

Role and Overview

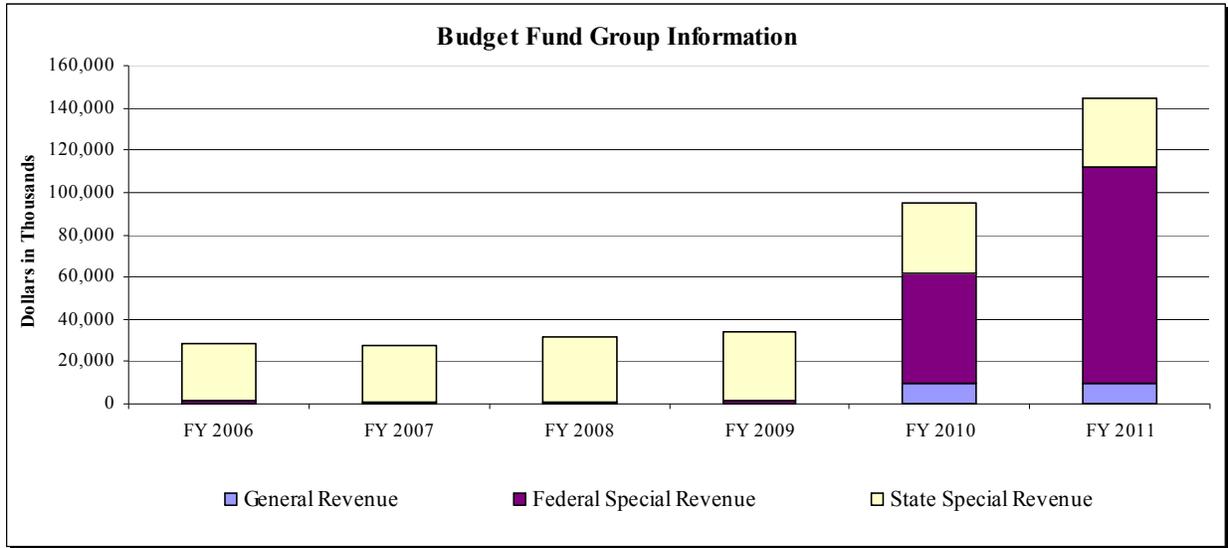
The Department of Insurance (ODI) provides consumer protection through education and fair but vigilant regulation while promoting a stable and competitive insurance marketplace. The department is charged under Ohio Revised Code Chapters 39 and 17 with the responsibility of regulating the activities of approximately 1,650 insurance companies that write more than \$54 billion in insurance premiums, and pay about \$447 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 71,000 people not including agents. In addition, the department issues licenses, monitors the conduct of more than 259,000 insurance agents, and oversees 1,800 insurance agencies doing business in Ohio. 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 \$35.8 million and supports approximately 280 employees.

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

Agency Priorities

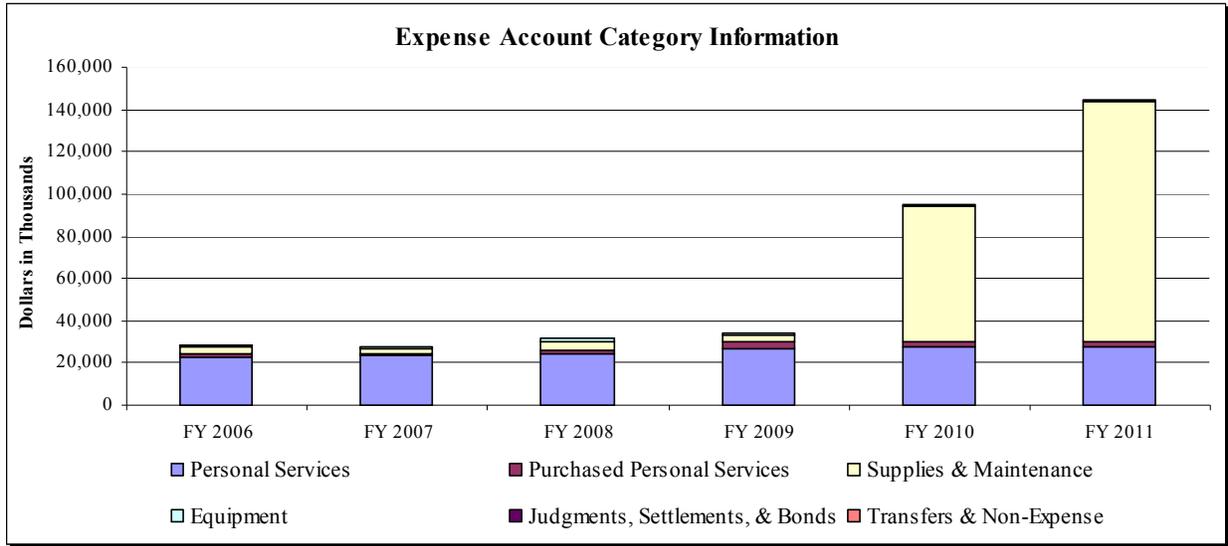
- Monitor the financial solvency of insurance companies and health insuring corporations operating in Ohio, and assure that companies operating in Ohio are stable and sound.
- Provide consumers with education on insurance matters, especially health care coverage options and issues of interest to seniors.
- 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.
- Protect Ohio's senior population from predatory sales practices by strengthening regulatory measures, educating seniors and continuing partnerships with organizations that serve senior citizens.
- Continue efforts to increase availability of health care coverage for groups and individuals in Ohio through further development of the State Coverage Initiative.
- Provide staff educational and training opportunities to enhance their insurance knowledge in order to more effectively monitor a complex and ever changing insurance industry.

Summary of Budget History and Recommendations



- General Revenue Funds are for state match requirements for federal Health Information Technology programs
- Federal revenue increases recognize maximum federal award for federal Health Information Technology programs

(In Thousands) BUDGET FUND GROUP	ACTUAL			EST.	% CHANGE	RECOMMENDED			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 08-09	FY 2010	% CHANGE	FY 2011	% CHANGE
General Revenue	0	0	0	0	0.0	10,000	100.0	10,000	0.0
Federal Special Revenue	1,286	999	1,146	1,640	43.1	51,770	3,057.0	101,790	96.6
State Special Revenue	26,768	26,620	30,388	32,241	6.1	33,060	2.5	33,083	0.1
TOTAL	28,054	27,619	31,534	33,881	7.4	94,830	179.9	144,873	52.8



- Supplies and Maintenance increases primarily recognize spending for federal Health Information Technology programs. Coding may change based on the structure of any award accepted.

(In Thousands) EXPENSE ACCOUNT CATEGORY	ACTUAL			% EST. CHANGE		RECOMMENDED			
	FY 2006	FY 2007	FY 2008	FY 2009	FY 08-09	FY 2010	% CHANGE	FY 2011	% CHANGE
Personal Services	22,469	23,382	24,611	27,087	10.1	27,658	2.1	28,008	1.3
Purchased Personal Services	1,865	669	1,774	2,712	52.9	2,601	-4.1	1,985	-23.7
Supplies & Maintenance	3,245	2,935	3,346	3,778	12.9	63,885	1,591.2	113,980	78.4
Equipment	308	588	1,803	294	-83.7	426	45.2	640	50.3
Judgments, Settlements, & Bonds	167	47	0	10	100.0	0	-100.0	0	0.0
Transfers & Non-Expense	0	0	1	0	-100.0	260	100.0	260	0.0
TOTAL	28,054	27,619	31,534	33,881	7.4	94,830	179.9	144,873	52.8

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 the following objectives:

- On-site examinations, investigations, and in-house company compliance reviews;
- Collection and analysis of market data, consumer complaints, and associated data;
- A provider complaint and prompt payment program for healthcare claims;

- 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
- Training that will allow staff members to achieve and maintain professional designations directly related to their duties.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SSR	5540	820606	Operating Expenses	1,697,399	1,731,908
TOTAL FOR PROGRAM				1,697,399	1,731,908

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. If an applicant does not appear to be a suitable candidate for a license, the program assists 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 fund the following objectives:

- Administration of continuing education programs; and
- Processing of license applications.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SSR	5540	820606	Operating Expenses	1,627,664	1,670,468
TOTAL FOR PROGRAM				1,627,664	1,670,468

Program 01.03: Fraud and Enforcement

This program investigates alleged misconduct or fraud committed by licensed individuals entities, consumers, third parties and medical providers. 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. Types of insurance fraud include false claims, inflated claims, arson, theft, forgery, staged accidents, upcoding of medical services, billing for medical services not rendered and the unbundling of medical services. The program staff members frequently refer cases to local, state and federal prosecutors and provide evidence and testimony regarding investigations conducted.

The Executive Recommendation will fund the following objectives:

- Investigation and prosecution of insurance-related fraud;
- Misconduct investigations of insurance agents; and
- Equip fraud and enforcement investigators with the tools necessary to perform their job duties with a higher degree of skill and efficiency, including job specific training and education.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SSR	5540	820606	Operating Expenses	2,433,258	2,492,476
TOTAL FOR PROGRAM				2,433,258	2,492,476

PROGRAM SERIES 02: Risk Assessment

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: Risk Assessment

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 fund the following objectives:

- Analysis and review of the financial statements of 1,170 insurers;
- Financial examinations of insurance companies;
- Ensure compliance with legislative changes to financial policy;
- Regulatory action in response to troubled insurance company situations;
- License domestic, foreign, and alien insurers applying for admission;
- Certify premium, retaliatory, and fire marshal taxes for collection in excess of \$440 million annually; and
- Development and implementation of upgrade to the department regulatory database, allowing for greater efficiency and enhanced interoperability.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SSR	5550	820605	Examination	9,275,768	9,294,668
TOTAL FOR PROGRAM				9,275,768	9,294,668

PROGRAM SERIES 03: Product Regulation

This program series reviews the product and rate submissions of all insurance companies selling insurance products in Ohio and performs actuarial analyses in support of the Risk Assessment program.

Program 03.01: Product Regulation

This program reviews policy forms, endorsements, and rules for products marketed to Ohio consumers by Ohio-licensed property and casualty companies as well as life and health companies. Products reviewed include commercial lines (e.g. insurance for businesses-auto, general liability, professional liability including medical malpractice, property, crime, fidelity, and surety), personal lines (e.g. insurance for individuals and families-auto and homeowners), life and health, and accident policies. The program also reviews title insurance, risk purchasing and risk retention group registrations, and surplus lines reports. Program staff reviews policy language for clarity and compliance with statutes and rules. They also monitor the annual open enrollments of the individual health insurance market. The program provides actuarial support for all of the programs, with specific responsibility for Product Regulation, Program Management and Risk Assessment. Actuarial standards are applied to ensure that rates are not excessive, inadequate, or unfairly discriminatory. Program staff analyzes the valuation of reserve liabilities for domestic life insurance companies. The program also monitors the reserve valuations of domestic health insurers and reviews the actuarial opinions, memoranda, and summaries for all domestic insurers. Program staff participates in all Risk Assessment examinations to evaluate reserving risk, as well as pricing and underwriting, liquidity,

operational, and strategic risks, as well as providing technical expertise to legal staff performing law and regulation reviews.

The Executive Recommendation will fund the following objectives:

- Professional development to increase actuarial and product development expertise;
- Collection and analysis of medical liability insurance data;
- Preparation of market condition reports;
- Performance of 10,000 annual rate and insurance contracts filed by property and casualty insurance companies, title insurance products, risk purchasing and risk retention group registrations, notification forms, and surplus line quarterly reports and 5,000 rate and contract filings from life and health insurers and health insuring corporations.
- Oversight of 459 life and health insurance companies, and
- Review of reserve valuation documentation for life insurance products offered by 37 Ohio domestic life insurance companies.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SSR	5540	820606	Operating Expenses	3,763,426	3,808,361
TOTAL FOR PROGRAM				3,763,426	3,808,361

PROGRAM SERIES 04: Consumer Services

This program series consists of two programs that provide direct services to assist and educate 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 identifying violations of Ohio’s insurance laws; distributing helpful insurance-related publications such as insurance guides for different types of insurance and numerous pamphlets that compliment the guides and focus on topics of consumer interest; counseling victims at disaster assistance sites; meeting with insurance industry professionals, and conducting insurance fairs across the state.

The Executive Recommendation will fund the following objectives:

- Continue providing the customer service center for public inquiries;
- Distribution of insurance publications; and
- Investigations to identify violations and recovery systems based on consumer complaints.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
SSR	5540	820606	Operating Expenses	2,777,489	2,843,328
TOTAL FOR PROGRAM				2,777,489	2,843,328

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

This education and advocacy 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 statewide

network of volunteers trained by OSHIIP staff 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 publishes a monthly volunteer newsletter. Additionally OSHIIP has established over 200 local information sites in partnership with hospitals, medical professionals, area-wide aging agencies and public-charitable-private organizations.

The Executive Recommendation will fund the following objectives:

- Provide consumer counseling services;
- Provide training for persons volunteering to provide health insurance information to seniors; and
- Support of education outreach efforts to Ohio seniors on Medicare issues;

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
FED	3U50	820602	OSHIIP Operating Grant	1,770,000	1,790,000
SSR	5540	820601	Operating Expenses-OSHIIP	200,000	200,000
TOTAL FOR PROGRAM				1,970,000	1,990,000

PROGRAM SERIES 05: 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 05.01: 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 following objectives:

- Provide program management functions, including executive, legal, fiscal, information technology, and human resources operations necessary to support the department's activities;
- Provide support for State Coverage Initiative (SCI) programs, which will assist 110,000 people currently without coverage in obtaining insurance;
- Provide administrative and technical support to the Ohio Health Care Coverage and Quality Council, to assist in development and implementation of future SCI programs to cover more currently uninsured Ohioans; and
- Assist with the implementation of health information technologies in Ohio through the Ohio Health Information Exchange Center and similar programs.

State of Ohio
Department of Insurance

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2010	FY 2011
GRF	GRF	820607	State Coverage Initiative	10,000,000	10,000,000
FED	3CX0	820608	State Coverage Initiative – Federal	50,000,000	100,000,000
SSR	5540	820606	Operating Expenses	10,805,793	10,561,755
SSR	5540	820609	State Coverage Initiative Administration	479,575	479,575
TOTAL FOR PROGRAM				71,285,368	121,041,330

Appropriation Line Item Analyses for Fiscal Years 2010 and 2011

Line Item Notes

820607, State Coverage Initiative: GRF funds in the amount of \$10 million in fiscal years 2010-11 are appropriated to meet match requirements to receive federal dollars for implementation and encouragement of Health Information Technology programs.

820608, State Coverage Initiative - Federal: This line item establishes appropriation for federal dollars related to Health Information Technology programs.

820609, State Coverage Initiative Administration: This line item funds personnel and administrative activities related to support and implementation of State Coverage and Quality Initiative programs and recommendations.

LINE ITEM SUMMARY - Department of Insurance

FUND	ALI	ALI NAME	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 RECOMMENDED	% CHANGE	FY 2011 RECOMMENDED	% CHANGE
GRF	820607	State Coverage Initiative	0	0	0	0	10,000,000	.0	10,000,000	0.0
TOTAL General Revenue			0	0	0	0	10,000,000	.0	10,000,000	0.0
3AV0	820604	Federal Grant-Special Project	32,625	0	0	0	0	.0	0	.0
3CX0	820608	State Coverage Initiative – Federal	0	0	0	0	50,000,000	.0	100,000,000	100.0
3U50	820602	OSHIIP Operating Grant	1,253,256	999,151	1,146,017	1,639,826	1,770,000	7.9	1,790,000	1.1
TOTAL Federal Special Revenue			1,285,881	999,151	1,146,017	1,639,826	51,770,000	3057.0	101,790,000	96.6
5540	820601	Operating Expenses-OSHIIP	498,360	241,869	376,442	569,269	200,000	-64.9	200,000	0.0
5540	820606	Operating Expenses	19,413,503	19,537,801	22,884,736	23,802,797	23,105,028	-2.9	23,108,297	0.0
5540	820609	State Coverage Initiative Administration	0	0	0	0	479,575	.0	479,575	0.0
5550	820605	Examination	6,856,463	6,840,409	7,126,695	7,868,768	9,275,768	17.9	9,294,668	0.2
TOTAL State Special Revenue			26,768,326	26,620,080	30,387,872	32,240,834	33,060,371	2.5	33,082,540	0.1
TOTAL Department of Insurance			28,054,208	27,619,230	31,533,889	33,880,660	94,830,371	179.9	144,872,540	52.8