

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Department of Insurance

Ruhaiza Ridzwan, Senior Economist
February 2025

TABLE OF CONTENTS

Quick look	1
Overview	1
Agency overview	1
Overview	2
Agency overview	2
Appropriation summary.....	2
Analysis of FY 2026-FY 2027 budget proposal	3
Operating Expenses (ALI 820606).....	3
Operating Expenses – OSHIIP (ALI 820601) and OSHIIP Operating Grant (ALI 820602)	5
Examination (ALI 820401).....	6
Domestic and foreign insurance taxes	7

Attachment:

Appropriation Spreadsheet

LBO Redbook

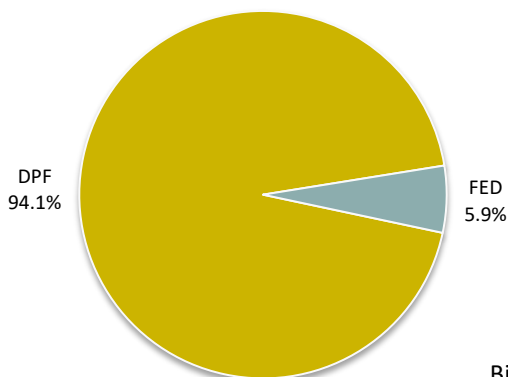
Ohio Department of Insurance

Quick look...

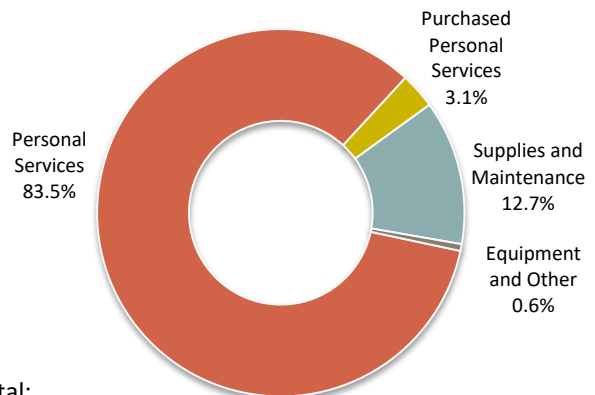
- The Department of Insurance regulates and licenses 1,751 insurance companies operating in Ohio, conducts financial examinations and audits, and annually licenses and regulates over 333,000 agents and over 23,000 agencies.
 - The Department also administers the domestic and foreign insurance taxes.
- The Department employs a staff of 274.
- The Department receives no GRF funding. Funding for the Department’s operations is derived primarily from fees that accompany appointments of insurance agents by insurance companies.
- The executive budget recommended funding for FY 2026 that is about \$1.6 million higher than total FY 2025 estimated expenditures, and recommended funding for FY 2027 is about \$1.6 million higher than the total recommended for FY 2026.
 - Increases in the executive budget in FY 2026 are due to funding increases in three state-funded ALIs: 820401, Examination (Fund 5540); and 820601, Operating Expenses – OSHIIP (Fund 5540); 820606, Operating Expenses (Fund 5540).

Fund Group	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Dedicated Purpose (DPF)	\$41,570,579	\$46,537,703	\$48,122,453	\$49,700,313
Federal (FED)	\$2,584,225	\$3,050,000	\$3,050,000	\$3,050,000
Total	\$44,154,803	\$49,587,703	\$51,172,453	\$52,750,313
% change	--	12.3%	3.2%	3.1%

**Chart 1: INS Budget by Fund Group
FY 2026-FY 2027 Biennium**



**Chart 2: INS Budget by Expense Category
FY 2026-FY 2027 Biennium**



Biennial total:
\$103.9 million

Overview

Agency overview

The Department of Insurance is a cabinet-level agency with 274 permanent full-time employees as of February 2025.¹ Its activities are organized into the following key areas: Office of Captive Insurance; consumer services; Ohio Senior Health Insurance Information Program (OSHIIP); fraud and enforcement; licensing; market conduct; risk assessment; and program management (executive, legal services, information technology, human resources, and fiscal services).

The Department of Insurance receives no GRF funding. Funding for Department operations is derived primarily from the fees that accompany appointments of insurance agents by insurance companies. The Department receives up to \$15 of this \$20 fee with the remaining revenue deposited into the GRF. This primary revenue source is supplemented by company filing fees, various smaller fees, and federal grants. In FY 2025, the agency's estimated expenditures are \$49.6 million.

In FY 2024, the Department licensed and regulated 1,751 insurance companies operating in the state, of which approximately 275 are "domestic" insurance companies, i.e., companies based and licensed to do business in Ohio. The other 1,476 are based outside the state but licensed to do business in Ohio, and are referred to as "foreign" insurance companies. The Department also licensed and regulated over 333,000 insurance agents and over 23,000 agencies.

The Department is aided in monitoring the financial solvency and market conduct of foreign insurance companies by the departments of insurance for the states in which those companies are based. The 50 state departments of insurance receive support and coordination assistance through the National Association of Insurance Commissioners (NAIC).

Appropriation summary

The executive recommendation provides the funding necessary to maintain Department of Insurance operations at current levels and to work toward the Department's mission of protecting and educating Ohio consumers and regulating insurance markets in the state. The executive's recommended total funding for FY 2026 is \$51.2 million, or about \$1.6 million more than FY 2025 estimated expenditures, a 3.2% increase. Recommended total funding for FY 2027 is \$52.8 million, or about \$1.6 million more than FY 2026 recommended total funding, a 3.1% increase. Increases in the executive budget in FY 2026 and FY 2027 are largely due to anticipated personnel costs for filling vacancies and cost-of-living increases.

Revenue to the Department of Insurance Operating Fund (Fund 5540), combined with the estimated FY 2025 year-end cash balance of the fund, is expected to be sufficient to support the recommended appropriations for the upcoming biennium. The cash balance of Fund 5540 at the end of FY 2024 was \$65.1 million, and the Department projects a cash balance of \$59.3 million

¹ Source: [State of Ohio Employee Headcount Trends](#) (visited February 12, 2024).

at the end of FY 2025. Revenue to Fund 5540, primarily fees from insurance agent appointments, continued to increase in recent years due to a growing insurance industry in the state.

The executive budget also proposes an appropriation of \$3.1 million in each year of the biennium from federal Fund 3U50. This amount is the same as the estimated expenditures from the line item in FY 2025.

Analysis of FY 2026-FY 2027 budget proposal

Operating Expenses (ALI 820606)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
5540 ALI 820606, Operating Expenses					
\$29,748,899	\$29,496,225	\$31,273,496	\$35,363,978	\$36,479,179	\$37,595,513
% change	-0.8%	6.0%	13.1%	3.2%	3.1%

The executive recommends an increase in the FY 2026 appropriation of about \$1.1 million, or 3.2%, from the estimated expenditures for FY 2025. The recommended amount in FY 2027 is about \$1.1 million, or 3.1% higher than the recommended amount in FY 2026. The increase in FY 2026 is largely due to anticipated personnel costs for filling vacancies and cost-of-living expenses. About 80% of the proposed funding for this line item is for personal services, and about 15% is for supplies and maintenance; most of the remainder is for purchased personal services. This appropriation item provides funding for the general operating expenses for the Department of Insurance, excluding the Ohio Senior Health Insurance Information Program (OSHIIP) and the agency's Risk Assessment programs.

The Department of Insurance's regulatory and licensing responsibilities can be broken down into the following key areas: (1) captive insurance, (2) consumer services, (3) fraud and enforcement, (4) licensing, (5) market conduct, (6) risk assessment, and (7) program management.

Department personnel that serve in the Office of Captive Insurance establishes standards for business and professional support organizations that work with captive entities in Ohio, providing regulatory process, licensing, reporting, and examining captive insurance companies based and licensed to do business in the state. Currently, eight captive insurance companies are licensed in Ohio. Staff in this area also ensure captive insurers meet their contractual and financial obligations.

Department personnel that serve in the consumer services area respond to inquiries, investigate and resolve complaints from Ohio consumers, and provide information and publications related to insurance. Staff in this area provide extra support to elderly consumers under OSHIIP, which is described separately in the following section. Consumer services staff coordinate community outreach activities, guide victims at disaster assistance sites, and participate in insurance fairs throughout the state. The consumer services staff recovered about \$13.1 million in restitution for Ohio consumers in FY 2024. They also received over 26,000 inquiries and complaints.

The Department's fraud and enforcement area investigates insurance fraud, agent misconduct, and allegations of unlicensed insurance activity. The Department also investigates consumers, medical providers, and third parties suspected of defrauding insurance companies in the state. The Department assists in the prosecution of consumer and provider insurance fraud. The Department promotes the detection and prevention of insurance fraud through public awareness campaigns, educational programs, and cooperation among insurers, governmental agencies, and insurance industry groups. The Department receives thousands of allegations of insurance fraud and agent misconduct annually.

The Department issues licenses to insurance agents and agencies and is responsible for ensuring that only qualified and competent individuals or entities are licensed to provide insurance service in Ohio. The Department also monitors agents' continuing education requirements and processes insurance company appointments of authorized agents. Annually, the Department processes millions of service requests, including appointments, terminations, address or name changes, telephone calls, and emails from individuals and business entities who are licensed to provide insurance service in the state.

Personnel in the market conduct area examine records of insurance companies doing business in Ohio on a routine basis or as needed to ensure that these companies comply with the state's insurance laws and regulations. They are also responsible for gathering industry information from a variety of sources, including consumer complaints, company filings, the NAIC databases, and research tools. The Department is also required to conduct additional market conduct examinations to ensure compliance with certain uniform contract provisions between health care providers and contracting entities (i.e., health insurers), and insurers pay for the cost of examinations. The Department administers a health care provider complaint program, including complaints related to contracts, credentials, and claims.

Personnel in the risk assessment area monitor the financial solvency of every domestic and foreign insurance company that is licensed to do business in Ohio, including surplus lines and captive insurers to ensure that they are capable of meeting their contractual agreements to policyholders and claimants. They also oversee complex transactions such as mergers, acquisitions, redomestications, reinsurance agreements, and inter-company agreements to ensure that insurance companies have enough money to pay claims filed by consumers. Staff in this area also calculate and certify the domestic and foreign insurance premium tax owed to the state.

Personnel involved in program management include legal services staff who provide legal advice on regulatory transactions including changes of control, mergers, redomestications, demutualizations and the investment activities of domestic insurance companies, and enforcement issues. They also administer public hearings involving insurance agent and company licenses, provide legal assistance on a variety of issues to other offices in the Department of Insurance, and supervise litigation. Other personnel in this area include information technology staff who are responsible for the overall technology infrastructure and administer the Department's telecommunications system and website. Other personnel who manage and support the overall operations of the Department include staff in the executive, fiscal operations, and human resources offices.

In addition, the Department of Insurance is required under Ohio law to oversee and administer the liquidation process of an Ohio domiciled insurance company that becomes insolvent and requires liquidation. Personnel costs for the Ohio Liquidation Office, which is responsible for the administration of the liquidation, are reimbursed to the Department from the insolvent insurance companies being liquidated.

Operating Expenses – OSHIIP (ALI 820601) and OSHIIP Operating Grant (ALI 820602)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Fund 5540 ALI 820601, Operating Expenses – OSHIIP					
\$177,396	\$253,843	\$206,250	\$389,000	\$400,670	\$414,002
% change	43.1%	-18.7%	88.6%	3.0%	3.3%
Fund 3U50 ALI 820602, OSHIIP Operating Grant					
\$2,773,438	\$2,948,953	\$2,584,225	\$3,050,000	\$3,050,000	\$3,050,000
% change	6.3%	-12.4%	18.0%	0.0%	0.0%
Total					
\$2,950,834	\$3,202,796	\$2,790,474	\$3,439,000	\$3,450,670	\$3,464,002
% change	8.5%	-12.9%	23.2%	0.3%	0.4%

The appropriation line items, Operating Expenses – OSHIIP (820601) and OSHIIP Operating Grant (820602), provide funding for the administration of the Consumer Services Program. OSHIIP assists and educates Ohioans on insurance issues, including health insurance for seniors. Annually, OSHIIP assists hundreds of thousands of consumers. In FY 2024 OSHIIP helped save approximately \$42.5 million for Medicare recipients who switched plans based on their health care and prescription needs. In FY 2024, about 93% of the funding for the program came from federal grant receipts, with the remainder derived from the Department of Insurance Operating Fund (Fund 5540).

Recommended funding for item 820601 in FY 2026 is \$400,670, an increase of \$11,670 from the estimated expenditures for FY 2025. The recommended state funding for FY 2027 is \$414,002, \$13,332 higher than the recommended funding in FY 2026. Total recommended state funding for the biennium is \$814,672. State funding for the FY 2024-FY 2025 biennium is estimated to be \$595,250. The recommended state funding for FY 2026 and FY 2027 is \$219,422, or 36.9%, higher than the estimated state funding for the current biennium.

The federal grant that provides most of the funding for this program was about \$2.6 million in FY 2024. In FY 2025, the estimated total federal grant is about \$3.1 million. Department officials expect the grant amount to be about \$3.1 million for each year of the upcoming biennium.

The recommended level of total funding for the program for FY 2026 is about \$3.5 million, 0.3% more than the estimated total for FY 2025. The increase is primarily related to personnel costs. The recommended total funding for FY 2027 is also about \$3.5 million.

Examination (ALI 820401)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Fund 5540 ALI 820401, Examination					
\$0	\$0	\$10,090,533	\$10,784,725	\$11,242,604	\$11,690,798
% change	N/A	N/A	6.9%	4.2%	4.0%

The table above shows historical funding in ALI 820401, Examination. Previously, funding was provided in two defunct ALIs – 820605, Examination and 820613, Captive Insurance Regulation and Supervision. The executive proposal recommends \$11.2 million funding in ALI 820401 in FY 2026 and \$11.7 million in FY 2027. ALI 820401 is used to pay for departmental oversight of licensed insurance companies, including the Department’s regulatory and enforcement responsibilities related to captive insurers.

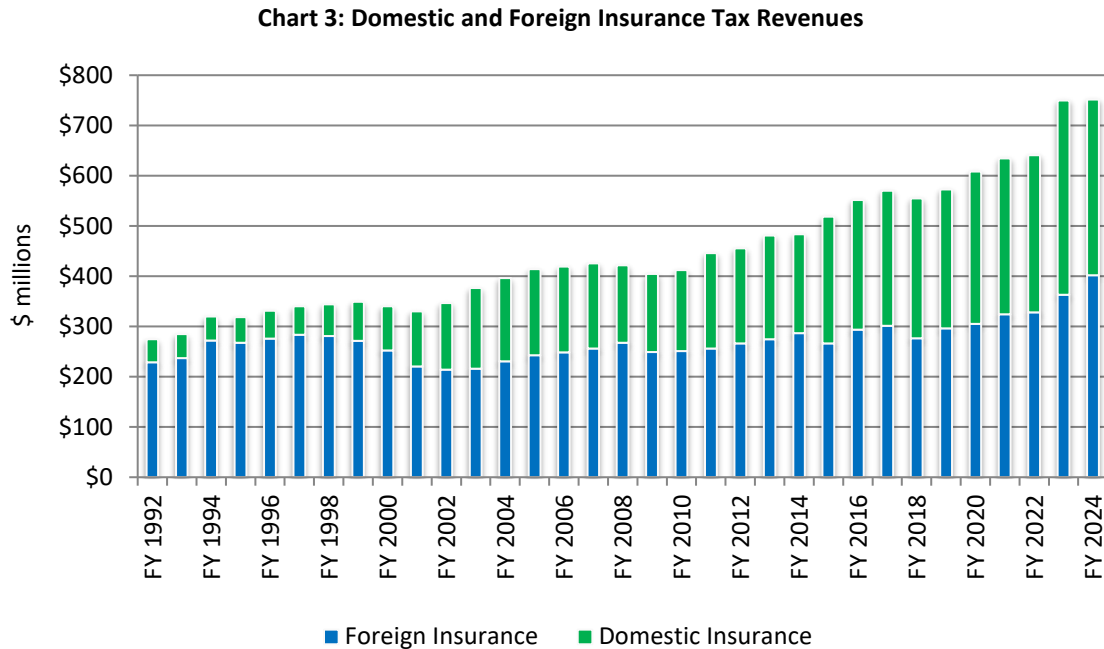
The recommended FY 2026 funding in ALI 820401 is \$457,879 higher than the total anticipated FY 2025 expenditures, a 4.2% increase. The recommended FY 2027 funding in the new ALI is \$448,194 higher than the recommended FY 2026 funding, or about a 4.0% increase.

Ohio law requires a financial examination be conducted at least once every five years. The Department monitors the financial solvency of insurance companies by reviewing financial statements and other records, and by conducting regular onsite examinations. The revenue source for this oversight is Fund 5540. The Department’s expenses from conducting an examination of a company and paid by the company to the Superintendent of Insurance are also deposited into Fund 5540.

A captive insurance company that wants to operate in Ohio must apply to the Superintendent and pay a fee. The fee is deposited into Fund 5540 beginning in FY 2024, instead of Fund 5PT0. In FY 2024 the Department licensed a total of eight captive insurance companies to do business in Ohio.

Domestic and foreign insurance taxes

The Department of Insurance administers the domestic and foreign insurance taxes. The chart below presents the amount of revenues credited to the GRF for FY 1992 through FY 2024 from the taxes.²



INS/lb

² The revenue decrease from the foreign insurance tax between FY 1999 and FY 2003 was due to changes in the tax rates which were made by Am. Sub. H.B. 215 of the 122nd General Assembly; in the case of the domestic insurance tax, the revenue increase was due to changes in tax rates and the tax base made by the same act.

**FY 2026 - FY 2027 Appropriations - As Introduced
All Fund Groups - Detail**

Main Operating Appropriations Bill

Detail by Agency	FY 2024	Estimate FY 2025	Introduced FY 2026	Introduced FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
INS Ohio Department of Insurance						
5540 820401 Examination	\$10,090,533	\$10,784,725	\$11,242,604	\$11,690,798	4.25%	3.99%
5540 820601 Operating Expenses - OSHIP	\$206,250	\$389,000	\$400,670	\$414,002	3.00%	3.33%
5540 820606 Operating Expenses	\$31,273,496	\$35,363,978	\$36,479,179	\$37,595,513	3.15%	3.06%
5550 820605 Examination	\$299	\$0	\$0	\$0	N/A	N/A
Dedicated Purpose Fund Group Subtotal	\$41,570,579	\$46,537,703	\$48,122,453	\$49,700,313	3.41%	3.28%
3U50 820602 OSHIP Operating Grant	\$2,584,225	\$3,050,000	\$3,050,000	\$3,050,000	0.00%	0.00%
Federal Fund Group Subtotal	\$2,584,225	\$3,050,000	\$3,050,000	\$3,050,000	0.00%	0.00%
Ohio Department of Insurance Total	\$44,154,803	\$49,587,703	\$51,172,453	\$52,750,313	3.20%	3.08%
Main Operating Appropriations Bill Total	\$44,154,803	\$49,587,703	\$51,172,453	\$52,750,313	3.20%	3.08%