

2008-09 Spending Plan	Insurance Department
	Eric R. Dinallo, Superintendent of Insurance

A. Overview of Proposed Plan

A.1 Overall Approach

The Insurance Department's mission is to protect the public and to foster the sound, prudent growth of the insurance industry. Building upon its efforts to execute reductions included in the Governor's 21-Day Amendments and in response to Budget Bulletin B -1178, the Department intensified its review of all agency operations to identify where cost savings could be achieved.

As a result of this examination, the Department is submitting the following 2008-09 Spending Plan which will allow us to meet our regulatory and consumer protection responsibilities, address the Agency's priorities and initiatives, and meet the required cash reduction targets.

A.2 Achievement of Savings on a Recurring Basis

The Department has identified the following items for recurring savings opportunities in 2008-09 and beyond:

- Personal-Service, Fringe Benefits, and Indirect Costs - In order to meet mission-critical activities and the required cash reduction targets, workforce management steps will have to be made including selective hiring, planned attrition and potential reductions in the size of the incoming insurance examiner trainee class. Based on the current roster, the Department estimates an affordable year-end fill level of 951 special revenue and 12 general fund FTEs in 08-09. In addition, the First Deputy Superintendent will approve all requests to fill vacant positions and the Director of Administration will approve all requests for overtime or other non-routine personal service expenditures.
- Travel - All travel in the Department is currently accomplished in the most economical means possible. Effective immediately, all out-of-state travel, attendance at conferences and association meetings will require prior approval by the First Deputy Superintendent.
- Publications/Subscriptions - The Department has identified duplicative subscription, publications and on-line research services for cancellation.
- Contractual Services – The Department is fostering reductions in contractual services through a tightly controlled competitive bidding process. In addition, the Department completed a review of all contractual and ongoing obligations to determine those obligations that are mission-critical and should be continued. As a result of this review, the Department will a.) Postpone a plan to acquire additional office space in lower Manhattan; b.) Reduce the vehicle

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fleet by three percent; and c.) Reduce its use of a private vendor for training and will instead maximize in-house expertise for these efforts.

- Insurance Suballocations – The Department's cash ceiling target includes a re-estimate of cash disbursements for suballocations to other State agencies. These re-estimates are based upon historical spending patterns for these programs. These disbursement estimates will be periodically reviewed and may be modified during the balance of the fiscal year.

A.3 Protecting Key Priorities

As part of this exercise, the Department identified mission-critical regulatory and consumer protection activities. These core-functions were protected from budget reductions but continue to be reviewed for program improvements.

A.4 Treatment of New Initiatives

The 2008-09 Enacted Budget includes several major initiatives that are mission-critical to the Department including: Universal Healthcare Coverage, Commission to Modernize Financial Services, bond insurance initiative, and the Workers' Compensation Task Force. The Department's 2008-09 Spending Plan continues to fully support these essential programs.

B. Summary of General Fund Financial Impacts

GENERAL FUND -- SAVINGS SUMMARY			
	<u>Required Reduction</u>	<u>2008-09 Savings</u>	<u>2009-10 Savings</u>
Local Assistance	N/A	N/A	N/A
Personal Service	27	27	27
Non-personal Service	N/A	N/A	N/A
Total State Operations	27	27	27
Capital	N/A	N/A	N/A
TOTAL	27	27	27

GENERAL FUND -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance	N/A	N/A	N/A
Personal Service	222	773	248%
Non-personal Service	63,847	90,147	41%
Total State Operations	64,069	90,920	42%
Capital	N/A	N/A	N/A
TOTAL	64,069	90,920	42%

C. Identification of Proposed General Fund Actions

	2008-09 Cash	2009-10 Cash	2010-11 Cash
GENERAL FUND			
Local Assistance			
1. N/A			
State Operations			
2. Manage workforce through selective hiring and attrition to maintain affordable fill level throughout current fiscal year and beyond.	(27)	(27)	(27)
Capital Projects			
3. N/A			

D. Summary of Impact on Other Funds

OTHER FUNDS -- SAVINGS SUMMARY			
	Required Reduction	2008-09 Savings	2009-10 Savings
Local Assistance	2,602	2,602	2,602
Personal Service	2,313	2,283	2,283
Non-personal Service	9,500	9,530	9,530
Total State Operations	11,813	11,813	11,813
Capital	N/A	N/A	N/A
TOTAL	14,415	14,415	14,415

OTHER FUNDS -- YEAR-TO-YEAR CHANGE, AFTER SAVINGS			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance	241,236	314,273	23%
Personal Service	64,127	68,617	7%
Non-personal Service	104,974	153,740	46%
Total State Operations	169,101	222,357	31%
Capital	N/A	N/A	N/A
TOTAL	410,337	536,630	31%

E. Identification of Proposed Other Fund Actions

	2008-09 Cash	2009-10 Cash	2010-11 Cash
OTHER FUNDS (Note the fund/s affected by each proposal, in parentheses at the end of each entry)			
Local Assistance			
1. Re-estimate cash disbursements for programs funded at other agencies by insurance suballocations. (339.B6)	(2,602)	(2,602)	(2,602)
State Operations			
2. Manage workforce through selective hiring and attrition to maintain affordable fill level throughout current fiscal year and beyond. This savings proposal includes related reductions to indirect costs.(339.B6)	(2,371)	(2,371)	(2,371)

	2008-09 Cash	2009-10 Cash	2010-11 Cash
3. Re-estimate cash disbursements for programs funded at other agencies by insurance suballocations. (339.B6)	(8,548)	(8,548)	(8,548)
4. Cancel duplicative publications/subscriptions.(339.B6)	(32)	(32)	(32)
5. Achieve 3% reduction in travel through careful management. Maintains essential examination and regulatory travel. (339.B6)	(100)	(100)	(100)
6. Reduce use of contractual services for core function training by maximizing in-house expertise. (339.B6)	(50)	(50)	(50)
7. Postpone move to William Street (339.B6)	(447)	(447)	(447)
8. Reduce vehicle fleet by 3%. (339.B6)	(15)	(15)	(15)
9. Achieve contractual savings for actuarial services due to increasingly competitive environment. (339.B6)	(250)	(250)	(250)

Capital Projects

10. N/A

F. Plan to Manage the Workforce

F.1 Overall Approach

The Department will continue to closely monitor staffing levels. All new hires will be evaluated on a case by case basis to ensure that only mission-critical positions are filled. In addition, the First Deputy Superintendent will approve all requests to fill vacant position and the Director of Administration will approve all requests for overtime or other non-routine personal service expenditures.

F.2 Plan for Refill of Vacant Positions (both current and anticipated vacancies)

The Department will attempt to fill all mission-critical positions within normal recruitment times. The Department must continue to recruit and retain Insurance Examiner Trainees. Insurance Examiners currently comprise almost half of the Department's staffing and as the Department loses its higher level examiners and those with considerable expertise to attrition and retirement, it is imperative that the Department hire new examiners in order to keep consistent and current with the regulation of insurance companies, monitor consumer issues and develop new initiatives to continuously maintain and improve the insurance industry and consumer protection.

The insurance industry expands and grows more complex each year, compelling the Department to extend its resources further than ever. As new and more intricate issues arise, Department staff must keep pace in order to properly regulate insurance companies, monitor consumer issues and develop initiatives to support the insurance industry and improve consumer protection.

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Additionally, the Department has had to rely on the increased use of outsourcing to complete insurance company examinations within the statutorily mandated time frames.

In order to ensure business continuity and succession planning, the filling of key management positions is also accommodated in the Spending Plan either through internal promotions or recruitment from other agencies. Currently, 47 percent of senior level managers at the Department are eligible to retire within two years with full benefits.

Workforce Impact -- All Funds	
a. Initial Target: 968	-----
b. Current Fills PP# 3 or 4	968
c. Recurring impact of proposed actions (see Parts C & E)	(52)
d. Recurring impact of vacancy-refilling plan (see F.2)	47
e. Total FTEs March 31, 2009 (line b minus line c, plus/minus line d)	963
f. Change from Initial 2008-09 Target (line a minus line e)	(5)

G. Monthly Projections: All Funds Workforce; General Fund State Operations/Local/Capital

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL
A. Workforce - All Funds													
Est FTEs Month-end	968	968	968	968	968	968	967	966	965	965	964	963	
B. State Operations	April	May	June	July	August	September	October	November	December	January	February	March	Totals
Personal Service													
1st PP	514	2,591	2,660	2,659	2,666	2,666	2,673	2,694	2,786	2,694	2,625	2,625	29,853
2nd PP	2,578	2,659	2,660	2,659	2,666	2,666	2,673	2,694	2,694	2,668	2,625	2,625	31,867
3rd PP (if applies)	2,614	0	0	0	0	0	2,694	0	0	0	0	2,362	7,670
Subtotal PS	5,706	5,250	5,320	5,318	5,332	5,332	8,040	5,388	5,480	5,362	5,250	7,612	69,390
NPS	27	10,795	32,844	19,526	10,809	32,844	19,525	33,343	10,809	19,525	10,809	43,031	243,887
Total Disbursements -- State Ops	5,733	16,045	38,164	24,844	16,141	38,176	27,565	38,731	16,289	24,887	16,059	50,643	313,277
C. Local Assistance													
Department of State	0	84	84	84	85	85	85	85	85	85	85	85	932
Department of Health	0	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,044	2,045	2,045	22,486
HCRA Programs	0	0	25	163,200	0	25	30	30	65	50	4	127,426	290,855
Total Disbursements - Local	0	2,128	2,153	165,328	2,129	2,154	2,159	2,159	2,194	2,179	2,134	129,556	314,273
D. Capital Projects													
N/A	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Disbursements - Capital	0	0	0	0	0	0	0	0	0	0	0	0	0

H. Assumptions Underlying the Proposed Plan

The Department will continue to meet its statutory exam requirements through the expanded use of risk-focused exam techniques and a broadened emphasis on principle guided regulatory approaches.

I. Management of Risks Inherent in the Plan

The insurance industry expands and grows more complex each year, compelling the Department to extend its resources further than ever. As new and more intricate issues arise, Department staff must keep pace in order to properly regulate insurance companies, monitor consumer issues and develop initiatives to support the insurance industry and improve consumer protection.

In addition, the Department has had to rely on the increased use of outsourcing to complete insurance company examinations within the statutorily mandated time frames.

The inability to fill vacant insurance examiner trainee and key management positions may affect our ability to meet mandated insurance examination schedules, and will hamper succession planning efforts and the development of expertise as we enter the next decade. We will continue to closely monitor our recruitment activities to ensure that positions are filled expeditiously and that the Department has sufficient staff to meet its regulatory and operational requirements. As there are a significant number of employees currently eligible to retire, the Department is employing a number of succession planning strategies aimed at recruiting, retaining and developing a highly skilled and competent workforce. One of these strategies is the Department's Insurance Examiner Traineeship which has the goal of "Growing our Own."

J. Additional Savings Opportunities for 2008-09

The Department will continue to evaluate program activities for potential savings opportunities. Reductions beyond those outlined in this plan may result in cuts to mission-critical examination and regulatory activities.

K. Potential Future Savings Opportunities/Operational Improvements (indicate if statutory change is required)

The Department remains committed to protecting the public and fostering the sound, prudent growth of the insurance industry. We will strive to ensure that customers, both individuals and businesses, are fully informed, have access to affordable insurance products and are treated fairly in the claims process. The Department will also take steps to ensure that there is a positive climate in New York for the insurance industry to thrive by implementing innovative regulations within an efficient, principle-guided regulatory framework. In order to achieve these important goals and meet the demands of the current fiscal environment, the Department will continue to investigate operational improvements and efficiencies for all of our activities.