of \$50,000 to the SGF.

SECURITIES ACT FEE FUND

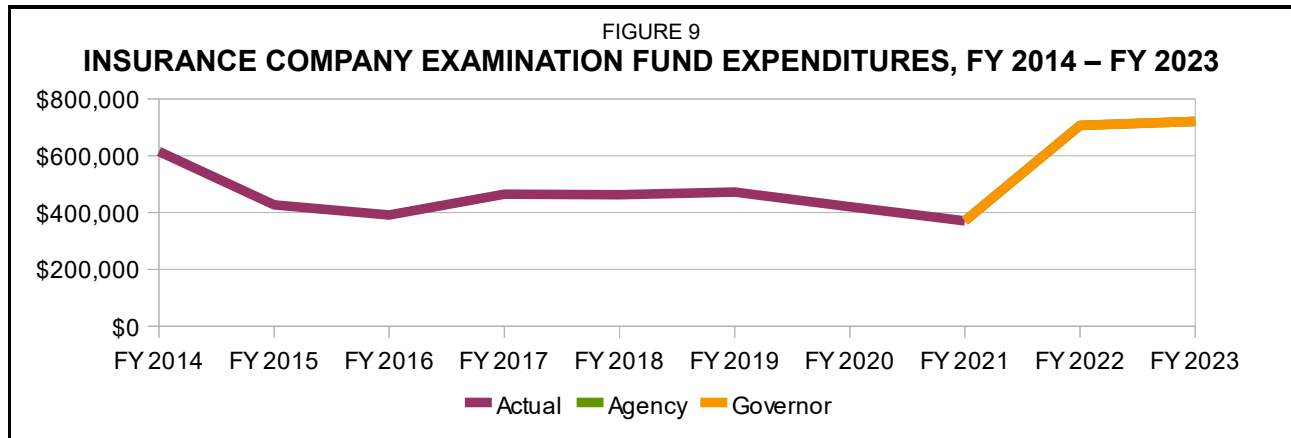


* For FY 2023, the lowest month ending balance for the Securities Act Fee Fund will occur in June, with a balance of \$5.2 million.

A lawsuit was filed against the State of Kansas regarding securities fee fund sweeps to the State General Fund. K.S.A. 17-12a601 creates a securities fee fund, comprised of money paid to the Securities Commissioner for securities licenses each year. Subsection (a)(4) requires that any fee funds in excess of \$50,000 be transferred to State General Fund at the end of each fiscal year. Traditionally there was about \$13.0 million excess each year that was transferred to State General Fund.

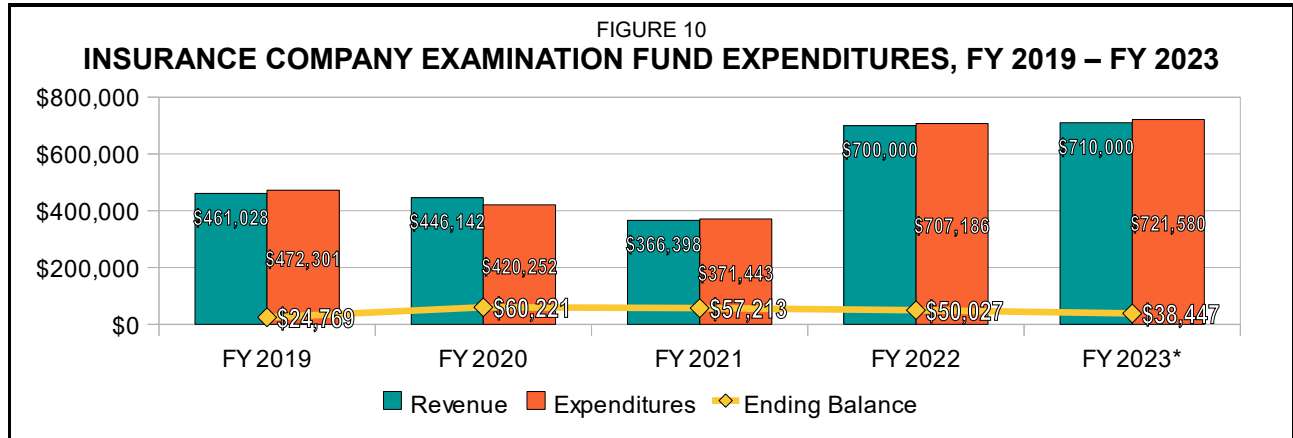
The 2021 Legislature added language stating that no moneys shall be transferred from the Securities Act Fee Fund to the SGF in FY 2021 and FY 2022. However, the Legislature did not repeal the statute authorizing the transfer out of the fund. Therefore, an estimated transfer of \$5.1 million to the SGF is in the agency's estimate.

INSURANCE COMPANY EXAMINATION FUND



The Insurance Company Examination Fund receives its revenue from collections generated during the course of audits and investigations of foreign (non-Kansas) and domestic insurance companies (KSA 40-222a). The funds are used for expenses and salaries incurred for audits and examinations (KSA 40-223). In addition to the Insurance Company Examination Fund, there are several other funds utilized for the examination process, including the Insurance Company Annual Statement Examination Fund, Insurance Company Examiner Training Fund, Municipal Group-Funded Pools Fee Fund, and Group-Funded Workers Compensation Pools Fee Fund.

INSURANCE COMPANY EXAMINATION FUND



* For FY 2023, the lowest month ending balance for the Insurance Company Examination Fund will occur in January, with a balance of \$23,822.

KSA 40-223 requires that the salaries of examiners, along with all necessary and actual expenses incurred in the course of the exam, be remitted by the company examined to the State Treasurer. Upon receipt of such remittance, the State Treasurer shall deposit the entire amount into the Insurance Company Examination Fund. KSA 40-223a sets apart an amount not to exceed \$28,000 to be maintained for the payment of expenses and salaries incurred in the auditing of securities deposited with the Commissioner and examination of the annual statements required by KSA 40-225. An additional amount, not to exceed \$40,000, is authorized by KSA 40-223e to be set apart and maintained from company tax and fee collections to be used for the training of company examiners.

FY 2022 ANALYSIS

FIGURE 11
SUMMARY OF BUDGET REQUEST, FY 2022

	SGF	Special Revenue Funds	All Funds	FTE
Legislative Approved:				
Amount Approved by 2021 Legislature	\$ -	\$ 34,777,574	\$ 34,777,574	136.0
1. No Changes	-	-	-	--
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 34,777,574	\$ 34,777,574	136.0
Agency Revised Estimate:				
2. Federal Funds	\$ -	\$ 337,793	\$ 337,793	--
3. All Other Adjustments	-	2,426,753	2,426,753	(0.5)
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 37,542,120	\$ 37,542,120	135.5
Governor’s Recommendation:				
4. Securities Act Fee Fund	-	-	-	--
TOTAL	\$ -	\$ 37,542,120	\$ 37,542,120	135.5

LEGISLATIVE APPROVED

Subsequent to the 2021 Session, no adjustments were made to the \$34.8 million appropriated to the Kansas Insurance Department in FY 2022.

1. **NO CHANGES.** No adjustments were made to the \$34.8 million appropriated to the Kansas Insurance Department in FY 2022.

AGENCY ESTIMATE

The **agency** requests a revised estimate of \$37.5 million, from all funds, for expenditures in FY 2022. This is an increase of \$2.8 million, or 7.9 percent, above the FY 2022 approved amount.

The agency estimate includes the following adjustments:

2. **FEDERAL FUNDS.** The agency has been awarded a total of \$675,586 from the State Flexibility to Stabilize the Market Cycle II Grant from the federal Centers for Medicare and Medicaid Services (CMS). These funds will be split between FY 2022 and FY 2023. The grant will supplement the agency’s efforts to make sure the laws, regulations, and procedures are in line with selected federal market reforms and that the agency is able to effectively regulate its respective health insurance markets through innovative measures that support the selected federal market reforms and consumer protections.
3. **ALL OTHER ADJUSTMENTS.** There are increased expenditures in all major categories of expenditure including salaries and wages (\$186,243), contractual services (\$2.4 million), commodities (\$1,750) and capital outlay (39,900). The increase in contractual services is primarily due to expenditures for accountants and auditors to assist with the regulation of insurance companies. The increase in commodities is primarily due to expenditures for office supplies and upkeep. The increase in capital outlay is primarily due to expenditures for technology upgrades and computer replacement, which are on a three- to four-year rotation.

The **agency** estimate also includes 135.5 FTE positions. This is 0.5 FTE position below the FY 2022 approved number.

GOVERNOR'S RECOMMENDATION

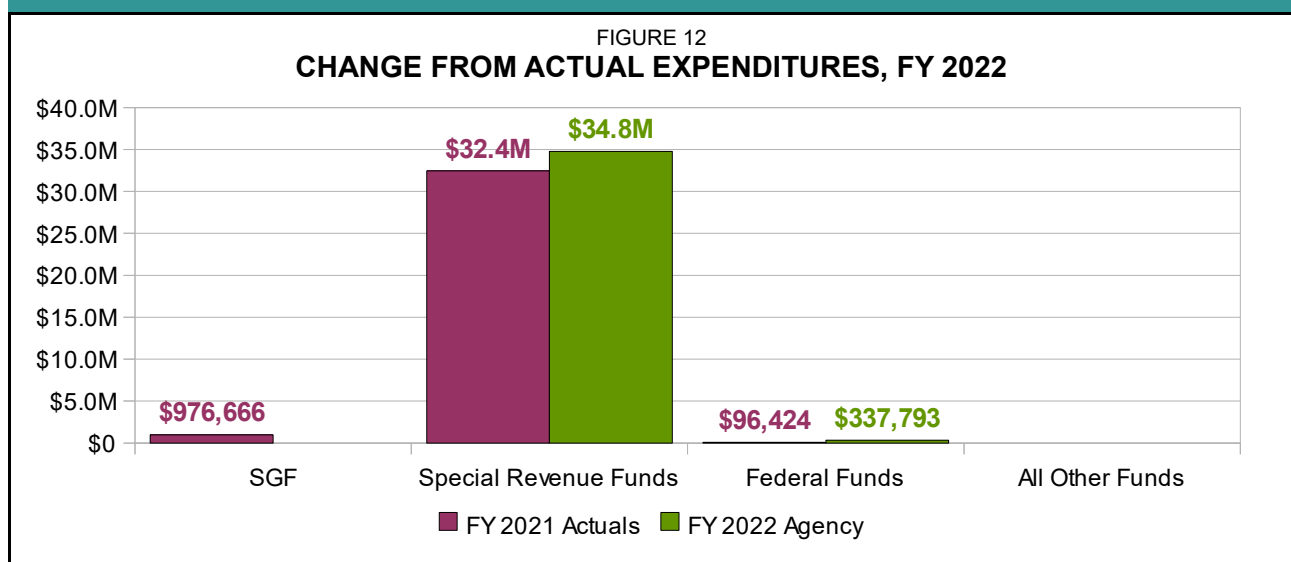
The **Governor** concurs with the agency's FY 2022 revised estimate.

The Governor's recommendation includes the following adjustments:

4. **SECURITIES ACT FEE FUND.** The recommendation includes specifying the Securities Act Fee Fund is a no-limit fund.

The **Governor's** recommendation also includes 135.5 FTE positions, which is the same number as the agency's FY 2022 revised estimate.

FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The **agency** estimates revised FY 2022 expenditures of \$37.5 million from all funds. This is an increase of \$4.0 million, or 12.0 percent, and an SGF decrease of \$976,666, or 100.0 percent, from the FY 2021 actual expenditures. These changes are due to the following:

- **SGF DECREASE.** The decrease in SGF moneys is due to the one-time expenditure in FY 2021 for the refund of an overpayment of a privilege fee for company that is no longer doing business in Kansas.
- **SPECIAL REVENUE FUNDS.** The agency estimates increased expenditures from its special revenue funds in FY 2022 due to additional workers compensation claims and expenditures on professional services such as actuarial services accountants, auditors, physicians, and attorneys.
- **FEDERAL FUNDS.** The agency estimates increased expenditures of \$241,369, or 250.3 percent, above the FY 2021 actual amount. The FY 2021 amount was from the Coronavirus Relief Fund and was not carried over into FY 2022. The agency has been awarded a total of \$675,586 from the State Flexibility to Stabilize the Market Cycle II Grant from federal Centers for Medicare and Medicaid Services (CMS) and will split the expenditures between FY 2022 and FY 2023.

FY 2023 ANALYSIS

FIGURE 13
SUMMARY OF BUDGET REQUEST, FY 2023

	SGF	Special Revenue Funds	All Funds	FTE
Agency Revised Estimate, FY 2022	\$ -	\$ 37,542,120	\$ 37,542,120	135.5
Agency Request:				
1. Federal Funds	\$ -	\$ 337,793	\$ 337,793	--
2. All Other Adjustments	-	(775,766)	(775,766)	--
<i>Subtotal—Agency Estimate</i>	\$ -	\$ 37,104,147	\$ 37,104,147	135.5
Governor’s Recommendation:				
3. Securities Act Fee Fund	-	-	-	--
TOTAL	\$ -	\$ 37,104,147	\$ 37,104,147	135.5

AGENCY REQUEST

The **agency** requests FY 2023 expenditures of \$37.1 million, from all funds. This is a decrease of \$437,973, or 1.2 percent, below the FY 2022 revised estimate.

The agency request includes the following adjustments:

1. **FEDERAL FUNDS.** The agency has been awarded a total of \$675,586 from the State Flexibility to Stabilize the Market Cycle II Grant from federal Centers for Medicare and Medicaid Services (CMS) and will split the expenditures between FY 2022 and FY 2023.
2. **ALL OTHER ADJUSTMENTS.** The decrease is primarily due to expenditures on contractual services for training, accountants, and auditors.

The **agency** request also includes 135.5 FTE positions which is the same number as the FY 2022 revised number.

GOVERNOR’S RECOMMENDATION

The **Governor** concurs with the agency’s FY 2023 request.

The Governor’s recommendation includes the following adjustments:

3. **SECURITIES ACT FEE FUND.** The recommendation includes specifying the Securities Act Fee Fund is a no-limit fund.

The **Governor’s** recommendation also includes 135.5 FTE positions, which is the same number as the agency’s FY 2023 request.

PROGRAM AND PERFORMANCE MEASURES OVERVIEW

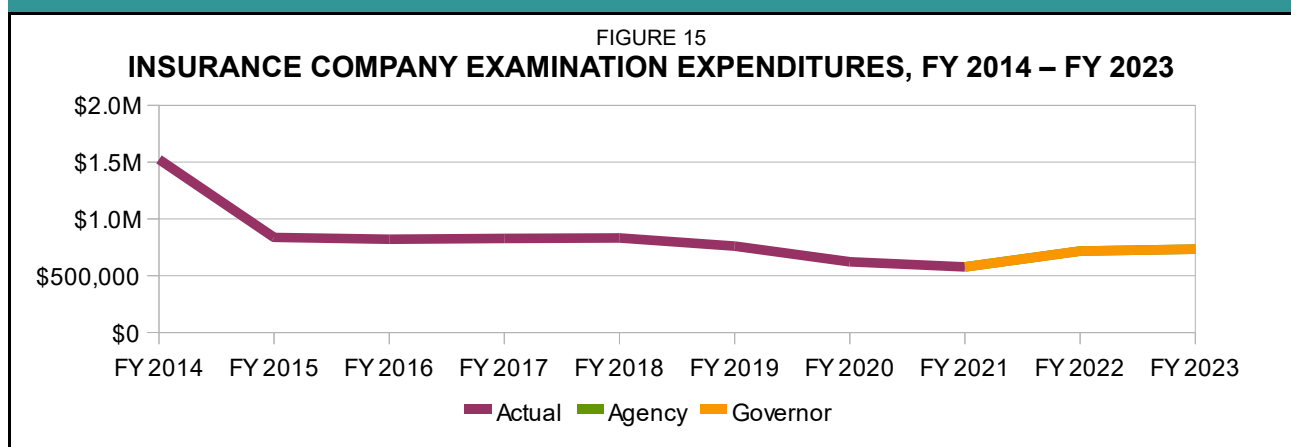
FIGURE 14
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023

Programs	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Expenditures:					
Examination	\$ 577,435	\$ 717,186	\$ 717,186	\$ 733,480	\$ 733,480
Firefighter Relief	14,687,343	14,575,607	14,575,607	14,577,141	14,577,141
Insurance Regulation	11,593,695	11,108,739	11,108,739	11,063,362	11,063,362
Securities Regulation	3,327,317	4,913,596	4,913,596	4,498,252	4,498,252
Workers	3,334,447	6,226,992	6,226,992	6,231,912	6,231,912
Compensation					
TOTAL	\$ 33,520,237	\$ 37,542,120	\$ 37,542,120	\$ 37,104,147	\$ 37,104,147
FTE Positions:					
Examination	6.0	6.0	6.0	6.0	6.0
Firefighter Relief	2.0	2.0	2.0	2.0	2.0
Insurance Regulation	95.5	95.2	95.2	95.2	95.2
Securities Regulation	29.8	29.6	29.6	29.6	29.6
Workers	2.7	2.7	2.7	2.7	2.7
Compensation					
TOTAL	136.0	135.5	135.5	135.5	135.5

PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.

INSURANCE COMPANY EXAMINATION



STATUTORY BASIS: • KSA 40-101 *et seq.*; KSA 44-581 through KSA 44-592; KSA 12-2617

PROGRAM GOALS: • Detect as early as possible, through on-site financial examinations, those companies that are experiencing financial difficulty or those companies that are operating in violation of any Kansas insurance law or regulation.

The Insurance Company Examination program detects, through on-site financial examinations, those companies that are experiencing financial difficulty and those companies that are operating in violation of any Kansas insurance law or regulation. Also, this program performs in-house examinations of all insurance company annual financial statements

and securities deposits held under the custody of the Insurance Department. Salaries and wages for examiners, as well as expenditures for travel and subsistence incurred while working on examination of a company, are billed to and reimbursed by that company. Prior to FY 2018, the title of this program was Financial Surveillance.

FIGURE 16
INSURANCE COMPANY EXAMINATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Number of financial exams performed per year	8	11	10.7	13	12
Financing					
	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	622,631	577,435		717,186	733,480
TOTAL	\$ 622,631	\$ 577,435		\$ 717,186	\$ 733,480
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(18.1) %	(7.3) %		24.2 %	2.3 %
FTE Positions	6.0	6.0		6.0	6.0

BUDGET ANALYSIS

The **agency** requests Insurance Company Examination program revised expenditures of \$717,186, all from special revenue funds, in FY 2022. This is decrease of \$27,840, or 43.7

percent, below the FY 2022 approved amount. The decrease is due to salaries and wages and salaries and wages fringe benefits expenditure adjustments.

The agency request includes 6.0 FTE positions, which is the same as the FY 2022 approved number,

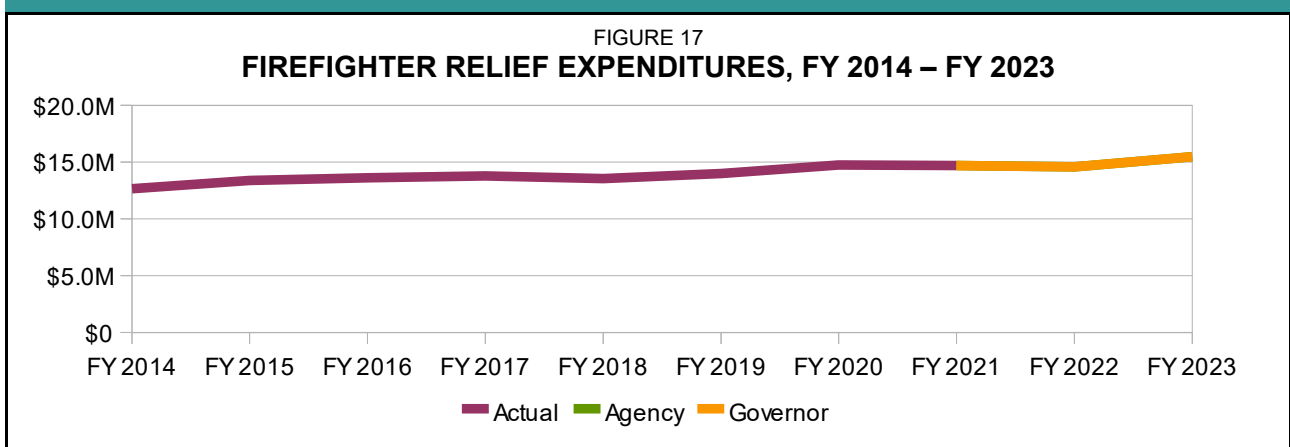
The **Governor** concurs with the agency's FY 2022 revised estimate.

The **agency** requests Insurance Company Examination program expenditures of \$733,480, all from special revenue funds, for FY

2023. This is an increase of \$16,294, or 2.3 percent, above the FY 2022 revised estimate. The increase is primarily due to salaries and wages and salaries and wages fringe benefits expenditure adjustments. The agency request includes 6.0 FTE positions, which is the same as the FY 2022 revised number.

The **Governor** concurs with the agency's FY 2023 request.

FIREFIGHTER RELIEF



STATUTORY BASIS: • KSA 40-1701 *et seq.*

PROGRAM GOALS: • Effectively administer the Firefighters Relief Act to ensure that the two percent premium tax on fire and lightning insurance written in the state of Kansas is collected and distributed in a fair and equitable manner to the firefighter relief associations (“FRA”) across the state and the Kansas State Firefighter’s Association, Inc.

The Firefighter Relief program administers the Firefighters Relief Act as it applies to all insurance companies, corporations, firms, or associations transacting business of fire insurance in the state. KSA 40-1703 requires every insurance company that writes fire and lightning insurance to pay 2.0 percent of the

total amount of annual premiums written in Kansas to the Insurance Department. The amounts collected are credited to the Firefighters Relief Fund and distributed to cities, townships, fire districts, and county firefighters relief associations.

FIGURE 18
FIREFIGHTER RELIEF, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Number of Firefighter Relief Associations receiving a distribution each year	561	555	560	555	555
2. Number of Firefighter Relief Associations requesting a redetermination hearing each year	9	12	13	10	10
3. Number of Firefighter Relief Association presentations given each year	3	2	--	5	7
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	14,747,525	14,687,343		14,575,607	14,577,141
TOTAL	<u>\$ 14,747,525</u>	<u>\$ 14,687,343</u>		<u>\$ 14,575,607</u>	<u>\$ 14,577,141</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	5.3 %	(0.4) %		(0.8) %	-- %
FTE Positions	2.0	2.0		2.0	2.0

BUDGET ANALYSIS

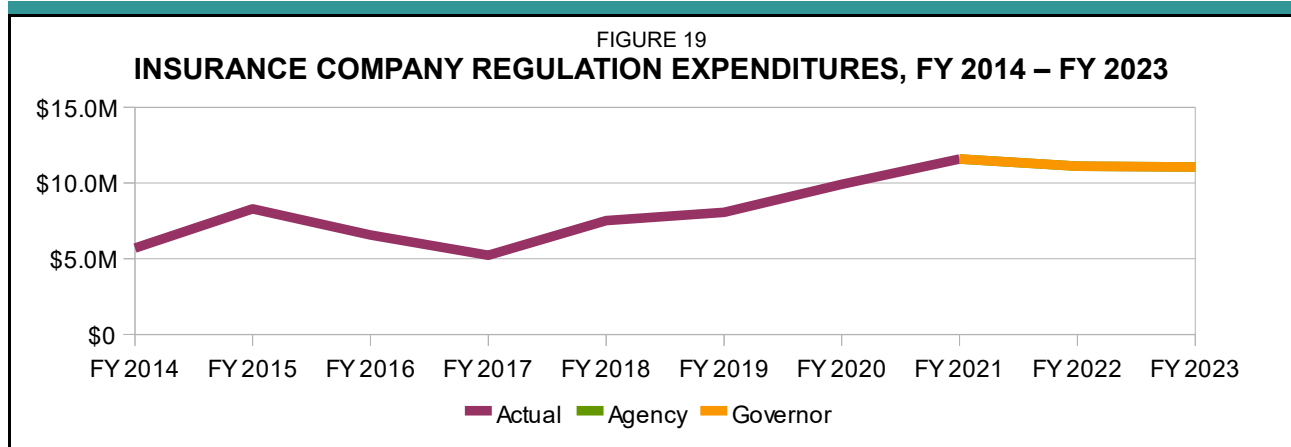
The **agency** requests Firefighter Relief program revised expenditures of \$14.6 million, all from special revenue funds, in FY 2022. This is decrease of \$485, or less than 0.1 percent, below the FY 2022 approved amount. The decrease is due to salaries and wages and fringe benefits expenditure adjustments. The agency request includes 2.0 FTE positions, which is the same as the FY 2022 approved number.

The **Governor** concurs with the agency's FY 2022 revised estimate.

The **agency** requests Firefighter Relief program expenditures of \$14.6 million, all from special revenue funds, for FY 2023. This is an increase of \$1,534, or less than 0.1 percent, above the FY 2022 revised estimate. The increase is primarily due to salaries and wages and fringe benefits expenditure adjustments. The agency request includes 2.0 FTE positions, which is the same as the FY 2022 revised number.

The **Governor** concurs with the agency's FY 2023 request.

INSURANCE COMPANY REGULATION



STATUTORY BASIS: • KSA 40-101 *et seq.*; KSA 40-1701 *et seq.*; KSA 44-581 through 592; KSA 12-2617; KSA 44-501 through 580

PROGRAM GOALS: • Protect the insurance consumers of Kansas through supervision, control and regulation of persons and organizations transacting the business of insurance in the state.

- Administer the Firefighter Relief Act.
- Administer the portion of the Workers Compensation Act for claims involving employers who are uninsured and unable to pay claims.

The Insurance Company Regulation program detects insurance companies, which are in or have the potential to be in hazardous financial condition; protects Kansas insurance consumers from insurance fraud; better informs and assists Kansas insurance consumers; educates consumers about insurance products they are purchasing and communicates consumer information, regulatory developments, and other news to the public; provides advice and counsel to the Commissioner of Insurance and various divisions of the Insurance Department; defends the Department in forums; supervises the adoption of rules and regulations; ensures all individuals selling, soliciting, and negotiating insurance contracts in Kansas are

knowledgeable, competent, and properly licensed and certified; monitors and regulates matters relating to the writing of health, life and property, and casualty insurance in Kansas by ensuring that policy forms comply with applicable laws and regulations; and ensures the proper and timely analysis and collection of applicable taxes and fees due from companies.

The program is composed of the following subprograms:

- Insurance Examination;
- Insurance Regulation;
- Firefighter Relief; and
- Workers Compensation.

FIGURE 20
INSURANCE COMPANY REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Amount of money recovered for Kansas consumers	\$ 1,883,718	\$ 2,657,248	\$ 2,930,360	\$ 2,000,000	\$ 2,500,000
2. Number of insurance fraud investigations submitted to Attorney General for criminal disposition	14	9	12	14	14

FIGURE 20
INSURANCE COMPANY REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
3. Average cost per company examination*	\$ Did Not Track	\$ 117,829	\$ 117,829	\$ 120,000	\$ 120,000
Output Measure:					
4. Number of financial exams performed each year*	8	11	11	13	12
5. Number of company license applications approved each year*	10	23	19	25	25
6. Number of active licensed producers, adjusters and agencies each year	168,294	186,998	171,413	205,000	225,000
7. Number of consumer complaint and inquiry files closed each year*	3,589	2,938	3,321	3,500	3,500
8. Number of FRAs receiving a distribution each year*	561	555	560	555	555
9. Number of open work comp cases each year*	1,837	1,628	1,808	1,650	1,500
Financing**	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ 976,666		\$ -	\$ -
Federal Funds	-	96,424		337,793	337,793
All Other Funds	9,922,658	10,520,605		10,770,946	10,725,569
TOTAL	<u>\$ 9,922,658</u>	<u>\$ 11,593,695</u>		<u>\$ 11,108,739</u>	<u>\$ 11,063,362</u>
Percentage Change:					
SGF	-- %	100.0 %		(100.0) %	-- %
All Funds	23.1 %	16.8 %		(4.2) %	(0.4) %
FTE Positions	94.0	95.5		95.2	95.2

*The Governor's Office does not utilize this measure for evaluation purposes.

**Financing is for the Insurance Regulation Program only. It does not include sub-programs.

BUDGET ANALYSIS

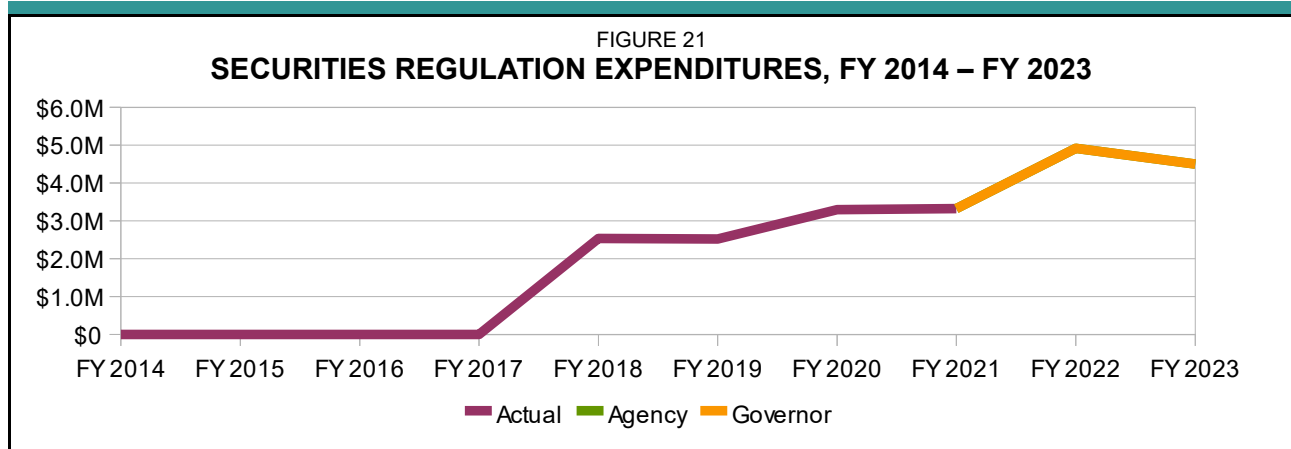
The **agency** requests Insurance Company Regulation program revised expenditures of \$11.1 million in FY 2022. This is an all funds increase of \$1.4 million, or 15.0 percent, above the FY 2022 approved amount. The increase is primarily due to expenditures related to accountants and auditors used to assist with the regulation of insurance companies, and expenditures related to the federal State Flexibility to Stabilize the Market Cycle II Grant. The agency request includes 95.2 FTE positions, which is 0.3 FTE position below the FY 2022 approved number.

The **Governor** concurs with the agency's FY 2022 revised estimate.

The **agency** requests Insurance Company Regulation program expenditures of \$11.1 million for FY 2023. This is an all funds decrease of \$45,377, or 0.4 percent, below the FY 2022 revised estimate. The decrease is primarily due to expenditures on contractual services for training, accountants, auditors. The agency request includes 95.2 FTE positions, which is the same as the FY 2022 revised number.

The **Governor** concurs with the agency's FY 2023 request.

SECURITIES REGULATION



STATUTORY BASIS: • KSA 17-12a101 *et seq.*

PROGRAM GOALS: • Administer and enforce the registration and examination provisions of the Kansas Uniform Securities Act.
• Develop and implement investor education and protection initiatives to inform the public about investing in securities and protect the public from violations of the Kansas Uniform Securities Act.

The Securities Regulation program administers the registration and exemption provisions of the Kansas Uniform Securities Act in a timely and professional manner for securities offerings in Kansas to detect and investigate potential violations of the Kansas Uniform Securities Act and the Kansas Loan Brokers Act in a professional and efficient manner to obtain sufficient high-quality

evidence to enable the highest possible rate of success in administrative actions, criminal prosecutions or other remedial actions.

The 2017 Legislature passed 2017 SB 23 and merged the Office of the Securities Commissioner with the Kansas Insurance Department.

FIGURE 22
SECURITIES REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Court ordered restitution	\$ 230,814	\$ 751,296	\$ 377,370	\$ 500,000	\$ 500,000
2. Number of individual suspects referred to criminal prosecution each year *	7	-	5	6	5
3. Cost of advertising per hit on the website each year*	N/A	8k hits/ \$200K \$25.00/hit	N/A	25k hits/ \$430K \$17.20/hit	20k hits/ \$446K \$22.30/hit
Output Measure:					
4. BD registrations and renewal filings each year	1,463	1,452	1,463	1,447	1,436
5. IA registrations/IA notice filings and renewals each year*	1,491	1,517	1,490	1,545	1,573
6. BD Agent/IA Rep/Agent of issuer registrations & renewals each year*	156,443	161,517	157,587	163,275	164,875
7. Issuer registrations and renewals each year*	67	71	68	73	75

FIGURE 22
SECURITIES REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
8. Number of compliance examinations performed each year*	57	50	42	59	59
9. Number of complaints investigated each year*	12	33	24	25	25
10. Number of enforcement investigations initiated each year	16	21	23	20	20
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	3,301,148	3,327,317		4,913,596	4,498,252
TOTAL	\$ 3,301,148	\$ 3,327,317		\$ 4,913,596	\$ 4,498,252
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	26.2 %	0.8 %		47.7 %	(8.5) %
FTE Positions	30.9	29.8		29.6	29.6

*The Governor's Office does not utilize this measure for evaluation purposes.

BUDGET ANALYSIS

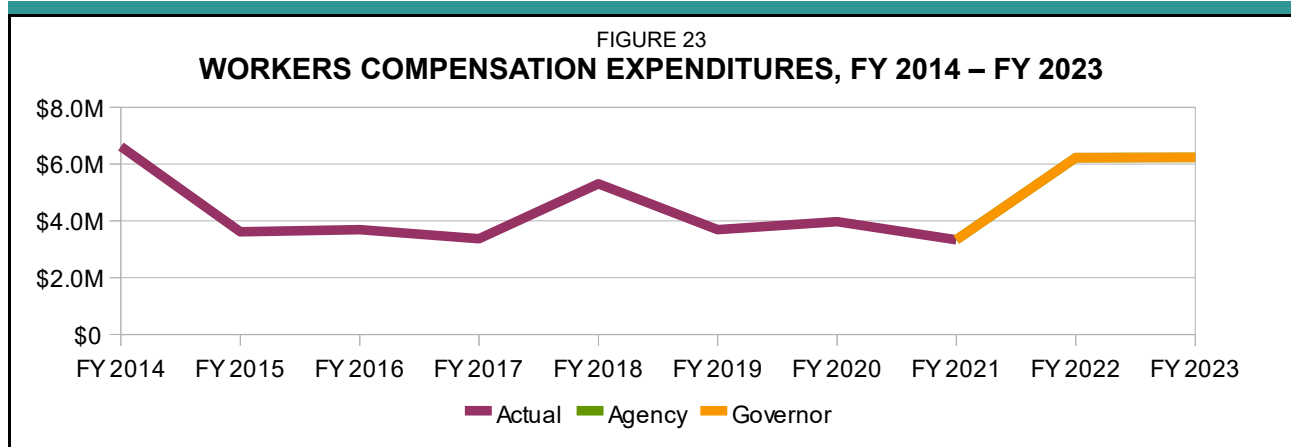
The **agency** requests a Securities Regulation program revised estimate of \$4.9 million, all from special revenue funds, in FY 2022. This is an increase of \$1.3 million, or 37.8 percent, above the FY 2022 approved amount. The increase is primarily due to expenditures related to advertising for the new anti-fraud and investor education campaign, and Office of Information Technology Services (OITS) fees. The agency request includes 29.6 FTE positions, which is the same as the FY 2022 approved number.

The **Governor** concurs with the agency's FY 2022 revised estimate.

The **agency** requests Securities Regulation program expenditures of \$4.5 million, all from special revenue funds, for FY 2023. This is a decrease of \$415,344, or 8.5 percent, below the FY 2022 revised estimate. The decrease is primarily due to expenditures on OITS provided services and other professional fees. The agency request includes 29.6 FTE positions, which is the same as the FY 2022 revised number.

The **Governor** concurs with the agency's FY 2023 request.

WORKERS COMPENSATION



STATUTORY BASIS: • KSA 44-501 *et seq.*

PROGRAM GOALS: • Defend claims against the Kansas Workers Compensation Fund, in an effort to minimize Fund expenditures. Make appropriate payments on behalf of the Fund to those carriers, employers or employees entitled to payment pursuant to Kansas statutes.

The Workers Compensation program works to encourage the employment of persons disabled as a result of specific impairments by relieving employers, wholly or partially, of workers compensation liability resulting from

compensable industrial accidents suffered by these employees and to pay claims of injured workers employed by employers who are insolvent, bankrupt, or cannot be located.

FIGURE 24
WORKERS COMPENSATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Total Number of Open Workers' Compensation Cases	1,837	1,638	1,808	1,650	1,500
Financing					
	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	3,968,649	3,334,447		6,226,992	6,231,912
TOTAL	\$ 3,968,649	\$ 3,334,447		\$ 6,226,992	\$ 6,231,912
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	7.6 %	(16.0) %		86.7 %	0.1 %
FTE Positions	2.7	2.7		2.7	2.7

BUDGET ANALYSIS

The agency requests a Workers Compensation program revised estimate of \$6.2 million, all from special revenue funds, in FY 2022. This is a decrease of \$4,688, or 0.1 percent, below the FY 2022 approved amount. The decrease is due to expenditures related to

fringe benefits and professional scientific supplies. The agency request includes 2.7 FTE positions, which is the same as the FY 2022 approved number.

The **Governor** concurs with the agency's FY 2022 revised estimate.

The **agency** requests Workers Compensation program expenditures of \$6.2 million, all from special revenue funds, for FY 2023. This is an increase of \$6,454, or less than 0.1 percent, above the FY 2022 revised estimate.

The increase is primarily due to salaries and wages expenditures. The agency request includes 2.7 FTE positions, which is the same as the FY 2022 revised number.

The **Governor** concurs with the agency's FY 2023 request.