



Budget Briefing: Insurance and Financial Services

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

Department of Insurance and Financial Services

- The Department of Insurance and Financial Services (DIFS) is responsible for:
 - Regulating Michigan's insurance and financial services industries and licensing individuals and entities operating within these sectors
 - Consumer protection via management of consumer inquiries, investigation of consumer complaints, and consumer education
- DIFS regulates the following entities:
 - State-chartered banks and credit unions
 - Mortgage brokers, lenders, and servicers
 - Consumer finance entities
 - Insurance companies, agents, and products
 - Health maintenance organizations

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2022-23 is October 1, 2022 through September 30, 2023.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapses: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

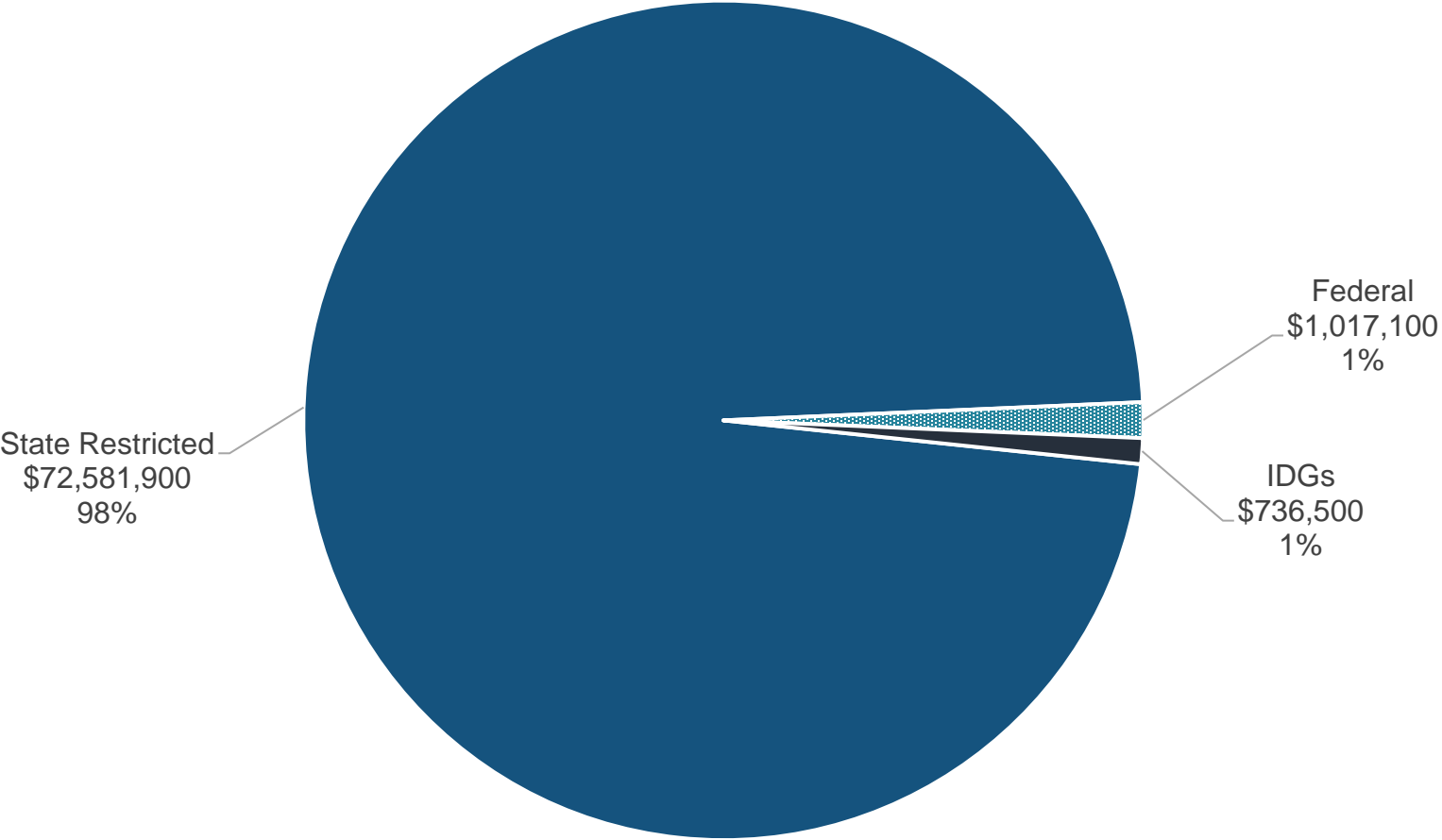
Funding Sources

FY 2022-23 DIFS Budget

Fund Source	Funding	Description
Gross Appropriations	\$74,335,500	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	736,500	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$73,599,000	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,017,100	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	72,581,900	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$0	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

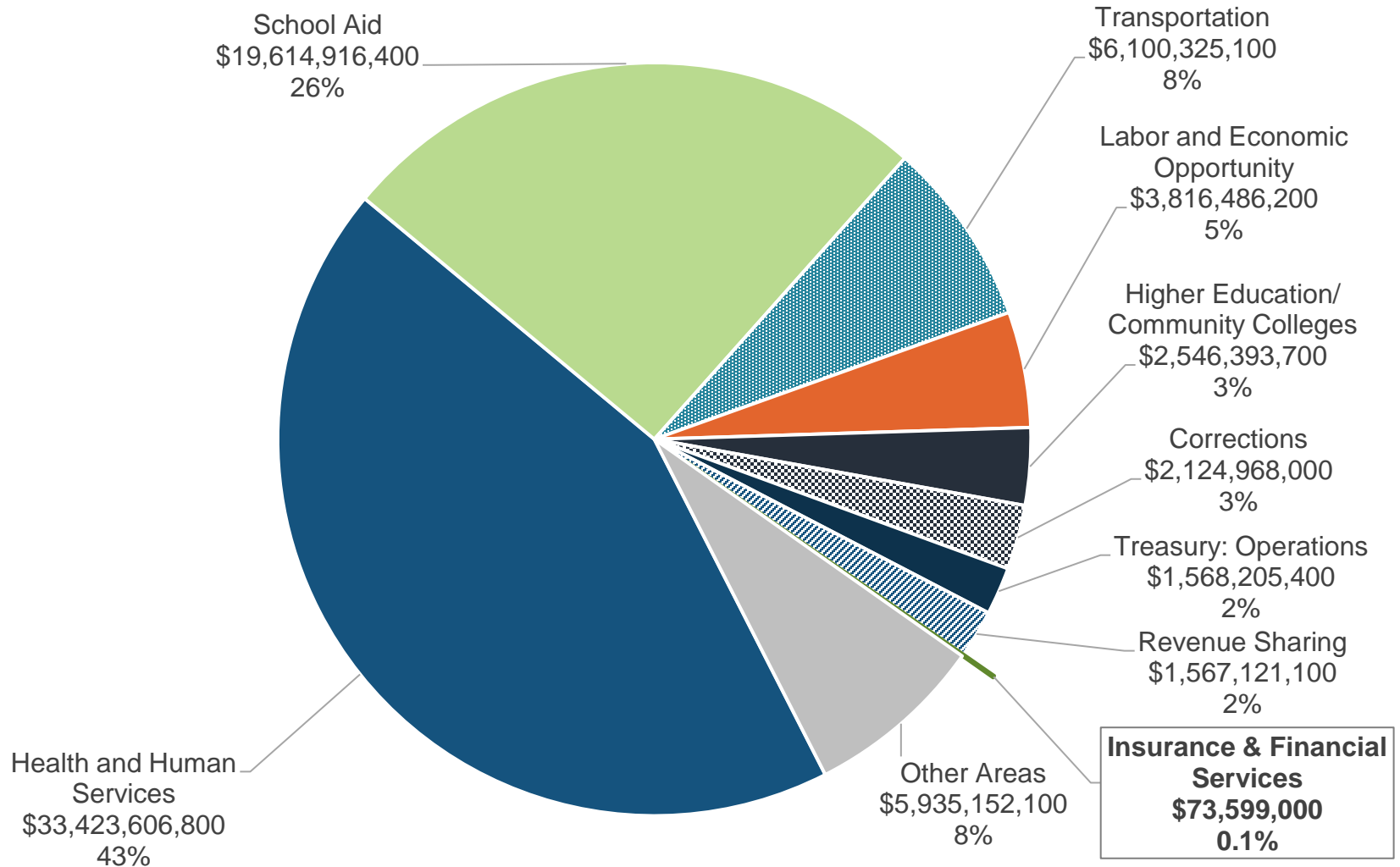
FY 2022-23 Fund Sources

Approximately **98%** of the **\$74.3 million** DIFS budget is supported by state restricted revenue generated from fees and fines levied on individuals and entities regulated by DIFS.



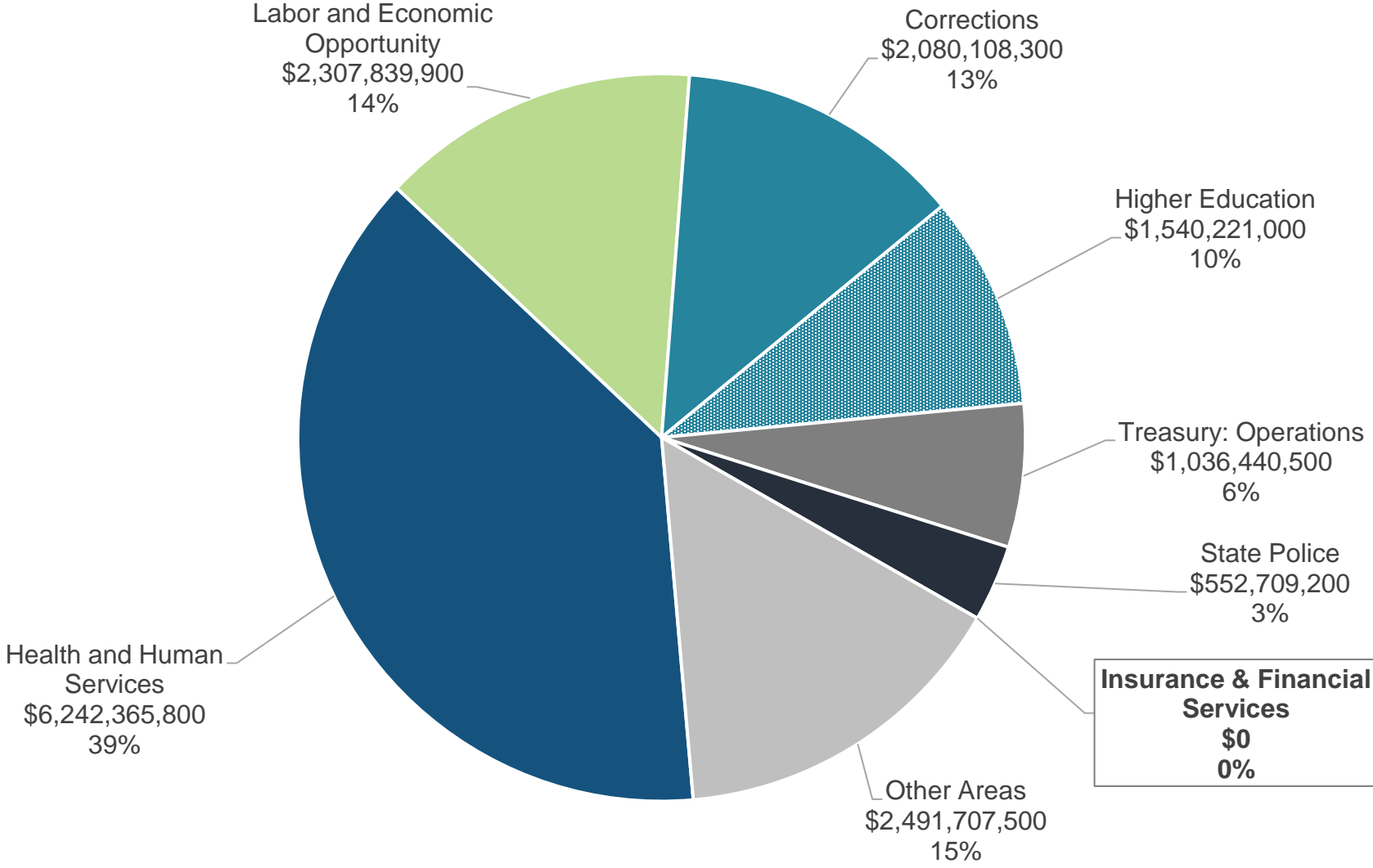
DIFS Share of Total State Budget

The DIFS budget represents approximately **one-tenth of 1%** of the **\$76.8 billion** state budget (adjusted gross) for FY 2022-23.



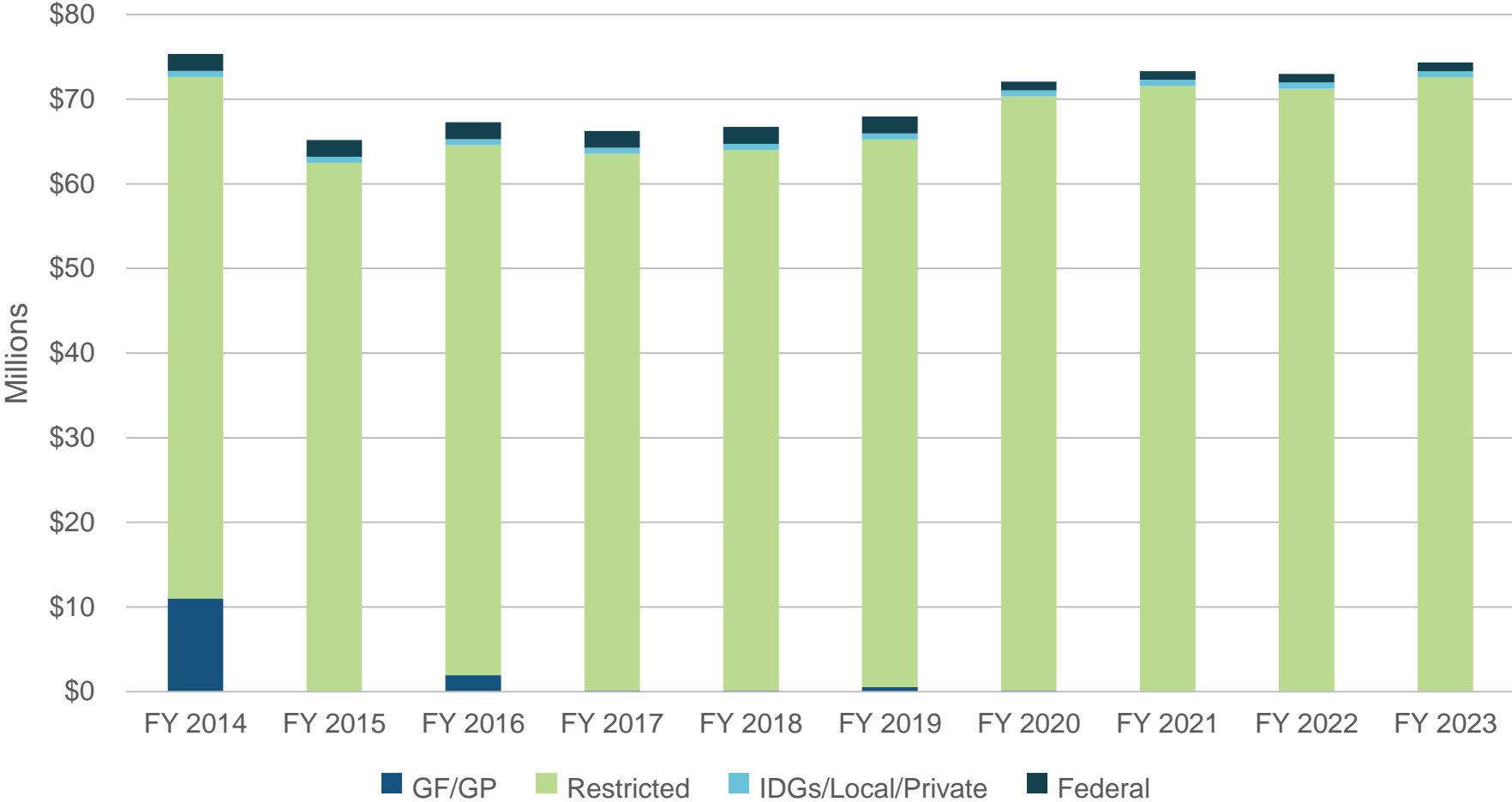
DIFS Share of Total GF/GP Budget

The DIFS budget does not include any of the state's **\$16.3 billion** GF/GP budget for FY 2021-22.



DIFS Funding History

DIFS' GF/GP funding substantially declined in FY 2014-15, due to elimination of the Autism Coverage Fund appropriation. All GF/GP funding was eliminated in FY 2020-21. A sizeable restricted funding increase was included in FY 2019-20 for No-Fault reform.



Note: DIFS functions were appropriated within LARA prior to FY 2013-14

Appropriation Areas

DIFS Appropriation Areas

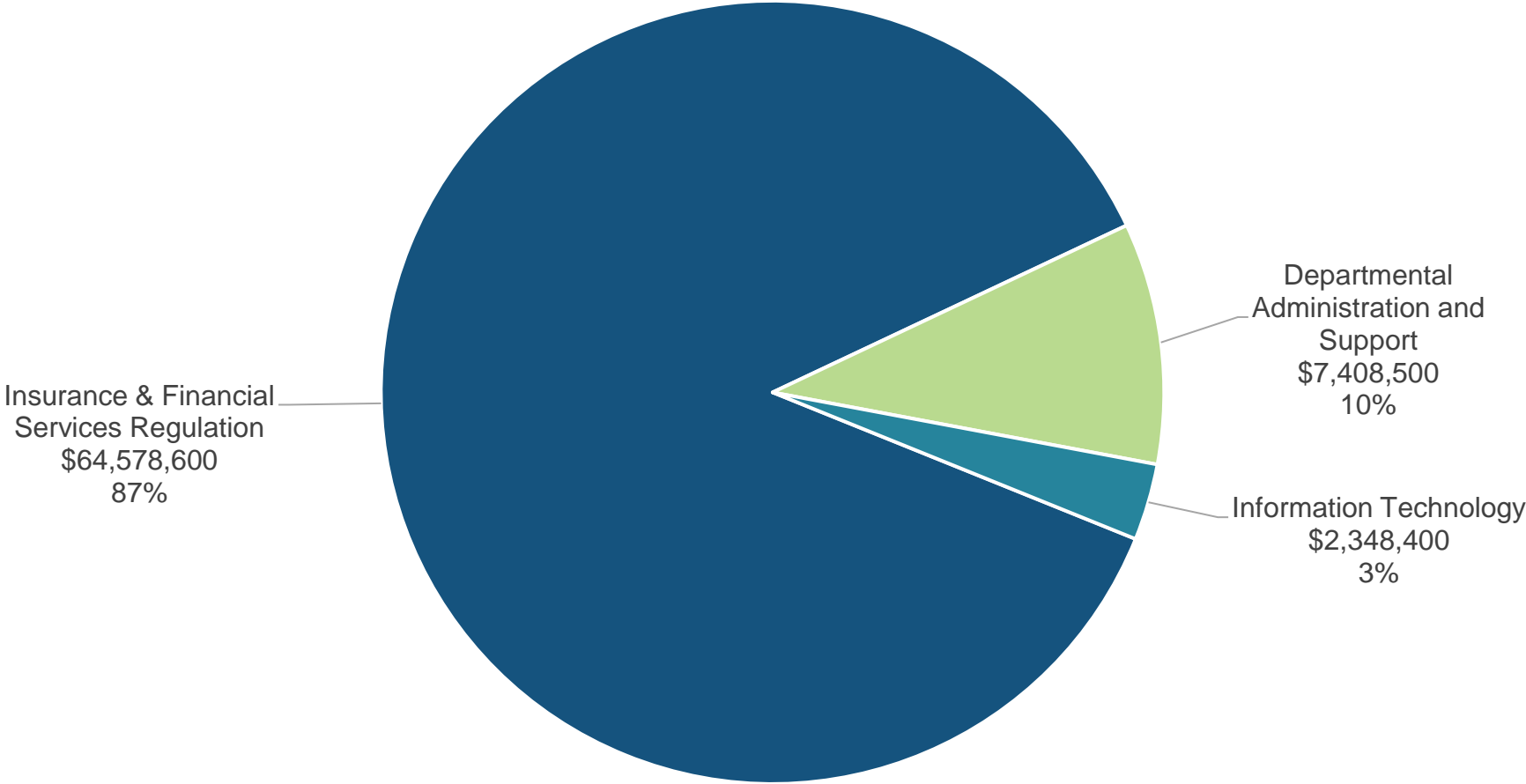
Departmental Administration and Support: Unclassified salaries, executive direction, administrative functions, and various overhead expenses

Insurance and Financial Services Regulation: Regulatory oversight of the insurance and financial services industries, legal counsel, and consumer services and protection

Information Technology: Supports information technology services and projects provided for DIFS by the Department of Technology, Management, and Budget

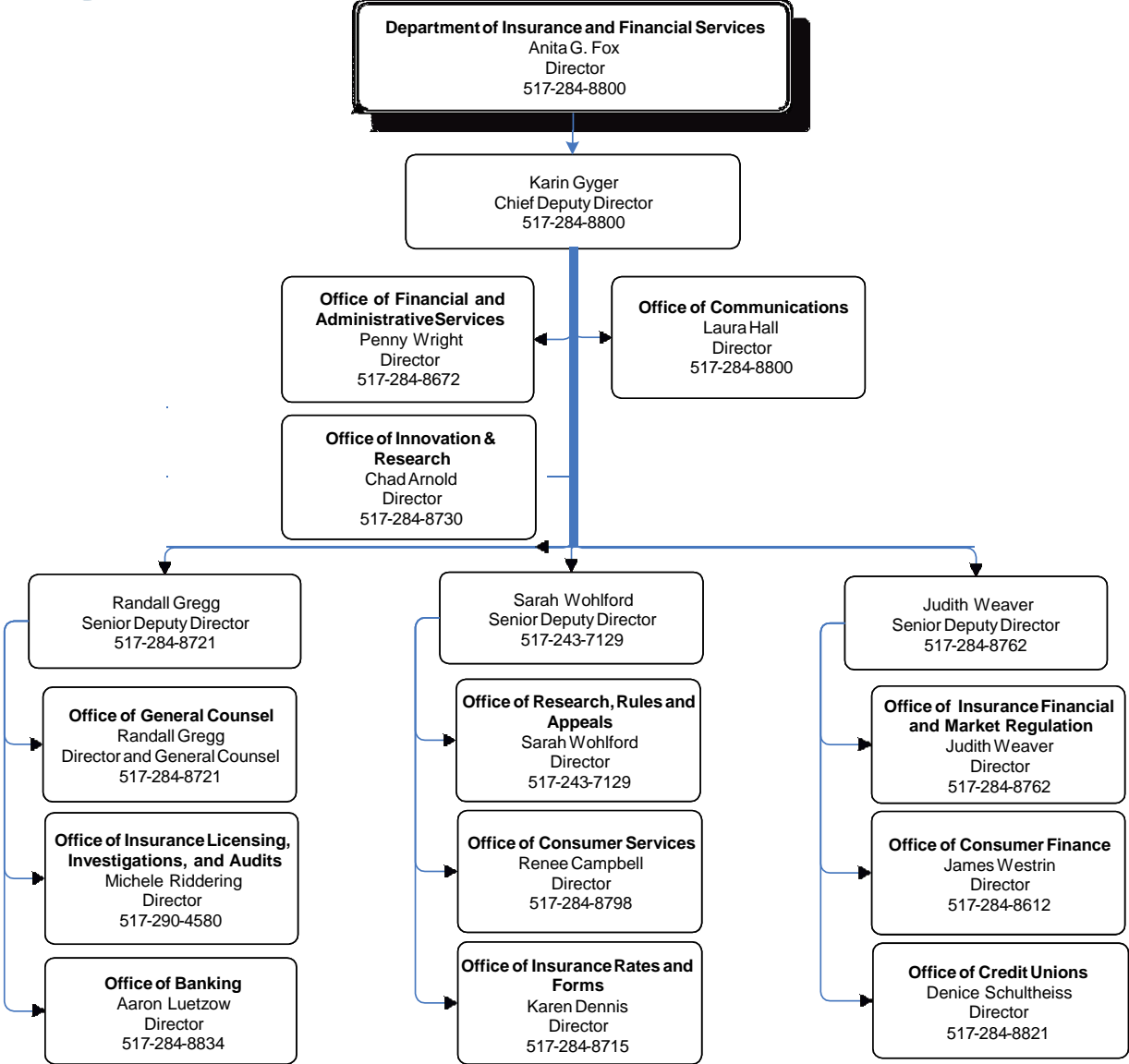
FY 2022-23 Gross Appropriations

About 13% of the \$74.3 million DIFS budget supports executive and administrative functions and overhead expenses.



Major Budget Topics

DIFS Organizational Chart

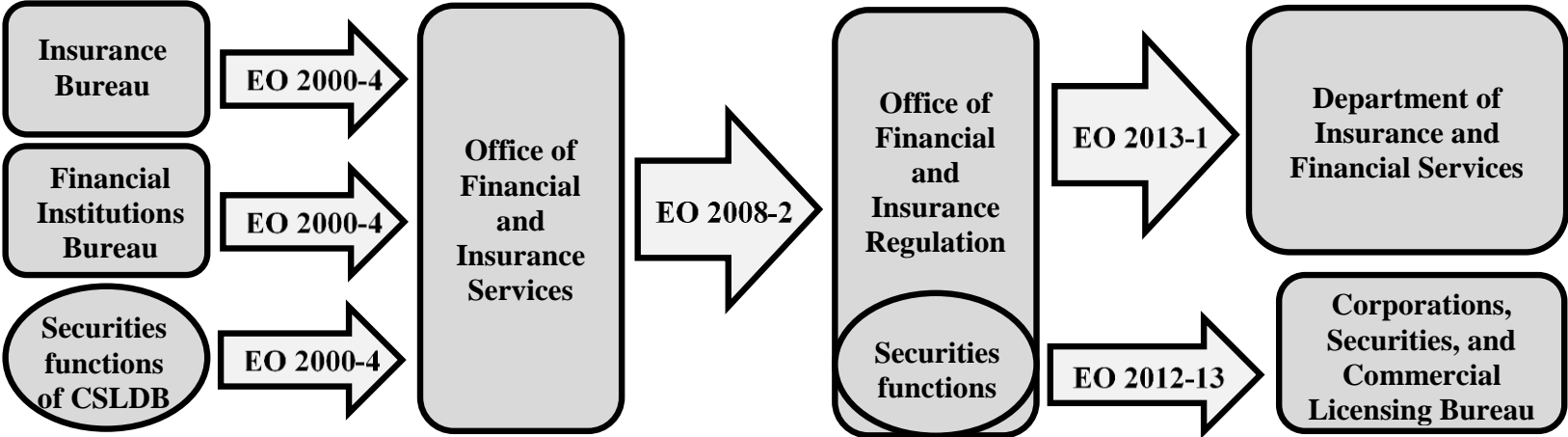


Information from DIFS site, current as of 10/18/2022

DIFS Organizational History

DIFS is the successor to the Office of Financial and Insurance Regulation (OFIR), which was preceded by the Office of Financial and Insurance Services. That office was synthesized from the Insurance Bureau, Financial Institutions Bureau, and the securities functions of the former Corporation, Securities, and Land Development Bureau.

DIFS retains all of the authority, powers, duties, functions, and responsibilities of OFIR, except for the enforcement of financial securities regulations by the Securities Division. This function was transferred to the Corporations, Securities, and Commercial Licensing Bureau within LARA.



Major Restricted Funds

Restricted funding totals **\$72.6 million**, or **98%** of the DIFS budget. The following funds comprise **\$64.2 million**, or approximately **88%** of the restricted funding in the budget.

Fund	Revenue Source	DIFS Appropriation Amount and Purpose
Insurance Bureau Fund	Fees from insurers and individuals/entities licensed under Insurance Code of 1956	\$25.4 million for regulatory activity
Insurance Licensing and Regulation Fees	Fees from insurers, HMOs, and individuals/entities for insurance solicitor, counselor, adjustor, and agent licensure.	\$13.4 million for operational expenses
Credit Union Fees	Fees and fines from state-chartered credit unions	\$10.5 million for examination and supervision expenses
Mortgage Brokers, Lenders, and Servicers Licensing Act Fund	Fees for licensure to broker, lend, or service mortgages	\$7.9 million for administration and enforcement of applicable laws
Bank Fees	Fees from state-chartered banks	\$7.0 million for operations and enforcement costs

Entities Licensed by DIFS

Type of Entity	Number Regulated in 2020	Number Regulated in 2021	Change (Decrease)
HMOs	25	28	3
Banks	77	74	(3)
Credit Unions	136	134	(2)
Domestic Insurance Companies	123	119	(4)
Foreign Insurance Companies	1,500	1,565	65
Insurance Agents	318,223	359,607	41,384
Insurance Agencies	21,771	22,979	1,208
Mortgage Licensees	17,432	20,315	2,883
Deferred Presentment Companies	444	390	(54)
Other Consumer Finance	2,494	2,490	(4)

*As reported in DIFS Annual Report

For more information about the Insurance and Financial Services budget:

HFA Resources

<http://www.house.mi.gov/hfa/InsFinancialServices.asp>

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