

**SUBSTITUTE FOR
HOUSE BILL NO. 4237**

A bill to make appropriations for the department of insurance and financial services for the fiscal year ending September 30, 2020; and to provide for the expenditure of the appropriations.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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PART 1

LINE-ITEM APPROPRIATIONS

Sec. 101. There is appropriated for the department of insurance and financial services for the fiscal year ending September 30, 2020, from the following funds:

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

APPROPRIATION SUMMARY

Full-time equated unclassified positions6.0

Full-time equated classified positions346.5

GROSS APPROPRIATION..... \$ 68,889,800

1	Interdepartmental grant revenues:		
2	Total interdepartmental grants and intradepartmental		
3	transfers		723,100
4	ADJUSTED GROSS APPROPRIATION.....	\$	68,166,700
5	Federal revenues:		
6	Total federal revenues.....		1,017,600
7	Special revenue funds:		
8	Total other state restricted revenues.....		67,099,100
9	State general fund/general purpose.....	\$	50,000
10	State general fund/general purpose schedule:		
11	Ongoing state general fund/general		
12	purpose		50,000
13	One-time state general fund/general		
14	purpose		0
15	Sec. 102. DEPARTMENTAL ADMINISTRATION AND SUPPORT		
16	Full-time equated unclassified positions		6.0
17	Full-time equated classified positions		22.5
18	Unclassified salaries--6.0 FTE positions.....	\$	816,200
19	Administrative hearings.....		182,500
20	Department services--19.0 FTE positions.....		3,823,300
21	Executive director programs--3.5 FTE positions.....		1,091,900
22	Property management.....		1,283,500
23	Worker's compensation.....		<u>2,900</u>
24	GROSS APPROPRIATION.....	\$	7,200,300
25	Appropriated from:		
26	Special revenue funds:		
27	Bank fees.....		523,600

1	Captive insurance regulatory and supervision fund.....		3,000
2	Consumer finance fees.....		207,700
3	Credit union fees.....		877,100
4	Deferred presentment service transaction fees.....		279,000
5	Insurance bureau fund.....		2,587,900
6	Insurance continuing education fees.....		65,700
7	Insurance licensing and regulation fees.....		1,934,700
8	MBLSLA fund.....		670,300
9	Multiple employer welfare arrangement.....		1,300
10	State general fund/general purpose.....	\$	50,000
11	Sec. 103. INSURANCE AND FINANCIAL SERVICES REGULATION		
12	Full-time equated classified positions		324.0
13	Consumer services and protection--70.0 FTE positions..	\$	9,402,600
14	Financial institutions evaluation--133.0 FTE positions		24,993,600
15	Insurance evaluation--121.0 FTE positions.....		<u>25,017,300</u>
16	GROSS APPROPRIATION.....	\$	59,413,500
17	Appropriated from:		
18	Interdepartmental grant revenues:		
19	IDG from LARA, debt management.....		723,100
20	Federal revenues:		
21	Federal revenues.....		1,017,600
22	Special revenue funds:		
23	Bank fees.....		5,811,100
24	Captive insurance regulatory and supervision fund.....		491,200
25	Consumer finance fees.....		2,870,200
26	Credit union fees.....		8,986,000
27	Deferred presentment service transaction fees.....		2,432,900

1	Insurance bureau fund.....	21,290,100
2	Insurance continuing education fees.....	863,700
3	Insurance licensing and regulation fees.....	7,958,500
4	MBLSLA fund.....	6,481,900
5	Multiple employer welfare arrangement.....	487,200
6	State general fund/general purpose.....	\$ 0
7	Sec. 104. INFORMATION TECHNOLOGY	
8	Information technology services and projects.....	\$ <u>2,276,000</u>
9	GROSS APPROPRIATION.....	\$ 2,276,000
10	Appropriated from:	
11	Special revenue funds:	
12	Bank fees.....	227,900
13	Consumer finance fees.....	94,000
14	Credit union fees.....	373,100
15	Deferred presentment service transaction fees.....	114,500
16	Insurance bureau fund.....	445,400
17	Insurance continuing education fees.....	23,000
18	Insurance licensing and regulation fees.....	735,400
19	MBLSLA fund.....	262,700
20	State general fund/general purpose.....	\$ 0

21 PART 2
 22 PROVISIONS CONCERNING APPROPRIATIONS
 23 FOR FISCAL YEAR 2019-2020

24 **GENERAL SECTIONS**

25 Sec. 201. Pursuant to section 30 of article IX of the state

1 constitution of 1963, total state spending from state sources under
2 part 1 for fiscal year 2019-2020 is \$67,149,100.00 and state
3 spending from state sources to be paid to local units of government
4 for fiscal year 2019-2020 is \$0.

5 Sec. 202. The appropriations authorized under this part and
6 part 1 are subject to the management and budget act, 1984 PA 431,
7 MCL 18.1101 to 18.1594.

8 Sec. 203. As used in this part and part 1:

9 (a) "Department" means the department of insurance and
10 financial services.

11 (b) "Director" means the director of the department.

12 (c) "FTE" means full-time equated.

13 (d) "IDG" means interdepartmental grant.

14 (e) "LARA" means the department of licensing and regulatory
15 affairs.

16 (f) "MBLSLA fund" means the restricted account established
17 under section 8 of the mortgage brokers, lenders, and servicers
18 licensing act, 1987 PA 173, MCL 445.1658.

19 (g) "Subcommittees" means the subcommittees of the house of
20 representatives and senate appropriations committees with
21 jurisdiction over the budget for the department.

22 Sec. 204. The department and agencies receiving appropriations
23 in this part and part 1 shall use the internet to fulfill the
24 reporting requirements of this part. This requirement may include
25 transmission of reports via electronic mail to the recipients
26 identified for each reporting requirement, or it may include
27 placement of reports on an internet or intranet site.

1 Sec. 205. Funds appropriated in this part and part 1 must not
2 be used for the purchase of foreign goods or services, or both, if
3 competitively priced and of comparable quality American goods or
4 services, or both, are available. Preference must be given to goods
5 or services, or both, manufactured or provided by Michigan
6 businesses, if they are competitively priced and of comparable
7 quality. In addition, preference must be given to goods or
8 services, or both, that are manufactured or provided by Michigan
9 businesses owned and operated by veterans, if they are
10 competitively priced and of comparable quality.

11 Sec. 206. The director shall take all reasonable steps to
12 ensure businesses in deprived and depressed communities compete for
13 and perform contracts to provide services or supplies, or both. The
14 director shall strongly encourage firms with which the department
15 contracts to subcontract with certified businesses in depressed and
16 deprived communities for services, supplies, or both.

17 Sec. 207. (1) Out-of-state travel must be limited to
18 situations where the travel is approved by a departmental
19 employee's immediate supervisor and in which 1 or more of the
20 following conditions apply:

21 (a) The travel is required by legal mandate or court order or
22 for law enforcement purposes.

23 (b) The travel is necessary to protect the health or safety of
24 Michigan citizens or visitors or to assist other states in similar
25 circumstances.

26 (c) The travel is necessary to produce budgetary savings or to
27 increase state revenues, including protecting existing federal

1 funds or securing additional federal funds.

2 (d) The travel is necessary to comply with federal
3 requirements.

4 (e) The travel is necessary to secure specialized training for
5 staff that is not available within this state.

6 (f) The travel is financed entirely by federal or nonstate
7 funds.

8 (2) The department shall not approve the travel of more than 1
9 departmental employee to a specific professional development
10 conference or training seminar that is located outside of this
11 state unless a professional development conference or training
12 seminar is funded by a federal or private funding source and
13 requires more than 1 individual from the department to attend, or
14 the conference or training seminar includes multiple issues in
15 which 1 employee from the department does not have expertise.

16 (3) Not later than January 1, the department shall prepare a
17 travel report listing all travel by classified and unclassified
18 employees outside this state in the immediately preceding fiscal
19 year that was funded in whole or in part with funds appropriated in
20 the department's budget. The department shall submit the report to
21 the senate and house of representatives standing committees on
22 appropriations, the senate and house fiscal agencies, and the state
23 budget director. The report must include all of the following
24 information:

25 (a) The name of each person receiving reimbursement for travel
26 outside this state or whose travel costs were paid by this state.

27 (b) The destination of each travel occurrence.

1 (c) The dates of each travel occurrence.

2 (d) A brief statement of the reason for each travel
3 occurrence.

4 (e) The transportation and related costs of each travel
5 occurrence, including the proportion funded with state general
6 fund/general purpose revenues, the proportion funded with state
7 restricted revenues, the proportion funded with federal revenues,
8 and the proportion funded with other revenues.

9 (f) A total of all out-of-state travel funded for the
10 immediately preceding fiscal year.

11 Sec. 208. Funds appropriated in this part and part 1 must not
12 be used by a principal executive department, state agency, or
13 authority to hire a person to provide legal services that are the
14 responsibility of the attorney general. This prohibition does not
15 apply to legal services for bonding activities and for those
16 outside services that the attorney general authorizes.

17 Sec. 209. Not later than November 30, the state budget office
18 shall prepare and transmit a report that provides for estimates of
19 the total general fund/general purpose appropriation lapses at the
20 close of the prior fiscal year. This report must summarize the
21 projected year-end general fund/general purpose appropriation
22 lapses by major departmental program or program areas. The state
23 budget office shall transmit the report to the chairpersons of the
24 senate and house of representatives appropriations committees and
25 the senate and house fiscal agencies.

26 Sec. 210. (1) In addition to the funds appropriated in part 1,
27 there is appropriated an amount not to exceed \$1,000,000.00 for

1 federal contingency funds. These funds are not available for
2 expenditure until they have been transferred to another line item
3 in part 1 under section 393(2) of the management and budget act,
4 1984 PA 431, MCL 18.1393.

5 (2) In addition to the funds appropriated in part 1, there is
6 appropriated an amount not to exceed \$5,000,000.00 for state
7 restricted contingency funds. These funds are not available for
8 expenditure until they have been transferred to another line item
9 in part 1 under section 393(2) of the management and budget act,
10 1984 PA 431, MCL 18.1393.

11 Sec. 211. The department shall cooperate with the department
12 of technology, management, and budget to maintain a searchable
13 website accessible by the public at no cost that includes, but is
14 not limited to, all of the following for the department or each
15 agency:

- 16 (a) Fiscal-year-to-date expenditures by category.
17 (b) Fiscal-year-to-date expenditures by appropriation unit.
18 (c) Fiscal-year-to-date payments to a selected vendor,
19 including the vendor name, payment date, payment amount, and
20 payment description.
21 (d) The number of active department employees by job
22 classification.
23 (e) Job specifications and wage rates.

24 Sec. 212. Within 14 days after the release of the executive
25 budget recommendation, the department shall cooperate with the
26 state budget office to provide the senate and house of
27 representatives appropriations committee chairs, the senate and

1 house appropriations subcommittees chairs, and the senate and house
2 fiscal agencies with an annual report on estimated state restricted
3 fund balances, state restricted fund projected revenues, and state
4 restricted fund expenditures for the fiscal years ending September
5 30, 2019 and September 30, 2020.

6 Sec. 213. The department shall maintain, on a publicly
7 accessible website, a department scorecard that identifies, tracks,
8 and regularly updates key metrics that are used to monitor and
9 improve the department's performance.

10 Sec. 214. Total authorized appropriations from all sources
11 under part 1 for legacy costs for the fiscal year ending September
12 30, 2020 are estimated at \$9,068,100.00. From this amount, total
13 agency appropriations for pension-related legacy costs are
14 estimated at \$4,408,200.00. Total agency appropriations for retiree
15 health care legacy costs are estimated at \$4,659,900.00.

16 Sec. 215. Unless prohibited by law, the department may accept
17 credit card or other electronic means of payment for licenses,
18 fees, or permits.

19 Sec. 216. The department shall not take disciplinary action
20 against an employee for communicating with a member of the
21 legislature or his or her staff.

22 Sec. 217. The department, in conjunction with the department
23 of health and human services, shall maintain an accounting
24 structure within this state's accounting system that will allow
25 expenditures associated with the administration of the Healthy
26 Michigan plan to be identified.

27 Sec. 218. The amount appropriated from the general fund in

1 part 1 for executive director programs may only be expended to
2 comply with reporting requirements regarding the Healthy Michigan
3 plan under section 105d(9) of the social welfare act, 1939 PA 280,
4 MCL 400.105d.

5 Sec. 219. From the funds appropriated in part 1 from the
6 insurance bureau fund, funds may be expended to support legislative
7 participation in insurance activities coordinated by insurance and
8 legislative associations, in accordance with section 225 of the
9 insurance code of 1956, 1956 PA 218, MCL 500.225.

10 **INSURANCE AND FINANCIAL SERVICES REGULATION**

11 Sec. 301. The department shall provide a report to the
12 subcommittees, the senate and house fiscal agencies, and the state
13 budget director by September 30 based on the annual rate filings
14 from health insurance issuers that includes all of the following:

- 15 (a) The number that are approved by the department.
16 (b) The number that are denied by the department.
17 (c) The percentage of rate filings processed within the
18 applicable statutory time frames.
19 (d) The average number of calendar days to process rate
20 filings.

21 Sec. 302. In addition to the funds appropriated in part 1, the
22 funds collected by the department in connection with a
23 conservatorship under section 32 of the mortgage brokers, lenders,
24 and servicers licensing act, 1987 PA 173, MCL 445.1682, and funds
25 collected by the department from corporations being liquidated
26 under the insurance code of 1956, 1956 PA 218, MCL 500.100 to

1 500.8302, must be appropriated for all expenses necessary to
2 provide for the required services. Funds are available for
3 expenditure when they are received by the department of treasury
4 and must not lapse to the general fund at the end of the fiscal
5 year.

6 Sec. 303. The department may make available to interested
7 entities customized listings of nonconfidential information in its
8 possession. The department may establish and collect a reasonable
9 charge to provide this service. The revenue from this service is
10 appropriated when received and must be used to offset expenses to
11 provide the service. Any balance of this revenue collected and
12 unexpended at the end of the fiscal year must lapse to the
13 appropriate restricted fund.

14 Sec. 304. (1) The department shall enhance the reporting
15 requirements of the 0850 report to better capture enrollment and
16 other appropriate data.

17 (2) The department shall update the 0850 report to
18 differentiate the primary and specific claims functions of the
19 third party administrator that it governs. The claims processing
20 designations in the 0850 report must include all of the following:

- 21 (a) Medical/surgical.
- 22 (b) Dental.
- 23 (c) Vision.
- 24 (d) Pharmaceutical.
- 25 (e) Disability.
- 26 (f) Long-term care.
- 27 (g) Cafeteria plans.

1 (h) Worker's compensation.

2 (i) Credit disability.

3 (3) As used in this section, "0850 report" means the financial
4 statement for third party administrators report.

5 Sec. 305. From the funds appropriated in part 1, the
6 department shall conduct a study to determine the feasibility of an
7 auto insurance marketplace including, but not limited to, the
8 ability to allow consumers to compare insurance rates, discounts,
9 and features from different insurance producers.

10 Sec. 306. The department shall provide a report to the
11 subcommittees, the senate and house fiscal agencies, and the state
12 budget director by September 30 providing a total calculation of
13 cost savings that the anti-fraud unit within the department has
14 achieved for this state and consumers throughout the fiscal year.
15 If the necessary data is available, the report must include an
16 itemized listing and description of cost savings that the anti-
17 fraud unit has achieved. Any itemization must also state which of
18 the following industries the applicable savings were achieved in:

19 (a) Financial services.

20 (b) Auto insurance.

21 (c) Health insurance.

22 (d) Life insurance.

23 (e) Any other category of insurance.

24 Sec. 307. The department must produce a report and transmit
25 the report to the subcommittees, senate and house fiscal agencies,
26 and state budget director by December 31. The report must include
27 all of the following information for the prior fiscal year:

1 (a) The number of complaints received by the office of
2 consumer services, with number of complaints specified for auto
3 insurers, health insurers, life insurers, other types of insurers,
4 banks, credit unions, deferred presentment service providers,
5 mortgage loan originators, and other consumer finance license
6 types.

7 (b) A description of the process that the office of consumer
8 services uses to resolve complaints.

9 (c) A description of the types of complaints received by the
10 office of consumer services pertaining to auto insurers, with
11 counts of the number of complaints of that type received.

12 (d) The number of investigations that the office of consumer
13 services initiated and the number of investigations that the office
14 closed.

15 (e) The number of recoveries that the office of consumer
16 services secured and the total value of those recoveries.

17 (f) The number and type of enforcement actions taken against
18 licensees as a result of complaints received by the office of
19 consumer services.

20 (g) A description of the staffing level and staff
21 responsibilities in the office of consumer services.