

Department of Insurance

Senate Finance and Financial Institutions Committee

Ross Miller, Economist

Legislative Service Commission

April 28, 2005

*Additional copies are available on our website at www.lsc.state.oh.us
Click on 'Budget Documents' then 'Redbooks'*

LSC Redbook

for the

Department of Insurance

Senate Finance and Financial Institutions Committee

Ross Miller, Economist
Legislative Service Commission

TABLE OF CONTENTS

Overview	1
<i>Summary of FYs 2006-2007 Budget Issues</i>	2
<i>Staffing Levels</i>	3
Master Table: Executive's Recommendations for FY 2006 and FY 2007.....	5
Analysis of Executive Proposal.....	6
<i>Investigative and Licensing Services</i>	6
<i>Financial Regulation</i>	8
<i>Policy and Rate Filing Regulation</i>	9
<i>Consumer Services</i>	11
<i>Medical Malpractice</i>	13
<i>Program Management</i>	15
Requests Not Funded.....	16
Attachments:	
Catalog of Budget Line Items	
LSC Budget Spreadsheet By Line Item: Executive to House Passed	
Compare Document: Permanent and Temporary Law	

April 28, 2005

Department of Insurance

- The agency receives no GRF funding
- No fee increases needed during coming biennium to fund agency operations

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 they charge customers in the life, accident, health, managed care, and property and casualty insurance lines. It also administers the domestic and foreign insurance taxes, which in FY 2004 raised nearly \$400 million (combined) for the General Revenue Fund (GRF).

The Department of Insurance is a cabinet level agency with more than 260 employees. Its activities are organized into six distinct program series, which are: Investigative and Licensing Services, Financial Regulation, Policy and Rate Filing Regulation Services, Consumer Services, Medical Malpractice, and Program Management.

The Department receives no budgetary resources from the GRF. Funding for the Department 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 a federal grant that funds the Ohio Senior Health Insurance Information Program (OSHIIP). It is currently estimated that the agency's FY 2005 expenditures will total \$42.7 million.¹

In 2004, the Department licensed and regulated approximately 1,740 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 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 also annually licenses and regulates over 180,000 insurance agents and more than 13,000 agencies.

¹ This figure includes an appropriation for \$11.5 million for line item 820-603, Medical Malpractice Liability, that is unlikely to be used. See explanation on the following page.

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.

Summary of FYs 2006-2007 Budget Issues

The Executive's funding recommendations are \$31,938,567 for FY 2006 and \$32,123,567 for FY 2007. These amounts represent a decrease of 25.3% in FY 2006 from FY 2005 estimated spending level and an increase of 0.6% in FY 2007. The substantial drop from FY 2005 to FY 2006 is due to the ending of a one-time federal grant and, much more, to the decision not to seek an appropriation from a fund created by Sub. H.B. 282 of the 125th General Assembly (H.B. 282) for FY 2006 or FY 2007.

H.B. 282 created the Medical Liability Fund in the State Treasury for the purpose of "funding the medical liability underwriting association that is created in accordance with sections 3929.62 to 3929.70 of the Revised Code or for funding another medical malpractice initiative with the approval of the general assembly." H.B. 282 also appropriated the entire balance in the fund in FY 2004 and reappropriated any remaining balance in FY 2005. Thus the figure for estimated FY 2005 expenditures includes an \$11.5 million appropriation from this fund. The money can be spent only under conditions specified in the bill, and which are discussed in the "Analysis of Executive Proposal" section (program series 5). The executive proposal effectively would require the Department to go before the Controlling Board to establish an appropriation from the fund after FY 2005.

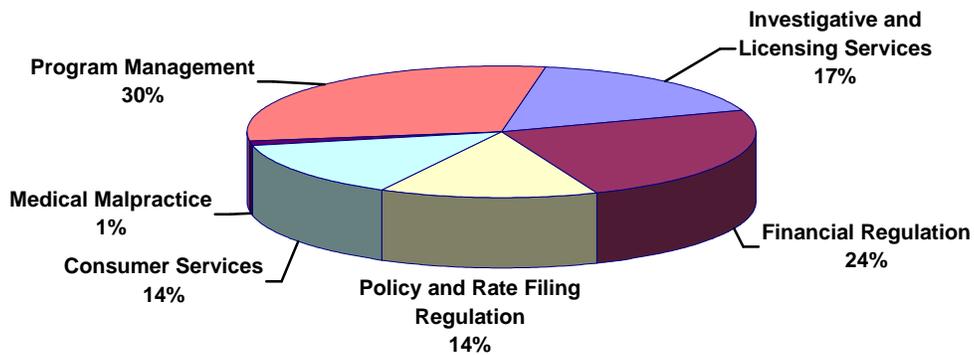
The Department of Insurance did not propose any fee increases in its budget request. The Department of Insurance Operating Fund (Fund 554) is the source for over 72% of the proposed appropriations for the coming biennium. Receipts to Fund 554 during FY 2004 were approximately \$3 million more than the proposed FY 2006 appropriations that draw on that fund and approximately \$2.9 million more than the proposed FY 2007 appropriations that draw on the fund. The amount of annual receipts does fluctuate from year to year depending heavily on the number of applications for insurance agent licenses. The amount of receipts grew significantly between FY 2002 and FY 2004. Department staff attribute the increase primarily to a greater number of appointments of agents who are not residents of Ohio. The ODI budget request includes a forecast that receipts will decrease by approximately \$1.28 million in FY 2005 and remain at that level through the biennium. If the forecast is correct, receipts will exceed the proposed appropriations from the fund by over \$1.5 million in each year.

Staffing Levels

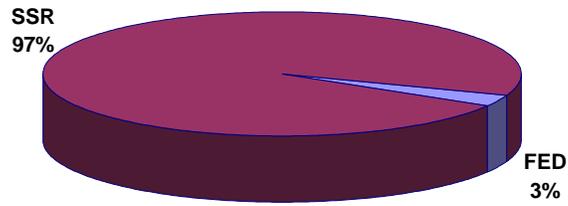
The following table presents staffing levels by program series since FY 2002. The numbers shown represent the number of full-time permanent employees as of July of the year shown, except that the FY 2005 figure is for January 2005.

Department of Insurance Staffing Levels						
Program Series/Division	2002	2003	2004	2005	Estimated	
					2006	2007
Investigative & Licensing	53	53	54	54	58	58
Financial Regulation	58	58	59	61	62	62
Policy and Rate Filing Reg	37	36	33	34	40	40
Consumer Services	42	42	45	45	46	46
Medical Malpractice	0	0	0	0	1	1
Program Management	73	74	71	70	76	76
Totals	263	263	262	264	283	283

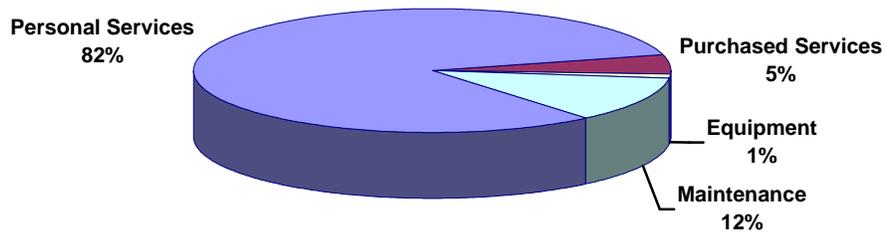
Total Budget by Program Series



Total Budget by Fund Group



Total Budget by Object Code



MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2006 AND FY 2007

The following table provides a comprehensive presentation of the Executive's recommendations for each of the agency's line items and the programs each line item supports. Please note that some line items may provide funding for multiple program series and/or programs. See the Analysis of Executive Proposal section for more information on specific program funding.

Legislative Service Commission-Redbook

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program				
Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund Group				
Fund 3U5	820-602	OSHIIP Operating Grant	\$ 1,080,000.00	\$ 1,080,000.00
		Program Series 4: Consumer Services	\$ -	\$ -
		Program 2: Ohio Senior Health Insurance Inform	\$ 1,080,000.00	\$ 1,080,000.00
Federal Special Revenue Fund Subtotal			\$ 1,080,000.00	\$ 1,080,000.00
State Special Revenue Fund Group				
Fund 554	820-601	Operating Expenses-OSHIIP	\$ 564,754.00	\$ 571,772.00
		Program Series 4: Consumer Services	\$ -	\$ -
		Program 2: Ohio Senior Health Insurance Inform	\$ 564,754.00	\$ 571,772.00
Fund 554	820-606	Operating Expenses	\$ 22,654,232.00	\$ 22,832,214.00
		Program Series 1: Investigative and Licensing Serv	\$ -	\$ -
		Program 1: Market Conduct	\$ 1,967,399.00	\$ 1,988,872.00
		Program 2: Licensing	\$ 1,553,051.00	\$ 1,622,491.00
		Program 3: Fraud Investigation and Enforcement	\$ 1,815,124.00	\$ 1,835,069.00
		Program Series 3: Policy and Rate Filing Regulation	\$ -	\$ -
		Program 1: Property and Casualty	\$ 2,107,695.00	\$ 2,130,263.00
		Program 2: Life and Health	\$ 2,381,469.00	\$ 2,407,374.00
		Program Series 4: Consumer Services	\$ -	\$ -
		Program 1: Consumer Services	\$ 2,810,595.00	\$ 2,840,978.00
		Program Series 5: Medical Malpractice	\$ -	\$ -
		Program 1: Medical Malpractice	\$ 300,000.00	\$ 485,000.00
		Program Series 6: Program Management	\$ -	\$ -
		Program 1: Program Management	\$ 9,718,899.00	\$ 9,522,167.00
Fund 555	820-605	Examination	\$ 7,639,581.00	\$ 7,639,581.00
		Program Series 2: Financial Regulation	\$ -	\$ -
		Program 1: Financial Regulation Services	\$ 7,639,581.00	\$ 7,639,581.00
State Special Revenue Fund Subtotal			\$ 30,858,567.00	\$ 31,043,567.00
Agency Total Funding			\$ 31,938,567.00	\$ 32,123,567.00

ANALYSIS OF EXECUTIVE PROPOSAL

Program Series 1

Investigative and Licensing Services

Purpose: This program series investigates inappropriate market conduct by insurance companies and agents, licenses insurance agents, and investigates insurance-related fraud.

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

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	\$5,335,574	\$5,446,432
State Special Revenue Fund Subtotal			\$5,335,574	\$5,446,432
Total Funding: Investigative and Licensing Services program series			\$5,335,574	\$5,446,432

This analysis focuses on the following specific programs within the Investigative and Licensing Services program series:

- **Program 1 – Market Conduct**
- **Program 2 – Licensing**
- **Program 3 – Fraud Investigation and Enforcement**

Program 1 – Market Conduct

Program Description: The Market Conduct Division identifies inappropriate market practices by insurance companies, imposes penalties, and takes corrective actions. This program also houses the Department's provider complaint and prompt payment program for healthcare claims.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service and permits an enhanced ability to analyze the market.

Temporary and Permanent Law Provisions:

Use of Registration Fees and Private Grants (R.C. section 3901.021). Permits other revenues, such as registration fees from department sponsored seminars or conferences and private grants to be deposited into the state treasury to the credit of the Department of Insurance Operating Fund (Fund 554).

Market Conduct Examination (Section 206.63). Permits the Superintendent of Insurance to assess the costs of market conduct examinations on the insurer that was examined. All assessments collected are to be deposited into the Department of Insurance Operating Fund (Fund 554).

Program 2 – Licensing

Program Description: The Licensing Division licenses individuals and organizations other than insurance companies to sell, distribute, and service insurance products. This division administers the professional education program required for obtaining a license from the Department.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service.

Temporary and Permanent Law Provisions: Use of Registration Fees and Private Grants (R.C. section 3901.021). See description listed under Market Conduct program.

Program 3 – Fraud Investigation and Enforcement

Program Description: This division investigates insurance-related fraud committed by consumers, medical providers, or others, and investigates allegations of misconduct by insurance agents and other licensees. During 2004 the division received slightly over 1,250 referrals about possible instances of insurance fraud.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service. One of the Department's goals is to increase the number of fraud and enforcement cases investigated, and the proposal provides funding to increase the number of staff employed in this program.

Temporary and Permanent Law Provisions: Use of Registration Fees and Private Grants (R.C. section 3901.021). See description listed under Market Conduct program.

Program Series 2**Financial Regulation**

Purpose: This program series monitors the financial solvency of insurance companies operating in Ohio.

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

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
555	820-605	Examination	\$7,639,581	\$7,639,581
State Special Revenue Fund Subtotal			\$7,639,581	\$7,639,581
Total Funding: Financial Regulation program series			\$7,639,581	\$7,639,581

This analysis focuses on the following specific program within the Financial Regulation program series:

■ **Program 1 – Financial Regulation Services**

Program 1 – Financial Regulation Services

Program Description: The Financial Regulation Services program monitors the financial solvency of the approximately 275 insurance companies headquartered in Ohio to ensure they are able to pay claims when due. This program also monitors approximately 1,500 insurance companies headquartered in other states, in cooperation with other state insurance departments and the NAIC.

Funding Source: SSR: insurance company fees

Line Items: 820-605, Examination

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service.

Temporary and Permanent Law Provisions:

Elimination of Exemption from Unauthorized Foreign Insurance Tax (R.C. sections 3901.17, 3905.36). Currently companies who purchase insurance from an unauthorized insurer or surplus lines insurer are required to report but not pay a tax (5% of the gross premium) if they issue an insurance contract to an "employer insured," which is defined in section 3905.36 of the Revised Code. This provision eliminates the exemption whereby these companies report, but do not pay, the tax; with the elimination of the exemption, these companies will begin to pay the tax. This provision would increase revenue to the GRF by \$7 million to \$12 million per year, depending on market conditions.

Examinations of Domestic Fraternal Benefit Societies (Section 206.63). Permits the Director of Management and Budget, at the request of the Superintendent of Insurance, to transfer funds from the Department of Insurance Operating Fund (Fund 554) to the Superintendent's Examination Fund (Fund 555) for expenses incurred in examining domestic fraternal benefit societies.

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

Purpose: The Policy and Rate Filing Regulation program series reviews all rates and policies issued by property and casualty insurers and by life and health insurers operating in Ohio. It also licenses and monitors the activities of all health insuring corporations operating in Ohio.

The following table shows the line items that are used to fund the Policy and Rate Filing Regulation program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	\$4,489,164	\$4,537,637
State Special Revenue Fund Subtotal			\$4,489,164	\$4,537,637
Total Funding: Policy and Rate Filing Regulation			\$4,489,164	\$4,537,637

This analysis focuses on the following specific programs within the Policy and Rate Filing Regulation program series:

- **Program 1 – Property and Casualty**
- **Program 2 – Life and Health**

Program 1 – Property and Casualty

Program Description: This program reviews documents related to the sale of property and casualty insurance products to Ohio consumers for compliance with Ohio laws. Such documents include policy forms, endorsements, manual rules, and rates. This program received 10,054 product filings for review in 2003.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service.

Temporary and Permanent Law Provisions: Use of Registration Fees and Private Grants (R.C. section 3901.021). See description listed under Market Conduct program of program series 1.

Program 2 – Life and Health

Program Description: This program reviews documents related to the sale of life and health insurance products to Ohio consumers for compliance with Ohio laws. The actuarial staff analyzes over 800 accident and health premium adjustments each year. The managed care staff within this program licenses and monitors the activities of health insuring corporations that operate in Ohio, and monitors their financial solvency.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service and permits an enhanced ability to evaluate the sufficiency of life insurers' methodologies for setting reserve levels.

Temporary and Permanent Law Provisions: Use of Registration Fees and Private Grants (R.C. section 3901.021). See description listed under Market Conduct program of program series 1.

Program Series 4**Consumer Services**

Purpose: The Office of Consumer Services responds to consumer inquiries, investigates consumer complaints, and conducts educational outreach activities. It also administers the Ohio Senior Health Insurance Information Program (OSHIIP), which assists seniors in making informed decisions about health insurance issues.

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

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-601	Operating Expenses--OSHIIP	\$564,754	\$571,772
554	820-606	Operating Expenses	\$2,810,595	\$2,840,978
State Special Revenue Fund Subtotal			\$3,375,349	\$3,412,750
Federal Special Revenue Fund				
3U5	820-602	OSHIIP Operating Grant	\$1,080,000	\$1,080,000
Federal Special Revenue Fund Subtotal			\$1,080,000	\$1,080,000
Total Funding: Consumer Services			\$4,455,349	\$4,492,750

This analysis focuses on the following specific programs within the Consumer Services program series:

- **Program 1 – Consumer Services**
- **Program 2 – Ohio Senior Health Insurance Information Program**

Program 1 – Consumer Services

Program Description: This program responds to insurance-related inquiries from insurance customers, investigates consumer complaints related to insurance, and educates Ohio consumers about insurance issues. During FY 2004 the program responded to over 125,000 telephone calls and 10,800 written complaints from consumers. As a result of departmental efforts, Ohio consumers recovered approximately \$6.8 million.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service.

Temporary and Permanent Law Provisions: Use of Registration Fees and Private Grants (R.C. section 3901.021). See description listed under Market Conduct program of program series 1.

Program 2 – OSHIIP

Program Description: This program educates Ohio Medicare beneficiaries and their families about health insurance-related issues for seniors. In addition to distributing free brochures and other written

educational material, the program operates a toll-free hotline. Since its inception in 1992 this program has counseled more than 248,000 people, distributed 862,000 publications, and saved Ohio consumers approximately \$3.6 million.

The executive proposal increased funding for this line due to the receipt of a larger federal grant than anticipated when the budget request was submitted. The increased grant was provided to allow enhanced service under this program to help inform seniors about their options with the introduction of the new Medicare Part D drug program.

Funding Source: SSR: fees and fines, federal grant

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

Implication of Executive Recommendation: The executive proposal will permit greater service levels in educating seniors about their health care options. This enhancement of service levels will be needed due to the complexity of the new Medicare Part D drug program and the desire to help seniors understand how it may affect their insurance needs.

Temporary and Permanent Law Provisions: None

Program Series 5**Medical Malpractice**

Purpose: This program series is the Department’s response to provisions of Sub. H.B. 282 of the 125th General Assembly.

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

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	\$300,000	\$485,000
State Special Revenue Fund Subtotal			\$300,000	\$485,000
Total Funding: Medical Malpractice			\$300,000	\$485,000

This analysis focuses on the following specific program within the Medical Malpractice program series:

■ **Program 1 – Medical Malpractice**

Program 1 – Medical Malpractice

Program Description: In response to growing concerns about the stability of the market for medical malpractice insurance in Ohio, the 125th General Assembly passed Sub. H.B. 282. H.B. 282 permitted the Superintendent of Insurance to create a Medical Liability Underwriting Association (MLUA) to support the market under conditions specified in the bill.² The MLUA would essentially be an insurance company created by action of the state for the specific purpose of ensuring access to medical malpractice insurance coverage for Ohio medical providers. The Superintendent has not determined that establishment of the MLUA is necessary as of February 2005.

If it were to be established, the MLUA would be required to produce a plan of operation within 45 days. This program will engage in activities preparatory to creation of the MLUA, including drafting a potential plan of operation. If the MLUA is established it will be funded by the Medical Liability Fund that was also established by H.B. 282 for the purpose of “funding the medical liability underwriting association that is created in accordance with sections 3929.62 to 3929.70 of the Revised Code or for funding another medical malpractice initiative with the approval of the general assembly.” The fund received one-time funding, which was the balance of custodial funds that funded the Joint Underwriting Association (JUA). Like the MLUA, the JUA was essentially an insurance company, created by the state in 1975, to ensure that medical providers would have access to medical malpractice insurance coverage. The JUA was dissolved in 1997 by the Superintendent of Insurance with the authorization of the General Assembly, because the Superintendent determined that malpractice insurance was generally available to providers in the market. The money in the Medical Liability Fund derives from premiums paid to the JUA when it was operating.

² Before establishing the MLUA the Superintendent must determine both that a “substantial number” of medical providers have been unable to obtain medical malpractice coverage from an existing insurer, and that the lack of insurance coverage threatens the availability of health care for “any group of individuals in this state.”

The money in the Medical Liability Fund can be spent only if (1) the Superintendent of Insurance establishes the MLUA by rule or (2) with the approval of the General Assembly. The executive proposal effectively would require the Department to go before the Controlling Board to establish an appropriation from the fund after FY 2005. The preparatory work conducted by this program is therefore funded by Fund 554 until such time as it may legally be possible to fund it from the Medical Liability Fund.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal will permit hiring of one full-time staff member to plan and prepare for the establishment of the MLUA should its establishment prove necessary.

Temporary and Permanent Law Provisions: *Use of Registration Fees and Private Grants (R.C. section 3901.021)*. See description listed under Market Conduct program of program series 1.

Program Series 6**Program Management**

Purpose: This program series supports the Department’s mission by supporting the activities of all department divisions and employees.

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

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	\$9,718,899	\$9,522,167
State Special Revenue Fund Subtotal			\$9,718,899	\$9,522,167
Total Funding: Program Management			\$9,718,899	\$9,522,167

This analysis focuses on the following specific program within the Program Management program series:

■ **Program 1 – Program Management**

Program 1 – Program Management

Program Description: This program supports the Department’s mission by providing management and support services to the other programs. It includes the offices of General Services, Legal Services, Executive Services, and Information and Technology Services. The Office of General Services includes the divisions of Fiscal Operations and Human Resources.

Funding Source: SSR: fees and fines

Line Items: 820-606, Operating Expenses

Implication of Executive Recommendation: The executive proposal provides sufficient funding to continue the program at its current level of service.

Temporary and Permanent Law Provisions: Use of Registration Fees and Private Grants (R.C. section 3901.021). Permits other revenues, such as registration fees from department sponsored seminars or conferences and private grants to be deposited into the state treasury to the credit of the Department of Insurance Operating Fund (Fund 554).

REQUESTS NOT FUNDED

The Department of Insurance budget request was fully funded.

General Services Fund Group

5AG 820-603 Medical Malpractice Liability

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$0	\$0	\$0	\$11,464,578	\$0	\$0
	N/A	N/A	N/A	-100.0%	N/A

Source: GSF: This fund does not have a continuing source of revenue. The one-time source was the remaining funds from the Joint Underwriting Association established by the state in 1975 and dissolved in 1997.

Legal Basis: Sub. H.B. 282 of the 125th General Assembly.

Purpose: To fund the Medical Liability Underwriting Association, if established in response to medical malpractice insurance market conditions specified in H.B. 282, or for funding another medical malpractice initiative with the approval of the General Assembly.

Federal Special Revenue Fund Group

3AV 820-604 Federal Grant - Special Project

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$0	\$0	\$0	\$150,000	\$0	\$0
	N/A	N/A	N/A	-100.0%	N/A

Source: FED: federal grant

Legal Basis: Originally established by the Controlling Board on November 15, 2004

Purpose: To provide funding for a study of the feasibility of creating and operating a high-risk pool for providing health insurance coverage, or for future studies for which federal funding is received.

3U5 820-602 OSHIIP Operating Grant

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$399,506	\$388,864	\$537,813	\$560,559	\$1,080,000	\$1,080,000
	-2.7%	38.3%	4.2%	92.7%	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 58 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on December 6, 1999)

Purpose: The Ohio Senior Health Insurance Information Program (OSHIIP) is jointly administered 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 10% 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

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$422,786	\$522,267	\$271,343	\$561,411	\$564,754	\$571,772
	23.5%	-48.0%	106.9%	0.6%	1.2%

Source: SSR: Fund 554 (insurance agents' fees)

Legal Basis: Section 58 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board 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, line item 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

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$18,427,154	\$19,334,833	\$18,650,358	\$22,357,575	\$22,654,232	\$22,832,214
	4.9%	-3.5%	19.9%	1.3%	0.8%

Source: SSR: Various fees. 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 ORC 3901.043. The remaining \$5 of the agent licensing fee is deposited into 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.

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

Purpose: This line item provides funding for the Department's operations, other than those directly related to examining the books of insurance companies. This appropriation line item became effective November 15, 1981.

555 820-605 Examination

2002	2003	2004	2005 Estimate	2006 House Passed	2007 House Passed
\$6,097,702	\$6,454,494	\$6,069,349	\$7,639,581	\$7,639,581	\$7,639,581
	5.9%	-6.0%	25.9%	0.0%	0.0%

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, fringe benefits, and travel expenses of the examiners, and administrative costs associated with the Office of Financial Regulation. This line item became effective May 21, 1976.

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>Estimated 2005</i>	<i>As Introduced 2006</i>	<i>House Passed 2006</i>	<i>% Change Est. 2005 to House 2006</i>	<i>As Introduced 2007</i>	<i>House Passed 2007</i>	<i>% Change House 2006 to House 2007</i>
<i>INS Insurance, Department of</i>									
5AG	820-603	Medical Malpractice Liability	\$11,464,578	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
General Services Fund Group Total			\$ 11,464,578	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
3AV	820-604	Federal Grant - Special Project	\$150,000	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
3U5	820-602	OSHIIP Operating Grant	\$560,559	\$ 1,080,000	\$ 1,080,000	92.7%	\$ 1,080,000	\$ 1,080,000	0.0%
Federal Special Revenue Fund Group Total			\$ 710,559	\$ 1,080,000	\$ 1,080,000	52.0%	\$ 1,080,000	\$ 1,080,000	0.0%
554	820-601	Operating Expenses-OSHIIP	\$561,411	\$ 564,754	\$ 564,754	0.6%	\$ 571,772	\$ 571,772	1.2%
554	820-606	Operating Expenses	\$22,357,575	\$ 22,654,232	\$ 22,654,232	1.3%	\$ 22,832,214	\$ 22,832,214	0.8%
555	820-605	Examination	\$7,639,581	\$ 7,639,581	\$ 7,639,581	0.0%	\$ 7,639,581	\$ 7,639,581	0.0%
State Special Revenue Fund Group Total			\$ 30,558,567	\$ 30,858,567	\$ 30,858,567	1.0%	\$ 31,043,567	\$ 31,043,567	0.6%
<i>Total All Budget Fund Groups</i>			\$ 42,733,704	\$ 31,938,567	\$ 31,938,567	-25.3%	\$ 32,123,567	\$ 32,123,567	0.6%

As Introduced (Executive)

As Passed by the House

(CD-1015-INS) Performance Bonds for Medicaid Health Insuring Corporations

No provision.

R.C. 1751.271, 1751.03, 3903.14, 3903.421

Requires each health insuring corporation that provides coverage to Medicaid recipients to post a performance bond in the amount of \$1 million with the Superintendent of Insurance. The company may deposit securities worth an equivalent value with the Superintendent in lieu of posting a bond, with any interest on the securities paid to the company. The bond or securities shall be payable to the Department of Insurance in the event that the health insuring corporation is placed in rehabilitation or liquidation. The Department is required to use the proceeds of any such payment to reimburse the company's creditors.

Fiscal effect: None.

As Introduced (Executive)

As Passed by the House

(CD-625-INS) Revenues for Department of Insurance Operating Fund**R.C. 3901.021**

Requires revenues collected by the Superintendent of Insurance, other than appointment and other fee revenue already collected, to be paid into the Department of Insurance Operating Fund (Fund 554). The bill provides the examples of revenue deriving from sponsored seminars or conferences and grants from private entities. Fiscal effect: No fiscal effect; this provision would codify current practice.

R.C. 3901.021

Same as the Executive, except that the distribution of revenues from certain fees is changed. The Department of Insurance Operating Fund (Fund 554) will receive 70% of the revenues derived from insurance company fees for 1) filing a statement, 2) a certificate of authority or license, and 3) a certificate of compliance; the other 30% of revenues will go to the GRF. Fiscal effect: This provision would decrease revenue to Fund 554 and correspondingly increase revenue to the GRF. If considered together with changes that the bill makes to sections 3901.78, 3905.04, 3905.40 of the Revised Code, the overall impact on revenues to Fund 554 and the GRF is approximately revenue neutral.

(CD-1139-INS) Requirement to Notify of Out-of-State Discipline for Insurers

No provision.

R.C. 3901.41

Eliminates the requirement that every licensed insurance company and every certified health insuring corporation notify the Superintendent of Insurance within 30 days when the insurer is disciplined in another state. Fiscal effect: None.

As Introduced (Executive)

As Passed by the House

(CD-1007-INS) Certificates of Compliance for Foreign Insurance Companies

No provision.

R.C. 3901.78, 3901.781, 3901.782, 3901.783, and 3901.784

Eliminates the requirement that the Superintendent of Insurance issue annually to every foreign insurance company and association of insurers with one or more agencies in Ohio a certificate of compliance and that the certificate of compliance be published in a newspaper in each county where the insurer has an agency.
 Fiscal effect: This provision reduces revenue to the Department of Insurance Operating Fund (Fund 554) and to the GRF. If considered together with changes made by the bill to sections 3901.021, 3905.04, and 3905.40 of the Revised Code, the overall impact on revenues to Fund 554 and the GRF is approximately revenue neutral.

As Introduced (Executive)

As Passed by the House

(CD-627-INS) Exemption for "Employer Insureds" from the Unauthorized Foreign Insurance Tax**R.C. 3905.36, 3901.17**

Current law imposes a tax on out-of-state insurers and other persons engaged in the business of insurance that are not authorized to do business in Ohio if the insurer, its affiliate, or its agent takes any of a number of listed actions in Ohio. This tax has several exemptions, one of which is for contracts of insurance issued to an "employer insured," which is defined as an insured with at least 25 full-time employees and annual aggregate insurance premiums of at least \$25,000, that procures insurance by the use of a full-time employee acting as an insurance manager or buyer or by the use of a continuously qualified insurance consultant. The bill ends this exemption. It also ends an exemption to a requirement that an Ohio insured that obtains insurance through an unauthorized foreign insurer annually return a statement to the Superintendent of Insurance providing specified information about that insurance coverage.

Fiscal effect: Increase of \$7 million to \$12 million per year, depending on market conditions, to the GRF.

R.C. 3905.36, 3901.17

Same as the Executive.

As Introduced (Executive)

As Passed by the House

(CD-1123-INS) Fee Increases

No provision.

R.C. 3905.40, 3905.04

Increases fee for an insurance company to file a "statement" from \$25 to \$175. Increases fee for a license or certificate of authority from \$5 to \$175. Increases fee for a certificate of compliance from \$20 to \$60. Eliminates requirement that foreign insurance companies pay for making and forwarding annually, semiannually, and quarterly the interest checks and coupons accruing on securities deposited with the Superintendent of Insurance. Fiscal effect: Increases revenue to the Department of Insurance Operating Fund (Fund 554) and to the GRF. If considered together with changes that the bill makes to sections 3901.021 and 3901.78 of the Revised Code, the overall impact on revenues to Fund 554 and the GRF is approximately revenue neutral.

As Introduced (Executive)**As Passed by the House****(CD-705-INS) Examinations of Domestic Fraternal Benefit Societies****Section: 206.63**

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 \$61,500 in FY 2003 and \$320,580 in FY 2004. This provision creates no net increase in either revenues or expenditures.

Section: 206.63

Same as the Executive.

(CD-704-INS) Market Conduct Examination**Section: 206.63**

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 \$28,300 in FY 2003 and \$33,600 in FY 2004. Fines assessed in FY 2003 averaged approximately \$56,000, and fines assessed in FY 2004 averaged approximately \$31,000.

Section: 206.63

Same as the Executive.

As Introduced (Executive)

As Passed by the House
