

- Total biennial appropriations increased by 6.0% compared to total FY 2002 to FY 2003 biennium appropriations
- No GRF funding

Insurance, Department of

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ROLE

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.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
277	\$30.3 million	\$31.1 million	\$0	\$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Department of Insurance 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).

In 2002, ODI 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 total FY 2004 appropriation is \$3.62 million, or 13.5%, greater than actual FY 2003 spending, and the total FY 2005 appropriation is \$0.80 million, or 2.6% greater than the FY 2004 appropriation. The Department’s main operating line, 820-606, Operating Expenses, accounts for nearly 72% of the biennial appropriations to the Department. The FY 2004 appropriation to that line was \$21.8 million,

\$2.48 million, or 12.8%, greater than actual FY 2003 spending in that line, and the FY 2005 appropriation to that line was \$0.54 million, or 2.5%, greater than the FY 2004 appropriation.

BUDGET ISSUES

The General Assembly reduced the Department's budget by approximately \$1.78 million over the biennium, or about 2.8%, as compared with the budget recommended by the Governor. In addition, the General Assembly required that \$1 million be transferred from the Department's operating fund, Fund 554, to the GRF. This transfer was in addition to a \$6 million transfer to the GRF conducted by OBM in April to help with FY 2003 GRF spending requirements.

The Department spent \$3.62 million less than its total appropriation in FY 2003, so despite the sharp increase in the total FY 2004 appropriation compared to FY 2003 spending, the increase compared to the total FY 2003 appropriation was just \$165, an increase of less than 0.01%. The FY 2004 appropriation to line item 820-606, Operating Expenses, was actually 2.4% less than the FY 2003 appropriation in that line. The primary reason that departmental spending was so far below its appropriation authority was a hiring freeze that was in place for most of FY 2003. The Department's approved staffing level is 273.5 full time equivalent (FTE) workers, but ODI employed approximately 265 FTE workers for most of FY 2003. A department official reports that appropriations for FY 2004 and FY 2005 are sufficient to support staffing at about 280 FTE workers. With the hiring freeze now over, the Department intends to hire staff for its Fraud Division and for its Office of Financial Regulation Services. The increased staffing in the Fraud Division would help to increase the percentage of reports of fraud that the Department is able to investigate. The Department received nearly 1,200 allegations of fraud in 2002 but was able to open cases on only 140 such allegations. The Office of Financial Regulation Services is the area within the Department charged with monitoring the solvency of insurance companies. 

FY 2004 - 2005 Final Appropriation Amounts

All Fund Group

Line Item Detail by Agency

FY 2001: *FY 2002:* *FY 2003:* **FY 2004** *% Change* **FY 2005** *% Change*
Appropriations: *Appropriations:* *Appropriations:* *2003 to 2004:* *Appropriations:* *2004 to 2005:*

Report For: Main Operating Appropriations Bill

Version: Enacted

INS Insurance, Department of

3U5	820-602	OSHIIP Operating Grant	\$ 561,056	\$ 399,506	\$388,864	\$ 560,559	44.15%	\$ 560,559	0.00%
Federal Special Revenue Fund Group Total			\$ 561,056	\$ 399,506	\$ 388,864	\$ 560,559	44.15%	\$ 560,559	0.00%
554	820-601	Operating Expenses-OSHIIP	\$ 69,573	\$ 422,786	\$522,267	\$ 506,515	-3.02%	\$ 561,411	10.84%
555	820-605	Examination	\$ 6,068,542	\$ 6,097,702	\$6,454,494	\$ 7,433,751	15.17%	\$ 7,639,581	2.77%
554	820-606	Operating Expenses	\$ 17,551,158	\$ 18,427,154	\$19,334,833	\$ 21,815,431	12.83%	\$ 22,357,575	2.49%
State Special Revenue Fund Group Total			\$ 23,689,273	\$ 24,947,641	\$ 26,311,594	\$ 29,755,697	13.09%	\$ 30,558,567	2.70%
Insurance, Department of Total			\$ 24,250,330	\$ 25,347,147	\$ 26,700,458	\$ 30,316,256	13.54%	\$ 31,119,126	2.65%