

State of Ohio
Department of Insurance

Role and Overview

The Department of Insurance (INS) protects the consumer through financial solvency, market conduct regulation, and consumer education. The department is responsible for regulating 1,740 insurance companies, 13,000 insurance agencies, and 180,000 insurance agents.

The department determines the financial soundness of insurance companies; investigates consumer complaints and insurance fraud; determines if services and benefits offered by insurance companies are consistent with policy provisions and Ohio law; reviews company filings for life, accident, health, managed care, property and casualty policies; reviews and approves forms and rates; and licenses insurance agents and agencies.

The Superintendent of Insurance, who is appointed by the Governor, heads the department. The annual administrative budget of the department is approximately \$32 million and supports 270 employees. Additional information on the agency can be found at <http://www.ohioinsurance.gov>.

Executive Priorities for the Department of Insurance

- Achieve stability in the medical liability marketplace through the work of the Medical Malpractice Commission.
- Develop recommendations to assist small businesses to obtain health insurance.
- Assure the financial solvency of insurance companies operating in Ohio.
- Ensure that insurance companies comply with state insurance laws.
- Improve the capacity of the department to handle investigations of fraud and misconduct.
- Build expertise within the department in the review of health insurance rates and form filings.
- Educate seniors about the new prescription drug options and changes to Medicare.
- Assist consumers with insurance matters.
- Review rate and form filings for all insurance products.

Summary of Budget History and Recommendations

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
	FY 2002	FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
General Services Fund Group	0	0	0	11,465	.0	0	(100.0)	0	.0
Fed Special Revenue Fund Group	400	389	538	711	32.1	1,080	52.0	1,080	.0
State Special Revenue Fund Group	24,948	26,312	24,991	30,559	22.3	30,859	1.0	31,044	.6
TOTAL	25,347	26,700	25,529	42,734	67.4	31,939	(25.3)	32,124	.6

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(In thousands) OBJECT OF EXPENSE	FY 2002	ACTUAL		ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
		FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
Personal Services	20,446	21,837	21,596	24,271	12.4	25,934	6.9	26,324	1.5
Purchased Services	1,250	708	889	2,971	234.3	1,749	(41.1)	1,608	(8.1)
Maintenance	3,097	3,429	2,802	3,564	27.2	3,918	9.9	3,924	.2
Equipment	490	690	205	397	93.3	292	(26.3)	221	(24.3)
Subsidy	0	0	0	11,465	.0	0	(100.0)	0	.0
Transfer & Other	64	37	37	67	81.9	45	(32.2)	45	.0
TOTAL	25,347	26,700	25,529	42,734	67.4	31,939	(25.3)	32,124	.6

PROGRAM SERIES 01: Investigative and Licensing Services

This program series consists of three programs which ensure that agencies, agents, and insurance companies follow proper business practices through licensing and market conduct examinations and investigating allegations of fraud and wrongdoing in the insurance market.

Program 01.01: Market Conduct

This program identifies inappropriate insurance company market practices by analyzing market data, consumer complaints, and electronic data; conducting on-site and off-site examinations; and participating in the National Association of Insurance Commissioners' examination tracking systems. The division also imposes remedies established by state laws and rules and ensures that proper corrective action is taken.

What the Budget Buys:

- Funds on-site examinations, investigations, and in-house company compliance reviews;
- Conducts collection and analysis of market data, consumer complaints, and data;
- Supports a provider complaint and prompt payment program for healthcare claims;
- Funds limited-scope in-house company compliance reviews, on-site examinations, and investigations; and
- Maintains the National Association of Insurance Commissioners examination tracking system and other regulatory databases.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	1,967,399	1,988,872
TOTAL FOR PROGRAM				1,967,399	1,988,872

Program 01.02: Licensing

This program licenses individuals and organizations involved in selling, distributing, and servicing insurance products. It administers pre- and post-insurance license education and examinations. The program proposes regulatory action against licensees not in compliance with the education requirements.

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What the Budget Buys:

- Supports an initiative to have a uniform and fully electronic licensing system;
- Provides administration of continuing education programs; and
- Funds the processing of applications.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	1,553,051	1,622,491
TOTAL FOR PROGRAM				1,553,051	1,622,491

Program 01.03: Fraud Investigation and Enforcement

The program investigates allegations of misconduct by licensees and license applicants and provides assistance in prosecuting insurance-related fraud committed by consumers, medical providers, and others.

What the Budget Buys:

- Funds investigation and prosecution of insurance-related fraud; and
- Provides for misconduct investigations of insurance agents.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	1,815,124	1,835,069
TOTAL FOR PROGRAM				1,815,124	1,835,069

PROGRAM SERIES 02: Financial Regulation Services

This program series regulates the financial solvency of all domestic (Ohio-based) insurance companies as well as monitors and coordinates regulatory oversight of the financial conditions of foreign (out-of-state), surplus lines (unauthorized foreign insurer), and alien (international) insurers.

Program 02.01: Financial Regulation Services

This program monitors the financial solvency of Ohio-licensed companies. The monitoring functions include: performing reviews of financial statements and filings; conducting on-site full-scope and/or targeted financial examinations of Ohio-domiciled companies; coordinating with other domestic regulators to assess and monitor foreign and alien insurance companies; analyzing the changes occurring in the insurance industry through mergers, diversifications, product introductions, and legislative action; and implementing appropriate regulatory action in response to troubled insurance company situations.

What the Budget Buys:

- Provides financial analysis and review of the financial statements of 1,710 insurers;
- Funds financial examinations;
- Implements legislative changes to financial policy;
- Takes regulatory action in response to troubled insurance company situations;
- Licenses domestic, foreign, and alien insurers applying for admission; and
- Certifies premium, retaliatory, and fire marshal taxes for collection in excess of \$420 million annually.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	555	820-605	Examination	7,639,581	7,639,581
TOTAL FOR PROGRAM				7,639,581	7,639,581

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PROGRAM SERIES 03: Policy and Rate Filing Regulation

This program series consists of two programs that review the product submissions of all insurance companies selling insurance products in Ohio.

Program 03.01: Property and Casualty

This program analyzes all rates, rules, and insurance contracts filed by property and casualty insurance companies and reviews purchasing, risk retention group registrations, and surplus lines brokers' quarterly reports. This program also ensures that the premiums charged by the insurance industry are fair and equitable and that the policies conform to state law.

What the Budget Buys:

- Funds collection and analysis of medical liability insurance data;
- Allows for the preparation of reports on market conditions; and
- Supports annual review of 10,000 rate and insurance contracts filed by property and casualty insurance companies, title insurance products, risk purchasing and risk retention group registrations, notifications forms, and surplus line quarterly reports.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	2,107,695	2,130,263
TOTAL FOR PROGRAM				2,107,695	2,130,263

Program 03.02: Life and Health

This program analyzes all rates and insurance products filed by life and health companies licensed by the state and is statutorily required to value and maintain the reserve liability of life insurance companies. In addition, this program is involved in licensing and monitoring the activities of all health insuring corporations operating in Ohio and is responsible for accrediting Independent Review Organizations (IROs).

What the Budget Buys:

- Provides oversight of 459 insurance companies;
- Provides analysis of 800 accident and health premium adjustments; and
- Supports periodic rate filing reviews.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	2,381,469	2,407,374
TOTAL FOR PROGRAM				2,381,469	2,407,374

PROGRAM SERIES 04: Consumer Services

This program series consists of two programs that provide direct services to consumers by responding to inquiries, investigating insurance complaints against companies and agents, and conducting educational outreach regarding insurance issues in Ohio.

Program 04.01: Consumer Services

This program responds to inquiries from the general public and investigates individual complaints about all lines of insurance with the dual objective of resolving problems and identifying violations of insurance law. In addition, this program distributes consumer publications and conducts educational outreach activities.

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What the Budget Buys:

- Maintains the consumer service center for public inquiries;
- Distributes insurance publications;
- Funds investigations to identify violations; and
- Funds investigations and recovery services based on consumer complaints.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	2,810,595	2,840,978
TOTAL FOR PROGRAM				2,810,595	2,840,978

Program 04.02: Ohio Senior Health Insurance Information Program (OSHIIP)

The program's staff organizes, trains, and supports community volunteers throughout the state who counsel nearly two million Medicare beneficiaries on health insurance matters. The program staffs a toll-free telephone line for senior consumers with questions about their Medicare benefits. The program also distributes two shopper guides, one for Medicare supplemental insurance and one for long-term care insurance, several brochures, and a monthly volunteer newsletter. OSHIIP has been instrumental in educating seniors on the new prescription drug programs.

What the Budget Buys:

- Funds consumer counseling services;
- Funds volunteer training to persons providing health insurance information to seniors; and
- Supports education outreach efforts to Ohio seniors on Medicare issues.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
FED	3U5	820-602	OSHIIP Operating Grant	1,080,000	1,080,000
SSR	554	820-601	Operating Expenses-OSHIIP	564,754	571,772
TOTAL FOR PROGRAM				1,644,754	1,651,772

PROGRAM SERIES 05: Medical Malpractice

This program series will assess and recommend to the Ohio General Assembly and the Governor initiatives that will address issues of availability and affordability of medical malpractice insurance.

Program 05.01: Medical Malpractice

The Superintendent of Insurance has been authorized to establish a Medical Liability Underwriting Association (MLUA) under specified circumstances. The MLUA will issue medical liability insurance policies, collect premiums, and pay claims for certain health care providers unable to obtain such coverage in the commercial market.

What the Budget Buys:

- Supports the Medical Malpractice Commission;
- Funds a MLUA if and when one is established; and
- Funds other medical malpractice initiatives with the approval of the General Assembly.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	300,000	485,000
TOTAL FOR PROGRAM				300,000	485,000

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PROGRAM SERIES 06: Program Management

This program series supports the department's mission to be responsive to and safeguard consumer interests through education and vigilance while promoting a stable and competitive marketplace among insurance providers. The department is committed to the proper regulation and licensing of insurance agents and agencies and to assuring consumers and providers of a financially solvent industry.

Program 06.01: Program Management

This program develops regulatory policy, provides communication and media support, handles liquidation matters, provides fiscal and human resource support, provides legal support and advice to all divisions, and designs and maintains the department's computer programs and applications.

What the Budget Buys:

- Funds the Office of Executive Services, legal services, information technology, fiscal operations, and human resources needed to support the department's activities.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	554	820-606	Operating Expenses	9,718,899	9,522,167
TOTAL FOR PROGRAM				9,718,899	9,522,167

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Appropriation Line Item Analysis for FYs 2006 and 2007

Line Item Notes

Medical Malpractice Liability/603: This line item was originally appropriated in H.B 282 of the 125th General Assembly to fund a Medical Malpractice Underwriting Association (MLUA) in the event that certain conditions exist. The funds appropriated for fiscal year 2005 will lapse if not needed, and if an MLUA is created, the department will need to seek appropriation authority from the State Controlling Board. For additional details, please refer to program 05.01 Medical Malpractice.

LINE ITEM SUMMARY - Insurance

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
5AG	820-603	Medical Malpractice Liability	0	0	0	11,464,578	0	**	0	**
TOTAL General Services Fund Group			0	0	0	11,464,578	0	(100.0)	0	.0
3AV	820-604	Federal Grant-Special Project	0	0	0	150,000	0	(100.0)	0	.0
3U5	820-602	OSHIIP Operating Grant	399,506	388,864	537,813	560,559	1,080,000	92.7	1,080,000	.0
TOTAL Fed Special Revenue Fund Group			399,506	388,864	537,813	710,559	1,080,000	52.0	1,080,000	.0
554	820-601	Operating Expenses-OSHIIP	422,787	522,267	271,343	561,411	564,754	.6	571,772	1.2
554	820-606	Operating Expenses	18,427,153	19,334,833	18,650,358	22,357,575	22,654,232	1.3	22,832,214	.8
555	820-605	Examination	6,097,700	6,454,494	6,069,349	7,639,581	7,639,581	.0	7,639,581	.0
TOTAL State Special Revenue Fund Group			24,947,640	26,311,594	24,991,050	30,558,567	30,858,567	1.0	31,043,567	.6
TOTAL Department of Insurance			25,347,146	26,700,458	25,528,863	42,733,704	31,938,567	(25.3)	32,123,567	.6

** Please see the Appropriation Line Item analysis for further detail.