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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

Background	The Department of Insurance, Financial Institutions, and Professional Registration-Insurance (DIFP-Insurance) regulates and licenses the insurance industry in Missouri; ensures the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures the insurance industry complies with state law.
Insurance Dedicated Fund Expenditures	In fiscal years 2014 and 2015, costs incurred by the Department of Health and Senior Services (DHSS) were paid from the Insurance Dedicated Fund, a fund restricted by state law solely for payment of expenditures incurred by DIFP-Insurance. Section 374.150.3, RSMo, authorizes an annual transfer of \$500,000 from the Insurance Dedicated Fund to the General Revenue Fund beginning in fiscal year 2014, but no transfers were appropriated or made as of June 30, 2015. DIFP-Insurance personnel indicated that \$500,000 in fiscal year 2014 and \$1 million in fiscal year 2015 was appropriated to and expended by the DHSS from the Insurance Dedicated Fund in place of the authorized transfers. However, the \$1 million expended in fiscal year 2015 was \$500,000 more than the transfer allowed by state law, and another \$1 million has been appropriated to DHSS from the fund for fiscal year 2016, again exceeding the transfer of \$500,000 allowed by law.
Examination Tax Credit	As noted in previous audit reports, Missouri is one of only five states that allow insurance companies to receive tax credits for examination costs, thereby shifting a significant portion of examination costs from insurance companies to the state's General Revenue Fund. During the 10 years ended December 31, 2014, examination credits of approximately \$24 million were redeemed. To maximize state revenue, examination costs should be paid by companies as part of doing business in the state.

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

*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

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NICOLE GALLOWAY, CPA **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, 2015, 2014, and 2013. The objectives of our audit were to:

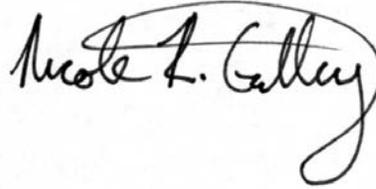
1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

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) no significant deficiencies in internal controls, (2) noncompliance with a legal provision, and (3) no significant deficiencies 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.



Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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

1. Insurance Dedicated Fund Expenditures

In fiscal years 2015 and 2014, costs incurred by the Department of Health and Senior Services (DHSS) were paid from the Insurance Dedicated Fund. State law requires appropriations from the Insurance Dedicated Fund to be used solely for the payment of expenditures incurred by the Department of Insurance, Financial Institutions, and Professional Registration (DIFP)-Insurance.

Using funding appropriated in the department's approved budgets, the DHSS spent \$1 million during the year ended June 30, 2015, and \$500,000 during the year ended June 30, 2014, from the Insurance Dedicated Fund for the costs of maintaining and operating a poison control hotline. In addition, the DHSS received appropriations of \$1 million from this fund in the department's budget for the year ended June 30, 2016.

Section 374.150.3, RSMo, authorizes an annual transfer of \$500,000 from the Insurance Dedicated Fund to the General Revenue Fund beginning in fiscal year 2014; however, no transfers have been appropriated or made as of June 30, 2015. DIFP-Insurance personnel indicated the appropriations to the DHSS were made in place of the transfers to the General Revenue Fund. However, in fiscal years 2015 and 2016, the appropriations made to the DHSS were \$1 million annually, or \$500,000 more than the annual statutorily allowed transfer amount.

The Insurance Dedicated Fund is authorized by Section 374.150.1, RSMo, to receive all fees due to the state under the provisions of the insurance laws. Section 374.150.2, RSMo, provides, in part, that the Insurance Dedicated Fund shall be devoted solely to the payment of expenditures incurred by the DIFP-Insurance attributable to duties performed by the department for the regulation of the business of insurance, regulation of health maintenance organizations, and the operation of the division of consumer affairs. Notwithstanding other provisions on this section to the contrary, Section 374.150.3, RSMo, permits \$500,000 of the fund to be transferred to general revenue. The General Assembly should evaluate the restrictions on the purpose of the Insurance Dedicated Fund before appropriating monies from the fund.

Recommendation

The DIFP-Insurance work with the General Assembly to ensure all appropriated disbursements from the Insurance Dedicated Fund are reasonable and proper and relate to the overall function of the department.

Auditee's Response

DIFP-Insurance will continue to work with the General Assembly to ensure that DIFP-Insurance's appropriation authorizes the department to make reasonable and proper expenditures that relate to the overall function of the department.



2. 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 instead of insurance companies. According to 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 insurance companies to deduct the entire cost of examinations from premium taxes owed to the state and carry forward unused credits for 5 years. According to documentation obtained from the DIFP-Insurance, examination tax credits of approximately \$24.3 million were redeemed during the 10 years ended December 31, 2014. Included in this amount is \$2,485,235 redeemed in 2012, \$1,787,429 redeemed in 2013, and \$2,611,819 redeemed in 2014. To maximize state revenue, examination costs should be paid by companies as part of doing business in the state.

A similar condition was noted in our four prior reports.

Recommendation

The DIFP-Insurance work with the General Assembly to reduce or eliminate the examination tax credit for insurance companies.

Auditee's Response

DIFP-Insurance will continue to track and provide information on the examination tax credit to the General Assembly as required under the Tax Credit Accountability Act, Sections 135.800 – 135.830, RSMo. In 2014 a tax credit reform bill (HB 2133) was introduced containing an amendment to Section 148.400, RSMo. The bill was not enacted.

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. Constitutional 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 appointed 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, 2015, there were 228 domestic and 1,749 foreign insurance companies licensed in Missouri. Insurers with primary corporate headquarters located in a particular state are called domestic insurers. Foreign insurers are those that are allowed to sell insurance in a state but have a primary legal residence in another state.

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 198 employees as of June 30, 2015.

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



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companies for the costs incurred by the department in conducting examinations, valuations, or proceedings against such companies.

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 that 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 Administrative Fund is used to account for department-wide expenditures for budget, legislative coordination, public information, accounting, human resources, and department management. The fund receives monies through a cost allocation to the divisions within DIFP.

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:

- Foreign Companies Premium Taxes: In accordance with various provisions of Chapter 148, RSMo, foreign 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.



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- 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 for collection and deposit to the General Revenue Fund.
- 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 for collection and deposit to the General Revenue Fund.
- 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 and deposits them into the General Revenue Fund.

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.

The department certifies to the DOR all penalties and interest due as a result of late payments of surplus lines taxes. The DOR collects the penalties and interest and deposits the amounts into the State School Moneys Fund. In addition, fines and forfeitures imposed and collected by the department under the Missouri Insurance Code are deposited into the State School Moneys Fund.



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In accordance with Sections 148.320 and 148.330, RSMo, domestic 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 Financial Institutions Tax Fund.

The DIFP-Insurance is authorized to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. Sixteen insurance companies were in receivership during the 3 years ended December 31, 2014. Five of these receiverships were closed as of December 31, 2014. 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. There are seven companies that do not have a special deputy receiver assigned to them. The department handles the day-to-day operations for one company and has contracted with vendors to act as agents for the other six companies. The nine 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, 2014.

According to the National Association of Insurance Commissioners (NAIC), for calendar year 2014, Missouri ranked 13th nationally in the number of insurance companies incorporated in the state. The department's budget for fiscal year 2015 ranked 25th nationally.

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



Department of Insurance, Financial Institutions, and
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As of June 30, 2015

Type of Company	As of June 30, 2015	
	Missouri Domicile	Foreign
Captive	47	1
Domestic Surplus Lines Insurer	2	0
Fraternal Benefit	1	28
Health Maintenance Organization	14	9
Health Services	1	0
Life and Health	26	460
Mutual Property	82	0
Prepaid Dental	6	9
Professional Malpractice	5	0
Property and Casualty	43	876
Reinsurer	0	349
Title	1	17
Total	228	1,749

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, 2015

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	DIFP Administrative Fund	Total (Memorandum Only)
RECEIPTS					
Federal grant	\$ 1,386,158	0	0	0	1,386,158
Recovery costs	0	4,635,688	9,930	0	4,645,618
County foreign insurance tax	0	0	194,228	0	194,228
Producers	0	0	7,808,075	0	7,808,075
Business entities	0	0	1,575,692	0	1,575,692
Filing fees	0	0	842,513	0	842,513
Service contract fees	0	0	116,100	0	116,100
Insurance regulation fees	0	0	2,435,554	0	2,435,554
Miscellaneous insurance fees	0	0	91,690	0	91,690
DIFP - department administration	0	0	0	273,818	273,818
Other	0	109	43,670	15	43,794
Interest	0	0	73,452	0	73,452
Total Receipts	<u>1,386,158</u>	<u>4,635,797</u>	<u>13,190,904</u>	<u>273,833</u>	<u>19,486,692</u>
DISBURSEMENTS					
Personal service	140,298	3,140,071	7,597,528	157,150	11,035,047
Employee fringe benefits	67,255	1,248,531	3,371,719	64,010	4,751,515
Expense and equipment	11,720	387,019	1,484,457	53,258	1,936,454
Refunds	0	28,859	22,221	0	51,080
State office building rent, maintenance, and repair	0	85,045	320,734	0	405,779
Worker's compensation claims	0	0	9,694	0	9,694
DIFP - department administration	0	0	19,559	0	19,559
Cost allocation plan	0	44,700	113,908	0	158,608
Unemployment benefits	0	0	11,961	0	11,961
Health insurance counseling	1,166,682	0	200,000	0	1,366,682
Insurance leasing	0	10,834	6,335	0	17,169
Poison control hotline	0	0	1,000,000	0	1,000,000
Total Disbursements	<u>1,385,955</u>	<u>4,945,059</u>	<u>14,158,116</u>	<u>274,418</u>	<u>20,763,548</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	203	(309,262)	(967,212)	(585)	(1,276,856)
TRANSFERS					
Transfer to Damaged Infrastructure Fund	0	0	(10,000,000)	0	(10,000,000)
Total Transfers	<u>0</u>	<u>0</u>	<u>(10,000,000)</u>	<u>0</u>	<u>(10,000,000)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	203	(309,262)	(10,967,212)	(585)	(11,276,856)
CASH AND INVESTMENTS, JULY 1	0	969,617	16,083,705	587	17,053,909
CASH AND INVESTMENTS, JUNE 30	\$ <u>203</u>	<u>660,355</u>	<u>5,116,493</u>	<u>2</u>	<u>5,777,053</u>

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, 2014

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	DIFP Administrative Fund	Total (Memorandum Only)
RECEIPTS					
Federal grant	\$ 1,481,306	0	0	0	1,481,306
Recovery costs	0	4,648,233	230	0	4,648,463
County foreign insurance tax	0	0	160,886	0	160,886
Producers	0	0	7,521,280	0	7,521,280
Business entities	0	0	1,541,732	0	1,541,732
Filing fees	0	0	885,616	0	885,616
Service contract fees	0	0	119,000	0	119,000
Insurance regulation fees	0	0	2,804,144	0	2,804,144
Miscellaneous insurance fees	0	0	93,380	0	93,380
DIFP - department administration	0	0	0	257,245	257,245
Other	3	21	8,398	10	8,432
Interest	0	0	86,812	0	86,812
Total Receipts	<u>1,481,309</u>	<u>4,648,254</u>	<u>13,221,478</u>	<u>257,255</u>	<u>19,608,296</u>
DISBURSEMENTS					
Personal service	247,388	3,072,971	7,169,757	152,028	10,642,144
Employee fringe benefits	117,826	1,196,689	3,103,363	62,420	4,480,298
Expense and equipment	10,128	257,233	1,452,262	42,168	1,761,791
Refunds	0	0	13,368	0	13,368
State office building rent, maintenance, and repair	0	71,540	353,536	0	425,076
Worker's compensation claims	0	0	1,962	0	1,962
DIFP - department administration	0	0	19,616	0	19,616
Cost allocation plan	0	46,102	120,418	0	166,520
Unemployment benefits	0	0	1,391	73	1,464
Health insurance counseling	1,108,370	0	200,000	0	1,308,370
Insurance leasing	0	535	6,891	0	7,426
Poison control hotline	0	0	500,000	0	500,000
Total Disbursements	<u>1,483,712</u>	<u>4,645,070</u>	<u>12,942,564</u>	<u>256,689</u>	<u>19,328,035</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,403)	3,184	278,914	566	280,261
CASH AND INVESTMENTS, JULY 1	2,403	966,433	15,804,791	21	16,773,648
CASH AND INVESTMENTS, JUNE 30	\$ <u>0</u>	<u>969,617</u>	<u>16,083,705</u>	<u>587</u>	<u>17,053,909</u>

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, 2013

	Federal MDI Fund	Insurance Examiners Fund	Insurance Dedicated Fund	DIFP Administrative Fund	Total (Memorandum Only)
RECEIPTS					
Federal grant	\$ 1,665,889	0	0	0	1,665,889
Recovery costs	0	4,622,754	5,478	0	4,628,232
County foreign insurance tax	0	0	157,829	0	157,829
Producers	0	0	7,035,750	0	7,035,750
Business entities	0	0	1,437,730	0	1,437,730
Filing fees	0	0	734,970	0	734,970
Service contract fees	0	0	105,100	0	105,100
Insurance regulation fees	0	0	2,105,145	0	2,105,145
Miscellaneous insurance fees	0	0	90,660	0	90,660
DIFP - department administration	0	0	0	260,369	260,369
Other	7	0	24,360	20	24,387
Interest	0	0	98,850	0	98,850
Total Receipts	<u>1,665,896</u>	<u>4,622,754</u>	<u>11,795,872</u>	<u>260,389</u>	<u>18,344,911</u>
DISBURSEMENTS					
Personal service	429,189	3,118,036	6,897,558	153,374	10,598,157
Employee fringe benefits	192,163	1,143,736	2,849,484	58,648	4,244,031
Expense and equipment	31,311	281,231	1,106,852	49,356	1,468,750
Refunds	0	0	16,310	0	16,310
State office building rent, maintenance, and repair	0	33,579	368,521	0	402,100
Worker's compensation claims	0	0	568	0	568
DIFP - department administration	0	0	19,700	0	19,700
Cost allocation plan	0	65,298	153,128	0	218,426
Unemployment benefits	0	0	10,234	304	10,538
Health insurance counseling	1,011,029	0	200,000	0	1,211,029
Insurance leasing	0	0	7,274	0	7,274
Total Disbursements	<u>1,663,692</u>	<u>4,641,880</u>	<u>11,629,629</u>	<u>261,682</u>	<u>18,196,883</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,204	(19,126)	166,243	(1,293)	148,028
CASH AND INVESTMENTS, JULY 1	199	985,559	15,638,548	1,314	16,625,620
CASH AND INVESTMENTS, JUNE 30	\$ <u>2,403</u>	<u>966,433</u>	<u>15,804,791</u>	<u>21</u>	<u>16,773,648</u>

Appendix B

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

	Year Ended June 30,		
	2015	2014	2013
GENERAL REVENUE FUND			
Foreign companies premium taxes	\$ 237,443,890	201,143,498	189,812,584
Captive insurance taxes	668,771	631,686	598,390
Special purpose life insurance	1,086,784	816,386	822,069
Surplus lines taxes	29,713,178	28,719,999	26,311,783
Total General Revenue Fund	<u>\$ 268,912,623</u>	<u>231,311,569</u>	<u>217,544,826</u>
WORKERS' COMPENSATION FUND			
Workers' compensation taxes	<u>\$ 17,199,724</u>	<u>15,700,482</u>	<u>14,058,446</u>
STATE SCHOOL MONEYS FUND			
Surplus lines penalties	\$ 44,805	26,883	39,658
Fines and forfeitures	6,599,315	2,076,945	4,541,906
Total State School Moneys Fund	<u>\$ 6,644,120</u>	<u>2,103,828</u>	<u>4,581,564</u>
FINANCIAL INSTITUTIONS TAX FUND			
Domestic companies premium taxes	<u>\$ 9,576,175</u>	<u>9,029,881</u>	<u>9,616,186</u>

Appendix C

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

	Year Ended June 30,								
	2015			2014			2013		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
FEDERAL - MDI FUND									
Health Insurance Counseling	\$ 1,250,000	1,166,682	83,318	1,250,000	1,108,370	141,630	1,250,000	1,011,029	238,971
Federal Grants Personal Service	466,212	140,298	325,914	458,837	247,388	211,449	985,854	429,189	556,665
Federal Grants Expense and Equipment	64,511	11,720	52,791	64,511	10,128	54,383	430,944	31,311	399,633
Total Federal - MDI Fund	1,780,723	1,318,700	462,023	1,773,348	1,365,886	407,462	2,666,798	1,471,529	1,195,269
DIFP ADMINISTRATIVE FUND									
Personal Service	243,841	157,150	86,691	199,690	152,028	47,662	240,117	153,374	86,743
Expense and Equipment	64,972	53,258	11,714	62,972	42,168	20,804	65,490	49,356	16,134
Unemployment Benefits	283	0	283	283	73	210	305	304	1
Total DIFP Administrative Fund	309,096	210,408	98,688	262,945	194,269	68,676	305,912	203,034	102,878
INSURANCE EXAMINERS FUND									
Personal Service	3,288,529	3,140,071	148,458	3,262,900	3,072,971	189,929	3,251,758	3,118,036	133,722
Expense and Equipment	887,002	387,019	499,983	887,002	257,233	629,769	887,002	281,231	605,771
Refunds	60,000	28,859	31,141	60,000	0	60,000	60,000	0	60,000
Insurance Leasing	12,832	10,834	1,998	536	535	1	0	0	0
Unemployment Benefits	8,320	0	8,320	8,320	0	8,320	8,320	0	8,320
State Office Building Rent, Maintenance, and Repair	85,653	85,045	608	71,540	71,540	0	36,328	33,579	2,749
Total Insurance Examiners Fund	4,342,336	3,651,828	690,508	4,290,298	3,402,279	888,019	4,243,408	3,432,846	810,562
INSURANCE DEDICATED FUND									
Personal Service	7,826,918	7,597,528	229,390	7,669,441	7,169,757	499,684	7,574,263	6,897,558	676,705
Expense and Equipment	2,341,989	1,484,457	857,532	2,317,493	1,452,262	865,231	2,308,398	1,106,852	1,201,546
Unemployment Benefits	19,852	11,961	7,891	19,852	1,391	18,461	19,852	10,234	9,618
Insurance Leasing	6,339	6,335	4	7,183	6,891	292	7,737	7,274	463
Health Insurance Counseling	200,000	200,000	0	200,000	200,000	0	200,000	200,000	0
State Office Building Rent, Maintenance, and Repair	323,025	320,734	2,291	358,285	353,536	4,749	433,546	368,521	65,025
Poison Control Hotline*	1,000,000	1,000,000	0	500,000	500,000	0	0	0	0
Refunds	75,000	22,221	52,779	75,000	13,368	61,632	75,000	16,310	58,690
Total Insurance Dedicated Fund	11,793,123	10,643,236	1,149,887	11,147,254	9,697,205	1,450,049	10,618,796	8,606,749	2,012,047
Total All Funds	\$ 18,225,278	15,824,172	2,401,106	17,473,845	14,659,639	2,814,206	17,834,914	13,714,158	4,120,756

* The Department of Health and Senior Services has spending authority for this appropriation.

Appendix D

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

	Year Ended June 30,		
	2015	2014	2013
Salaries and wages	\$ 11,035,047	10,642,144	10,598,157
Travel, in-state	143,944	133,777	148,237
Travel, out-of-state	321,835	160,136	160,799
Supplies	216,598	271,089	256,530
Professional development	138,212	152,168	124,124
Communication service and supplies	146,836	145,335	125,051
Services:			
Professional	527,134	527,901	293,404
Housekeeping and janitorial	166	98	523
Maintenance and repair	151,422	126,907	162,210
Equipment:			
Computer	173,129	68,819	33,605
Office	45,597	82,156	79,844
Other	17,668	40,248	44,142
Property and improvements	735	22,371	4,071
Building lease payments	434,060	454,621	435,797
Equipment rental and leases	2,580	1,920	2,365
Miscellaneous expenses	39,487	6,746	7,422
Refunds	51,080	13,369	16,310
Program distributions	2,378,642	1,809,834	1,221,567
Total Expenditures	\$ <u>15,824,172</u>	<u>14,659,639</u>	<u>13,714,158</u>

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, 2014

	Bel-Aire Insurance Company	Casualty Reciprocal Exchange / Equity Mutual Insurance Company	General American Mutual Holding Company	Guarantee Title Insurance Company	Holland America Insurance Company	Lutheran Benevolent Insurance Exchange
Receipts						
Premiums and investment income	\$ 1,431	3,504,632	649,786	2,537	2,339,300	15,226
Net increase (decrease) in reserve balance	0	2,228	0	0	0	0
Net increase (decrease) in the fair value of investments	0	(2,229)	0	1	708	41
Total Receipts	<u>1,431</u>	<u>3,504,631</u>	<u>649,786</u>	<u>2,538</u>	<u>2,340,008</u>	<u>15,267</u>
Disbursements						
Professional fees and expenses	26,310	323,705	376,430	46,696	396,450	70,906
Salaries and related expenses	0	68,295	63,359	0	0	0
General and facility expenses	7,740	49,786	10,699	6,107	0	3,425
Distributions	1,198,858	9,738,769	0	3,000	0	0
Investment expense	0	5,255	0	5,800	0	0
Total Disbursements	<u>1,232,908</u>	<u>10,185,810</u>	<u>450,488</u>	<u>61,603</u>	<u>396,450</u>	<u>74,331</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,231,477)	(6,681,179)	199,298	(59,065)	1,943,558	(59,064)
CASH AND INVESTMENTS, JANUARY 1	<u>1,400,265</u>	<u>40,739,622</u>	<u>2,076,797</u>	<u>1,548,795</u>	<u>28,478,164</u>	<u>1,355,125</u>
CASH AND INVESTMENTS, DECEMBER 31	<u>\$ 168,788</u>	<u>34,058,443</u>	<u>2,276,095</u>	<u>1,489,730</u>	<u>30,421,722</u>	<u>1,296,061</u>

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, 2014

	M&M Companies	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Watkins Life and Benefit Association
Receipts					
Premiums and investment income	\$ 47	973,261	15,563,431	21,884	4,257
Net increase (decrease) in reserve balance	0	0	(351,018)	0	0
Net increase (decrease) in the fair value of investments	0	0	538,722	0	0
Total Receipts	47	973,261	15,751,135	21,884	4,257
Disbursements					
Professional fees and expenses	145,173	52,833	302,203	1,359	1,433
Salaries and related expenses	0	0	594,529	0	0
General and facility expenses	0	0	162,070	156	429
Distributions	25,571	0	15,493,058	16,301	90,671
Investment expense	0	0	23,948	0	35
Total Disbursements	170,744	52,833	16,575,808	17,816	92,568
RECEIPTS OVER (UNDER) DISBURSEMENTS	(170,697)	920,428	(824,673)	4,068	(88,311)
CASH AND INVESTMENTS, JANUARY 1	170,697	387,584	12,497,701	53,147	138,672
CASH AND INVESTMENTS, DECEMBER 31	\$ 0	1,308,012	11,673,028	57,215	50,361

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, 2013

	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	Lutheran Benevolent Insurance Exchange
Receipts							
Premiums and investment income	\$ 7,837	5,739,173	49,119	9,154	378,848	66	844
Net increase (decrease) in reserve balance	0	(348,563)	0	0	0	0	0
Net increase (decrease) in the fair value of investments	0	348,566	0	0	3,847	(1)	0
Total Receipts	<u>7,837</u>	<u>5,739,176</u>	<u>49,119</u>	<u>9,154</u>	<u>382,695</u>	<u>65</u>	<u>844</u>
Disbursements							
Professional fees and expenses	24,248	300,980	1,320,788	17,877	270,329	30,001	95,243
Salaries and related expenses	0	67,420	165,471	17,432	0	0	0
General and facility expenses	7,912	53,721	755,241	10,819	0	8,131	4,083
Distributions	1,231,821	4,824,222	0	0	0	243,983	0
Investment expense	87	5,644	0	5,800	0	0	0
Total Disbursements	<u>1,264,068</u>	<u>5,251,987</u>	<u>2,241,500</u>	<u>51,928</u>	<u>270,329</u>	<u>282,115</u>	<u>99,326</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,256,231)	487,189	(2,192,381)	(42,774)	112,366	(282,050)	(98,482)
CASH AND INVESTMENTS, JANUARY 1	<u>2,656,496</u>	<u>40,252,433</u>	<u>4,269,178</u>	<u>1,591,569</u>	<u>28,365,798</u>	<u>282,050</u>	<u>1,453,607</u>
CASH AND INVESTMENTS, DECEMBER 31	\$ <u>1,400,265</u>	<u>40,739,622</u>	<u>2,076,797</u>	<u>1,548,795</u>	<u>28,478,164</u>	<u>0</u>	<u>1,355,125</u>

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, 2013

	M&M Companies	Mission Reinsurance Corporation	National States Insurance Company	Ozark Benefit Association Life Insurance Company	Riscorp National Insurance Company	Watkins Life and Benefit Association
Receipts						
Premiums and investment income	\$ 911	181,659	18,182,865	19,252	0	30,867
Net increase (decrease) in reserve balance	0	0	(1,401)	0	0	0
Net increase (decrease) in the fair value of investments	0	0	271,190	0	0	0
Total Receipts	911	181,659	18,452,654	19,252	0	30,867
Disbursements						
Professional fees and expenses	0	45,571	456,243	2,096	17,654	597
Salaries and related expenses	0	0	730,069	0	0	0
General and facility expenses	3,521	0	266,062	247	4,753	2,277
Distributions	48,839	4,477,392	16,641,025	22,150	1,003,821	86,428
Investment expense	0	0	21,752	0	0	145
Total Disbursements	52,360	4,522,963	18,115,151	24,493	1,026,228	89,447
RECEIPTS OVER (UNDER) DISBURSEMENTS	(51,449)	(4,341,304)	337,503	(5,241)	(1,026,228)	(58,580)
CASH AND INVESTMENTS, JANUARY 1	222,146	4,728,888	12,160,198	58,388	1,026,228	197,252
CASH AND INVESTMENTS, DECEMBER 31	\$ 170,697	387,584	12,497,701	53,147	0	138,672

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, 2012

	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 and investment income	\$ 2,178	9,994,822	18,047,304	2,046	103,574	2,395	10,040,513	76,332
Net increase (decrease) in reserve balance	0	6,658	0	0	0	0	0	0
Net increase (decrease) in the fair value of investments	0	(6,657)	(4,066)	0	4,027	1	(64,975)	0
Total Receipts	2,178	9,994,823	18,043,238	2,046	107,601	2,396	9,975,538	76,332
Disbursements								
Professional fees and expenses	23,729	311,410	3,223,726	111,648	411,433	30,583	596,109	92,887
Salaries and related expenses	0	60,092	123,774	47,874	0	0	0	0
General and facility expenses	9,813	49,845	1,706,470	16,854	0	6,747	14,823	26,681
Distributions	0	2,717,764	71,841,060	0	74	6,897,893	18,498,925	0
Investment expense	84	14,474	17,493	5,800	0	2,000	0	0
Income tax	0	0	4,135,000	0	0	0	0	0
Total Disbursements	33,626	3,153,585	81,047,523	182,176	411,507	6,937,223	19,109,857	119,568
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,448)	6,841,238	(63,004,285)	(180,130)	(303,906)	(6,934,827)	(9,134,319)	(43,236)
CASH AND INVESTMENTS, JANUARY 1	2,687,944	33,411,195	67,273,463	1,771,699	28,669,704	7,216,877	9,134,319	1,496,843
CASH AND INVESTMENTS, DECEMBER 31	\$ 2,656,496	40,252,433	4,269,178	1,591,569	28,365,798	282,050	0	1,453,607

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, 2012

	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 and investment income	\$ 553	12,136	30,985,033	20,496	5,311	1,898,782	34,467
Net increase (decrease) in reserve balance	0	0	(552,246)	0	0	0	0
Net increase (decrease) in the fair value of investments	0	190	(1,326,037)	0	0	(9,424)	(163)
Total Receipts	553	12,326	29,106,750	20,496	5,311	1,889,358	34,304
Disbursements							
Professional fees and expenses	0	68,158	477,241	2,112	21,420	1,271,594	5,288
Salaries and related expenses	0	0	1,505,458	0	0	0	0
General and facility expenses	2,400	0	295,071	709	0	395,879	716
Distributions	0	315	35,550,050	17,400	3,001,504	20,178,041	29,821
Investment expense	0	0	45,769	0	0	22,507	120
Income Tax	0	0	0	0	0	375,748	0
Total Disbursements	2,400	68,473	37,873,589	20,221	3,022,924	22,243,769	35,945
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,847)	(56,147)	(8,766,839)	275	(3,017,613)	(20,354,411)	(1,641)
CASH AND INVESTMENTS, JANUARY 1	223,993	4,785,035	20,927,037	58,113	4,043,841	20,354,411	198,893
CASH AND INVESTMENTS, DECEMBER 31	\$ 222,146	4,728,888	12,160,198	58,388	1,026,228	0	197,252