



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

- Created by Executive Order 2013-1, 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 2024-25 is October 1, 2024 through September 30, 2025.

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.

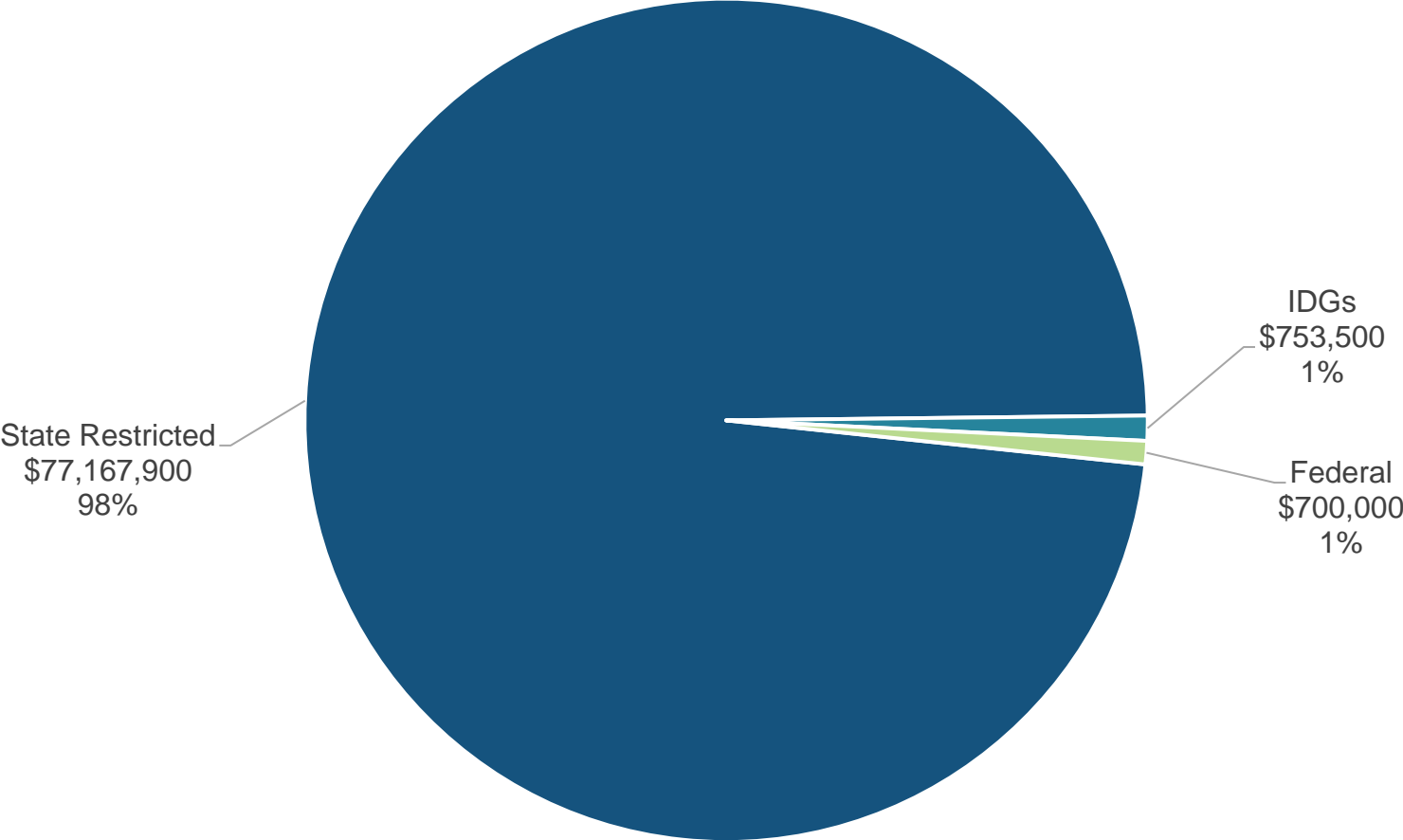
Funding Sources

FY 2024-25 DIFS Budget

Fund Source	Funding	Description
Gross Appropriations	\$78,621,400	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	753,500	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$77,867,900	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	700,000	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	77,167,900	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

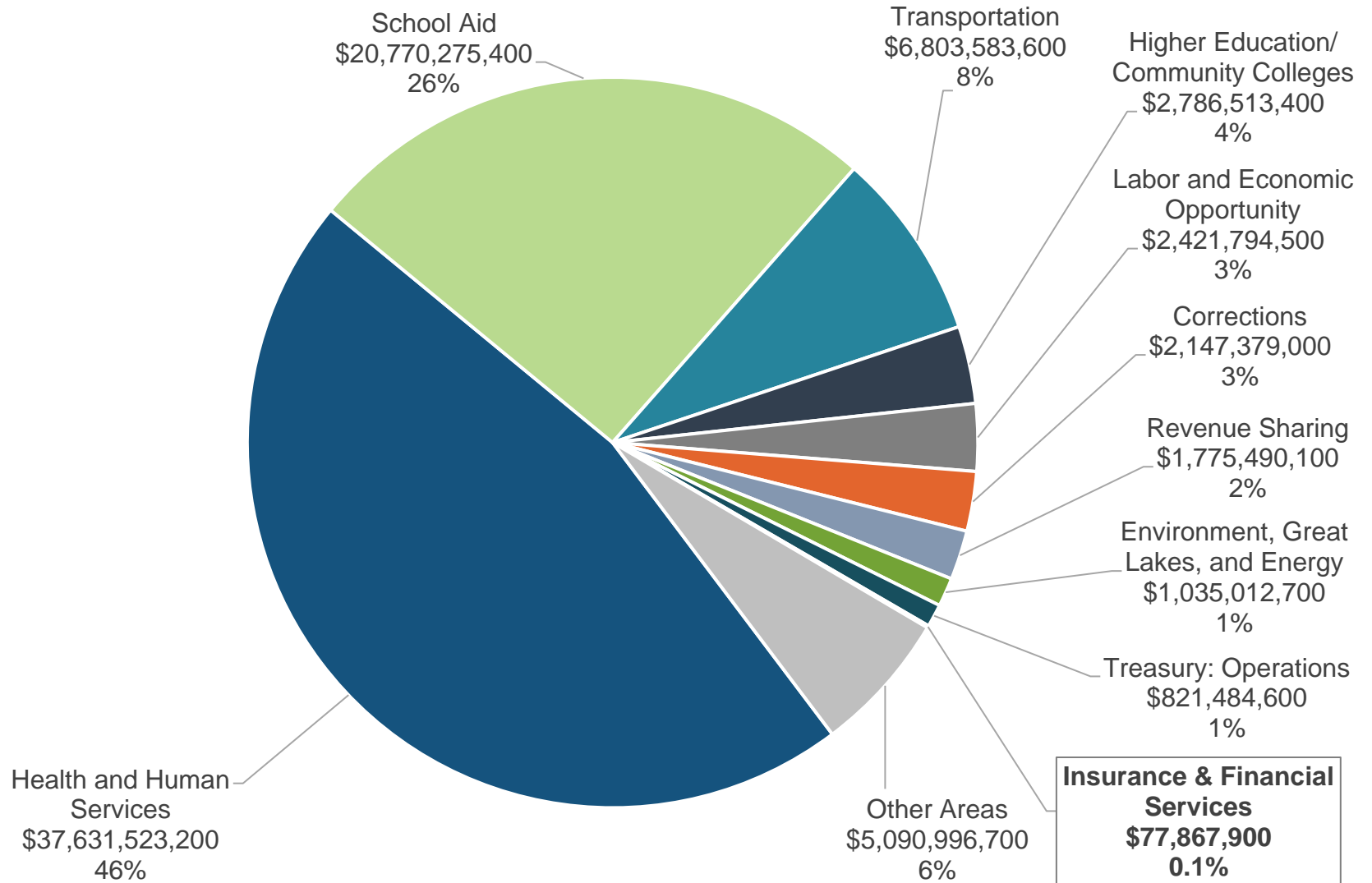
FY 2024-25 Fund Sources

Approximately **98%** of the **\$78.6 million** DIFS budget is supported by state restricted revenue generated from fees and fines levied on individuals and entities regulated by DIFS.



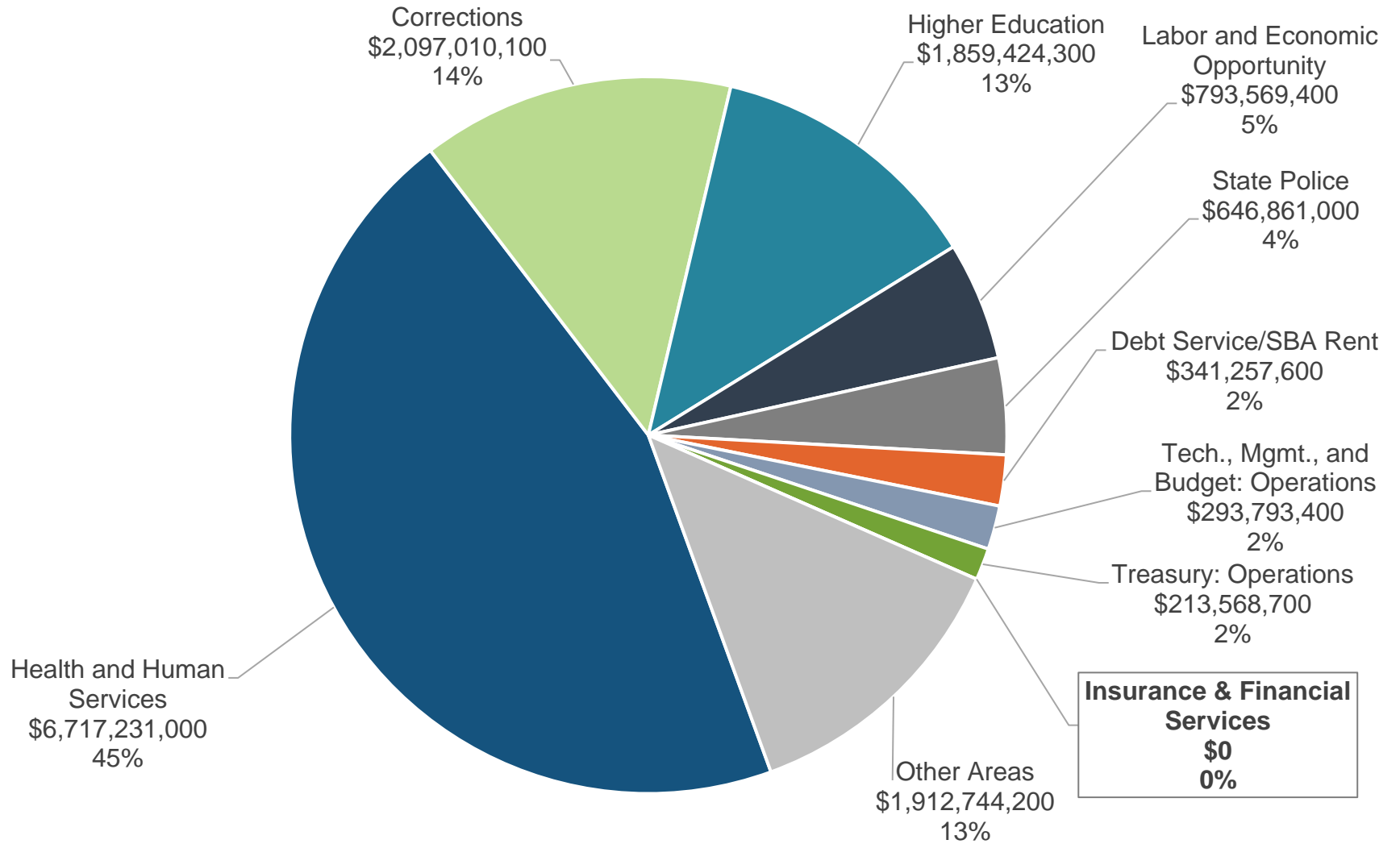
DIFS Share of Total State Budget

The DIFS budget represents approximately **one-tenth of 1%** of the **\$81.4 billion** state budget (adjusted gross) for FY 2024-25.



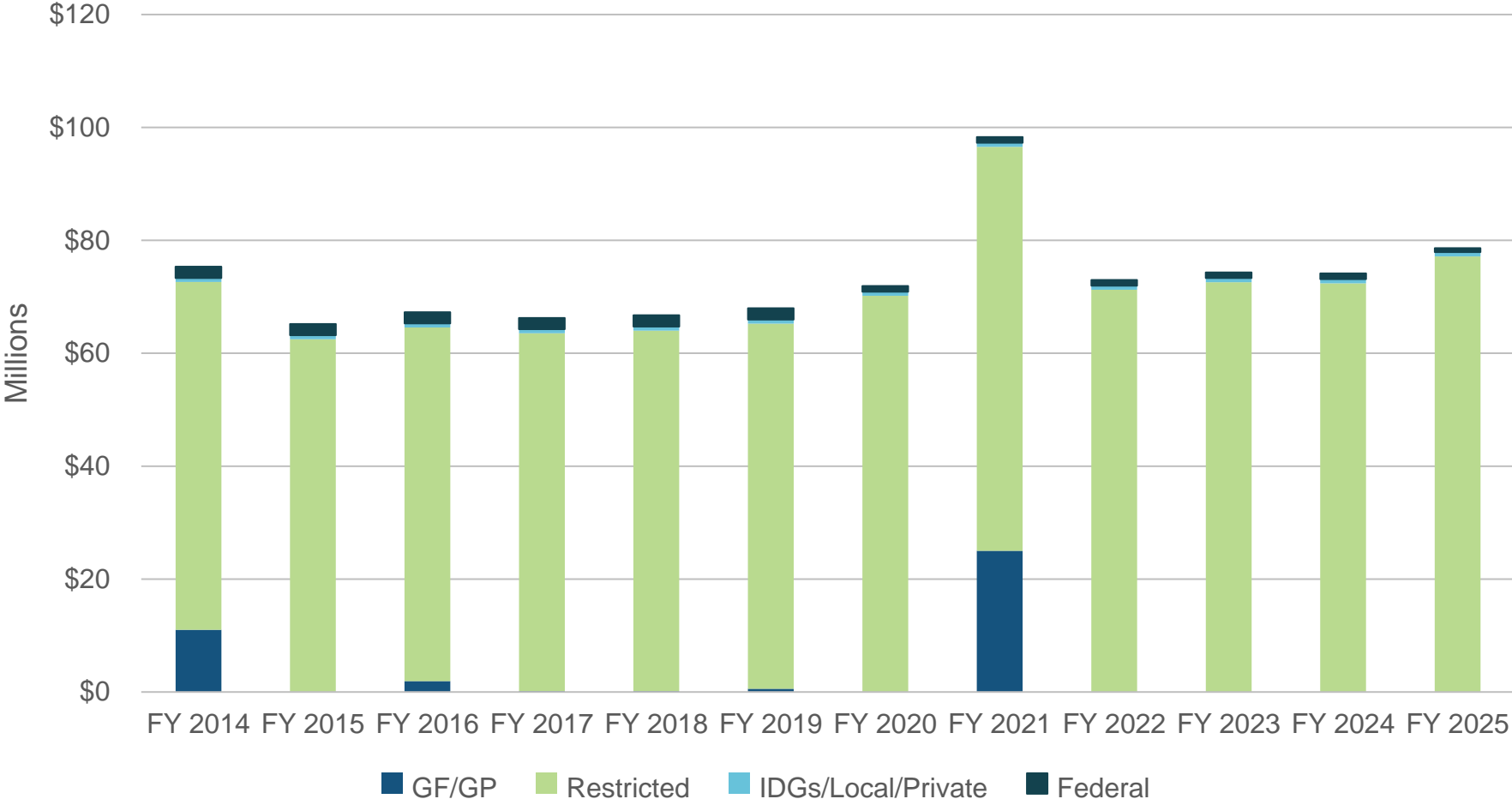
DIFS Share of Total GF/GP Budget

The DIFS budget does not include any of the state's **\$14.9 billion** GF/GP budget for FY 2024-25.



DIFS Funding History

DIFS' GF/GP funding substantially declined in FY 2014-15, due to elimination of the Autism Coverage Fund appropriation. A sizeable restricted funding increase was included in FY 2019-20 for No-Fault reform. In FY 2020-21, \$25.0 million GF/GP was appropriated for the Post-Acute Auto Injury Provider Relief Fund; all GF/GP funding was eliminated in FY 2021-22.



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

Appropriation Areas

DIFS Appropriation Areas

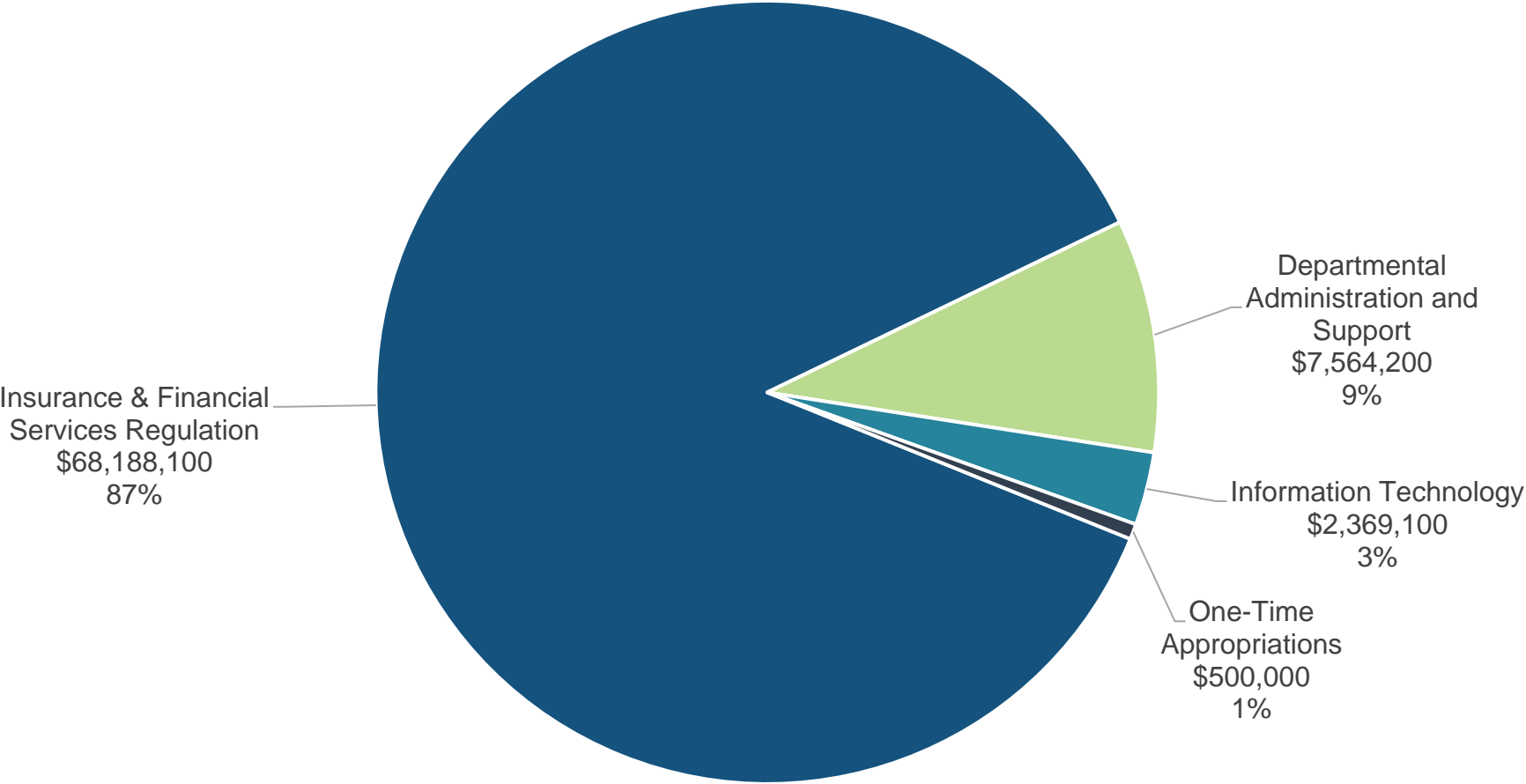
Departmental Administration and Support: Unclassified salaries, executive direction, administrative functions, and various overhead expenses

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 2024-25 Gross Appropriations

About 12% of the \$78.6 million DIFS budget supports executive and administrative functions and overhead expenses. Additional detail on one-time appropriations can be found on slide 17.



Major Budget Topics

Major Restricted Funds

Restricted funding totals **\$77.2 million**, or about **98%** of the DIFS budget. The following funds comprise **\$69.2 million**, or approximately **90%** 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	\$28.4 million for regulatory activity
Insurance Licensing and Regulation Fees	Fees from insurers, HMOs, and individuals/entities for insurance solicitor, counselor, adjustor, and agent licensure	\$15.3 million for operational expenses
Credit Union Fees	Fees and fines from state-chartered credit unions	\$10.0 million for examination and supervision expenses
Mortgage Brokers, Lenders, and Servicers Licensing Act Fund	Fees for licensure to broker, lend, or service mortgages	\$7.8 million for administration and enforcement of applicable laws
Bank Fees	Fees from state-chartered banks	\$7.7 million for operations and enforcement costs

Entities Licensed by DIFS

Type of Entity	Number Regulated in 2022	Number Regulated in 2023	Change (Decrease)
HMOs	28	26	(2)
Banks	68	69	1
Credit Unions	134	125	(9)
Domestic Insurance Companies	118	118	--
Foreign Insurance Companies	1,589	1,619	30
Insurance Agents	393,307	422,861	29,554
Insurance Agencies	24,102	25,327	1,225
Mortgage Licensees	26,633	19,974	(6,659)
Deferred Presentment Companies	232	210	(22)
Other Consumer Finance	2,556	2,518	(38)

*As reported in DIFS Annual Report

One-Time Appropriations

- **Automobile Insurance Study - \$250,000** in state restricted authorization to support a study to analyze the impact of the 2019 auto no-fault insurance reforms on costs, access to care and providers, and other metrics
- **Insurance Complaints and Health Care Appeals Outreach Campaign - \$250,000** in state restricted authorization to support an outreach campaign to raise public awareness of the services and information DIFS provides, how to file complaints, and patient rights to appeal health insurance denials

For more information about the Insurance and Financial Services budget:

HFA Resources

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

Contact Information

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