

**Ohio Department of Insurance Testimony,  
Jillian Froment, Deputy Director  
February 15, 2017**

Chairman Brinkman, Vice Chairman Henne, Ranking Member Boccieri, and members of the House Insurance Committee, thank you for the opportunity to address the committee today regarding the Ohio Department of Insurance's mission, priorities and key functions.

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.

**ODI's Mission**

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

**Priorities**

**1. Licensing and Investigative**

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 monitors 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 agent misconduct and insurance fraud during fiscal year 2016. As a result of 1,820 administrative and criminal investigations conducted, administrative and/or criminal action was taken against 458 individuals. Additionally, the Department hosted the Ohio Insurance Fraud Summit for industry investigative professionals that focused on current trends and legal issues associated with insurance fraud. The Department also co-hosted the 2016 Ohio Joint Insurance Fraud Seminar for law enforcement and industry professionals to discuss the different dynamics associated with insurance fraud schemes.

## **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 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 monitors the financial solvency of insurance companies and health insuring corporations operating in Ohio in order to ensure claims can be paid in accordance with the policies consumers have purchased.

The Department 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. The program also calculates and certifies to the Treasurer of State insurance premium tax owed to the state. 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.

During fiscal year 2016, the Department:

- Completed all reviews of insurers' quarterly and annual financial statements within accreditation time frames prescribed to the Department.

- Reviewed more than 450 company transactions, including nine applications for Domestic Certificates of Authority and re-domestications.
- Completed 58 financial examinations of Ohio domestic insurers, including participation in two international supervisory colleges.

There continues to be an increased interest by insurers in Ohio's insurance market. In FY 2016, the Department completed reviews of nearly 17 foreign insurance company applications for admission, 7 requests for additional lines of business, 3 requests for surplus lines authority, 6 captive insurance company applications, one application for trusted reinsurer status, one application for accredited reinsurer status, and four applications for certified status under the passporting process. 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, among others.

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. Other activities include identifying violations of Ohio's insurance laws; distributing educational publications such as insurance guides for different types of insurance and 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 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. The Program provides consumers with education on insurance matters, coverage options and issues of interest to seniors.

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.

## **Conclusion**

The Department’s focus is protecting consumers, fostering a stable and competitive insurance market in Ohio, fighting fraud and providing fair and vigilant regulation of Ohio’s insurance industry. Thank you for your time. I am happy to answer questions at this time.

###