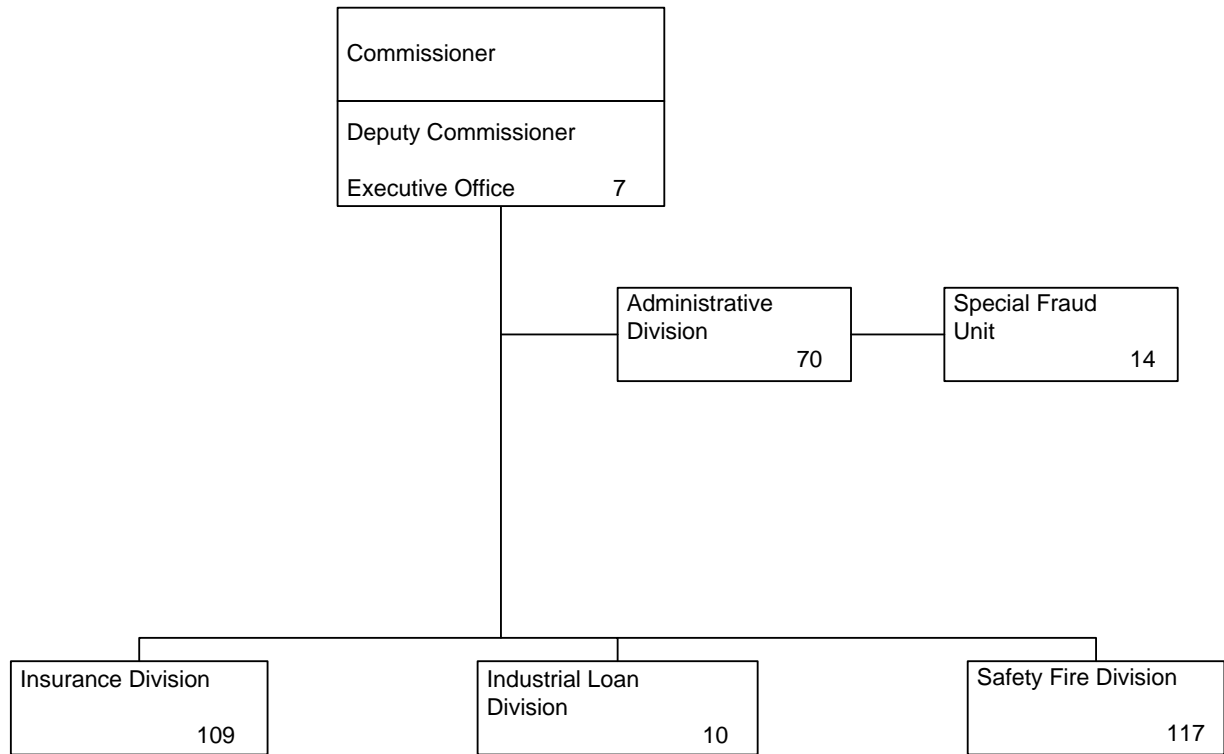


DEPARTMENT OF INSURANCE

Total Budgeted Positions -- 327



DEPARTMENT OF INSURANCE
Financial Summary

Expenditures, Current Budget, and Agency Requests

Budget Classes / Fund Sources	FY 2000 Expenditures	FY 2001 Expenditures	FY 2002 Current Budget	FY 2003 Agency Requests		
				Adjusted Base	Enhancements	Totals
Personal Services	\$13,979,189	\$13,862,638	\$15,701,774	\$14,372,321		\$14,372,321
Regular Operating Expenses	725,719	753,582	700,784	718,826	\$99,900	818,726
Travel	435,414	418,086	463,030	463,030	10,000	473,030
Motor Vehicle Purchases	118,925	184,729	118,784	109,000		109,000
Equipment	20,480	28,156	30,400	30,400		30,400
Real Estate Rentals	796,048	796,048	560,884	578,524		578,524
Per Diem and Fees	385,716	483,521	92,042	92,042		92,042
Computer Charges	199,954	236,918	110,968	175,918	149,082	325,000
Telecommunications	298,575	345,044	383,143	383,143	50,000	433,143
Year 2000 Project	3,712					
Total Funds	\$16,963,732	\$17,108,722	\$18,161,809	\$16,923,204	\$308,982	\$17,232,186
Less Federal & Other Funds:						
Federal Funds	\$1,765,574	\$931,394	\$1,682,020	\$934,034		\$934,034
Other Funds	55,901	83,621	102,466	102,466		102,466
Total Federal & Other Funds	\$1,821,475	\$1,015,015	\$1,784,486	\$1,036,500		\$1,036,500
TOTAL STATE FUNDS	\$15,142,257	\$16,093,707	\$16,377,323	\$15,886,704	\$308,982	\$16,195,686
Positions	326	326	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 2002 Current Budget	FY 2003 Governor's Recommendations				Totals
		Annualizes and Adjustments	Budget Reductions	Adjusted Base	Enhancements	
Personal Services	\$15,701,774	(\$1,144,236)	(\$299,286)	\$14,258,252		\$14,258,252
Regular Operating Expenses	700,784	(1,173)		699,611	\$5,000	704,611
Travel	463,030			463,030		463,030
Motor Vehicle Purchases	118,784	(18,824)		99,960		99,960
Equipment	30,400			30,400		30,400
Real Estate Rentals	560,884			560,884	17,640	578,524
Per Diem and Fees	92,042			92,042		92,042
Computer Charges	110,968	112,000		222,968		222,968
Telecommunications	383,143			383,143		383,143
Year 2000 Project						
Total Funds	\$18,161,809	(\$1,052,233)	(\$299,286)	\$16,810,290	\$22,640	\$16,832,930
Less Federal & Other Funds:						
Federal Funds	\$1,682,020	(\$747,986)		\$934,034		\$934,034
Other Funds	102,466			102,466		102,466
Total Federal & Other Funds	\$1,784,486	(\$747,986)		\$1,036,500		\$1,036,500
TOTAL STATE FUNDS	\$16,377,323	(\$304,247)	(\$299,286)	\$15,773,790	\$22,640	\$15,796,430
Positions	327			327		327
Motor Vehicles	51			51		51

DEPARTMENT OF INSURANCE

Budget Summary

Governor's
Recommendations

ADJUSTMENTS TO CURRENT BUDGET

FY 2002 STATE APPROPRIATIONS	\$16,377,323
Annualizers:	
1. Annualize the cost of the FY 2002 salary adjustment.	131,662
Other Adjustments:	
2. Reduce personal services to reflect the 4.09 percentage point reduction to the employer contribution rate for the Employees' Retirement System.	(401,851)
3. Reflect DOAS rate adjustments.	(15,234)
4. Reduce motor vehicle purchases.	(18,824)
5. Redirect \$112,000 in personal services funding to computer charges.	Yes
Budget Reductions:	
6. Reduce personal services to better reflect the level of funding needed for filled positions.	(299,286)
ADJUSTED BASE	\$15,773,790

ENHANCEMENT FUNDS

ENHANCEMENT	
1. Cover relocation of storage items from the old health building to an adequate state-owned facility and provide for the associated increase in real estate rentals.	\$22,640
TOTAL ENHANCEMENT FUNDS	\$22,640
TOTAL FY 2003 STATE FUNDS	\$15,796,430

DEPARTMENT OF INSURANCE
Functional Budget Summary

Functional Budgets	FY 2002 Appropriations		FY 2003 Recommendations	
	Total	State	Total	State
1. Internal Administration	\$5,571,428	\$5,571,428	\$5,509,416	\$5,509,416
2. Insurance Regulation	5,890,672	5,890,672	5,645,927	5,645,927
3. Industrial Loan Regulation	547,144	547,144	538,095	538,095
4. Fire Safety and Manufactured Housing Regulation	5,500,900	3,716,414	4,502,299	3,465,799
5. Special Insurance Fraud Fund	651,665	651,665	637,193	637,193
TOTAL APPROPRIATIONS	\$18,161,809	\$16,377,323	\$16,832,930	\$15,796,430

RECOMMENDED APPROPRIATION: The Department of Insurance is the budget unit for which the following State Fund Appropriation is recommended for FY 2003: \$15,796,430.

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 of 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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