



Thomas A. Schweich
Missouri State Auditor

INSURANCE,
FINANCIAL
INSTITUTIONS, AND
PROFESSIONAL
REGISTRATION

Insurance



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CITIZENS SUMMARY

Findings in the audit of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance

Examination Tax Credit	Missouri is one of only five states which allow insurance companies to receive tax credits for examination costs, thereby shifting a significant portion of examination costs from insurance companies to the state General Revenue Fund. During the 10 years ended December 31, 2011, examination credits of over \$25.9 million were redeemed.
Payment of Operating Costs of the Governor's Office	In fiscal years 2011 and 2010, the Division of Insurance, Financial Institutions, and Professional Registration-Insurance (DIFP-Insurance) paid over \$23,000 for 70 flights of the Governor's office, only 8 of which included DIFP-Insurance personnel. In addition, approximately \$5,000 was paid from the Insurance Dedicated Fund toward the salaries of Governor's office staff physically located in and supervised by the Governor's office and performing duties related to programs and functions of that office.
Consumer Affairs Division	The Insurance Consumer Affairs Division does not have adequate policies and procedures in place to ensure complaints received are investigated and resolved in a timely manner. Of the 1,123 agent investigation cases open as of June 30, 2012, 502 had been open since June 30, 2010, and some dated back to as early as 2005.

In the areas audited, the overall performance of this entity was **Good**.*

American Recovery and Reinvestment Act (Federal Stimulus)	The Department of Insurance, Financial Institutions, and Professional Registration did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Department of Insurance, Financial Institutions, and Professional Registration - Insurance

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Examination Tax Credit	4
	2. Payment of Operating Costs of the Governor's Office	5
	3. Consumer Affairs Division	5

Organization and Statistical Information	7
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Appendixes

	Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments, Year Ended -	
A-1	June 30, 2012	12
A-2	June 30, 2011	13
A-3	June 30, 2010	14
B	Comparative Statement of Receipts, 3 Years Ended June 30, 2012.....	15
C	Comparative Statement of Appropriations and Expenditures, 3 Years Ended June 30, 2012.....	16
D	Comparative Statement of Expenditures (From Appropriations), 3 Years Ended June 30, 2012.....	17
	Statement of Receipts, Disbursements, and Changes in Cash and Investments for Active Receiverships, Year Ended -	
E-1	December 31, 2011	18
E-2	December 31, 2010	20
E-3	December 31, 2009	22



THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John M. Huff, Director
Department of Insurance, Financial Institutions,
and Professional Registration
Jefferson City, Missouri

We have audited certain operations of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance, in fulfillment of our duties under Chapters 29 and 374, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012, 2011, and 2010. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

For the areas audited, we identified (1) a deficiency in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance.



Thomas A. Schweich
State Auditor

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Department of Insurance, Financial Institutions, and Professional Registration - Insurance Management Advisory Report - State Auditor's Findings

1. Examination Tax Credit

Missouri is one of only five states to allow insurance companies to receive tax credits for examination costs, resulting in a significant portion of examination costs being borne by the state General Revenue Fund instead of insurance companies. According to Department of Insurance, Financial Institutions, and Professional Registration (DIFP)-Insurance officials, North Dakota, Alabama, Utah, and Texas are the other four states that offer tax credits similar to Missouri.

Chapter 374, RSMo, requires the DIFP-Insurance to examine insurance companies on a predetermined basis and to bill the insurance companies for the costs of these examinations. However, Section 148.400, RSMo, allows all insurance companies to deduct the entire cost of examinations from premium taxes paid to the state and deposited into the state's General Revenue Fund. Additionally, this statute allows insurance companies to carry forward these credits for 5 years. For tax year 2011, total examination tax credits available were approximately \$10 million and examination tax credits redeemed were approximately \$2.2 million. Also, examination tax credits of approximately \$2 million expired during 2011, because they had not been redeemed in 5 years, leaving a balance of approximately \$5.8 million that carried forward to 2012. In addition, according to documentation obtained from the DIFP-Insurance, examination credits of over \$25.9 million were redeemed during the 10 years ended December 31, 2011.

Other industries regulated by the DIFP do not receive similar tax credits for examination costs. Banks, savings and loan associations, and credit unions also pay assessments to cover DIFP examination costs and may expense the costs when determining taxable income for state income taxes purposes. However, these industries are not allowed to claim examination costs as a tax credit from the actual tax liability.

To ensure revenue is maximized, the cost of tax credits is contained, and tax treatment for various industries is equitable, the costs and benefits of the insurance examination tax credit should be evaluated periodically.

A similar condition was noted in our three prior reports.

Recommendation

The DIFP-Insurance examine issues related to the appropriateness of the examination tax credit and report its findings to the General Assembly.

Auditee's Response

The department will continue to track and provide information on the examination tax credit to the General Assembly as required under the Tax Credit Accountability Act, RSMo 135.800-135.830. The department will also continue to present this finding as part of the tax credit hearing held each year by the General Assembly.



2. Payment of Operating Costs of the Governor's Office

In fiscal years 2011 and 2010, the DIFP-Insurance paid salaries and other costs totaling over \$28,000 related to operations of the Governor's office, thus circumventing the appropriation process established by the General Assembly. These costs were paid from the Insurance Dedicated Fund, the purpose of which is to pay for expenditures incurred by the DIFP-Insurance.

The DIFP-Insurance paid over \$23,000 for 70 flights of the Governor's office. These flights typically included the Governor, members of his staff, and his security; however, only eight of these flights included DIFP-Insurance personnel. House Bill No. 7, First Regular Session, 96th General Assembly prohibited funding from the DIFP-Insurance to be expended for the purposes of costs associated with travel or staffing for the Governor's office for the time period of July 1, 2011 to June 30, 2012, and no payments were made during this time period. In addition, during fiscal year 2011, a portion of the salaries of Governor's office staff, totaling approximately \$5,000, was paid from the Insurance Dedicated Fund. It appears these employees were physically located in and supervised by the Governor's office, and performed duties related to programs and functions of that office.

While some of these flights may have related to DIFP-Insurance, it appears the primary purposes of these flights were for functions associated with the Governor's office. It is not appropriate for state agencies to bear the cost of such flights and personnel costs that provide no clear benefit to the applicable agencies. These funding practices distort the actual costs of operating the DIFP-Insurance and the Governor's office. In addition, Section 374.150, RSMo, requires appropriations from the Insurance Dedicated Fund to be used solely for payment of expenditures incurred by the department in performing its duties.

Recommendation

The DIFP-Insurance ensure all disbursements made from the Insurance Dedicated Fund are reasonable and proper and relate to the overall function of the department.

Auditee's Response

The department will continue to ensure all disbursements made from the Insurance Dedicated Fund are reasonable and proper and relate to the overall function of the department. In FY2010 and FY2011, the expenditures described in the finding were properly disbursed and handled in a manner that reflected the nature of the work the Governor's office performs for state agencies. No costs prohibited by House Bill 7 (FY2012) were charged to the Fund.

3. Consumer Affairs Division

The Insurance Consumer Affairs Division does not have adequate policies and procedures in place to ensure complaints received are investigated and resolved in a timely manner. The purpose of the Insurance Consumer Affairs Division is to help consumers resolve complaints and inquiries; provide information on insurance policy questions; investigate insurance



Department of Insurance, Financial Institutions, and Professional
Registration - Insurance
Management Advisory Report - State Auditor's Findings

agents, public adjustors and bail bond agents suspected of violations; and provide insurance education and outreach activities to Missouri consumers. As of June 30, 2012, the Insurance Consumer Affairs Division had a total of 1,414 open cases.

These 1,414 open cases include 1,123 agent investigation cases, 77 consumer complaints cases, and 214 Health and Human Services Consumer Assistance Program cases. Of the 1,123 open agent investigation cases, 502 have been open since June 30, 2010, and some date back to as early as 2005.

Although the division does not have written policies and procedures for resolving complaints in a timely manner, division personnel indicated that consumer complaints are prioritized over agent investigations. Without adequate policies and procedures to resolve complaints in a timely manner, the division has less assurance it is adequately protecting the interests of the general public.

Recommendation

The Insurance Consumer Affairs Division establish policies and procedures to ensure complaints are resolved in a timely manner.

Auditee's Response

The nature and complexity of consumer complaints and investigations vary widely and, consequently, the time required to resolve these matters varies widely. The Consumer Affairs Division has measurable efficiency criteria regarding consumer complaints and investigations. Given the variance in these matters, management believes measurable efficiency criteria are the superior management tool.

Department of Insurance, Financial Institutions, and Professional Registration - Insurance Organization and Statistical Information

The Missouri Division of Insurance was created by an act of the Missouri legislature in 1869. With the enactment of the state Omnibus Reorganization Act of 1974, the agency was transferred to the Department of Consumer Affairs, Regulation and Licensing. Constitution Amendment No. 6 passed in August 1984, changed the name of the Department of Consumer Affairs, Regulation and Licensing, to the Department of Economic Development, effective September 7, 1984. Constitutional Amendment No. 4, passed in August 1990, created a new Department of Insurance, effective July 1, 1991. Executive Order 06-04 consolidated the former Department of Insurance, the Division of Finance, the State Banking Board, the Division of Credit Unions, and the Division of Professional Registration into one department and changed the name of the department to the Missouri Department of Insurance, Financial Institutions, and Professional Registration (DIFP), effective August 28, 2006.

The DIFP-Insurance operates under the authority of Chapter 374, RSMo. The management and control of the DIFP is vested in a director who is nominated by the Governor with the advice and consent of the Senate. John Huff was appointed Director on February 9, 2009, and continues to serve in that capacity.

When the agency was organized in 1869, 51 domestic and 120 foreign insurance companies were licensed in Missouri. As of June 30, 2012, there were 208 domestic and 1,834 foreign insurance companies licensed in Missouri.

The DIFP-Insurance regulates the insurance industry in the state through enforcement of Chapters 325, 354, and 374 through 385, RSMo. The department regulates and licenses the insurance industry in the state; ensures the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures the insurance industry complies with the laws of the state. To fulfill these responsibilities, the department maintains a central office in Jefferson City and branch offices in St. Louis and Kansas City. The DIFP-Insurance is organized into the following functional units: Insurance Company Regulation Division, Insurance Market Regulation Division, Insurance Consumer Affairs Division, and Administration Division. The DIFP-Insurance had 190 employees as of June 30, 2012.

The DIFP-Insurance administers transactions in the funds listed below.

The Insurance Examiner's Fund is authorized by Section 374.160 and 374.162, RSMo, to receive all monies paid to the state by insurance companies for the costs incurred by the department in conducting examinations, valuations, or proceedings against such companies.



Department of Insurance, Financial Institutions, and Professional
Registration - Insurance
Organization and Statistical Information

Expenditures, authorized by appropriations, are to be used for the purpose of paying the compensation of insurance examiners and expenses directly related to examinations. Any unexpended balances in this fund are perpetually maintained for the purposes of this fund.

The Insurance Dedicated Fund is authorized by Section 374.150, RSMo, to receive all fees due to the state under the provisions of the insurance laws. Appropriations from this fund are to be used solely for payment of expenditures incurred by the department in performing the duties required by law which are not paid for by another source of funds. Any unexpended balance in this fund is perpetually maintained for the purposes of this fund unless the unencumbered balance at the close of the biennium year exceeds two times the total amount appropriated, paid, or transferred to the fund during such fiscal year.

The DIFP-Insurance administers programs financed partially by federal monies maintained in the state treasury in the Federal Missouri Department of Insurance (MDI) Fund. Appropriations from this fund authorize disbursements of the department's federal monies.

The DIFP-Insurance does not receive any appropriations from the General Revenue Fund and does not maintain any proprietary interest in this fund. Receipts collected by the Department of Revenue (DOR) on behalf of the department and deposited into the state's General Revenue Fund include the following:

- **Premium Taxes:** In accordance with various provisions of Chapter 148, RSMo, insurance companies licensed in the state are required to pay a 2 percent tax on direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due together with the amount of quarterly installments to be paid by the insurance companies. The DOR collects the premium taxes and deposits them into the General Revenue Fund. Some premium taxes deposited into the General Revenue Fund are not available for general revenue purposes. The provisions of Chapter 148, RSMo, restrict about 50 percent of such premium taxes for distribution to the various school districts in the state.
- **Surplus Lines:** In accordance with the various provisions of Chapter 384, RSMo, surplus lines insurers are required to pay a 5 percent tax on net premiums for high risk insurance that is underwritten. The DOR collects the surplus lines taxes, penalties, and interest and deposits them into the General Revenue Fund. The department certifies to the DOR all penalties and interest due as a result of late payments.



Department of Insurance, Financial Institutions, and Professional
Registration - Insurance
Organization and Statistical Information

- Captive Insurance Premium Taxes: In accordance with various provisions of Chapter 379, RSMo, captive insurance companies licensed in the state are required to pay a premium tax at the rate of thirty-eight-hundredths of 1 percent on the first \$20 million and two hundred eighty-five-thousandths of 1 percent on the next \$20 million and nineteen-hundredths of 1 percent on the next \$20 million dollars and seventy-two-thousandths of 1 percent on each dollar thereafter on the direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due.
- Special Purpose Life Insurance Captive (SPLRC) Premium Taxes: In accordance with various provisions of Chapter 379, RSMo, each SPLRC is required to pay a premium tax at the rate of two hundred fourteen thousandths of 1 percent on the first \$20 million of assumed reinsurance premium, and one hundred forty-three thousandths of 1 percent on the next \$20 million, and forty-eight thousandths of 1 percent on the next \$20 million, and twenty-four thousandths of 1 percent of each dollar thereafter on the direct premiums received during the calendar year. The department certifies to the DOR the amount of premium taxes due.

In accordance with Section 287.690, RSMo, on October 31 of each year, the director of the Division of Workers' Compensation estimates the amount of revenue required to administer this chapter and determines the rate of tax for the following calendar year based on that estimate as well as the estimated December 31 balance of the fund. The tax, which is imposed upon all insurance companies providing workers' compensation insurance coverage and authorized self-insurers, shall not exceed 2 percent in lieu of all other taxes on the workers' compensation net deposits, net premiums, or net assessments. The DOR collects these taxes and deposits them into the Workers' Compensation Fund.

Fines and forfeitures imposed and collected by the department under the Missouri Insurance Code are deposited into the State School Moneys Fund.

The DIFP-Insurance is authorized to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. At June 30, 2012, 16 insurance companies were in rehabilitation or liquidation. Such companies placed into receivership are under circuit court supervision with the judge appointing the Director as receiver. The Director may appoint a special deputy receiver or agent. The DIFP-Insurance is the special deputy receiver for one of these receiverships and controls the operations and assets of this company. There are seven companies that do not have a special deputy receiver assigned to them. The department has contracted with vendors to act as agents for these



Department of Insurance, Financial Institutions, and Professional
Registration - Insurance
Organization and Statistical Information

companies. The eight remaining companies were assigned special deputy receivers by the court, and these special deputy receivers directly supervise the companies. The contracted vendors and the special deputy receivers submit disbursements to DIFP-Insurance for approval. The financial activity of the 16 companies in receivership is presented in Appendix E for the 3 years ended December 31, 2011.

According to the National Association of Insurance Commissioners (NAIC), for calendar year 2011, Missouri ranked fifteenth nationally in the number of companies incorporated in the state. The department's budget for fiscal year 2012 ranks twentieth nationally.



Department of Insurance, Financial Institutions, and Professional
 Registration - Insurance
 Organization and Statistical Information

The following provides a breakdown of the type of companies licensed in the state.

Type of Company	As of June 30, 2012	
	Missouri Domicile	Foreign
Assessment	2	0
Fair Access to Insurance Requirements Plan	1	0
Foreign Fire	0	3
Fraternal Benefit	1	31
Health Maintenance Organization	15	6
Health Services	1	0
Life	27	477
Life Care Facility	1	0
Malpractice	6	0
Missouri (Farm) Mutuals	5	0
Missouri Mutuals	82	0
Mutual Casualty	7	72
Prepaid Dental Plan	7	8
Reciprocal Inter-Insurance Exchange	4	14
Reinsurer	0	326
Risk Retention Group	0	96
Self-Insured Liability	10	0
Stock Casualty	37	784
Title	2	17
Total	208	1,834

American Recovery and
 Reinvestment Act 2009
 (Federal Stimulus)

The Department of Insurance, Financial Institutions, and Professional Registration - Insurance did not receive any federal stimulus monies during the 3 years ended June 30, 2012.

Appendix A-1

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
 Year Ended June 30, 2012

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	Total (Memorandum Only)
RECEIPTS				
Federal grant	\$ 1,943,717	0	0	1,943,717
Recovery costs	0	4,559,580	19,546	4,579,126
County foreign insurance tax	0	0	165,145	165,145
Producers	0	0	6,889,610	6,889,610
Business entities	0	0	1,415,366	1,415,366
Filing fees	0	0	753,260	753,260
Service contract fees	0	0	95,200	95,200
Insurance regulation fees	0	0	2,451,999	2,451,999
Miscellaneous insurance fees	0	0	89,220	89,220
Appropriated transfers in	0	0	141,518	141,518
Other	0	12	15,107	15,119
Interest	0	0	89,171	89,171
Total Receipts	1,943,717	4,559,592	12,125,142	18,628,451
Disbursements				
Personal service	309,976	3,044,885	6,674,045	10,028,906
Employee fringe benefits	138,737	1,093,079	2,804,573	4,036,389
Expense and equipment	54,009	369,610	1,201,051	1,624,670
Insurance refunds	0	12	13,481	13,493
State office building rent, maintenance, and repair	0	17,989	432,994	450,983
Worker's compensation claims	0	0	1,527	1,527
DIFP- Department Administration	0	0	11,681	11,681
Cost allocation plan	0	65,498	145,516	211,014
Unemployment benefits	0	0	5,610	5,610
Health insurance counseling	1,300,713	0	200,000	1,500,713
Insurance leasing	0	0	7,753	7,753
Other	140,083	0	0	140,083
Total Disbursements	1,943,518	4,591,073	11,498,231	18,032,822
RECEIPTS OVER (UNDER) DISBURSEMENTS				
OTHER FINANCING USES	199	(31,481)	626,911	595,629
CASH AND INVESTMENTS, JULY 1				
	0	1,017,040	15,011,637	16,028,677
CASH AND INVESTMENTS, JUNE 30				
	\$ 199	985,559	15,638,548	16,624,306

Appendix A-2

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
 Year Ended June 30, 2011

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	Total (Memorandum Only)
RECEIPTS				
Federal grant	\$ 1,164,607	0	0	1,164,607
Recovery costs	0	5,007,580	150	5,007,730
County foreign insurance tax	0	0	48,939	48,939
Producers	0	0	6,817,930	6,817,930
Business entities	0	0	1,325,077	1,325,077
Filing fees	0	0	723,600	723,600
Service contract fees	0	0	86,950	86,950
Insurance regulation fees	0	0	2,720,667	2,720,667
Miscellaneous insurance fees	0	0	91,920	91,920
Appropriated transfers in	0	0	919	919
Other	0	144	14,355	14,499
Interest	0	0	105,934	105,934
Total Receipts	1,164,607	5,007,724	11,936,441	18,108,772
Disbursements				
Personal service	0	3,174,343	6,653,202	9,827,545
Employee fringe benefits	0	1,176,789	2,908,620	4,085,409
Expense and equipment	0	498,317	1,111,271	1,609,588
Insurance refunds	0	50,787	11,617	62,404
State office building rent, maintenance, and repair	0	19,154	458,202	477,356
Worker's compensation claims	0	0	8,903	8,903
DIFP- Department Administration	0	0	5,772	5,772
Cost allocation plan	0	58,762	135,576	194,338
Unemployment benefits	0	0	6,562	6,562
Health insurance counseling	1,164,607	0	150,000	1,314,607
Insurance leasing	0	0	7,207	7,207
Total Disbursements	1,164,607	4,978,152	11,456,932	17,599,691
RECEIPTS OVER (UNDER) DISBURSEMENTS				
OTHER FINANCING USES	0	29,572	479,509	509,081
CASH AND INVESTMENTS, JULY 1				
	0	987,468	14,532,128	15,519,596
CASH AND INVESTMENTS, JUNE 30				
	\$ 0	1,017,040	15,011,637	16,028,677

Appendix A-3

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments
 Year Ended June 30, 2010

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	Total (Memorandum Only)
RECEIPTS				
Federal grant	\$ 996,159	0	0	996,159
Recovery costs	0	5,089,701	558	5,090,259
Producers	0	0	6,329,830	6,329,830
Business entities	0	0	1,265,295	1,265,295
Filing fees	0	0	733,425	733,425
Service contract fees	0	0	82,600	82,600
Insurance regulation fees	0	0	2,068,293	2,068,293
Miscellaneous insurance fees	0	0	93,180	93,180
Appropriated transfers in	0	0	2,493	2,493
Other	0	102	22,892	22,994
Interest	0	0	189,417	189,417
Total Receipts	996,159	5,089,803	10,787,983	16,873,945
Disbursements				
Personal service	0	3,216,462	6,475,389	9,691,851
Employee fringe benefits	0	1,182,199	2,838,924	4,021,123
Expense and equipment	0	551,292	1,192,978	1,744,270
Insurance refunds	0	0	14,427	14,427
State office building rent, maintenance, and repair	0	11,501	481,401	492,902
Worker's compensation claims	0	0	22,385	22,385
DIFP- Department Administration	0	0	6,222	6,222
Cost allocation plan	0	63,851	122,726	186,577
Unemployment benefits	0	8,320	19,852	28,172
Health insurance counseling	996,159	0	159,999	1,156,158
Insurance leasing	0	0	9,505	9,505
Total Disbursements	996,159	5,033,625	11,343,808	17,373,592
RECEIPTS OVER (UNDER) DISBURSEMENTS				
OTHER FINANCING USES	0	56,178	(555,825)	(499,647)
CASH AND INVESTMENTS, JULY 1	0	931,290	15,087,953	16,019,243
CASH AND INVESTMENTS, JUNE 30	\$ 0	987,468	14,532,128	15,519,596

Appendix B

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Comparative Statement of Receipts

	Year Ended June 30,		
	2012	2011	2010
GENERAL REVENUE FUND			
Premium taxes	\$ 197,058,424	216,437,030	199,141,207
Captive insurance tax	408,117	193,465	92,635
Special purpose life insurance	499,602	449,406	396,753
Surplus lines taxes	23,254,218	22,300,553	23,053,334
Surplus lines penalties	38,307	83,128	74,821
Total General Revenue Fund	\$ <u>221,258,668</u>	<u>239,463,582</u>	<u>222,758,750</u>
WORKERS' COMPENSATION FUND			
Workers' compensation taxes	\$ <u>13,245,133</u>	<u>12,452,794</u>	<u>9,583,345</u>
STATE SCHOOL MONEYS FUND			
Fines and forfeitures	\$ <u>2,587,932</u>	<u>705,819</u>	<u>2,324,467</u>

Appendix C

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2012			2011			2010		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL - MDI FUND									
Health Insurance Counseling	1,300,713	1,300,713	0	1,173,686	1,164,607	9,079	996,160	996,159	1
Federal Grants Authority	0	0	0	1,000,000	0	1,000,000	0	0	0
Federal Grants Personal Service	969,459	309,976	659,483	0	0	0	0	0	0
Federal Grants Expense and Equipment	1,443,344	54,009	1,389,335	0	0	0	0	0	0
Total Federal - MDI Fund	3,713,516	1,664,698	2,048,818	2,173,686	1,164,607	1,009,079	996,160	996,159	1
INSURANCE EXAMINERS FUND									
Personal Service	3,239,880	3,044,814	195,066	3,418,090	3,174,414	243,676	3,418,090	3,216,462	201,628
Expense and Equipment	801,776	303,328	498,448	801,776	435,166	366,610	801,776	485,342	316,434
Refunds	21	12	9	50,789	50,787	2	1	0	1
State office building rent, maintenance, and repair	18,318	17,989	329	19,155	19,154	1	12,484	11,501	983
Total Insurance Examiners Fund	4,059,995	3,366,143	693,852	4,289,810	3,679,521	610,289	4,232,351	3,713,305	519,046
INSURANCE DEDICATED FUND									
State office building rent, maintenance, and repair	439,256	432,994	6,262	458,203	458,202	1	481,402	481,401	1
Insurance Leasing	8,782	7,753	1,029	9,081	7,207	1,874	11,531	9,505	2,026
Health Insurance Counseling	200,000	200,000	0	200,000	150,000	50,000	200,000	159,999	40,001
Personal Service	7,091,213	6,302,628	788,585	6,964,725	6,215,616	749,109	6,964,725	5,978,231	986,494
Expense and Equipment	1,955,711	985,632	970,079	1,955,711	883,202	1,072,509	1,958,066	970,107	987,959
Refunds	75,000	13,481	61,519	75,000	11,617	63,383	75,000	14,427	60,573
Total Insurance Dedicated Fund	9,769,962	7,942,488	1,827,474	9,662,720	7,725,844	1,936,876	9,690,724	7,613,670	2,077,054
Total All Funds	17,543,473	12,973,329	4,570,144	16,126,216	12,569,972	3,556,244	14,919,235	12,323,134	\$2,596,101

Appendix D

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,		
	2012	2011	2010
Salaries and wages	\$ 9,657,418	9,390,031	9,194,693
Travel, in-state	264,287	296,897	290,530
Travel, out-of-state	154,818	262,022	326,617
Supplies	232,456	216,238	226,240
Professional development	118,372	114,610	118,904
Communication service and supplies	122,330	128,749	147,848
Services:			
Professional	307,430	160,454	190,701
Housekeeping and janitorial	254	214	142
Maintenance and repair	6,400	6,531	8,164
Computer equipment	12	0	0
Motorized equipment	0	0	46,492
Office equipment	94,602	99,829	82,966
Other equipment	1,815	3,658	45
Property and improvements	28,856	13,398	7,322
Building lease payments	465,644	491,109	503,798
Equipment rental and leases	1,920	1,728	1,485
Miscellaneous expenses	2,510	7,493	6,602
Refunds	13,492	62,404	14,427
Program distributions	1,500,713	1,314,607	1,156,158
Total Expenditures	\$ 12,973,329	12,569,972	12,323,134

Note: Certain classification of expenditures changed during the 3-year period, which may affect the comparability of the amounts.

Appendix E-1

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Statement of Receipts, Disbursements, and Changes in Cash and Investments
 For Active Receiverships
 Year Ended December 31, 2011

	Bel-Aire Insurance Company	Casualty Reciprocal Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Integral Insurance Company	International Financial Security Life Insurance Company	Lutheran Benevolent Insurance Exchange
Receipts								
Premiums/investment income	\$ 920	7,974,571	5,099,710	477,222	45,271	5,751	65,435	7,311
Net increase (decrease) in reserve balance	0	(70,007)	0	0	0	0	0	0
Net increase (decrease) in the fair value of investments	382	73,543	(2,621)	1	13,072	(22)	84,027	930
Total Receipts	1,302	7,978,107	5,097,089	477,223	58,343	5,729	149,462	8,241
Disbursements								
Professional fees and expenses	4,508	339,033	2,665,978	90,292	309,262	74,482	257,257	77,517
Salaries and related expenses	0	64,690	123,763	67,555	0	0	0	0
General/facility expenses	7,903	64,533	1,143,267	23,093	0	7,398	490,870	2,192
Distributions	0	16,350,192	2,191,182	0	0	1,758,267	1,375,953	1,996,721
Investment expense	84	11,054	68,536	4,316	1,028	6,000	0	3,936
Income tax	0	0	927,014	0	0	0	0	0
Total Disbursements	12,495	16,829,502	7,119,740	185,256	310,290	1,846,147	2,124,080	2,080,366
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,193)	(8,851,395)	(2,022,651)	291,967	(251,947)	(1,840,418)	(1,974,618)	(2,072,125)
CASH AND INVESTMENTS, JANUARY 1	2,699,137	42,262,590	69,296,114	1,479,732	28,921,651	9,057,295	11,108,937	3,568,968
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,687,944	33,411,195	67,273,463	1,771,699	28,669,704	7,216,877	9,134,319	1,496,843

Appendix E-1

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Statement of Receipts, Disbursements, and Changes in Cash and Investments
 For Active Receiverships
 Year Ended December 31, 2011

	M&M Companies	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Riscorp National Insurance Company	Transit Casualty Company	Watkins Life and Benefit Association
Receipts							
Premiums/investment income	\$ 543	29,840	55,363,403	22,076	11,882	144,019	5,895
Net increase (decrease) in reserve balance	0	0	(450,993)	0	0	0	0
Net increase (decrease) in the fair value of investments	0	2,149	4,117,542	0	(3,132)	(16,779)	(197)
Assets placed in receivership	0	0	0	0	0	0	196,344
Total Receipts	543	31,989	59,029,952	22,076	8,750	127,240	202,042
Disbursements							
Professional fees and expenses	0	107,124	635,262	1,835	28,168	2,649,451	100
Salaries and related expenses	0	0	2,552,715	0	0	578,902	0
General/Facility expenses	2,400	0	511,329	244	54	269,918	423
Distributions	0	171,305	54,520,305	39,750	0	8,592	2,585
Investment expense	0	231	83,090	0	0	24,469	41
Other	0	0	0	0	0	8,940	0
Total Disbursements	2,400	278,660	58,302,701	41,829	28,222	3,540,272	3,149
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,857)	(246,671)	727,251	(19,753)	(19,472)	(3,413,032)	198,893
CASH AND INVESTMENTS, JANUARY 1	225,850	5,031,706	20,199,786	77,866	4,063,313	23,767,443	0
CASH AND INVESTMENTS, DECEMBER 30	\$ 223,993	4,785,035	20,927,037	58,113	4,043,841	20,354,411	198,893

Appendix E-2

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Statement of Receipts, Disbursements, and Changes in Cash and Investments
 For Active Receiverships
 Year Ended December 31, 2010

	Bel-Aire Insurance Company	Casualty Reciprocal Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Integral Insurance Company	International Financial Security Life Insurance Company	Lutheran Benevolent Insurance Exchange
Receipts								
Premiums/investment income	\$ 1,048	3,800,193	5,547,594	329,186	11,259,491	6,511	61,280	55,601
Net increase (decrease) in reserve balance	0	5,942	0	25,000	0	0	0	0
Net increase (decrease) in the fair value of investments	1,856	(6,795)	25,643	(25,000)	853	92	32,077	4,068
Total Receipts	2,904	3,799,340	5,573,237	329,186	11,260,344	6,603	93,357	59,669
Disbursements								
Professional fees and expenses	5,104	409,618	1,686,772	82,137	335,090	107,701	458,102	91,254
Salaries and related expenses	0	86,976	119,115	65,575	0	0	0	0
General/facility expenses	8,040	13,248	1,308,301	25,365	0	8,372	134	2,486
Distributions	0	55,189	19,712,963	0	57,575,056	3,887	0	0
Investment expense	84	9,577	112,308	2,242	2,717	20,365	360	6,742
Income tax	0	0	1,230,920	0	0	0	0	0
Other	137	0	0	0	0	0	0	0
Total Disbursements	13,365	574,608	24,170,379	175,319	57,912,863	140,325	458,596	100,482
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,461)	3,224,732	(18,597,142)	153,867	(46,652,519)	(133,722)	(365,239)	(40,813)
CASH AND INVESTMENTS, JANUARY 1	2,709,598	39,037,858	87,893,256	1,325,865	75,574,170	9,191,017	11,474,176	3,609,781
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,699,137	42,262,590	69,296,114	1,479,732	28,921,651	9,057,295	11,108,937	3,568,968

Appendix E-2

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Statement of Receipts, Disbursements, and Changes in Cash and Investments
 For Active Receiverships
 Year Ended December 31, 2010

	M&M Companies	Maxicare Life and Health Insurance Company	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Riscorp National Insurance Company	Transit Casualty Company
Receipts							
Premiums/investment income	\$ 606	6,927	825,436	105,128,854	23,762	14,432	219,586
Net increase (decrease) in reserve balance	0	0	0	971	0	0	0
Net increase (decrease) in the fair value of investments	0	0	205	7,929,046	0	3,025	15,319
Assets placed in receivership	0	0	0	35,196,231	0	0	0
Total Receipts	606	6,927	825,641	148,255,102	23,762	17,457	234,905
Disbursements							
Professional fees and expenses	0	4,716	126,233	1,878,033	1,855	46,375	989,750
Salaries and related expenses	0	0	0	6,190,978	0	0	418,198
General/Facility expenses	0	0	0	1,545,450	655	985	390,266
Distributions	6,766	83,676	13,710,612	118,270,839	25,500	0	88,647,589
Investment expense	0	0	1,166	170,016	0	1,802	80,486
Other	0	0	3,618,134	0	0	0	34
Total Disbursements	6,766	88,392	17,456,145	128,055,316	28,010	49,162	90,526,323
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,160)	(81,465)	(16,630,504)	20,199,786	(4,248)	(31,705)	(90,291,418)
CASH AND INVESTMENTS, JANUARY 1	232,010	81,465	21,662,210	0	82,114	4,095,018	114,058,861
CASH AND INVESTMENTS, DECEMBER 31	\$ 225,850	0	5,031,706	20,199,786	77,866	4,063,313	23,767,443

Appendix E-3

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Statement of Receipts, Disbursements, and Changes in Cash and Investments
 For Active Receiverships
 Year Ended December 31, 2009

	Bel-Aire Insurance Company	Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Integral Insurance Company	Financial Security Life Insurance Company
Receipts							
Premiums/investment income	\$ 2,088	9,575,326	6,253,027	57,913	1,906,419	91,342	59,283
Net increase (decrease) in reserve balance	0	(18,940)	0	0	0	0	0
Net increase (decrease) in the fair value of investments	2,531	382,639	(365,718)	(3,442)	(430,817)	(16,289)	(92,259)
Total Receipts	4,619	9,939,025	5,887,309	54,471	1,475,602	75,053	(32,976)
Disbursements							
Professional fees and expenses	6,251	329,461	1,037,475	115,662	429,120	82,034	463,296
Salaries and related expenses	0	87,350	116,804	70,410	0	0	0
General/facility expenses	7,370	(786,408)	1,056,731	25,457	1,996	10,707	165
Distributions	0	19,247,295	60,254,392	0	0	11,005	0
Investment expense	56	11,243	271,222	3,303	37,733	40,741	360
Income tax	0	0	23,439,004	0	0	0	0
Total Disbursements	13,677	18,888,941	86,175,628	214,832	468,849	144,487	463,821
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,058)	(8,949,916)	(80,288,319)	(160,361)	1,006,753	(69,434)	(496,797)
CASH AND INVESTMENTS, JANUARY 1	2,718,656	47,987,774	168,181,575	1,486,226	74,567,417	9,260,451	11,970,973
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,709,598	39,037,858	87,893,256	1,325,865	75,574,170	9,191,017	11,474,176

Appendix E-3

Department of Insurance, Financial Institutions, and Professional Registration - Insurance
 Statement of Receipts, Disbursements, and Changes in Cash and Investments
 For Active Receiverships
 Year Ended December 31, 2009

	Lutheran Benevolent Insurance Exchange	M&M Companies	Maxicare Life and Health Insurance Company	Mission Reinsurance Corporation	Ozark Benefit Association Life Insurance Company	Riscorp National Insurance Company	Transit Casualty Company
Receipts							
Premiums/investment income	\$ 326,847	1,024	7,531	755,374	31,327	26,699	2,300,685
Net increase (decrease) in reserve balance	0	0	0	0	0	0	(22,623)
Net increase (decrease) in the fair value of investments	6,448	0	0	(106,088)	(405)	10,402	(316,564)
Total Receipts	<u>333,295</u>	<u>1,024</u>	<u>7,531</u>	<u>649,286</u>	<u>30,922</u>	<u>37,101</u>	<u>1,961,498</u>
Disbursements							
Professional fees and expenses	69,214	0	29,004	60,016	3,476	38,508	896,109
Salaries and related expenses	0	0	0	0	0	0	408,802
General/Facility expenses	2,260	2,563	7,203	(209)	330	68	461,717
Distributions	0	910	1,301,633	37,301	39,200	0	72,544
Investment expense	6,765	204	9	9,720	234	1,038	130,850
Income tax	434	0	7,438	0	0	0	0
Other	0	120,421	0	0	0	0	11,940
Total Disbursements	<u>78,673</u>	<u>124,098</u>	<u>1,345,287</u>	<u>106,828</u>	<u>43,240</u>	<u>39,614</u>	<u>1,981,962</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	254,622	(123,074)	(1,337,756)	542,458	(12,318)	(2,513)	(20,464)
CASH AND INVESTMENTS, JANUARY 1	<u>3,355,159</u>	<u>355,084</u>	<u>1,419,221</u>	<u>21,119,752</u>	<u>94,432</u>	<u>4,097,531</u>	<u>114,079,325</u>
CASH AND INVESTMENTS, DECEMBER 31	\$ <u>3,609,781</u>	<u>232,010</u>	<u>81,465</u>	<u>21,662,210</u>	<u>82,114</u>	<u>4,095,018</u>	<u>114,058,861</u>