

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 \$55 billion in insurance premiums, and pay about \$434 million each year in premium taxes to the GRF. 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 291,000 insurance agents, and oversees 20,562 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 department has 263 full time permanent employees.

More information regarding the Department of Insurance is available at <http://www.insurance.ohio.gov>.

Agency Priorities

- **Fighting Fraud** – Investigate persons or entities who commit insurance fraud or are suspected of violating Ohio's insurance laws. Staff members will provide evidence and testimony during administrative and criminal proceedings when warranted.
- **Consumer Services** - Empower consumers to make informed insurance purchasing decisions by providing educational information, training, and consultation. Additionally, the agency will assist consumers who encounter difficulties by answering inquiries and investigating and resolving complaints. The agency will help seniors, caregivers, and other Medicare recipients obtain information on Medicare products and programs and will work to prevent predatory sales practices directed toward seniors by partnering with the Department of Aging and the Department of Commerce.
- **A Robust, Competitive, and Stable Market Place** - Promote economic development through regulatory reform while ensuring a stable insurance market for consumers. The agency will assess solvency and approve statutory filings of Ohio based companies, as well as rate and policy form filings from all companies licensed in Ohio; perform audits of non-Ohio based companies; review business practices of all companies licensed in Ohio; and monitor health open enrollment.

Funding Recommendation for FY2012 and FY2013

Funding Summary

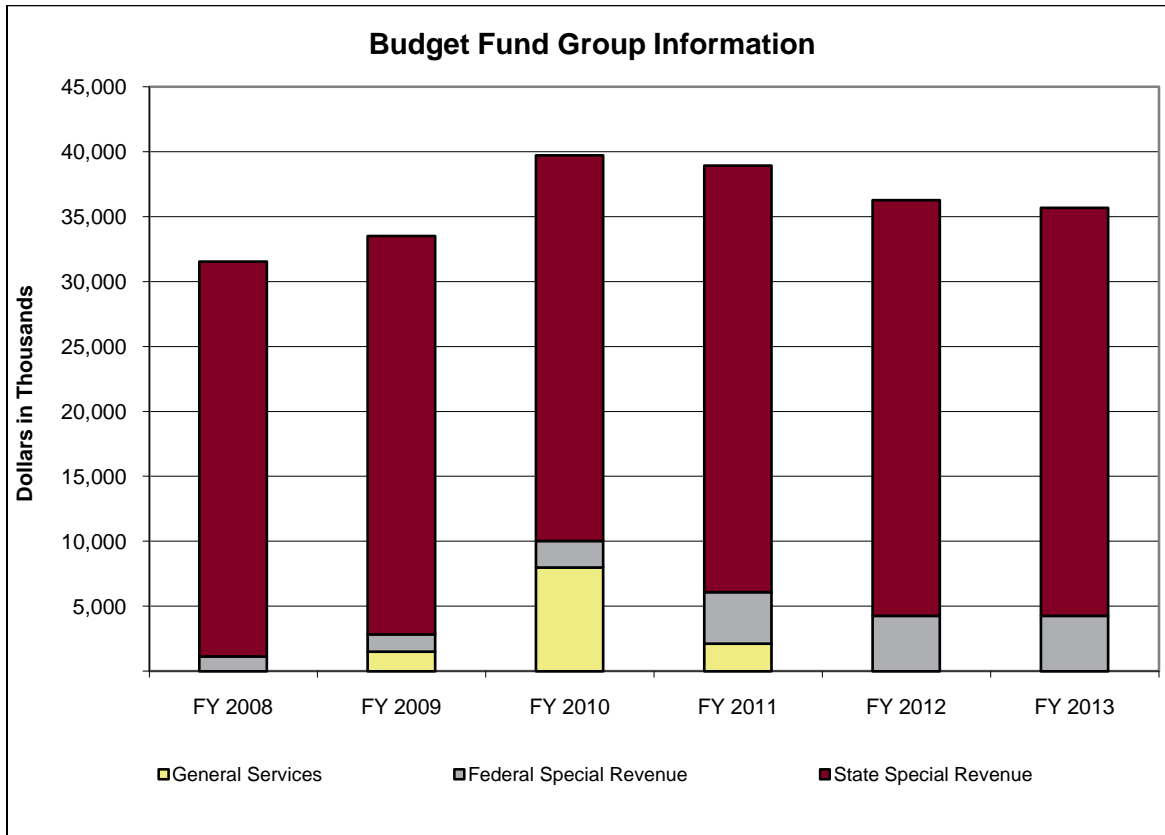
- All funds: Funding for fiscal year 2012 is \$36.3 million (or a 6.9% decrease from fiscal year 2011). Funding for fiscal year 2013 is \$35.7 million (or a 1.7% decrease from fiscal year 2012).

The Executive Recommendation will fund the following objectives:

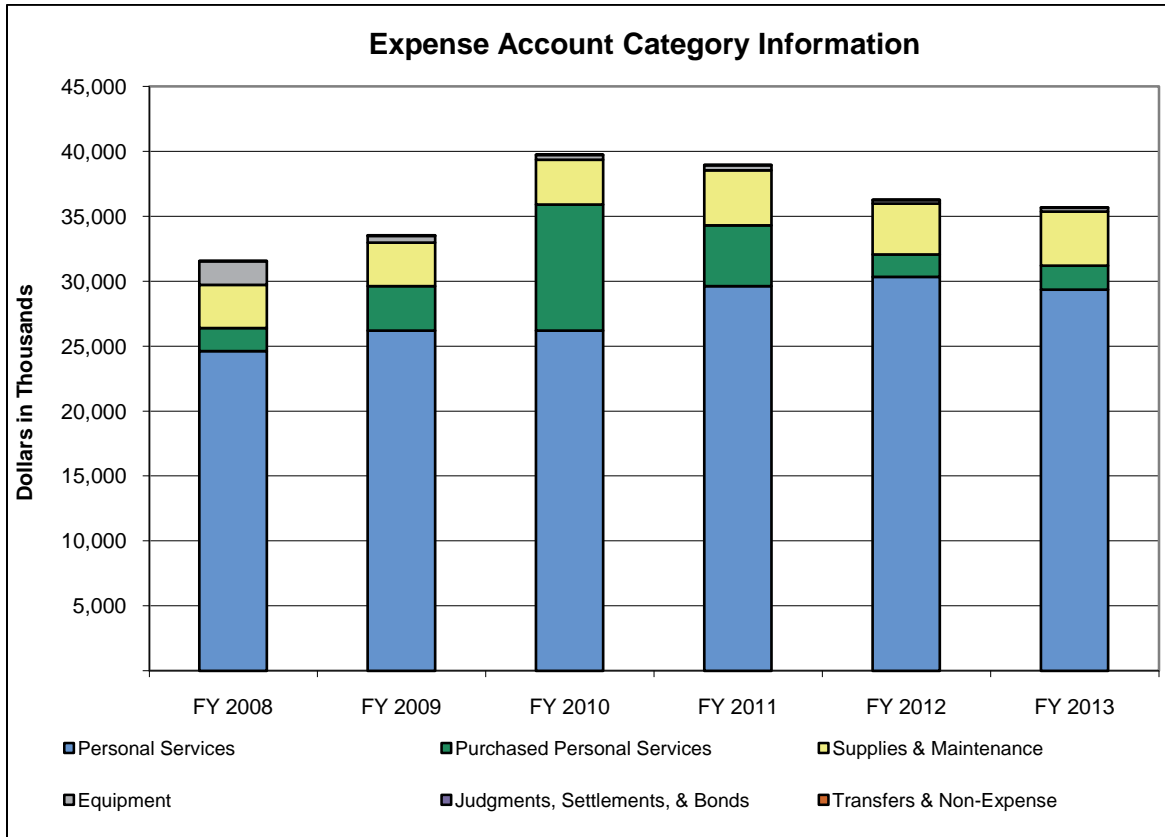
- Monitor the financial solvency of insurance companies and health insuring corporations operating in Ohio, and assure that companies operating in Ohio are stable and sound.
- Provide consumers with education on insurance matters, especially health care coverage options and issues of interest to seniors.
- 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 comply with Ohio law.
- Investigate fraud and misconduct in a thorough and professional manner.

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- 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 implement the federal Patient Protection and Affordable Care Act.
- Continue implementation of an enterprise system that will facilitate e-commerce with business constituents and allow Ohio to comply with the reporting requirements of the National Association of Insurance Commissioners.
- Provide staff educational and training opportunities to enhance their insurance knowledge in order to effectively monitor a complex and ever changing insurance industry.
- Continue efforts in overseeing the licensure and education of insurance agents.



(in Thousands)	Actual			Est.	% Change	Recommended			
Budget Fund Group	FY 2008	FY 2009	FY 2010	FY 2011	FY10-11	FY 2012	% Change	FY 2013	% Change
General Services	0	1,500	8,000	2,116	-73.5%	0	-100.0%	0	-
Federal Special Revenue	1,146	1,331	2,033	3,970	95.2%	4,271	7.6%	4,271	0.0%
State Special Revenue	30,388	30,677	29,701	32,859	10.6%	32,001	-2.6%	31,403	-1.9%
Totals	31,534	33,508	39,734	38,945	-2.0%	36,272	-6.9%	35,673	-1.7%



(in Thousands) Expense Account Category	Actual			Est.	% Change	Recommended			
	FY 2008	FY 2009	FY 2010	FY 2011	FY10-11	FY 2012	% Change	FY 2013	% Change
Personal Services	24,611	26,198	26,206	29,614	13.0%	30,346	2.5%	29,356	-3.3%
Purchased Personal Services	1,774	3,428	9,710	4,691	-51.7%	1,721	-63.3%	1,851	7.6%
Supplies & Maintenance	3,346	3,354	3,438	4,234	23.2%	3,901	-7.9%	4,168	6.9%
Equipment	1,803	514	378	397	5.0%	294	-25.9%	288	-2.0%
Judgments, Settlements, & Bonds	0	9	3	0	-100.0%	10	-	10	-1.8%
Transfers & Non-Expense	1	5	0	10	-	0	-100.0%	0	-
Totals	31,534	33,508	39,734	38,945	-2.0%	36,272	-6.9%	35,673	-1.7%

Program Series 1: Investigative and Licensing (7500A)

This program series ensures compliance with Ohio's insurance laws and regulations by both individual agent and business entities. The Market Conduct Program (7500B) examines insurance entities' business practices, identifies inappropriate insurance company market practices, and ensures that proper corrective action is taken as established by state laws and rules. The Licensing Program (7505B) issues and renews licenses to individuals and business entities after determining they have met the minimum qualifications needed to obtain an insurance license from the state. The program also monitors the continuing education hours for individual insurance agents, processes insurance company appointments of authorized agents, and proposes regulatory action against licensees not in compliance with the education requirements. The Fraud Investigation and Enforcement Program (7510B) investigates alleged misconduct or fraud committed by licensed individuals entities, consumers, third parties, and medical providers. Agents who engage in such acts may lose their licenses or face other sanctions. This program frequently refers cases to local, state, and federal prosecutors and provides evidence and testimony regarding investigations conducted.

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Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
5540	820606	Operating Expenses	5,938,200	5,755,704	-3.1%	5,567,872	-3.3%
Total for Investigative And Licensing			5,938,200	5,755,704	-3.1%	5,567,872	-3.3%

Program Series 2: Risk Assessment (7520A)

This program series contains the Risk Assessment Program (7520B), which 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 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.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
5550	820605	Examination	9,294,668	9,065,684	-2.5%	8,934,065	-1.5%
Total for Risk Assessment			9,294,668	9,065,684	-2.5%	8,934,065	-1.5%

Program Series 3: Product Regulation (7530A)

This program series contains the Product Regulation Program (7535B), which 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 and their related lines of business. Program staff reviews policy language for clarity and compliance with statutes and rules and monitors annual open enrollments of the individual health insurance market. The program provides actuarial support for all department programs, applying actuarial standards to ensure that rates are not excessive, inadequate, or unfairly discriminatory. Program staff analyzes the valuation of reserve liabilities for domestic life insurance companies and monitors and reviews the reserve valuations of domestic health insurers and the actuarial opinions, memoranda, and summaries for all domestic insurers. Program staff participates in all risk assessment examinations to evaluate reserving, pricing, underwriting, and liquidity risks, among others.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
5540	820606	Operating Expenses	3,984,600	4,029,497	1.1%	3,829,872	-5.0%
Total for Product Regulation			3,984,600	4,029,497	1.1%	3,829,872	-5.0%

Program Series 4: Consumer Services (7540A)

This program series assists Ohio insurance consumers through telephone, Internet, and written communications; one-on-one meetings; and community outreach activities. The Consumer Services Program (7540B) responds to inquiries regarding insurance matters and investigates insurance consumer complaints. The program also identifies violations of Ohio's insurance laws, distributes insurance-related publications, counsels victims at disaster assistance sites, and conducts insurance fairs across the state. The Ohio Senior Insurance Information Partnership Program (7545B), or OSHIIP, uses agency staff and approximately 800 trained community-based volunteers to provide free insurance information and assistance in navigating the Medicare and associated insurance systems.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
3U50	820602	OSHIIP Operating Grant	1,920,000	2,270,726	18.3%	2,270,725	0.0%
5540	820601	Operating Expenses-OSHIIP	200,000	190,000	-5.0%	180,000	-5.3%

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Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
5540	820606	Operating Expenses	2,810,400	2,655,416	-5.5%	2,570,913	-3.2%
Total for Consumer Services			4,930,400	5,116,142	3.8%	5,021,638	-1.8%

Program Series 5: Health Care (7550A)

This program series contains the Health Care Program (7550B), which is responsible for implementing many aspects of the federal Patient Protection and Affordable Care Act, including overseeing Ohio's high risk pool, reviewing insurance policy form and rate filings for compliance with applicable state and federal law, and coordinating with the federal government. The department is also preparing for the health insurance market reforms to take effect in 2014, including planning for implementation of a health insurance exchange in Ohio. The department has received two federal grants to meet its regulatory obligations under federal law: a health insurance exchange planning grant and a premium rate review grant.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
3EV0	820610	Health Insurance Premium Review	1,000,000	1,000,000	0.0%	1,000,000	0.0%
3EW0	820611	Health Exchange Planning	1,000,000	1,000,000	0.0%	1,000,000	0.0%
3EX0	820612	Consumer Assistance Grant	50,000	0	-100.0%	0	-
Total for Medical Malpractice			2,050,000	2,000,000	-2.4%	2,000,000	0.0%

Program Series 6: Program Management (7560A)

This program series contains the Program Management Program (7560B), which 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 to the legislature. The executive staff identifies programs and products that will improve access to healthcare coverage for Ohioans and collaborates with other state and federal agencies as appropriate. 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, and facility management. Information technology assists the department's regulatory oversight responsibilities through design, implementation, and maintenance of technology infrastructure and programs.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2011	FY 2012	% Change	FY 2013	% Change
5540	820606	Operating Expenses	10,151,536	10,304,921	1.5%	10,319,893	0.1%
5540	820609	State Coverage Initiative - Council	479,575	0	-100.0%	0	-
5AG0	820603	Ohio Family Health Survey	2,116,272	0	-100.0%	0	-
Total for Program Management			12,747,383	10,304,921	-19.2%	10,319,893	0.1%

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Line Item Summary By Budget Fund Group

Fund	ALI	ALI Name	Actual			Estimated	Recommended			
			FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	% Change	FY 2013	% Change
5AG0	820603	Ohio Family Health Survey	0	1,500,000	8,000,000	2,116,272	0	-100.0%	0	-
Total for General Services			0	1,500,000	8,000,000	2,116,272	0	-100.0%	0	-
3EV0	820610	Health Insurance Premium Review	0	0	0	1,000,000	1,000,000	0.0%	1,000,000	0.0%
3EW0	820611	Health Exchange Planning	0	0	0	1,000,000	1,000,000	0.0%	1,000,000	0.0%
3EX0	820612	Consumer Assistance Grant	0	0	0	50,000	0	-100.0%	0	-
3U50	820602	OSHIIP Operating Grant	1,146,017	1,330,991	2,033,398	1,920,000	2,270,726	18.3%	2,270,725	0.0%
Total for Federal Special Revenue			1,146,017	1,330,991	2,033,398	3,970,000	4,270,726	7.6%	4,270,725	0.0%
5540	820601	Operating Expenses-OSHIIP	376,442	621,867	165,434	200,000	190,000	-5.0%	180,000	-5.3%
5540	820606	Operating Expenses	22,884,736	22,276,747	20,748,054	22,884,736	22,745,538	-0.6%	22,288,550	-2.0%
5540	820609	State Coverage Initiative - Council	0	0	271,996	479,575	0	-100.0%	0	-
5550	820605	Examination	7,126,695	7,778,600	8,515,263	9,294,668	9,065,684	-2.5%	8,934,065	-1.5%
Total for State Special Revenue			30,387,872	30,677,214	29,700,746	32,858,979	32,001,222	-2.6%	31,402,615	-1.9%
TOTAL Department of Insurance			31,533,889	33,508,205	39,734,145	38,945,251	36,271,948	-6.9%	35,673,340	-1.7%