

Role and Overview

The Department of Insurance (ODI) provides consumer protection through education and fair but vigilant regulation while promoting a stable and competitive insurance marketplace. The department is charged under Ohio Revised Code Chapters 39 and 17 with the responsibility of regulating the activities of approximately 1,700 insurance companies that write more than \$45 billion in insurance premiums, and pay about \$440 million each year in premium taxes to the General Revenue Fund. Ohio is the ninth largest insurance state by premium volume. The industry is one of Ohio's largest employers, employing more than 81,000 people not including agents. In addition, the department issues licenses, monitors the conduct of more than 200,000 insurance agents, and oversees 15,000 insurance agencies. The department monitors 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; and reviews and approves forms and rates. The Superintendent of Insurance, who is appointed by the Governor, heads the department. The annual administrative budget of the department is approximately \$32.6 million and supports approximately 284 employees.

Additional information regarding the Department of Insurance can be found at <http://www.ohioinsurance.gov/>.

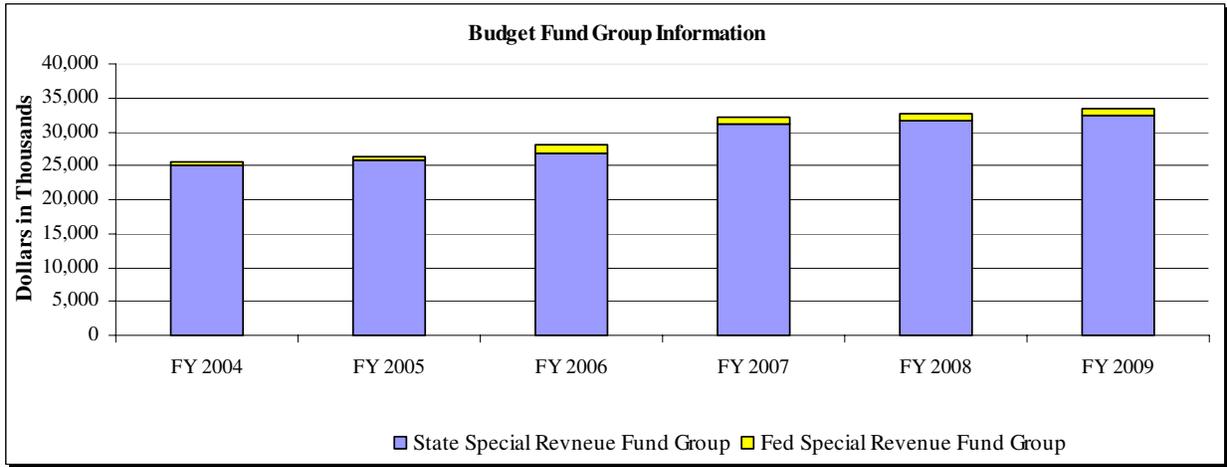


Turnaround Ohio Initiatives

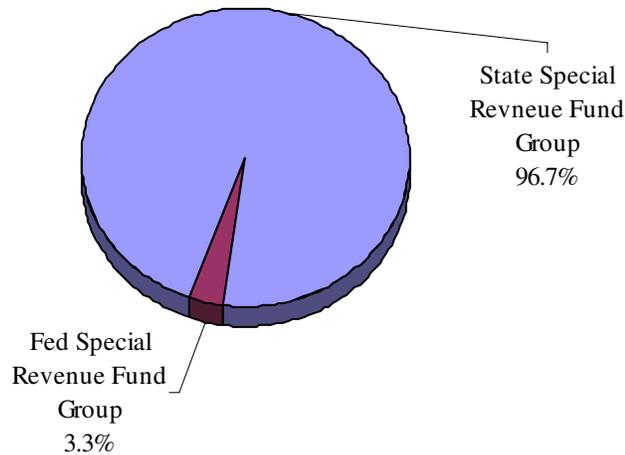
- Conduct consumer education efforts regarding health insurance and managed care coverage, monitor market practices of health insurance and managed care industry, and launch the Health Insurance Exchange initiative to begin efforts to increase availability of health care coverage for groups and individuals in Ohio.
- Review agency regulatory performance to assure that the Ohio insurance market remains competitive.
- Begin efforts to develop the Ohio Healthcare Exchange initiative, which will assist in increasing the availability of health insurance for uninsured Ohioans.

Agency Priorities

- Monitor the financial solvency of insurance companies and health insuring corporations operating in Ohio, and assure that companies operating in Ohio are stable and sound.
- Provide consumers with education on insurance matters, especially health care coverage options and issues of interest to seniors.
- Provide consumers with assistance regarding insurance coverage and claims-related concerns.
- Monitor insurance sales, claims handling activities, and insurance company interactions with policyholders to ensure they are fair and compliant with Ohio law.
- Investigate fraud and misconduct in a thorough and professional manner.
- Maintain stability in the medical liability marketplace through data collection and analysis.
- Provide staff educational and training opportunities to enhance their insurance knowledge in order to more effectively monitor a complex and ever changing insurance industry.

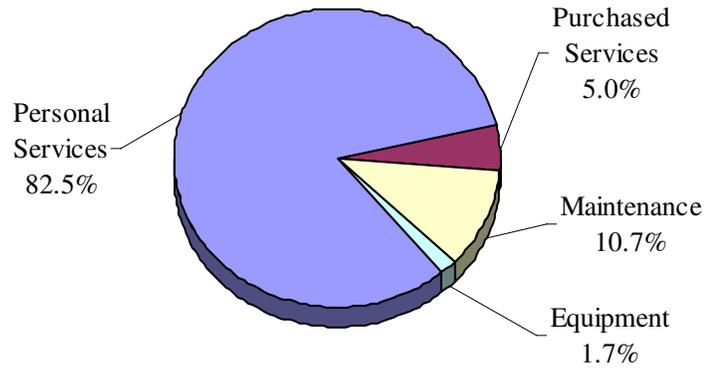


**FY 2008-09 Biennial Appropriation
by Budget Fund Group**



(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	CHANGE FY 06-07	FY 2008	CHANGE %	FY 2009	CHANGE %
Fed Special Revenue Fund Group	538	626	1,286	1,080	(16.0)	1,100	1.9	1,100	.0
State Special Revenue Fund Group	24,991	25,724	26,767	31,044	16.0	31,544	1.6	32,241	2.2
TOTAL	25,529	26,350	28,053	32,124	14.5	32,644	1.6	33,341	2.1

**FY 2008-09 Biennial Appropriation
by Expense Category**



(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 06-07	FY 2008	% CHANGE	FY 2009	% CHANGE
Personal Services	21,596	22,042	22,469	25,406	13.1	26,499	4.3	27,957	5.5
Purchased Services	889	824	1,865	2,783	49.2	2,056	(26.1)	1,262	(38.6)
Maintenance	2,802	3,223	3,245	3,351	3.3	3,498	4.4	3,578	2.3
Equipment	205	196	308	531	72.2	591	11.4	544	(8.0)
Transfer & Other	37	65	166	53	(68.0)	0	(100.0)	0	.0
TOTAL	25,529	26,350	28,052	32,124	14.5	32,644	1.6	33,341	2.1

PROGRAM SERIES 01: Investigation and Licensing

This program series consists of programs, which monitor the business practices of insurance agencies, agents, and companies, licenses them, and detect, prevent, investigate, and assist in the prosecution of consumer and provider fraud and wrongdoing in the insurance market.

Program 01.01: Market Conduct

This program monitors insurers' compliance with Ohio insurance laws and regulations by examining insurance entities' business practices, such as underwriting, marketing and claims handling. The program staff 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 ensures that proper corrective action is taken as established by state laws and rules.

The Executive Recommendation will:

- Fund on-site examinations, investigations, and in-house company compliance reviews;
- Conduct collection and analysis of market data, consumer complaints, and data;

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- Support a provider complaint and prompt payment program for healthcare claims;
- Fund limited-scope in-house company compliance reviews, on-site examinations, and investigations;
- Maintain the National Association of Insurance Commissioners examination tracking system and other regulatory databases; and
- Fund training that will allow staff to achieve and maintain professional designations directly related to their work, such as Accredited Insurance Examiner (AIE) or Certified Insurance Examiner (CIE).

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	1,956,704	2,070,994
TOTAL FOR PROGRAM				1,956,704	2,070,994

Program 01.02: Licensing

This program issues licenses to insurance agents, insurance agencies, managing general agents, third-party administrators, reinsurance intermediaries, public insurance adjusters, viatical settlement brokers, and surety bail bond agents. The Licensing Program also monitors the continuing education hours for insurance agents, processes insurance company appointments of authorized agents, and proposes regulatory action against licensees not in compliance with the education requirements.

The Executive Recommendation will:

- Support an initiative to have a uniform and fully electronic licensing system;
- Provide administration of continuing education programs; and
- Fund the processing of applications.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	1,524,662	1,630,506
TOTAL FOR PROGRAM				1,524,662	1,630,506

Program 01.03: Fraud and Enforcement

This program investigates alleged misconduct of licensees and license applicants and provides assistance in prosecuting insurance-related fraud committed by consumers, medical providers, and others. The program staff frequently refers cases to local and federal law enforcement agencies for criminal investigations. Types of insurance fraud include arson, staged accidents, medical billing, forgery, faked deaths, homeowner/renter fraud, falsified disability claims, inflated claims, and viatical fraud. Insurance agents are investigated for various types of misconduct such as misappropriation of premiums and misrepresentation. Agents who engage in such acts may lose their licenses or face other sanctions.

The Executive Recommendation will:

- Fund investigation and prosecution of insurance-related fraud;
- Provide for misconduct investigations of insurance agents; and
- Equip the fraud and enforcement investigators, through job specific training and education, with the tools necessary to perform the functions of their jobs with a higher degree of skill and efficiency, resulting in higher quality output from the division.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	2,269,742	2,422,968
TOTAL FOR PROGRAM				2,269,742	2,422,968

PROGRAM SERIES 02: Financial Regulation

This program series, accredited by the National Association of Insurance Commissioners (NAIC) for its financial oversight operations, licenses insurance companies and monitors the financial solvency of insurance companies licensed in the State of Ohio.

Program 02.01: Financial Regulation

This program 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. The program staff reviews financial statements of every company licensed in Ohio and oversees complex transactions that can include billions of dollars in managed assets to ensure that insurance companies have enough money to pay claims filed by consumers. They also calculate and certify to the Treasurer of State the domestic and foreign insurance premium tax owed to the state. In addition, the program monitors insurers' statutory and solvency compliance on an ongoing basis and conducts on-site field examinations. By statute, the department examines insurers as often as the Superintendent of Insurance deems appropriate but at least once every five years.

The Executive Recommendation will:

- Provide financial analysis and review of the financial statements of 1,710 insurers;
- Fund financial examinations;
- Implement legislative changes to financial policy;
- Take regulatory action in response to troubled insurance company situations;
- License domestic, foreign, and alien insurers applying for admission; and
- Certify premium, retaliatory, and fire marshal taxes for collection in excess of \$440 million annually

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	555	820-605	Examination	7,639,581	7,868,768
TOTAL FOR PROGRAM				7,639,581	7,868,768

PROGRAM SERIES 03: Policy and Rate Filing Regulation

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

Program 03.01: Property and Casualty

This program reviews policy forms, endorsements, rules, and rates for products marketed to Ohio consumers by Ohio-licensed property and casualty companies. Products reviewed include commercial lines (e.g. insurance for businesses-auto, general liability, professional liability including medical malpractice, property, crime, fidelity, and surety) and personal lines (e.g. insurance for individuals and families-auto and homeowners). The program also reviews title insurance, risk purchasing and risk retention group registrations, and notification forms and surplus lines quarterly reports. Actuarial standards are applied to ensure that rates are not excessive, inadequate, or unfairly discriminatory and that the policy language is legal and clear.

The Executive Recommendation will:

- Fund professional development to increase actuarial and product development expertise;
- Fund collection and analysis of medical liability insurance data;
- Allow for the preparation of reports on market conditions; and
- Support 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.

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FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	2,137,178	2,233,748
TOTAL FOR PROGRAM				2,137,178	2,233,748

Program 03.02: Life and Health

This program reviews the contractual provisions of all Ohio-licensed life and health and accident policies to ensure they are in compliance with Ohio and federal laws. The program staff verifies that rates are actuarially sound and analyzes the valuation for the reserve liabilities for domestic life insurance companies. Currently more than 1,200 insurance companies are licensed to offer life and health insurance in Ohio. In addition to policy and rate review, the program also licenses alliances and accredits independent review organizations (health care denial reviews).

The Executive Recommendation will:

- Fund professional development to increase actuarial and product development expertise;
- Provide oversight of 459 insurance companies;
- Review reserve valuation documentation for life insurance products offered by 37 Ohio domestic life insurance companies; and
- Support annual review of 5,000 rate and contract filings from life and health insurers and health insuring corporations.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	2,107,292	2,205,260
TOTAL FOR PROGRAM				2,107,292	2,205,260

PROGRAM SERIES 04: Consumer Services

This program series consists of two programs that provide direct services to Ohio insurance consumers by answering questions, investigating complaints, organizing and coordinating a statewide counseling service for senior consumers, and distributing educational material.

Program 04.01: Consumer Services

This program assists Ohio insurance consumers through telephone, Internet and written communications, one-on-one meetings, and community outreach activities. The program representatives respond to inquiries regarding a wide variety of insurance matters and investigate insurance consumer complaints. Other activities include counseling victims at disaster assistance sites, meeting with insurance industry professionals, and conducting insurance fairs across the state.

The Executive Recommendation will:

- Maintain the consumer service center for public inquiries;
- Distribute insurance publications;
- Fund investigations to identify violations;
- Fund investigations and recovery services based on consumer complaints; and
- Fund educational opportunities that will allow staff to achieve and maintain professional designations that will enhance their ability to help and educate consumers on insurance matters.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	2,848,331	3,027,629
TOTAL FOR PROGRAM				2,848,331	3,027,629

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

This program, funded in part by state funds and by a grant from the Centers for Medicare and Medicaid Services (CMS), was established in 1992 to provide Medicare beneficiaries with free, objective health insurance information and one-on-one counseling. OSHIIP's speaker's bureau, hotline experts, and trained statewide volunteers educate consumers about Medicare, Medicare Part D prescription drug coverage, Medicare Advantage options, Medicaid and Medicare supplements, long-term care insurance, and other health insurance matters. 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.

The Executive Recommendation will:

- Fund consumer counseling services;
- Fund volunteer training to persons providing health insurance information to seniors;
- Support education outreach efforts to Ohio seniors on Medicare issues; and
- Fund educational opportunities for staff that will enhance their ability to train volunteers and help seniors who are often in a crisis mode when they call OSHIIP for assistance.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
FED	3U5	820-602	OSHIIP Operating Grant	1,100,000	1,100,000
SSR	554	820-601	Operating Expenses-OSHIIP	553,750	569,269
TOTAL FOR PROGRAM				1,653,750	1,669,269

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 consists of such management and support functions as executive, legal, general services, and information technology. The executive staff oversees the operations of the department, develops policies on all insurance matters, and represents the department in the legislature. The executive staff is also undertaking efforts to identify programs and products that will improve access to healthcare coverage for Ohioans and to collaborate with other state and federal agencies to identify resources for such coverage. The legal staff handles regulatory transactions, administers public hearings on agent and company license and enforcement issues, and provides legal assistance to other divisions of the department. The Office of General Services provides operational support including human resources, fiscal, budgeting, internal audit, and facility management. Information technology assists the department's regulatory oversight responsibilities through application of technology including the design, implementation, and maintenance of technology infrastructure and programs.

The Executive Recommendation will:

- Fund the offices of executive services, legal services, information technology, fiscal operations, and human resources needed to support the department's activities;
- Fund two positions for the Healthcare Exchange initiative; and
- Fund necessary actuarial and expert services for the Healthcare Exchange to determine eligibility and target populations.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
SSR	554	820-606	Operating Expenses	10,506,327	10,211,692
TOTAL FOR PROGRAM				10,506,327	10,211,692

LINE ITEM SUMMARY - Insurance

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
3AV	820-604	Federal Grant-Special Project	0	71,063	32,625	0	0	.0	0	.0
3U5	820-602	OSHIIP Operating Grant	537,813	554,823	1,253,257	1,080,000	1,100,000	1.9	1,100,000	.0
TOTAL Fed Special Revenue Fund Group			537,813	625,886	1,285,882	1,080,000	1,100,000	1.9	1,100,000	.0
554	820-601	Operating Expenses-OSHIIP	271,343	448,199	498,363	571,772	553,750	(3.2)	569,269	2.8
554	820-606	Operating Expenses	18,650,358	18,459,076	19,411,753	22,832,214	23,350,236	2.3	23,802,797	1.9
555	820-605	Examination	6,069,349	6,816,473	6,856,463	7,639,581	7,639,581	.0	7,868,768	3.0
TOTAL State Special Revenue Fund Group			24,991,050	25,723,748	26,766,579	31,043,567	31,543,567	1.6	32,240,834	2.2
TOTAL Department of Insurance			25,528,863	26,349,634	28,052,461	32,123,567	32,643,567	1.6	33,340,834	2.1

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