



Ohio Department of Insurance Testimony, FY 2018-2019
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Chairman Romanchuk, Ranking Member Sykes, and members of the House Health and Human Services Finance Subcommittee, on behalf of Lt. Governor and Director Mary Taylor, thank you for the opportunity to address the committee today regarding the Department's FY 2018 and 2019 biennial budget request.

Our request reflects the services we provide as well as the important role we serve on behalf of all Ohioans. The resources identified in the Department's submission are needed to not only meet our statutory mission but also to better serve our citizens by ensuring that there is a competitive and consumer-friendly insurance marketplace in Ohio.

The Ohio Department of Insurance (the Department) is charged with the significant responsibility of licensing and regulating the activities of more than 1,700 insurance companies, including nearly 250 domestic companies that write more than \$76 billion in insurance premiums. Ohio is the sixth largest insurance state, by premium volume, in the United States and the 17th largest insurance market in the world. We also issue licenses and review the conduct of more than 205,000 insurance agents and approximately 17,000 insurance agencies.

The Department monitors the financial health of insurance companies and investigates consumer complaints and insurance fraud. Further, the Department 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 256 full-time permanent employees.

Summary of Budget Request

The Department through the executive proposal requests \$39.1 million for each year of the FY 2018 – FY 2019 biennium, representing a 2.9% increase over FY 2017 funding levels.

The Department is also seeking an additional \$400,000 appropriation in both FY 2018 and FY 2019 due to the award of a federal grant to the Department. The Department was notified about the award after the executive budget was released. It does not impact GRF and is related to the Department's Medicare outreach program.

ODI's Mission

The mission of the Ohio Department of Insurance is to provide consumer protection through education and vigilant but fair regulation while promoting a stable and competitive environment for insurers. To that end, we have four significant areas of focus:

Priorities

1. Licensing and Investigations

One of the Department's primary roles is to license agents and agencies operating in Ohio. Our Licensing Program determines if an individual or business entity has met the minimum qualifications needed to be issued an insurance license from the state. The program 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 program also determines if the licensed individuals and business entities have met the minimum requirements to renew and maintain the license; monitors the continuing education hours for individual insurance agents; processes insurance company appointments of authorized agents; and proposes regulatory action against licensees that are not in compliance.

The Department ensures compliance with Ohio's insurance laws and regulations by both individual agents and business entities. Additionally, we monitor insurers' compliance with Ohio insurance laws and regulations by examining insurance entities' business practices, such as underwriting, marketing, and claims handling.

The Fraud Investigation and Enforcement Program investigates alleged misconduct or fraud committed by licensed individuals, entities, consumers, third parties, and medical providers to name a few. 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. The Department received more than 7,000 allegations of insurance fraud and agent misconduct during fiscal year 2016. After review of the allegations received by the Department, 1,820 administrative and criminal investigations were conducted, and administrative and/or criminal action was taken against 458 individuals.

2. Risk Assessment

One of the core consumer protections the Department carries out is to help ensure stability in Ohio's insurance market through strong financial monitoring of the companies selling products here. The Department monitors the financial solvency of insurance companies in order to ensure claims can be

paid in accordance with the policies consumers have purchased. The Department is considered a national leader in this area and often looked to by fellow state regulators for training and guidance when it comes to best practices.

The Department reviews financial statements of every company licensed in Ohio and oversees complex transactions that can include billions of dollars in assets. In addition, the program monitors insurers' statutory and solvency compliance on an ongoing basis and conducts 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 program also calculates and certifies to the Treasurer of State insurance premium tax owed to the state.

There continues to be an increased interest in Ohio's insurance market. In FY 2016, the Department completed reviews of nearly 17 foreign insurance company applications for admission, seven requests for additional lines of business, three requests for surplus lines authority, six captive insurance company applications, and six applications related to reinsurance. Additionally, the Department certified \$596.3 million in premium and franchise taxes utilizing its updated online tax reporting program that saved significant time and resources for insurance companies.

3. Product Regulation

The Department 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, as well as accident policies. The program also reviews title insurance, risk purchasing and risk retention group registrations, and surplus lines reports.

Policy language is reviewed for clarity and compliance with statutes and rules. Actuarial oversight verifies actuarial standards are applied to ensure that rates are not excessive, inadequate, or unfairly discriminatory. Program staff members analyze the valuation of reserve liabilities for domestic life insurance companies. The Department also monitors the reserve valuations of domestic health insurers and reviews the actuarial opinions, memoranda, and summaries for all domestic insurers. Product Regulation staff participate in all Risk Assessment examinations to evaluate reserving, pricing, underwriting and liquidity risks.

For the more than 1,700 insurance companies doing business in Ohio, many of their products are required to be filed and reviewed at the Department. In 2016, the Department received more than 6,600 filings to be reviewed for property and casualty as well as life and health insurance products.

4. Consumer Services

The Department 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.

The Ohio Senior Insurance Information Program (OSHIIP), which is primarily funded by grants from the Centers for Medicare and Medicaid Services (CMS) was established in 1992 to provide Ohio's 2.2 million Medicare beneficiaries with free, objective health insurance information and one-on-one counseling.

OSHIIP helped Ohio Medicare beneficiaries save \$22.6 million during FY 2016. In addition, the program counseled more than 421,000 consumers and conducted more than 2,600 statewide outreach events, which included Medicare Check-Up Days during Medicare Open Enrollment in the fall. These efforts earned a first-place national ranking compared to 54 similar programs in other states and territories.

The Department also provides consumers with assistance regarding insurance coverage and claims-related concerns. In FY 2016, the Department saved or recovered \$7 million for Ohioans and received 20,000 phone calls from consumers resulting in over 6,800 complaints – the majority of which dealt with the denial of insurance claims.

Additionally, the Department continues to identify ways to educate consumers about insurance and how to ask the right questions to get the coverage they want and need. Just this year, we launched the “Think Again” initiative. The initiative provides Ohioans with useful tips and information tailored to life’s different stages.

Upcoming Challenges

In addition to continuing our efforts mentioned above, we anticipate some challenges in FYs 2018-2019.

Regulating an Ever-Changing Insurance Market –

Technology has never been more available and personal to the consumer than it is today. Ride-sharing, autonomous cars, and unmanned aircraft all have important applications in our everyday lives and are helping to improve the world significantly. As consumers demand more and better technology, the world’s economy is rapidly developing products never seen in the market before and right behind them is the insurance coverage needed to ensure protection. Where there is demand, industry will develop new types of coverage, but those new products often require the Department to dedicate additional resources to address the insurance needs of Ohio consumers no matter the technology.

Impacts of Obamacare –

While the Affordable Care Act (ACA), also known as Obamacare, was signed into law in March 2010, its implementation continues to be difficult for industry, consumers and regulators alike.

Unpredictable and shifting federal requirements and the corresponding instability created in the health insurance market are forcing Department staff to dedicate significant time answering questions from

industry and consumers. This year, several insurance carriers decided not to sell products on the individual health insurance market because of uncertainty created by the ACA. The result has left more than half of Ohio's 88 counties (47) with only one or two carriers. However, with a new administration in Washington, we anticipate changes to the health insurance system starting with the ACA.

Analysis of Ohio's Insurance Mandates –

In order to better understand the impact of health insurance mandates in Ohio, the 131st General Assembly required the Department to conduct an actuarial analysis of mandates in Ohio's health insurance market. The analysis will no doubt provide policy makers, legislators and other stakeholders with valuable information that will help shape future decision making. The analysis must be completed within two years of the law's effective date and will require Department resources and staff to assist in the actuarial review and compilation of the report that follows that review.

Conclusion

The Department's focus is protecting consumers, fostering a stable and competitive insurance market in Ohio, fighting fraud and providing fair but vigilant regulation of Ohio's insurance industry. In order to carry out these core missions, we respectfully request your consideration of the Department's budget request for FYs 2018 and 2019.

Thank you for your time. I am happy to answer questions at this time.

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