

Department of Insurance

Senate Finance and Financial Institutions Committee

Ross Miller, Economist

Legislative Service Commission

April 24, 2003

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LSC Redbook for the Department of Insurance

Senate Finance and Financial Institutions Committee

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Attachments:

***Compare Document: Permanent and Temporary Law,
As Introduced to As Passed by the House***

LSC Budget Spreadsheet, Executive to House Passed Comparison

April 24, 2003

Department of Insurance

- The agency receives no GRF funding
- FY 2004 Executive recommended appropriations increase 1.9% over FY 2003 estimated expenditures

OVERVIEW

The Ohio Department of Insurance (ODI) regulates the business of insurance in Ohio. Its mission is to protect Ohio consumers through financial solvency regulation, market conduct regulation, and consumer education. To carry out this mission it licenses insurance agents and agencies, investigates allegations of misconduct by insurance agents or agencies, investigates allegations of consumer and provider fraud, investigates consumer complaints, and monitors the financial solvency and market conduct of insurance companies. The Department reviews insurance policies and forms used by insurance companies and the premiums that they charge customers in the life, accident, health, managed care, and property and casualty insurance lines.

The Department of Insurance is a cabinet level agency with more than 260 employees. Its activities are organized into five distinct programs, which are: Investigation and Licensing Services, Financial Regulation Services, Policy and Rate Filing Regulation Services, Consumer Services, and Administration.

The Department receives no budgetary resources from the General Revenue Fund (GRF). Funding for the Department is derived primarily from the fees that accompany applications for insurance agent licenses. 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 a federal grant that funds the Ohio Senior Health Insurance Information Program (OSHIIP). It is currently estimated that the agency's fiscal year (FY) 2003 expenditures will total \$30.3 million.

In 2002, the Department licensed and regulated nearly 1,800 insurance companies operating in the state, of which approximately 280 are "domestic" insurance companies, *i.e.*, companies based and licensed to do business in Ohio. The other nearly 1,500 insurance companies regulated by the Department, those based in another state but licensed to do business in Ohio, are referred to as "foreign" insurance companies. The Department of Insurance conducted 58 financial examinations of domestic and foreign insurance companies in 2002. The Department also annually licenses and regulates over 163,000 insurance agents and more than 11,300 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). The NAIC conducted an accreditation review of the Ohio Department of Insurance in July 2001. Ohio received the second-highest score ever given during that review and the highest score ever for a large insurance state.

Amended Substitute Senate Bill 154 of the 122nd General Assembly changed the licensing statute for insurance agents. Two key elements of this legislation were the elimination of the residency requirement for insurance agents, potentially expanding the pool of agents, and related appointments, and the separation of licenses and appointments.

The Executive's funding recommendations are \$30,879,975 for FY 2004 and \$32,331,399 for FY 2005. These amounts represent an increase of 1.9% in FY 2004 from FY 2003 estimated spending levels and an increase of 4.7% in FY 2005. The Department of Insurance did not propose any fee increases in its budget request. The receipts to the Department of Insurance Operating Fund (Fund 554) during FY 2002 were approximately \$40,000 less than the proposed FY 2004 appropriations that draw on that fund and approximately \$1.3 million less than the proposed FY 2005 appropriations that draw on the fund. In addition, the Department considers recent receipts to be unusually high due to the recession – more people tend to apply to become insurance agents during a recession. Given this combination of factors, the Department anticipates that expenditures during FYs 2004 and 2005 will require using some of the available cash reserve in Fund 554.

ANALYSIS OF EXECUTIVE PROPOSAL

Investigative and Licensing Services

Program Series 1

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
554	820-606	Operating Expenses	\$5,892,527	\$6,368,884
Total funding: Investigative and Licensing Services			\$5,892,527	\$6,368,884

Investigative and Licensing Services

Program Description: The Office of Investigation and Licensing Services licenses insurance agents and agencies to operate in Ohio. As of February 2003 its records showed over 163,000 insurance agents and over 11,300 agencies had been licensed. This office ensures the compliance of those agents with state laws and regulations, monitors the compliance of insurance companies with Ohio's laws and regulations, and investigates allegations of fraud on the part of consumers or service providers. The office received nearly 1,200 reports of alleged fraud in 2002 and opened cases on 140 such reports.

Funding Source: SSR: fees and fines

Line Item: 820-606, Operating Expenses

Implication of the Executive Recommendation: The Executive recommends total appropriation authority of \$5.9 million in FY 2004 and \$6.4 million in FY 2005 in line item 820-606, Operating Expenses. The amounts represent an increase of 27.1% in FY 2004 from FY 2003 estimated spending levels, and an increase of 8.1% in FY 2005.

The executive proposal fully funds the Department's core budget level (CBL) request for this program. The Department submitted three supplemental requests for the program, for a total of \$987,883 in FY 2004 and \$1,329,034 in FY 2005. The executive proposal fell short of funding all supplemental requests by \$420,134 in FY 2004 and \$284,928 in FY 2005. The three supplemental requests were almost completely personnel-related; none of them was for a major equipment purchase. This pattern appears in the supplemental requests for the other four programs, and it mirrors the CBL request for the Department as a whole: 81.7% of the Department's overall CBL for the biennium was to pay for personal services. This percentage has increased steadily from 72.2% in FY 2000.

The executive proposal did not fully fund all supplemental requests for any of the five program areas. Both OBM and ODI report that the cuts to the supplemental requests were not tied to specific requests. The budget request sought to increase ODI staffing from the FY 2003 approved number, 282 full-time positions, to 299 full-time positions. The additional positions were requested for the following offices or divisions:

- 1) the Fraud Division of the Office of Investigation and Licensing Services (eight positions);
- 2) the Market Conduct Division of the above office (four positions);
- 3) the Office of Consumer Services (three positions);

- 4) the Office of Legal Services (one attorney); and
- 5) the Property and Casualty Division of the Office of Policy and Rate Filing Regulation (one position).

All of the requested positions would have been funded out of the 820-606, Operating Expenses line.

The cuts would still permit ODI to employ a full-time staff of approximately 285, which means that about 14 of the 17 requested positions were not funded. Since the current staffing level is under 270 due to vacancies, however, the Department has an opportunity to revisit its staffing plan and fill vacancies in those offices and divisions determined to be the highest priorities.

Financial Regulation Services**Program Series 2**

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
555	820-605	Examination	\$7,124,247	\$7,320,792
Total funding: Financial Regulation Services			\$7,124,247	\$7,320,792

Financial Regulation Services

Program Description: The Department of Insurance is responsible for overseeing the financial solvency status of insurance companies licensed in Ohio. The Office of Financial Regulation Services monitors the financial status of approximately 280 domestic insurance companies (companies based in Ohio) that operate in Ohio, and nearly 1,500 foreign insurance companies (companies based in other states) that operate here. It conducts triennial on-site examinations and monitors annual quarterly and monthly financial statements in order to fulfill this responsibility. There have been 14 insolvencies of domestic insurance companies since 1990, five of which involved health-insuring corporations (and some of which involved fraud). This office of the Department received the highest score ever given to a large state on an accreditation review by the NAIC.

Funding Source: SSR: insurance company fees

Line Item: 820-605, Examination

Implication of the Executive Recommendation: The Executive recommends a 2.3% increase for FY 2004 and a 2.8% increase in FY 2005. This would fully-fund the Department's CBL request, but falls short of funding the supplemental request for this office by \$162,594 in FY 2004 and \$329,744 in FY 2005. The Department reports that, with some reprioritizing of spending, it should be able to avoid any reduction of current staffing levels. Personal services account for 87.2% of the CBL request over the biennium for this line item.

Temporary Law: Market Conduct Examination. When conducting a market conduct examination of any insurer doing business in this state, the Superintendent of Insurance may assess the costs of the examination against the insurer. The Superintendent may enter into consent agreements to impose administrative assessments or fines for conduct discovered that may be violations of statutes or regulations administered by the Superintendent. All costs, assessments, or fines collected must be deposited to the credit of the Department of Insurance Operating Fund (Fund 554).

Examinations of Domestic Fraternal Benefit Societies. The Superintendent of Insurance may transfer funds from the Department of Insurance Operating Fund (Fund 554) to the Superintendent's Examination Fund (Fund 555) only for the expenses incurred in examining domestic fraternal benefit societies as required by section 3921.28 of the Revised Code.

Policy and Rate Filing Regulation**Program Series 3**

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
554	820-606	Operating Expenses	\$4,529,720	\$4,760,753
Total funding: Policy and Rate Filing Regulation			\$4,529,720	\$4,760,753

Policy and Rate Filing Regulation

Program Description: The Policy and Rate Filing Regulation Program reviews all rates and policies issued by property and casualty insurers and by life and health insurers operating in Ohio, and licenses and monitors the activities of all health insuring corporations (HICs) operating in the state. The offices that operate this program (the Office of Property and Casualty Services and the Office of Life and Health Services) received over 21,000 filings for review during FY 2002, with an individual filing being anywhere between one page and 1,000 pages in length. The Managed Care Division (within the Office of Life and Health Services) oversees an external review service to ensure that patients covered by HICs receive the services to which they are entitled. During FY 2002 the division reported data on the 169 reviews completed during a 20-month period. The data showed that about half the reviews found in favor of the consumer, saving Ohio consumers a total of approximately \$1.7 million. Five individual recoveries by consumers exceeded \$98,000.

Funding Source: SSR: fees and fines

Line Item: 820-606, Operating Expenses

Implication of the Executive Recommendation: The Executive recommends total appropriation authority for this program of \$4.5 million in FY 2004 and \$4.8 million in FY 2005 in line item 820-606, Operating Expenses. The amounts represent an increase of 17.0% in FY 2004 from FY 2003 estimated spending levels and an increase of 5.1% in FY 2005.

The executive proposal fully funds the Department's CBL request for FY 2005 but falls \$117,043 short of fully-funding the CBL for FY 2004. The Department submitted two supplemental requests for this program, for a total of \$103,000 in FY 2004 and \$346,125 in FY 2005. The executive proposal fell short of funding all supplemental requests by \$220,043 in FY 2004 and \$232,135 in FY 2005. As with other programs, the two supplemental requests were almost completely personnel-related; neither was for a major equipment purchase.

The Department anticipates making hiring decisions for this program as part of a department-wide fresh look at priorities, since this program is funded out of the same appropriation line item as Program Series 1, 4, and 5. More background details on the Department's staffing requests and its ability to hire for new positions is provided in the Implication of the Executive Recommendation section of Program 1.

Consumer Services

Program Series 4

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
3U5	820-602	OSHIIP Operating Grant	\$560,559	\$560,559
554	820-601	Operating Expenses - OSHIIP	\$506,515	\$561,411
554	820-606	Operating Expenses	\$2,617,184	\$2,743,965
Total funding: Consumer Services			\$3,684,258	\$3,865,935

Consumer Services

Program Description: The Office of Consumer Services responds to consumer inquiries, investigates consumer complaints, and conducts educational outreach activities. During FY 2002 the office provided assistance to 8,506 consumers who either called or visited the Department in person. The office was able to aid consumers in recovering a total of approximately \$10.5 million from cases decided in their favor.

This office also provides the Ohio Statewide Health Insurance Information Program (OSHIIP) to assist seniors with making informed decisions regarding health insurance issues. Since the program's inception in 1992, over 1,400 volunteer counselors trained by the Department have reported assisting more than 69,000 individual consumers. Calls to the Department's toll-free line have recently been averaging about 2,500 per month. The Department has published and distributed *The Ohio Shopper's Guide to Medicare Supplement Insurance* every year since 1992.

Funding Source: SSR: insurance agent fees, federal funds

Line Items: 820-601, Operating Expenses-OSHIIP; 820-602, OSHIIP Operating Grant; 820-606, Operating Expenses

Implication of the Executive Recommendation: The Executive recommends total appropriation authority of \$3.7 million in FY 2004 and \$3.9 million in FY 2005 for this program area. The amounts represent an increase of 6.5% in FY 2004 from FY 2003 estimated spending levels and an increase of 4.9% in FY 2005. The executive proposal fully funds the Department's core budget level (CBL) request for this program. The Department submitted two supplemental requests for the program, for a total of \$165,067 in FY 2004 and \$298,645 in FY 2005. The executive proposal fell short of funding all supplemental requests by \$123,914 in FY 2004 and \$130,711 in FY 2005.

The federal grant that funds line item 820-602, OSHIIP Operating Grant, is expected to be \$400,000 in each year of the coming biennium, matching the grant level for FY 2003. The appropriation of \$560,559 to this line item is expected to be supported by cash balances in Fund 3U5 along with the grant. The executive recommendation provides \$20,000 less than the Department requested in FY 2004 for OSHIIP and \$22,500 less than requested in FY 2005. The Department anticipates that the staffing for the OSHIIP Program can be maintained at current levels, either by reprioritizing program spending or by supplementing the funding from the Department's main operating fund (Fund 554).

The Department anticipates making hiring decisions for the rest of this program as part of a department-wide fresh look at priorities, since this program is funded out of the same appropriation line item as Program Series 1, 3, and 5. More background details on the Department's staffing requests and its ability to hire for new positions is provided in the Implication of the Executive Recommendation section of Program 1.

Administration

Program Series 5

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
554	820-606	Operating Expenses	\$9,649,223	\$10,015,035
Total funding: Administration			\$9,649,223	\$10,015,035

Administration

Program Description: The Administration program consists of services offered by four offices of the Department: the Office of Executive Services, the Office of General Services, the Office of Information and Technology, and the Office of Legal Services. The Office of Executive Services develops policy for the Ohio insurance industry, handles communications with the legislature, the media, and the public, and liquidates insurance companies that become insolvent. The Office of Legal Services provides legal support and advice to all of the offices of the ODI. The Office of General Services houses the fiscal and human resources operations of the Department. The Office of Information and Technology Services supports the other offices' use of information technology and oversees the ODI website. The Department is in the process of shifting the oversight and development of the COSMOS database of licensed insurance agents from a vendor to in-house staff.

Funding Source: SSR: insurance agent fees

Line Item: 820-606, Operating Expenses

Implication of the Executive Recommendation: The Executive recommends total appropriation authority of \$9.6 million in FY 2004 and \$10.0 million in FY 2005 for this program area. The amounts represent a decrease of 15.2% in FY 2004 from FY 2003 estimated spending levels and an increase of 3.8% in FY 2005. The executive proposal fully funds the Department's core budget level (CBL) request for this program for FY 2005, but falls short of fully-funding the CBL for FY 2004 by \$229,246. The Department submitted two supplemental requests for the program, for a total of \$131,320 in FY 2004 and \$526,706 in FY 2005. The executive proposal fell short of funding all supplemental requests by \$360,566 in FY 2004 and \$380,140 in FY 2005.

The Department anticipates making hiring decisions for this program as part of a department-wide fresh look at priorities, since this program is funded out of the same appropriation line item as Program Series 1, 3, and 4. More background details on the Department's staffing requests and its ability to hire for new positions is provided in the Implication of the Executive Recommendation section of Program 1.

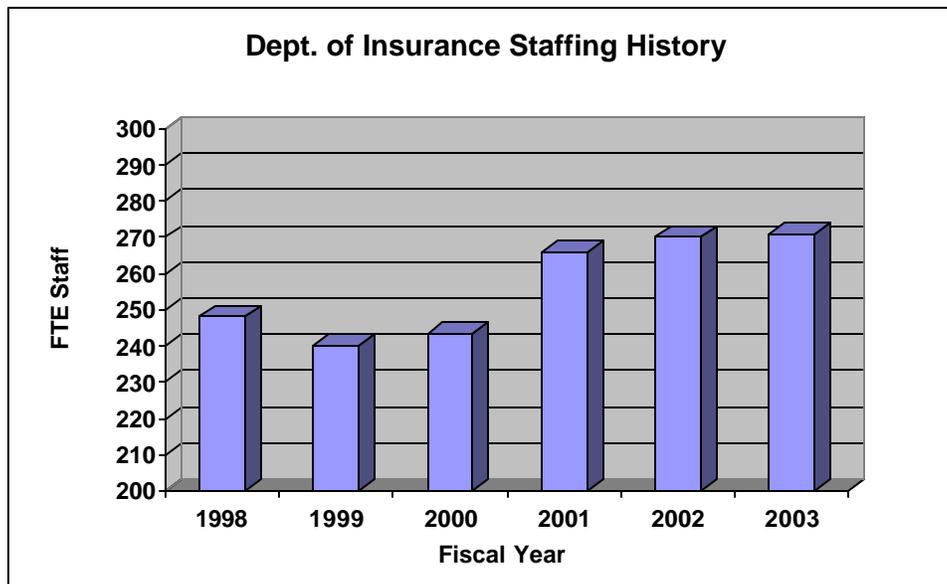
ADDITIONAL FACTS AND FIGURES

Technology-Based Initiatives

Early in 2000, ODI unveiled an online agent licensing application process that reduced the licensing procedure from a four- to six-month process to seven to ten business days. Insurance companies also can appoint an agent by using the Department's new Internet appointment process.

Department of Insurance Staff and Organization

As of February 2003 the Department employed 268 full-time and six part-time staff members. The chart below illustrates recent trends in staffing levels for the Department. The personnel counts were as of the end of the fiscal year indicated.



The Department's table of organization shows nine offices, which are the:

- 1) Executive Office;
- 2) Office of Legal Services;
- 3) Office of General Services;
- 4) Office of Information and Technology Services;
- 5) Office of Financial Regulation Services;
- 6) Office of Property and Casualty Services;
- 7) Office of Life and Health Services;
- 8) Office of Investigative and Licensing Services; and
- 9) Office of Consumer Services.

The following table presents staffing levels by office, derived from tables of organization submitted with the Department's last four budget requests:

Ohio Department of Insurance - Staffing Levels by Office (Full-time equivalents)				
Office	1996	1998	2000	2002
Executive	17	12	15	15
Legal Services	13	15	13	19
General Services	22	30	27	25
Information and Technology	6	14	12	13
Financial Regulation	48	54	57	58
Property and Casualty	17	21	18	17
Life and Health	22	24	23	19
Investigative and Licensing Services	55	53	51	53
Consumer Services	30	35	39	43
Totals	230	258	255	262

The Department's organizational structure has not changed significantly over the past six years. The Offices of Legal Services, Investigative and Licensing Services, and Consumer Services have each added more than one staff member since the beginning of the biennium. In the case of the Office of Investigative and Licensing Services, this simply returns the office to the same staffing level it had in 1998. In the case of the other two offices, this growth seems to represent a trend.

Current and Ongoing Challenges

A number of state or federal legislative measures, recurring responsibilities, and the changing role and activities of the ODI will be factors affecting ODI in the next biennium. The following states some of the major regulations:

- **Medical Malpractice.** Rising medical malpractice insurance premiums prompted the 124th General Assembly to pass S.B. 281. The bill imposed a cap on non-economic damages due to malpractice and required ODI to study the feasibility of creating a Patient Compensation Fund to cover medical malpractice claims. The final report is due May 1, 2003. The Controlling Board approved a departmental request at its January 27, 2003 meeting to hire an actuarial consulting firm to help produce the study for \$100,000. This expense will be absorbed in the current fiscal year. The bill also created the Ohio Medical Malpractice Commission and required the Department to provide staff support to the new commission. The Department estimates the cost of hiring the staff required to be \$20,000 to \$40,000 per fiscal year.
- **House Bill 4.** House Bill 4 of the 123rd General Assembly became effective May 1, 2000. Under this bill, ODI is responsible for administering external reviews conducted by independent review organizations when a patient appeals an insurer's denial of payment. The Department received 1,234 calls about initiating external reviews between the initiation of the program in May 2000 and December 2002, which works out to over 38 calls per month. This call volume has increased in

recent months. Handling, review, and resolution of these filings has demanded more labor from ODI's Consumer Services, Managed Care and Legal divisions.

- **Prompt Payment of Health Bill.** In response to the concerns of health care providers the 124th General Assembly enacted S.B. 4, which placed more stringent regulations on the timing of third party reimbursement of medical claims. In 2001, prior to the bill's passage, ODI received 2,600 prompt pay complaints from providers. In 2002 the number of complaints rose to over 8,000. In response to the increased workload, the Department hired two full-time employees, increasing costs by approximately \$115,000 per year. ODI has also devoted information technology resources to the development of an electronic complaint-handling system, which will be operational in March 2003.
- **Federal Financial Services Modernization Act of 1999.** The Gramm-Leach-Bliley (GLB) Financial Services Modernization Act has permitted the formation of financial holding companies and convergence of banking, securities, and insurance under one corporate organization. The Act has totally restructured the financial services industry. Although GLB has continued the role of the states as the functional regulators for the insurance industry, state insurance regulators are now required to implement a new multi-state licensing system, coordinate examination of financial holding companies with the Federal Reserve, implement functional regulation by working with the Office of the Controller of Currency to share information relevant to each agency's responsibilities, and enforce new privacy regulations.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Department of Insurance's activities and spending decisions during the next biennium.

Permanent Law Provisions

There are no permanent law provisions with fiscal effects on this agency.

Temporary Law Provisions (Section 57 of the bill)

Market Conduct Examination: When conducting a market conduct examination of any insurer doing business in this state, the Superintendent of Insurance may assess the costs of the examination against the insurer. The Superintendent may enter into consent agreements to impose administrative assessments or fines for conduct discovered that might be violations of statutes or regulations administered by the superintendent. All costs, assessments, or fines collected must be deposited to the credit of the Department of Insurance Operating Fund (Fund 554).

Examinations of Domestic Fraternal Benefit Societies: The Superintendent of Insurance may transfer funds from the Department of Insurance Operating Fund (Fund 554) to the Superintendent's Examination Fund (Fund 555) only for the expenses incurred in examining domestic fraternal benefit societies as required by section 3921.28 of the Revised Code.

REQUESTS NOT FUNDED

The Department of Insurance received full funding for its core budget level (CBL) request for three of its four line items. Its CBL request for line 820-601, Operating Expense-OSHIIP, was cut by \$20,000 in FY 2004. The Department submitted ten supplemental requests, which were partially-funded. The executive proposal fell short of fully-funding all departmental requests by \$1,307,251 in FY 2004 and \$1,380,158 in FY 2005. The supplemental requests were nearly all staffing-related.

Both the Department and OBM report that the cuts were not tied to any specific supplemental requests. The Department requested funding for 17 additional full-time staff, eight of which were to expand the Fraud Division within the Office of Investigation and Licensing Services. Several industry representatives have expressed interest in an expansion of this division, and the Department is discussing the possibility of industry funding for such an expansion. Other new staff positions were sought for the Market Conduct Division of the Office of Investigation and Licensing Services (four positions), the Office of Consumer Services (three positions), the Office of Legal Services (one position), and the Office of Policy and Rate Filing Regulation (one position). The Department received funding for three additional positions, so the executive proposal should not require any cuts in departmental staffing. Given several existing vacancies, the Department has funding to hire 15 new staff. This budget gives ODI the opportunity and the flexibility to reconsider its staffing priorities as it fills these 15 positions.

Federal Special Revenue Fund Group

3U5 820-602 OSHIIP Operating Grant

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$323,274	\$561,056	\$399,506	\$400,000	\$560,559	\$560,559
	73.6%	-28.8%	0.1%	40.1%	0.0%

Source: FED: CFDA 93.779, a grant awarded from the Centers for Medicare and Medicaid Services (CMS), formerly known as the Health Care Finance Administration (HCFA)

Legal Basis: Section 62 of Am. Sub. H.B. 94 of the 124th G.A. (originally created by the Controlling Board, item # INS 003, on December 6, 1999)

Purpose: The Ohio Senior Health Insurance Information Program (OSHIIP) is a joint venture with the Ohio Department of Aging (ODA). The federal grant that funds the program was formerly made to ODA, with OSHIIP being reimbursed for its expenses via Intrastate Transfer Voucher (ISTV). Starting in FY 2000, OSHIIP was awarded the federal grant directly from the Health Care Finance Administration (now known as the Centers for Medicare and Medicaid Services). As a result, instead of commingling the grant funds with the Ohio Department of Insurance's Operating Fund 554, Fund 3U5 and line item 820-602 were created to receive and disburse the grant funds. ODA receives ten percent of the grant funds via ISTV to finance the Benefits Eligibility Screening Service program, in accordance with an interagency agreement between ODI and ODA.

State Special Revenue Fund Group

554 820-601 Operating Expenses-OSHIIP

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$440,285	\$69,573	\$422,786	\$601,773	\$506,515	\$561,411
	-84.2%	507.7%	42.3%	-15.8%	10.8%

Source: SSR: Fund 554 (insurance agents fees)

Legal Basis: Section 62 of Am. Sub. H.B. 94 of the 124th G.A. (originally created by Controlling Board action on September 14, 1998; the OSHIIP program was originally created by executive order in 1992)

Purpose: The Ohio Senior Health Insurance Information Program (OSHIIP) educates and counsels senior citizens on Medicare and other health insurance concerns. This program serves an eligible population of 1.4 million elderly Ohioans. Program staff provide counseling and telephone assistance, conduct educational seminars, assemble and publish insurance information brochures, and recruit and train volunteers who serve as counselors at the county level. Prior to FY 2000, the program received funding through an interagency agreement with the Ohio Department of Aging and through the department's operating fund (Fund 554). Beginning in FY 2000, the grant funds were appropriated in Fund 3U5, ALI 820-602, OSHIIP Operating Grant. The program continues to be funded in part by the department's main operating fund, Fund 554, through this line item (820-601).

554 820-606 Operating Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$17,104,654	\$17,551,158	\$18,427,154	\$22,350,948	\$21,815,431	\$22,357,575
	2.6%	5.0%	21.3%	-2.4%	2.5%

Source: SSR: Various fees

Legal Basis: ORC 3901.021 (originally established by Am. Sub. H.B. 694 of the 114th G.A.)

Purpose: This appropriation line item became effective November 15, 1981. The fund receives up to \$15 of the \$20 fee assessed for the licensing of insurance agents and agencies, plus charges for continuing education of insurance agents, and fees for a variety of services or transactions performed by the Department for the regulation of insurance companies. These fees were first authorized by Am. Sub. H.B. 152 of the 120th G.A., which enacted Section 3901.043 of the Revised Code. The remaining \$5 of the agent licensing fee is deposited in the GRF. In addition, Sub. S.B. 375 of the 120th G.A., effective January 1, 1994, established the Insurance Agent Continuing Education program for which fees are charged and used to administer the program.

555 820-605 Examination

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$5,081,718	\$6,068,542	\$6,097,702	\$6,963,535	\$7,433,751	\$7,639,581
	19.4%	0.5%	14.2%	6.8%	2.8%

Source: SSR: Insurance company fees

Legal Basis: ORC 3901.071 (originally established by Am. Sub. H.B. 1267 of the 111th G.A.)

Purpose: This line item receives payments from insurance companies for the services of state examiners. The receipts are used to pay the salaries and fringe benefits of the examiners, and administrative costs associated with the Office of Financial Regulation. This line item became effective May 21, 1976.

As Introduced

Subject: Market Conduct Examination

Section: 57

Permits the Superintendent of Insurance to assess the costs of a market conduct examination of an insurance company against that company, and permits the Superintendent to enter into consent agreements to impose assessments or fines for conduct that is found to violate Ohio laws or regulations. Any money collected under this provision is required to be deposited into the Department of Insurance Operating Fund (Fund 554).

Fiscal effect: Depends on the costs of market conduct examinations and the amount of fines assessed. The costs of examinations averaged approximately \$71,000 per year for fiscal years 2001 and 2002. Fines assessed in fiscal years 2001 and 2002 averaged approximately \$305,000 per year.

Subject: Examinations of Domestic Fraternal Benefit Societies

Section: 57

Permits the Superintendent of Insurance to transfer funds from the Department of Insurance Operating Fund (Fund 554) to the Examination Fund (Fund 555) to cover the costs of conducting examinations of domestic fraternal benefit societies.

Fiscal effect: The amount of funds transferred would depend on the costs of conducting such examinations, which were \$ in both FY 2001 and FY 2002. The department estimates th costs for FY 2003 will be approximately \$100,000. This provision creates no net increase in either revenues or expenditures.

As Passed by the House

Section: 57

No change.

Section: 57

No change.

As Introduced

Subject: Transfer to the GRF

No provision.

As Passed by the House

Section: 57

Requires the Director of Budget and Management to transfer \$1 million from the Department of Insurance Operating Fund (Fund 554) to the GRF during July 2003.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

<i>Fund ALI ALI Title</i>	<i>Estimate 2003</i>	<i>As Introduced 2004</i>	<i>House Sub Bill 2004</i>	<i>% Change Est. 2003 to House 2004</i>	<i>As Introduced 2005</i>	<i>House Sub Bill 2005</i>	<i>% Change House 2004 to House 2005</i>
INS Insurance, Department of							
3U5 820-602 OSHIP Operating Grant	\$400,000	\$ 560,559	\$ 560,559	40.1%	\$ 560,559	\$ 560,559	0.0%
Federal Special Revenue Fund Group Total	\$ 400,000	\$ 560,559	\$ 560,559	40.1%	\$ 560,559	\$ 560,559	0.0%
554 820-601 Operating Expenses-OSHIP	\$601,773	\$ 506,515	\$ 506,515	-15.8%	\$ 561,411	\$ 561,411	10.8%
554 820-606 Operating Expenses	\$22,350,948	\$ 22,688,654	\$ 21,815,431	-2.4%	\$ 23,888,637	\$ 22,357,575	2.5%
555 820-605 Examination	\$6,963,535	\$ 7,124,247	\$ 7,433,751	6.8%	\$ 7,320,792	\$ 7,639,581	2.8%
State Special Revenue Fund Group Total	\$ 29,916,256	\$ 30,319,416	\$ 29,755,697	-0.5%	\$ 31,770,840	\$ 30,558,567	2.7%
Total All Budget Fund Groups	\$ 30,316,256	\$ 30,879,975	\$ 30,316,256	0.0%	\$ 32,331,399	\$ 31,119,126	2.6%