



# Nicole Galloway, CPA

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## Missouri State Auditor

DEPARTMENT OF COMMERCE AND INSURANCE

Insurance

Report No. 2020-064

September 2020

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Department of Commerce and Insurance - Insurance

|                                   |   |
|-----------------------------------|---|
| Tax Reconciliations               | The Department of Commerce and Insurance (DCI) - Insurance's procedures for reconciling information on tax payments collected by the Department of Revenue (DOR) and uploaded to the DCI-Insurance's tax systems to the tax collections posted in the statewide accounting system need improvement. |
| License Suspension                | The state's process for the suspension of insurance licenses due to the licensee's failure to pay state taxes or failure to file a state tax return is not functioning. As a result, the DCI-Insurance has not received notice of any non-compliant licensees from the DOR since October 2018.      |
| Electronic Communication Policies | The DCI-Insurance's records management and retention policy does not comply with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri State Records Commission.  |

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 Commerce and Insurance - Insurance

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

Honorable Mike Parson, Governor  
and  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance  
Jefferson City, Missouri

We have audited certain operations of the Department of Commerce and Insurance - Insurance, in fulfillment of our duties under Chapter 29 and 374, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2019. The objectives of our audit were to:

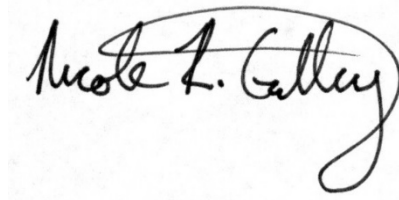
1. Evaluate the department's internal controls over significant management and financial functions.
2. Evaluate the department's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; 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 applicable 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) deficiencies in internal controls, (2) partial noncompliance with a legal provision, and (3) the need for improvement with a management practice and procedure. The accompanying Management Advisory Report presents our findings arising from our audit of the DCI-Insurance.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

|                     |  |
|---------------------|--|
| Director of Audits: | Robert E. Showers, CPA                 |
| Audit Manager:      | Heather R. Stiles, MBA, CPA, CFE, CGAP |
| In-Charge Auditor:  | Emily Barraclough, CPA                 |
| Audit Staff:        | Shelby Reams                           |
|                     | Sacha Tejan, CFE                       |

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# Department of Commerce and Insurance - Insurance

## Management Advisory Report

### State Auditor's Findings

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#### **1. Tax Reconciliations**

The Department of Commerce and Insurance (DCI) - Insurance's procedures for reconciling information on tax payments collected by the Department of Revenue (DOR) and uploaded to the DCI-Insurance's tax systems to the tax collections posted in the statewide accounting system need improvement. During the fiscal year ended June 30, 2019, the DOR collected approximately \$345 million in insurance taxes on behalf of the department.

Foreign and domestic insurance companies conducting business in the state, including certain stock insurance companies organized in the state, are required to pay premium taxes based on insurance premiums received during the calendar year. Premium taxes are required to be paid in quarterly installments to the DOR. That department is responsible for receiving these premium tax payments and posting them to statewide accounting records. In addition, DOR personnel upload premium tax payment information to the DCI-Insurance's premium tax system. In accordance with various provisions of Chapter 148, RSMo, with the exception of domestic stock insurance company premium taxes, which are deposited and accounted for in the County Stock Insurance Fund within the DOR's Financial Institution Tax Fund, premium tax payments are required to be deposited to the General Revenue Fund.

#### Premium tax

DCI-Insurance personnel do not reconcile premium tax payments by type to corresponding amounts posted in the statewide accounting system to ensure the collections have been credited to the appropriate fund in compliance with state law. Instead, they reconcile premium tax payments credited to the General Revenue Fund and to the County Stock Insurance Fund in total to payment information uploaded to the DCI-Insurance's premium tax system to evaluate the accuracy. As a result of the lack of reconciliation by type of premium tax collection, insurance company premium tax payments may be posted incorrectly in statewide accounting records.

In February and March 2018, the DOR receipted \$2,192,313 in domestic stock premium taxes. These payments were recorded incorrectly in the statewide accounting records to the General Revenue Fund, instead of the County Stock Insurance Fund. Since DCI-Insurance personnel did not reconcile premium tax collections by type to related entries in statewide accounting records, they did not identify the error. The DOR identified and corrected the error in September 2018. The error and delay in its correction resulted in statewide accounting records being misstated in both fiscal year 2018 and 2019. In fiscal year 2018, premium taxes deposited to the General Revenue Fund were overstated and domestic stock premium taxes deposited to the County Stock Insurance Fund were understated. In addition, premium taxes deposited to the County Stock Insurance Fund in fiscal year 2019 were overstated due to this error.



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Department of Commerce and Insurance - Insurance  
Management Advisory Report - State Auditor's Findings

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According to Section 148.330.4, RSMo, on or before the first day of September of each year, all domestic stock premium taxes in the County Stock Insurance Fund are to be apportioned to the General Revenue Fund of the state, to the county treasurer and to the treasurer of the school district in which the principal office of the company paying the same is located. Apportionments are made in the same ratio as the levy rates for state, county, and school district purposes.

Because the department did not identify and correct this error timely, amounts apportioned from the County Stock Insurance Fund were likely impacted in both fiscal years.

Captive and SPLRC tax

During fiscal year 2019, DCI-Insurance personnel did not perform a periodic reconciliation of captive and special purpose life reinsurance captive (SPLRC) tax collections receipted by the DOR to the amounts recorded in the DCI-Insurance's captive tax system. Because DCI-Insurance personnel did not perform such reconciliations, no one timely identified errors in how DOR calculated and recorded the required transfer of 10 percent of these tax collections from the General Revenue Fund to the Insurance Dedicated Fund in the statewide accounting records. As a result, these errors resulted in captive tax collections being understated by \$81,707 and SPLRC tax collections being overstated by \$81,707 in the fiscal year 2019 General Revenue Fund statewide accounting records.

Performing periodic reconciliations of collections by type helps ensure statewide accounting records balance, transactions are properly recorded, and increases the likelihood errors will be identified and corrected timely.

Recommendation

The DCI-Insurance perform a periodic reconciliation of premium and captive tax collections by type receipted by the DOR to amounts recorded in the DCI-Insurance's tax systems and posted to statewide accounting records to ensure records in the DCI-Insurance tax systems have been updated properly and credited to appropriate fund. In addition, the DCI-Insurance should work with the DOR to ensure captive and SPLRC tax transfers from the General Revenue Fund to the Insurance Dedicated Fund are calculated and recorded accurately in the state's accounting records.

Auditee's Response

*The DCI-Insurance's written response is included at Appendix A.*

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**2. License Suspension**

The state's process for the suspension of insurance licenses due to the licensee's failure to pay state taxes or failure to file a state tax return is not functioning. As a result, the DCI-Insurance has not received notice of any non-compliant licensees from the DOR since October 2018.

Each month, the DCI-Insurance provides the DOR with the name and social security number of each applicant for licensure and each anticipated licensee



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Department of Commerce and Insurance - Insurance  
Management Advisory Report - State Auditor's Findings

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renewal as required by state law. However, the DOR has not notified the DCI-Insurance of any non-compliant applicants or licensees since October 2018. Therefore, the DCI-Insurance does not have the ability to suspend licenses for noncompliance as required by state law. DCI-Insurance personnel indicated they contacted the DOR in January 2019 when they had not received any reports for several months, and were informed the DOR system used to generate the noncompliance reports was not working properly.

Section 324.010, RSMo, requires the DCI-Insurance to provide the Director of Revenue (DOR) with the name and social security number of each applicant for licensure or licensee of the DCI-Insurance within one month of the date the application is filed or at least one month prior to the anticipated renewal of a licensee's license. If such licensee is delinquent on any state taxes or has failed to file state income tax returns in the last 3 years, the director is required to send notice to the DCI-Insurance and licensee. In the case of such delinquency or failure to file, the licensee's license shall be suspended within 90 days after notice of such delinquency or failure to file, unless the director of revenue verifies that such delinquency or failure has been remedied or arrangements have been made to achieve such remedy.

Because the DOR is not providing this tax compliance information, the DCI-Insurance cannot suspend licenses of individuals who are not tax compliant in accordance with state law.

## Recommendation

The DCI-Insurance work with the DOR to receive notification of noncompliant license applicants and licensees to ensure licenses can be suspended for noncompliance as required by law.

## Auditee's Response

*The DCI-Insurance's written response is included at Appendix A.*

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### 3. Electronic Communication Policies

The DCI-Insurance's records management and retention policy does not comply with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri State Records Commission.<sup>1</sup> This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

While the DCI-Insurance's policy No. 2-105, titled Records Management and Retention Policy addresses the retention of emails initiated from DCI-Insurance communication systems, the policy does not address all of the issues set forth in the guidance, including the retention of messages sent from

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<sup>1</sup> Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/RecordsManagement/CommunicationsGuidelines.pdf>>, accessed July 23, 2020.



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Department of Commerce and Insurance - Insurance  
Management Advisory Report - State Auditor's Findings

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text messages and other third party platforms, such as personal email accounts and personal devices, when they represent official business of the state.

Proper retention of electronic communications is necessary to ensure all documentation of official business of the state is retained.

## Recommendation

The DCI-Insurance update records management and retention policies to comply with the Missouri Secretary of State Records Services Division Electronic Communications Guidelines.

## Auditee's Response

*The DCI-Insurance's written response is included at Appendix A.*

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## Department of Commerce and Insurance - Insurance Organization and Statistical Information

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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. Executive Order 19-02 transferred the Office of Public Counsel and the Public Service Commission to the DIFP and changed the name to the Department of Commerce and Insurance (DCI), effective August 28, 2019.

The DCI-Insurance operates under the authority of Chapter 374, RSMo. The management and control of the DCI is vested in a director who is nominated by the Governor with the advice and consent of the Senate. Chlora Lindley-Myers was appointed Director on March 6, 2017 and continues to serve in that capacity.

As of June 30, 2019, there were 578 domestic, 2,705 foreign, and 478 alien companies licensed and/or regulated by DCI-Insurance in Missouri. Insurers with primary corporate headquarters located in a particular state are called domestic insurers. Foreign and alien insurers are those that are allowed to sell insurance in a state but have a primary legal residence in another state or country.

The DCI-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 DCI-Insurance is organized into the following functional units: Insurance Consumer Affairs Division, Insurance Market Regulation Division, Insurance Company Regulation Division, and Administration Division. The DCI-Insurance had 190 employees as of June 30, 2019.



Department of Commerce and Insurance - Insurance  
Organization and Statistical Information

The following table provides a breakdown of the type of companies licensed and/or regulated by DCI-Insurance in the state.

| Type of Company                               | Missouri |         |       |
|---|----------|---------|-------|
|   | Domicile | Foreign | Alien |
| Third Party Administrator                     | 41       | 375     | 8     |
| Fraternal Benefit                             | 1        | 27      | 1     |
| Reinsurer                                     | 0        | 41      | 311   |
| Property and Casualty                         | 39       | 896     | 0     |
| Rating Organization                           | 3        | 21      | 0     |
| Advisory Organization                         | 2        | 8       | 0     |
| Health Services Corporation                   | 1        | 0       | 0     |
| Life Care Facility                            | 9        | 0       | 0     |
| Purchasing Group                              | 9        | 281     | 0     |
| Reinsurance Intermediary                      | 6        | 14      | 4     |
| Title   | 1        | 20      | 0     |
| Statutorily Created Entity                    | 6        | 0       | 0     |
| Discount Medical Plan                         | 0        | 28      | 0     |
| Health Maintenance Organization               | 18       | 14      | 0     |
| Prepaid Dental                                | 6        | 10      | 0     |
| Risk Retention Group                          | 0        | 87      | 0     |
| Excess/Surplus Lines                          | 0        | 157     | 149   |
| Multiple Employee Self-Insured Health Plan    | 1        | 0       | 0     |
| Captive Insurance                             | 53       | 0       | 2     |
| Mutual Property Insurance Company             | 77       | 0       | 0     |
| Professional Malpractice Assessable           | 4        | 0       | 0     |
| Risk Management Association                   | 0        | 1       | 0     |
| Life and Health                               | 29       | 448     | 3     |
| Self Insured Political Subdivision Assessable | 11       | 0       | 0     |
| Domestic Surplus Lines Insurer                | 3        | 0       | 0     |
| Motor Vehicle Service Contract Provider       | 45       | 114     | 0     |
| Product Service Contract Provider             | 3        | 58      | 0     |
| Vehicle Protection Product Provider           | 2        | 48      | 0     |
| Worker's Compensation                         | 208      | 57      | 0     |
| Total   | 578      | 2,705   | 478   |

The DCI-Insurance administers transactions in the following funds:

The Insurance Examiner's Fund is authorized by Section 374.160 and 374.162, RSMo, to receive all payments to the state by insurance 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.



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Department of Commerce and Insurance - Insurance  
Organization and Statistical Information

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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 for 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 DCI-Insurance administers programs financed partially by federal funding placed in the Federal Missouri Department of Insurance Fund. The department receives appropriations from this fund.

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 the DCI.

The DCI-Insurance does not receive any appropriations from the General Revenue Fund and does not maintain any proprietary interest in that fund. Receipts collected by the Department of Revenue (DOR) on behalf of the department 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.
- **Domestic Stock Company Premium Taxes:** In accordance with various provisions of Chapter 148, RSMo, every stock insurance company organized under the provisions of Sections 379.010 to 379.203, RSMo, are required to pay a 2 percent tax on direct premiums received during the 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 domestic stock insurance companies. The DOR collects the domestic stock company premium taxes and deposits them into the Financial Institutions Tax Fund as county stock insurance taxes. In accordance with Section 148.330.4, RSMo, domestic stock premium taxes credited to the County Stock Insurance Fund are to be apportioned to the General



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Department of Commerce and Insurance - Insurance  
Organization and Statistical Information

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Revenue Fund of the state, to the county treasurer and to the treasurer of the school district in which the principal office of the company paying the same is located. Apportionments are made based on the ratio of taxes levied by each respective entity.

- **Captive Insurance Taxes:** In accordance with Section 379.1326, 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 to be paid annually by the captive insurance companies. The DOR collects the captive insurance premium taxes and deposits them into the General Revenue Fund. Some captive insurance premium taxes initially deposited into the General Revenue Fund are not available for general revenue purposes. The provisions of Chapter 379, RSMo., require 10 percent of these premium tax collections be deposited to the Insurance Dedicated Fund annually.
- **Special Purpose Life Insurance Captive (SPLRC) Taxes:** In accordance with Section 379.1412, 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 to be paid annually by the SPLRC insurance companies. The DOR collects the SPLRC premium taxes and deposits them into the General Revenue Fund. Some SPLRC premium taxes initially deposited into the General Revenue Fund are not available for general revenue purposes. The provisions of Chapter 379, RSMo, require ten percent of these premium tax collections be deposited to the Insurance Dedicated Fund annually.
- **Surplus Lines Taxes:** 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 premium taxes and deposits them into the General Revenue Fund. In addition, the department certifies to the DOR all penalties and interest due as a result of late payments of surplus lines premium taxes. The DOR collects the surplus lines penalties and interest and deposits them into the State School Moneys Fund.



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Department of Commerce and Insurance - Insurance  
Organization and Statistical Information

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

The DCI-Insurance is authorized to administer Missouri chartered insurance companies requiring rehabilitation or liquidation, commonly referred to as receiverships. Eight insurance companies were in receivership during the year ended June 30, 2019. 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. Four of the companies did not have a special deputy receiver assigned to them. The department handled the day-to-day operations for one of these companies and contracted with vendors to act as agents for the other three. Four of the companies had a court-assigned special deputy receiver that directly supervised them. The contracted vendors and the special deputy receivers submit disbursements to DCI-Insurance for approval.

According to the National Association of Insurance Commissioners (NAIC), for calendar year 2018 Missouri ranked twelfth nationally in the number of insurance companies incorporated in the state. The department's budget for fiscal year 2019 ranks twenty-fifth nationally.



Appendix A  
Department of Commerce and Insurance - Insurance  
DCI-Insurance Response

Governor Michael L. Parson  
State of Missouri



Missouri Department of  
Commerce & Insurance  
Chlora Lindley-Myers, Director

August 21, 2020

Honorable Nicole R. Galloway, CPA  
State Auditor  
Jefferson City, Missouri

Please accept these responses to the audit your office conducted of the Department of Commerce and Insurance – Insurance for the year ended June 30, 2019.

**1. Tax Reconciliations - Audit Recommendation:**

The DCI-Insurance perform a periodic reconciliation of premium and captive tax collections by type receipted by the DOR to amounts recorded in the DCI-Insurance's tax systems and posted to statewide accounting records to ensure records in the DCI-Insurance tax systems have been updated properly and credited to appropriate fund. In addition, the DCI-Insurance should work with the DOR to ensure captive and SPLRC tax transfers from the General Revenue Fund to the Insurance Dedicated Fund are calculated and recorded accurately in the state's accounting records.

Department's Response:

*The department has enhanced its reconciliation process and began reconciling Department of Revenue (DOR) deposits for Captive and SPRLR taxes on a monthly basis by type of premium tax, beginning with collections received by DOR in March of 2020. The department will begin implementing the recommendation to enhance our reconciliation process by type of premium tax for DOR Premium tax deposits per the Auditor's Recommendation.*

**2. License Suspension - Audit Recommendation:**

The DCI-Insurance work with the DOR to receive notification of noncompliant license applicants and licensees to ensure licenses can be suspended for noncompliance as required by law.

Department's Response:

*As required, the department has and continues to provide the necessary information to DOR. We will continue working with the DOR and the Office of Administration, Information Technology Services Division (OA-ITSD) to resume receiving notifications of noncompliant license applicants and licensees from the DOR system.*

**3. Electronic Communication Policies - Audit Recommendation:**

The DCI-Insurance update records management and retention policies to comply with the Missouri Secretary of State Records Services Division Electronic Communications Guidelines.

Department's Response:

*The department is currently updating department policies to reflect the reorganization of the department to the Department of Commerce and Insurance and will consider this Auditor's Recommendation in that process.*

If the department may be of further assistance, please let us know.

Respectfully,

Chlora Lindley-Myers, Director

**DCI**

301 West High Street, Room 530 • Jefferson City, Missouri 65101 •  
Telephone 573/751-4126 • RelayMo TTY Dial 711 or 1-800-735-2966  
dci.mo.gov

## Appendix B

### Department of Commerce and Insurance - Insurance

#### Statement of Receipts, Disbursements, and Changes in Cash and Investments

Year Ended June 30, 2019

|   | Federal MDI<br>Fund | Insurance<br>Examiners<br>Fund | Insurance<br>Dedicated<br>Fund | DIFP<br>Administrative<br>Fund | Total<br>(Memorandum<br>Only) |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| Receipts  | \$ 1,246,983        | 4,971,057                      | 16,533,611                     | 161                            | 22,751,812                    |
| Disbursements                                     | 1,219,840           | 3,345,186                      | 10,714,205                     | 229,297                        | 15,508,528                    |
| Receipts Over (Under) Disbursements               | 27,143              | 1,625,871                      | 5,819,406                      | (229,136)                      | 7,243,284                     |
| Transfers In <sup>1</sup>                         | 0                   | 0                              | 4,555                          | 307,205                        | 311,760                       |
| Transfers Out <sup>2</sup>                        | 0                   | (1,454,494)                    | (4,499,229)                    | (78,120)                       | (6,031,843)                   |
| Receipts Over (Under) Disbursements and Transfers | 27,143              | 171,377                        | 1,324,732                      | (51)                           | 1,523,201                     |
| Cash and Investments, July 1                      | 0                   | 543,422                        | 2,600,984                      | 70                             | 3,144,476                     |
| Cash and Investments, June 30                     | \$ 27,143           | 714,799                        | 3,925,716                      | 19                             | 4,667,677                     |

<sup>1</sup> Transfers In to the Insurance Dedicated Fund include net proceeds received from the sale of surplus property. Transfers In to the DIFP Administrative Fund include transfers from divisions within DCI for department administration.

<sup>2</sup> Transfers Out generally include payments for fringe benefits and the state's cost allocation plan.

## Appendix C

### Department of Commerce and Insurance - Insurance Statement of Receipts Year Ended June 30, 2019

#### GENERAL REVENUE FUND

|   |                       |
|---|-----------------------|
| Premium taxes                                     | \$ 291,422,541        |
| Captive insurance taxes <sup>1</sup>              | 973,599               |
| Special purpose life insurance taxes <sup>1</sup> | 817,070               |
| Surplus lines taxes                               | 35,890,349            |
| Total General Revenue Fund                        | <u>\$ 329,103,559</u> |

#### STATE SCHOOL MONEYS FUND

|                                |                     |
|--------------------------------|---------------------|
| Surplus lines penalties        | \$ 64,242           |
| Fines and forfeitures          | 2,931,861           |
| Total State School Moneys Fund | <u>\$ 2,996,103</u> |

#### INSURANCE DEDICATED FUND

|                                      |                   |
|--------------------------------------|-------------------|
| Captive insurance taxes              | \$ 132,063        |
| Special purpose life insurance taxes | 81,707            |
| Total Insurance Dedicated Fund       | <u>\$ 213,770</u> |

#### FINANCIAL INSTITUTIONS TAX FUND

|   |                      |
|---|----------------------|
| Domestic stock company premium taxes <sup>2</sup> | <u>\$ 15,367,235</u> |
|---|----------------------|

<sup>1</sup> Captive insurance tax receipts recorded in the General Revenue Fund are understated by \$81,707. Special purpose life insurance tax receipts recorded in the General Revenue Fund are overstated. See MAR 1 for additional information.

<sup>2</sup> In fiscal year 2019, domestic stock company premium taxes are overstated by approximately \$2.2 million due to the DOR posting these tax receipts to the incorrect fund in fiscal year 2018. The DOR corrected this error in fiscal year 2019. See MAR 1 for additional information.

Appendix D

Department of Commerce and Insurance - Insurance  
Comparative Statement of Appropriations and Expenditures

|   | Year Ended June 30,        |              |                    |                            |              |                    |
|---|----------------------------|--------------|--------------------|----------------------------|--------------|--------------------|
|   | 2019                       |              |                    | 2018                       |              |                    |
|   | Appropriation<br>Authority | Expenditures | Lapsed<br>Balances | Appropriation<br>Authority | Expenditures | Lapsed<br>Balances |
| FEDERAL - MDI FUND                                  |                            |              |                    |                            |              |                    |
| Health Insurance Counseling                         | \$ 1,250,000               | 1,219,840    | 30,160             | 1,250,000                  | 1,161,230    | 88,770             |
| Total Federal - MDI Fund                            | 1,250,000                  | 1,219,840    | 30,160             | 1,250,000                  | 1,161,230    | 88,770             |
| INSURANCE EXAMINERS FUND                            |                            |              |                    |                            |              |                    |
| Personal Service                                    | 3,464,306                  | 3,000,426    | 463,880            | 3,446,590                  | 3,414,494    | 32,096             |
| Expense and Equipment                               | 767,448                    | 182,660      | 584,788            | 770,967                    | 222,276      | 548,691            |
| Refunds   | 60,000                     | 0            | 60,000             | 60,000                     | 1,503        | 58,497             |
| Insurance Leasing                                   | 11,179                     | 8,639        | 2,540              | 11,991                     | 9,581        | 2,410              |
| IT Consolidation Expense and Equipment              | 121,328                    | 59,320       | 62,008             | 140,328                    | 135,309      | 5,019              |
| State Office Building Rent, Maintenance, and Repair | 93,827                     | 93,771       | 56                 | 87,569                     | 87,569       | 0                  |
| Total Insurance Examiners Fund                      | 4,518,088                  | 3,344,816    | 1,173,272          | 4,517,445                  | 3,870,732    | 646,713            |
| INSURANCE DEDICATED FUND                            |                            |              |                    |                            |              |                    |
| Personal Service                                    | 8,778,578                  | 8,080,145    | 698,433            | 8,727,316                  | 7,331,652    | 1,395,664          |
| Expense and Equipment                               | 1,992,410                  | 1,038,632    | 953,778            | 2,038,207                  | 756,740      | 1,281,467          |
| Board and Commissions Personal Service <sup>1</sup> | 0                          | 0            | 0                  | 1,718                      | 1,718        | 0                  |
| Governor's Office Personal Service <sup>1</sup>     | 26,242                     | 1,263        | 24,979             | 0                          | 0            | 0                  |
| IT Consolidation Personal Service                   | 414,006                    | 216,546      | 197,460            | 417,922                    | 256,841      | 161,081            |
| IT Consolidation Expense and Equipment              | 401,042                    | 207,515      | 193,527            | 401,043                    | 269,928      | 131,115            |
| Insurance IT Projects                               | 1                          | 0            | 1                  | 0                          | 0            | 0                  |
| Insurance IT Projects Personal Service              | 118,128                    | 100,368      | 17,760             | 110,000                    | 101,118      | 8,882              |
| Unemployment Benefits                               | 20,000                     | 0            | 20,000             | 15,852                     | 8,232        | 7,620              |
| Insurance Leasing                                   | 7,268                      | 5,426        | 1,842              | 5,331                      | 3,797        | 1,534              |
| Health Insurance Counseling                         | 200,000                    | 200,000      | 0                  | 200,000                    | 200,000      | 0                  |
| State Office Building Rent, Maintenance, and Repair | 353,999                    | 352,387      | 1,612              | 345,554                    | 345,554      | 0                  |
| Poison Control Hotline <sup>2</sup>                 | 500,000                    | 500,000      | 0                  | 500,000                    | 500,000      | 0                  |
| Refunds   | 75,000                     | 12,328       | 62,672             | 75,000                     | 12,463       | 62,537             |
| Total Insurance Dedicated Fund                      | 12,886,674                 | 10,714,610   | 2,172,064          | 12,837,943                 | 9,788,043    | 3,049,900          |
| Total All Funds                                     | \$ 18,654,762              | 15,279,266   | 3,375,496          | 18,605,388                 | 14,820,005   | 3,785,383          |

<sup>1</sup> The Governor's office has spending authority for this appropriation.

<sup>2</sup> The Department of Health and Senior Services has spending authority for this appropriation.

## Appendix E

### Department of Commerce and Insurance - Insurance Comparative Statement of Expenditures (From Appropriations)

|                                     | Year Ended June 30,  |                   |                   |                   |                   |
|-------------------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2019                 | 2018              | 2017              | 2016              | 2015              |
| Salaries and wages                  | \$ 11,398,749        | 11,105,824        | 11,478,487        | 11,425,848        | 10,877,897        |
| Travel, in-state                    | 133,135              | 136,446           | 185,589           | 155,181           | 143,449           |
| Travel, out-of-state                | 174,221              | 147,363           | 243,713           | 262,838           | 321,520           |
| Supplies                            | 158,837              | 162,029           | 172,941           | 186,981           | 198,121           |
| Professional development            | 114,233              | 99,787            | 97,762            | 134,159           | 136,673           |
| Communication services and supplies | 105,878              | 95,668            | 139,443           | 131,378           | 144,684           |
| Services:                           |                      |                   |                   |                   |                   |
| Professional                        | 596,351              | 443,603           | 838,856           | 694,177           | 523,032           |
| Housekeeping and janitorial         | 200                  | 413               | 107               | 108               | 166               |
| Maintenance and repair              | 64,271               | 86,784            | 132,553           | 108,601           | 127,497           |
| Equipment:                          |                      |                   |                   |                   |                   |
| Computer                            | 29,087               | 170,794           | 1,916             | 33,131            | 172,358           |
| Motorized                           | 0                    | 0                 | 0                 | 13,280            | 0                 |
| Office                              | 53,791               | 11,647            | 30,539            | 40,927            | 44,877            |
| Other                               | 10,321               | 13,301            | 8,292             | 26,508            | 16,953            |
| Property and improvements           | 29,448               | 0                 | 0                 | 10,881            | 735               |
| Building lease payments             | 476,874              | 457,804           | 442,960           | 437,774           | 434,054           |
| Equipment rental and leases         | 228                  | 456               | 2,280             | 1,824             | 2,580             |
| Miscellaneous expenses              | 1,474                | 4,659             | 3,156             | 10,664            | 39,446            |
| Refunds                             | 12,328               | 13,965            | 9,828             | 20,464            | 51,080            |
| Program distributions               | 1,919,840            | 1,869,462         | 2,426,400         | 2,374,866         | 2,378,642         |
| Total Expenditures                  | \$ <u>15,279,266</u> | <u>14,820,005</u> | <u>16,214,822</u> | <u>16,069,590</u> | <u>15,613,764</u> |