



Director Judith L. French Budget Testimony

Senate General Government Committee

Tuesday, April 25, 2023

Chairman Rulli, Ranking member Demora, and members of the Senate General Government Committee, thank you for the opportunity to join you today to discuss the Ohio Department of Insurance’s budget request for Fiscal Years 2024 and 2025. The department is the regulator of insurance in Ohio. We license insurance agents, agencies, and insurers. We review insurance products sold in Ohio including auto, health, life, long-term care, and homeowners policies to name a few. We oversee the financial solvency of insurers to make sure each company can pay consumer claims. And we enforce all applicable insurance laws. By carrying out these duties, the department is one of the largest consumer protection agencies in the state.

DEPARTMENT OVERVIEW

The department is one of the largest insurance regulatory agencies in the world because of the size of Ohio’s insurance market. 1,712 companies hold licenses to do business in Ohio, and nearly 280 call Ohio home. These insurers write more than \$100 billion in insurance premiums annually and employ more than 100,000 Ohioans. This makes Ohio the sixth-largest insurance market in the United States and the 15th-largest in the world.

The department also licenses and monitors the conduct of more than 300,000 insurance agents and 21,000 insurance agencies that do business with Ohio consumers. The licensing and examination fees relating to these agents and agencies fund the department. We are not a general revenue agency. The department is primarily funded through industry fees.

All this work is carried out by one of the most credentialed and experienced insurance regulatory staffs in the country. In late 2022, the department received a five-year re-accreditation from the National Association of Insurance Commissioners (NAIC) and the lengthy review associated with that process led to a near perfect report for the team.

FISCAL YEAR 2024 AND 2025 PRIORITIES

Mental Health and Substance Use Disorder Initiatives

Since Day 1, the DeWine-Husted administration has been focused on mental health support and services for every Ohioan. Prior to the pandemic, this administration focused on access to quality mental health treatment. That work is now more important than ever, and the department is working each day to assist every Ohioan who needs support.

In the current biennium, our department conducted trainings for consumers, providers, and stakeholders designed to increase understanding of the department's role in this area. While we do not regulate self-insured employer health plans, Medicaid, and Medicare plans in Ohio, we do regulate the fully insured market (meaning health plans purchased by employers or individuals from health insurance companies). We have an appeals process for those who may have had a

claim denied, and we want every consumer to reach out if they think a service or treatment should have been covered but was denied.

In addition to these trainings, we collaborated with the Ohio Department of Mental Health and Addiction Services and RecoveryOhio to create an employer toolkit with resources for businesses to support their employees. Mental health coverage can be complicated and providing employers with more information to help their employees navigate the system is critical.

As part of our outreach efforts, the department has launched a series of paid media campaigns to alert the public about the department's mental health resources. Some of those campaigns have focused on the entire population, but others have targeted first responders and underserved communities with messages tailored to their specific needs.

And just recently, I am pleased to share that the Governor signed an executive order directing the department to launch the Mental Health Insurance Assistance Office (MHIA). The purpose of the office is to provide consumers with a no-wrong-door approach to answering their questions.

Even if the consumer is calling about a Medicaid, Medicare, or self-insured employer plan, our staff will work with them to get the answers they need. We will launch a paid media campaign with targeted messaging in the coming weeks to announce the office and its purpose to the public.

The department will continue to make mental health a top priority in the upcoming biennium.

To support these efforts, the department is requesting continued funding of \$1,000,000 in Fiscal Year 24 and \$1,000,000 in Fiscal Year 25, just as we received in Fiscal Year 22 and Fiscal Year 23.

Reducing the Cost of Doing Business in Ohio

In efforts to make Ohio a destination for job creators, the DeWine-Husted administration has worked closely with the legislature to cut taxes, reduce regulatory burdens, and improve Ohio's workforce. Those efforts have led to several marquee wins in recent years. In that spirit, the department wants to do its part to support those efforts.

As we continue to do more with less and become more efficient in our core functions, the department has remained relatively flat-funded for several budget cycles. That fiscally conservative approach, paired with a growing insurance industry, has led to increased revenue without significant expenditures. That is why we are proposing to cut agent appointment fees in Ohio by 33 percent this year. Doing so will lead to an \$11 million savings for the industry.

This is the 2nd significant cut in agent appointment fees in the past ten years. In 2013, the appointment fee was cut from \$20 to \$15. This proposed cut would bring the fee down to \$10.

This reduction does not require a statutory change but is instead part of a fee rule currently up for its five-year review.

These savings should provide a growing industry with more stability, predictability, and reason to expand operations and create jobs in Ohio.

Technology and Innovation Driving Disruption in Ohio's Insurance Market

As I said a moment ago, Ohio's insurance industry is growing. And it's not just the traditional powerhouses of the industry that continue to thrive. Thanks in part to the administration and legislature working to reduce red tape and the cost of business in Ohio, both established insurers and start-ups are increasingly calling Ohio home and coming here to create and innovate new products. The insurance of yesterday does not necessarily meet the needs of tomorrow's consumer.

To help foster that growth and innovation, the department created the Emerging Products and Innovation Initiative in 2019. The goal was to streamline all industry interactions with the agency. For example, if a company needs answers to questions that involve our product, legal, consumer services, and risk assessment divisions, we want that company to have a single point of contact who can coordinate all those touchpoints within the agency. We want high-level leadership in the department looking for creative opportunities for companies to develop more and better options for Ohio consumers.

Recently, the department created the Office of External Affairs to further enhance collaboration internally. Now, the Emerging Products and Innovation Initiative is under the same umbrella as our external affairs and legislative teams. I believe this structure helps the internal team operate

more efficiently while engaging the external team who can work closely with the legislature and industry to modernize Ohio's laws and regulations.

BUDGET REQUEST

In order to continue to regulate and support the industry in Ohio as outlined here, the department is requesting \$46,366,669 for Fiscal Year 2024 (a 4.4 percent increase over Fiscal Year 2023) and \$47,087,703 for Fiscal Year 2025 (a 1.6 percent increase over Fiscal Year 2024).

Chairman Rulli and members of the committee, thank you for the opportunity to present the department's budget request. I would be happy to answer any questions.

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