

# Department of Insurance

## Role and Overview

The Department of Insurance (INS) 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 more than 1,600 insurance companies, including nearly 250 domestic companies that write more than \$58.7 billion in insurance premiums, and pay about \$435 million each year in premium taxes to the General Revenue Fund. Ohio is the ninth largest insurance state by premium volume in the United States and the 19th largest insurance market in the world. The industry is one of Ohio's largest employers, employing more than 110,000 people not including agents. In addition, the Department issues licenses, monitors the conduct of more than 212,000 insurance agents, and oversees 21,000 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 Department carries out all of these duties with funding provided solely by Ohio's insurance industry. Companies, agents and other entities pay fees providing 100 percent of the Department's necessary funding. The Director of Insurance, who is appointed by the Governor, heads the Department, which has 255 full-time permanent employees.

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

## Agency Priorities

- Provide fair and appropriate market regulation. Investigate persons or entities who commit insurance fraud or are suspected of violating Ohio's insurance laws, including those laws regarding unfair or deceptive practices. The Department will provide a regulatory response that is reasonable, appropriate and proportional.
- Provide excellent consumer services and empower consumers to make informed insurance purchasing decisions by providing educational information, training, and consultation. Additionally, the Department will assist consumers who encounter difficulties by answering inquiries and investigating and resolving complaints. The Department 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.
- Provide a robust, competitive, and stable marketplace by providing a regulatory environment that supports a competitive insurance market ensuring a stable insurance market for consumers. The Department will assess solvency and review statutory filings of Ohio-based companies, as well as rate and policy form filings from all companies licensed in Ohio. The Department will also perform audits of non-Ohio based companies and review business practices of all companies licensed in Ohio.
- Enhance Ohio's ability to attract and retain insurance businesses and jobs for Ohioans through regulatory reform while ensuring a stable insurance market for consumers. The Department will review existing rules and regulations to promote flexibility, balance, transparency and consistency.

## Funding Recommendation for 2014 and 2015

- All Funds: Funding for fiscal year 2014 is \$39.2 million (or a 6.3% increase from fiscal year 2013). Funding for fiscal year 2015 is \$36.5 million (or a 6.8% decrease from fiscal year 2014).

## The Executive Recommendation will fund the following objectives:

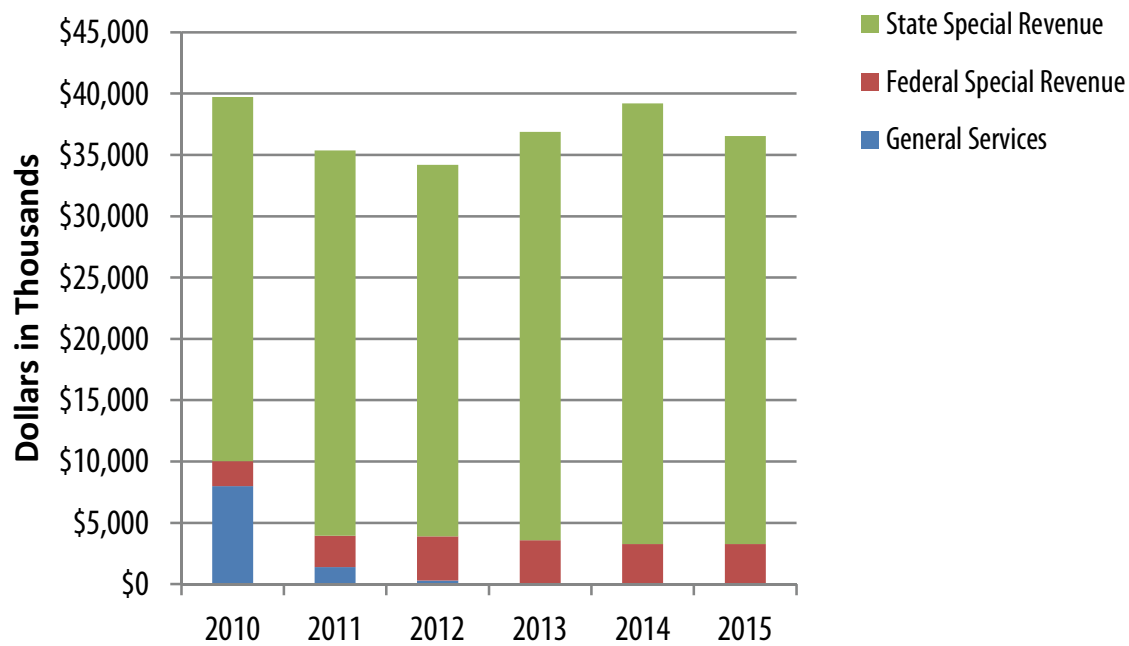
- Oversee the financial solvency of insurance companies and health insuring corporations operating in Ohio, and assure that companies operating in Ohio are stable and sound.
- Provide consumers with education on insurance matters and assistance regarding insurance coverage and claims-related concerns.
- Oversee 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.

---

**Department of Insurance**

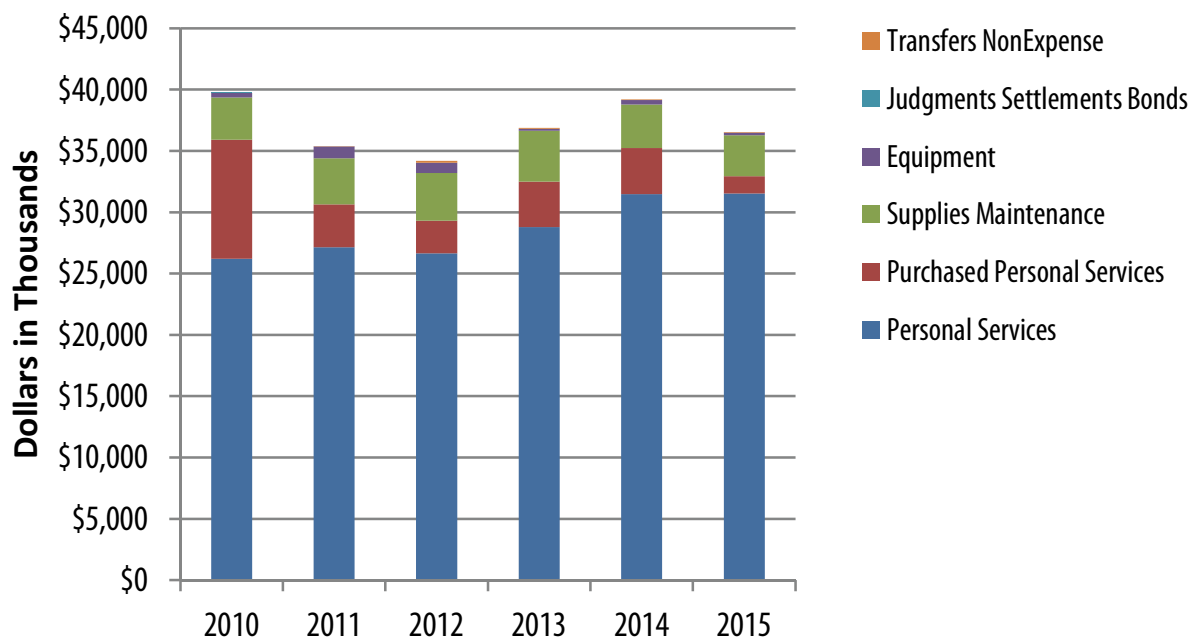
- Protect Ohio's senior population from predatory sales practices by strengthening regulatory measures, educating seniors and continuing partnerships with organizations that serve senior citizens.
- Continue implementation of an enterprise system that will facilitate e-commerce with business constituents and allow Ohio to comply with the reporting requirements of the National Association of Insurance Commissioners.
- Maintain existing service levels as volume increases due to the impact of the Affordable Care Act.
- Provide staff educational and training opportunities to enhance their insurance knowledge in order to effectively monitor a complex and ever-changing insurance industry.

## Budget Fund Group Information



(in Thousands)	Actual			Est.	% Change	Recommended			
Budget Fund Group	FY 2010	FY 2011	FY 2012	FY 2013	FY 12-13	FY 2014	% Change	FY 2015	%Change
General Services	8,000	1,394	281	0	-100.0%	0	0.0%	0	0.0%
Federal Special Revenue	2,033	2,542	3,610	3,571	-1.1%	3,271	-8.4%	3,271	0.0%
State Special Revenue	29,701	31,424	30,291	33,310	10.0%	35,934	7.9%	33,274	-7.4%
<b>Total</b>	<b>39,734</b>	<b>35,361</b>	<b>34,182</b>	<b>36,881</b>	<b>7.9%</b>	<b>39,205</b>	<b>6.3%</b>	<b>36,545</b>	<b>-6.8%</b>

## Expense Account Category Information



(in Thousands)	Actual			Est.	% Change	Recommended			
Expense Account Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 12-13	FY 2014	% Change	FY 2015	%Change
Personal Services	26,206	27,142	26,653	28,776	8.0%	31,484	9.4%	31,531	0.1%
Purchased Personal Services	9,710	3,488	2,665	3,719	39.5%	3,755	1.0%	1,398	-62.8%
Supplies & Maintenance	3,438	3,767	3,874	4,149	7.1%	3,542	-14.6%	3,348	-5.5%
Equipment	378	958	848	167	-80.4%	354	112.6%	197	-44.4%
Judgments, Settlements, & Bonds	3	0	0	0	0.0%	0	0.0%	0	0.0%
Transfers & Non-Expense	0	6	141	70	-50.7%	70	0.0%	71	1.3%
<b>Total</b>	<b>39,734</b>	<b>35,361</b>	<b>34,182</b>	<b>36,881</b>	<b>7.9%</b>	<b>39,205</b>	<b>6.3%</b>	<b>36,545</b>	<b>-6.8%</b>

**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) monitors insurers' compliance with Ohio insurance laws and regulations by examining insurance entities' business practices, such as underwriting, marketing and claims handling. The Licensing Program (7505B) determines if an individual or business entity has met the minimum qualifications needed to be issued an insurance license from the state. It issues licenses to insurance agents, insurance business entities, managing general agents, public insurance adjusters, reinsurance intermediaries, surety bail bond agents, surplus line brokers, title agents, third party administrators and viatical settlement brokers. The licensing program also determines if the licensed individuals and business entities have met the minimum requirements to renew and maintain the license and 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.

## State of Ohio

### Department of Insurance

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
5540	820606	Operating Expenses	5,477,915	5,539,118	1.1%	5,626,488	1.6%
Total for Investigative And Licensing			5,477,915	5,539,118	1.1%	5,626,488	1.6%

#### Program Series 2: Risk Assessment (7520A)

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

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
5550	820605	Examination	8,184,065	8,184,065	0.0%	8,184,065	0.0%
Total for Risk Assessment			8,184,065	8,184,065	0.0%	8,184,065	0.0%

#### Program Series 3: Product Regulation (7530A)

This program series contains the Product Regulation Program (7535B), 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, pricing, underwriting and liquidity risks, among others.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
5540	820606	Operating Expenses	5,245,414	6,514,076	24.2%	4,817,650	-26.0%
Total for Product Regulation			5,245,414	6,514,076	24.2%	4,817,650	-26.0%

#### 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) 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 complement 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 Ohio Senior Insurance Information Partnership Program (7545B), or OSHIIP is funded in part by state funds and by a grant from the Centers for Medicare and Medicaid Services (CMS). It was established in 1992 to provide Ohio's 1.8 million Medicare beneficiaries with free, objective health insurance information and one-on-one counseling.

## State of Ohio

### Department of Insurance

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
3U50	820602	OSHIIP Operating Grant	2,270,725	1,970,725	-13.2%	1,970,725	0.0%
5540	820601	Operating Expenses-OSHIIP	180,000	180,000	0.0%	180,000	0.0%
5540	820606	Operating Expenses	2,544,215	3,300,046	29.7%	2,946,915	-10.7%
<b>Total for Consumer Services</b>			<b>4,994,940</b>	<b>5,450,771</b>	<b>9.1%</b>	<b>5,097,640</b>	<b>-6.5%</b>

#### Program Series 5: Health Care (7550A)

This program series contains the Health Care Program (7550B) and is responsible for implementing enhancements to existing premium rate review activities and information technology systems in order to absorb the impact of the Affordable Care Act.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
3EVO	820610	Health Insurance Premium Review	1,300,000	1,300,000	0.0%	1,300,000	0.0%
<b>Total for Health Care</b>			<b>1,300,000</b>	<b>1,300,000</b>	<b>0.0%</b>	<b>1,300,000</b>	<b>0.0%</b>

#### 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 in the legislature. The executive staff is also undertaking efforts to build upon Ohio's current standing as a low cost insurance state for consumers and advance Ohio's status as an employment rich environment for insurance jobs. 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 application of technology including the design, implementation, and maintenance of technology infrastructure and programs.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
5540	820606	Operating Expenses	11,678,386	12,217,193	4.6%	11,519,314	-5.7%
<b>Total for Program Management</b>			<b>11,678,386</b>	<b>12,217,193</b>	<b>4.6%</b>	<b>11,519,314</b>	<b>-5.7%</b>

# State of Ohio

## Department of Insurance

			Actual			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	% Change	FY 2015	% Change
5AG0	820603	Ohio Family Health Survey	8,000,000	1,394,069	281,175	0	0	0.0%	0	0.0%
<b>Total General Services</b>			<b>8,000,000</b>	<b>1,394,069</b>	<b>281,175</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>
3EVO	820610	Health Insurance Premium Review	0	299,412	779,377	1,300,000	1,300,000	0.0%	1,300,000	0.0%
3EW0	820611	Health Exchange Planning	0	148,988	769,106	0	0	0.0%	0	0.0%
3EX0	820612	Consumer Assistance Grant	0	36,980	0	0	0	0.0%	0	0.0%
3U50	820602	OSHIIP Operating Grant	2,033,398	2,056,900	2,061,926	2,270,725	1,970,725	-13.2%	1,970,725	0.0%
<b>Total Federal Special Revenue</b>			<b>2,033,398</b>	<b>2,542,280</b>	<b>3,610,409</b>	<b>3,570,725</b>	<b>3,270,725</b>	<b>-8.4%</b>	<b>3,270,725</b>	<b>0.0%</b>
5540	820601	Operating Expenses-OSHIIP	165,434	106,826	60,650	180,000	180,000	0.0%	180,000	0.0%
5540	820606	Operating Expenses	20,748,054	22,297,210	21,786,505	24,945,930	27,570,433	10.5%	24,910,367	-9.6%
5540	820609	State Coverage Initiative - Council	271,996	152,452	0	0	0	0.0%	0	0.0%
5550	820605	Examination	8,515,263	8,867,988	8,443,396	8,184,065	8,184,065	0.0%	8,184,065	0.0%
<b>Total State Special Revenue</b>			<b>29,700,747</b>	<b>31,424,476</b>	<b>30,290,551</b>	<b>33,309,995</b>	<b>35,934,498</b>	<b>7.9%</b>	<b>33,274,432</b>	<b>-7.4%</b>
<b>Grand Total Department of Insurance</b>			<b>39,734,145</b>	<b>35,360,825</b>	<b>34,182,135</b>	<b>36,880,720</b>	<b>39,205,223</b>	<b>6.3%</b>	<b>36,545,157</b>	<b>-6.8%</b>