

OHIO DEPARTMENT OF
INSURANCE

Report 2000-2001



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"We weren't sent here to mark time. We were sent here to get things done."

-Gov. Bob Taft
February 5, 2002



Governor Bob Taft

" (The Ohio Department) now sets the standard for state insurance agencies across the nation."

-Gov. Bob Taft
October 3, 2001



Director Lee Covington

When Governor Taft was elected in 1999, he established a vision for a state government that views the taxpayers of the state as its customers. He called for a responsive, results-oriented government that utilizes effective management and cutting-edge technology to meet the needs of Ohio's citizens.

The Department of Insurance has seized upon that vision, and under the leadership of Director Lee Covington, has revolutionized the regulation of the insurance industry in Ohio. The Department is seen as a national leader in the use of web-based technology to provide services and to communicate with the 160,000 agents and 1,700 companies selling insurance in the state of Ohio.

As a result of these innovations, companies are able to get new products to market more quickly, agents can obtain their licenses faster and keep current with their continuing education requirements, and consumers have access to a wealth of objective information through the Department's publications and its award-winning website.

This report outlines the specific ways the Department has responded to Governor Taft's challenge, and provides information about the state of the insurance industry in the state of Ohio.

Ohio Department of Insurance

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ODI ANNUAL REPORT MISSION STATEMENT

OHIO DEPARTMENT OF INSURANCE

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ODI Report 2000-2001

The mission of the Ohio Department of Insurance is consumer protection through *financial solvency regulation, market conduct regulation* and *consumer education.*

The department is committed to providing the highest level of service to the citizens of Ohio.



www.ohioinsurance.gov





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Financial Solvency Regulation Key to Protecting Ohio Consumers

The Office of Financial Regulation Services (OFRS) monitors the financial solvency of insurance companies licensed in the State of Ohio. The National Association of Insurance Commissioners accredits the Department, which regulates nearly 1,800 insurance companies. The Department reviews financial statements of every company licensed in Ohio and oversees complex transactions that can include billions of dollars in managed assets.

The central mission of the Office of Financial Regulation Services is to ensure that insurance companies have enough money to pay claims filed yesterday, today, and tomorrow.

To accomplish that mission, the financial regulation office closely monitors the financial condition of insurance companies doing business in Ohio. This financial analysis consists of an in-house desk audit of financial statements and all other supplemental filings made by insurers. It also includes an analysis of other information to monitor the insurer's statutory compliance and solvency on an ongoing basis, as contrasted with periodic on-site field examinations.

Financial Examinations are conducted on-site to assess the financial condition of every insurance company domiciled in Ohio. The Insurance Code in the State of Ohio allows the Department to examine insurers as often as the Director deems appropriate and requires that each insurer be examined at least once every five years.

The Financial Regulation Services Office also calculates and certifies domestic insurance company franchise tax, foreign insurers premium tax, retaliatory tax, and fire marshal tax owed to the state.

Ohio Department of Insurance Receives High Accreditation Scores

In July 2001, a National Association of Insurance Commissioners Accreditation Review Team awarded the Ohio Department of Insurance some of the highest scores in the country for financial regulatory practices and procedures. The Department's scores rank Ohio one of the top five states in the nation.

The high scores that the Department received validates the significant effort undertaken during the previous two years to reorganize and retool the Department's Financial Regulation function, which is responsible for effectively monitoring the corporate and financial affairs of approximately 1,800 insurance companies licensed in Ohio.

Under the guidance of Director Covington and Assistant Director Barry Ward, the Department set out to establish a financial solvency regulation process that is a model for other departments in terms of financial examinations, analysis of regulated insurers, communications with states, and procedures for identifying and addressing troubled insurance companies.

Consumers from across the country can now feel safe in the knowledge that Ohio benefits from strong consumer protection through the strongest financial solvency regulation.

" We can say firmly to Ohio citizens that we provide the highest level of protection available in the country."

Governor Signs Bill to Help Insurance Department Monitor Financial Health of HMOs

In December 2000, Governor Bob Taft signed into law House Bill 714, which provides the Ohio Department of Insurance with an additional means to regulate the financial solvency of Health Insuring Corporations (HIC) and Health Maintenance Organizations (HMO).

The legislation ensures that the Department has the ability to protect consumers and providers by effectively regulating the financial stability of an important segment of the health care market, ensuring that HICs operating in Ohio maintain an amount of capital appropriate for the HIC to support its overall business operations in consideration of its size and risk profile.

Risk Based Capital (RBC) levels are calculated by using a formula that takes into account factors including asset risk, credit risk, underwriting risk, and other business risks. The provisions of the legislation allow the Department to take certain proactive regulatory steps if a HIC's total capital falls below a certain level and expands RBC standards to the HIC/HMO industry.

A financially solvent, competitive health care market is essential to providing quality health care. The legislation will help see that this happens – so HMOs remain strong and health care services remain available to the citizens of Ohio.



www.ohioinsurance.gov

"This legislation is a front-end approach to ensuring HMO solvency. Everyone involved benefits when health organizations remain in solid financial condition."



Liquidation Office Looking Out for Policyholders

When an insurance company becomes financially insolvent, the Ohio Liquidation Office protects the assets of the policyholders and works to ensure policyholders receive 100 percent of what they are owed from the estate of a failed insurer.

The process starts when Department of Insurance Director Lee Covington files suit against a failed insurance company. After the court orders a company to be liquidated, the Ohio insurance statute establishes proper priorities for the distribution of the estate's assets. The job of the liquidator and liquidation office is to protect the financial interests of the company's policyholders.

Those efforts include protecting and locating assets such as bank accounts, stocks and bonds, holding collateral, letters of credit, receivables, earned premiums not collected, reinsurance, physical assets (desks, chairs and computers), and real estate holdings.

The liquidation office collects all the assets available from the insurance company to maximize the amount of assets available to pay policyholders and other creditors. Often this is accomplished through preference recoveries, reinsurance commutations and, when appropriate, lawsuits against company officers and trustees.

Once the assets have been collected, the liquidation office reviews the claims of both policyholders and other creditors to determine the appropriateness of those claims and the amount of those claims. Once claims are reviewed, creditors are paid according to the priorities in state law.

According to the state's insurance statutes, the liquidation office pays administrative expenses associated with running the company first, policyholder claims including guaranty funds, second, followed by claims of the federal government, claims of employees of the insurance company, and claims from general creditors.

Under the leadership of Director Covington and Doug Hertlein, the liquidation office has aggressively pursued assets, collecting more than \$200 million the past three years. The liquidation office also placed increased emphasis on paying claimants by establishing aggressive timelines and target closing dates for open liquidation estates. The liquidation office has paid more than \$200 million in claims payments since January 1, 1999.

Since Director Covington's appointment in 1999, he has placed seven companies – out of more than 1,800 regulated entities – into liquidation.

Chief Deputy Liquidator Doug Hertlein
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Supervision, Rehabilitation and Liquidation

Ohio law requires Ohio domiciled insurance companies to file audited annual financial statements and unaudited quarterly financial statements with the Ohio Department of Insurance. The law also requires Ohio domiciled companies to maintain minimum financial reserves.

The Ohio Department of Insurance can place under supervision insurance companies experiencing financial difficulty. During supervision, the Director of Insurance appoints a supervisor to oversee the financial affairs of the business. Supervision of an insurer is confidential under state law.

If the condition of an insurer deteriorates to such condition that the further transaction of business would be financially hazardous to its policyholders, creditors, or the public, the director may publicly petition a court to place the company into rehabilitation. An appointed rehabilitator, who is granted full control of the company and its assets, administers the company under the direction of the court with the goal of reforming and revitalizing the insurer.

If efforts to rehabilitate an insurer are not successful, the Director may petition the court for a liquidation order, which, if granted, results in the assets of the company being sold, and the proceeds of the sale being distributed to the company's policyholders and other creditors, according to priorities outlined by state law.

Guaranty Associations Protect Ohio Policyholders

The Ohio Insurance Guaranty Association and the Ohio Life and Health Insurance Guaranty Association are organizations of insurance companies that exist to protect Ohio policyholders from financial loss in the rare case of an insurance liquidation.

The Ohio Insurance Guaranty Association is an organization of property and casualty insurers licensed in Ohio funded by their share of the statewide insurance market.

The Ohio Life and Health Insurance Guaranty Association is an organization in which all Life and Accident and Health insurers licensed in Ohio provide funds based on their share of the statewide insurance market.

If an insurer becomes insolvent, these accumulated funds are used to pay the covered claims of the insolvent company owed to Ohio policyholders.

The guaranty associations represent the insurance industry's response to the public's need for safety and confidence in insurance products. When an insurance carrier that was licensed in Ohio is declared insolvent and ordered liquidated by court order, the Ohio Insurance Guaranty Association and the Ohio Life and Health Insurance Guaranty Association will pay covered claims of the insolvent company, subject to the limitations and conditions of Ohio Law.

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The Ohio Life and Health Insurance Guaranty Association**
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ODI REPORT 2000-2001

MARKET CONDUCT REGULATION AND CONSUMER EDUCATION. CONSUMER PROTECTION



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The Ohio Department of Insurance monitors the business practices of insurance companies, agents and agencies. Market conduct regulation ensures the industry remains compliant with Ohio insurance laws and regulations.

Internally, the Department's Office of Investigative and Licensing Services is comprised of three divisions: Licensing, Fraud and Enforcement, and Market Conduct. The Office of Investigative and Licensing Services, along with the Office of Property and Casualty Services, and the Office of Life and Health Services collaborate on market conduct issues.

Office of Investigative and Licensing Services
The Office of Investigative and Licensing Services makes sure that insurance agents, agencies, companies, and consumers follow proper business practices.

Licensing

The licensing office issues licenses to insurance agents, insurance agencies, managing general agents, third-party administrators, reinsurance intermediaries, public insurance adjusters, viatical settlement providers and brokers, surety bail bond agents, and limited lines agent and agency licenses. It also processes insurance company appointments of authorized agents.

Fraud and Enforcement

Fraud and Enforcement's mission is to detect, prevent, investigate and assist in the prosecution of consumer and provider (company, agent and agency) insurance fraud. The unit investigates all allegations of misconduct by agents and scrutinizes applicants for agent licenses.

Market Conduct

Market Conduct analyzes data from various sources to identify potential insurance company compliance concerns relating to Ohio's insurance laws. The program also participates in multi-state examinations of insurance companies. Companies are subject to examinations to be certain they are abiding by Ohio's laws, as well as meeting certain regulatory requirements.

Property & Casualty/Life, Health and Managed Care

The Office of Property & Casualty Services and the Office of Life and Health Services review rates, polices, and other pertinent material filed by insurance companies to determine if the rates are in compliance with sound actuarial principles. Premiums cannot be excessive, inadequate or unfairly discriminatory, and consumers must be able to understand the policy language.



Market Conduct Accomplishments

- Developed a new prompt-pay complaint database to monitor and analyze complaints and responses.
- In October of 2001, the Department ordered 23 property and casualty companies to pay money owed to insurance customers and submit corrective actions plans after market conduct examinations revealed that the companies were not accurately documenting and/or calculating automobile loss claims.
- In April of 2001, the Department took actions against seven Ohio health insurers for violations of the state's prompt payment laws. After completing the most comprehensive examination of the prompt payment practices ever undertaken nationally, the Department fined seven companies a total of \$545,000 and ordered them to submit corrective action plans to the Department. Subsequent legislation has clarified and expanded the Department's authority to enforce the state's prompt payment statutes.

Market Conduct Legislation

Viatical Settlements (HB 551)

The legislation, signed by Governor Taft January 4, 2001, gives the Department of Insurance regulatory authority to aggressively combat the problem of viatical fraud and to license persons working in this industry, which purchases life insurance products from terminally ill or elderly policyholders with funds solicited from investors. The new legislation enables ODI to protect Ohio consumers in ways not available prior to this bill being enacted.

Licensing and Regulation of Surety Bail Bond Agents (HB 730)

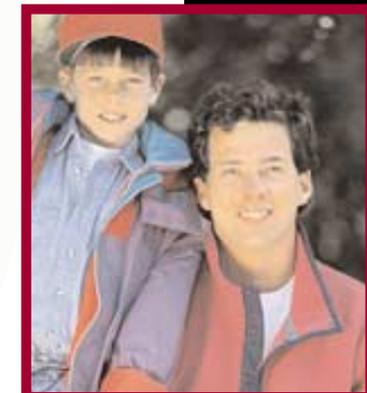
This legislation (effective Oct. 9, 2001) provides for the specific licensing and regulation of surety bail bond agents by the Ohio Department of Insurance. Those wishing to sell surety bail bonds issued by an insurance company must now be licensed as a surety bail bond agent.

Prompt Payment (SB 4)

Prompt Payment legislation, signed by Governor Taft July 24, 2001, increased the authority of the Department of Insurance to sanction insurance companies, health insuring corporations and other third-party payers of health care services when they fail to reimburse medical providers within a specified time frame.

Uninsured Motorist/Underinsured Motorist (UM/UIM) (SB 97)

This legislation, signed by Governor Taft July 31, 2001, eliminates the requirement of the mandatory offer of uninsured and underinsured motorist coverages in automobile policies; establishes requirements, exclusions, and other conditions applicable to such coverages, if the coverages are included in a policy of insurance; and requires the Superintendent to prepare periodic status reports on uninsured and underinsured motorist coverages in Ohio.



MARKET CONDUCT REGULATION AND CONSUMER EDUCATION. CONSUMER PROTEC



"During the time of your investigation, you treated us like people and not just a number. Again, we would like to thank you and wish you continued success."

-Nick and Dawn Patouhas



Service to Agents

Ohio was one of the first states to offer an Internet agent testing and licensing system which allows applicants to submit applications online, complete the fingerprinting and the background check electronically, and receive a license within five to seven days. The previous process could take four to six months.

The agent appointment process can now be completed on-line at the ODI website, allowing insurance companies to appoint an agent on a same-day basis. Also, agents can track their continuing education credits and status through the ODI website.

In addition, agents can:

- Register for and schedule their licensing examination online.
- Take a practice test online from their home or office computer.
- Take their exam online at a testing site where they receive automatic scoring results and, if they pass, leave with a license.
- Submit fingerprints electronically at one of several hundred statewide fingerprinting locations in order to comply with background check requirements – 75 percent of the 12,000 new agents each year utilize electronic fingerprinting.
- Receive same-day Internet appointments.
- Review continuing education credit history through the Department website.

The Department also serves agents through these additional services:

Agent Locator

To verify the current license authority and active appointments of Ohio agents, the Department incorporated an online Agent Locator on its website at www.ohioinsurance.gov. The Agent Locator, which can be accessed from either the home page or the agent page, allows web users to search for an agent or agency by name, city, zip code, or Department number.

Interactive Online Continuing Education

The Department of Insurance has approved more than 50 interactive online course that can be completed anywhere, and any time that an agent has Internet access.

License Applications Available on Department Website

Potential resident and non-resident insurance agents can apply on-line for a license on the agent section of the Department website. Agents can also check the status of their application online.

Agent Email Addresses List Developed

The Ohio Department of Insurance recently began collecting agent e-mail addresses in order to more quickly notify agents of important news and Department services.

Consumer Guides and Brochures Available

The Ohio Department of Insurance provides Shoppers Guides and brochures that are useful educational tools for agents and consumers. The award-winning guides explain many important insurance issues and products. They are available in printed form or on the Department website.

Fraud and Enforcement Stats

Insurance fraud costs Ohio consumers millions of dollars a year in the form of increased insurance premiums and higher prices for products and services. According to the Coalition Against Insurance Fraud, insurance fraud costs the average American family approximately \$1,000 each year.

The Ohio General Assembly has given the Department administrative authority to combat insurance fraud (issuing cease & desist orders, revoking agent licenses, etc.), and the Department frequently refers cases to local and federal law enforcement for criminal investigation.

In 2001, the Ohio Department of Insurance:

- Received 975 fraud complaints alleging \$20 million in fraud.
- Obtained 36 criminal convictions.
- Opened 148 fraud cases.
- Revoked 79 agent licenses.
- Referred 60 cases for criminal prosecution.
- Suspended 5 agent licenses.
- Denied 58 applications for licensure.



Fraud Hotline: 1-800-686-1527

Examples of Insurance Fraud:

- Arson
- Falsified Disability
- Medical Billing
- Faked Deaths
- Agent Misappropriations
- Inflated Claims
- Forgery
- Home Owner/Renter Fraud
- Staged Accidents
- Viatical Fraud

Indictment Charges Defendants Conspired to Defraud Investors of \$105 Million

In February 2002, the Ohio Department of Insurance unveiled the largest insurance fraud investigation undertaken in the history of the Department.

The investigation led to the indictment of the owner of a Toledo-area viatical settlement company and 15 individuals who fraudulently obtained multiple life insurance policies for the purpose of defrauding the insurance companies.

The investigation identified, investigated and indicted individuals whom the Department believes conspired to defraud nearly 3,000 investors of more than \$100 million.

The Department of Insurance opened the investigation in the summer of 1999. Investigators discovered and reviewed three storage rooms full of evidence, helped to execute four search warrants, conducted hundreds of interviews, and organized thousands of documents that were presented to the grand jury that handed up the indictments. The Department investigator assigned to this case devoted more than 4,000 hours to the effort over three years.

Jamieson, Capwell and 15 other individuals were indicted. The charges relate to an alleged scheme by the defendants to defraud life insurance companies and investors nationwide in relation to viatical settlements and investments.

Viatical settlements involve the purchase of life insurance policies from their owners, the viators, and the marketing of the policies as investments. When the viator dies, the investors receive shares of the policy's death benefit.

Insurance fraud costs the average American family approximately \$1,000 each year.

ODI REPORT 2000-2001

CONSUMER EDUCATION CONSUMER



www.ohioinsurance.gov

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Consumer Education

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Consumer Hotline: 1-800-686-1526
Senior (OSHIIP) Hotline: 1-800-686-1578

Consumer Education Summary

The Office of Consumer Services provides direct services to Ohio policyholders by answering questions, investigating complaints, organizing and coordinating a statewide counseling service for senior consumers, and distributing educational materials that include premium comparisons. The office, which includes both the Consumer Service Division and the Ohio Senior Health Insurance Information Program (OSHIIP), offers free services to consumers by way of several communications media.

This Department publishes eight Ohio Shopper's Guides for various kinds of insurance. These free consumer publications highlight and explain key information about each type of insurance product and offer suggestions on how to make wise shopping decisions in a competitive marketplace.

Consumer Service Division

The Department is committed to providing the highest level of service to Ohio insurance consumers. Department representatives work for the citizens of Ohio with enormous passion – on the phone, meeting one-on-one, via the Internet, or through community outreach activities across the state.

Consumer analysts respond to general inquiries, investigate insurance complaints against companies and agents, and distribute insurance publications.

In 2000, the Consumer Services Division (CSD) helped Ohio Consumers recover more than \$6 million, answered nearly 130,000 calls and responded to an additional 4,650 inquiries and complaints received via the ODI website.

CSD representatives also counsel victims at disaster assistance sites, conduct regional insurance outreach events, participate in health care fairs statewide, and even staff the occasional "phone bank" associated with local television news broadcasts across Ohio.



Ohio Senior Health Insurance Information Program (OSHIIP)

OSHIIP was founded in 1992 and is funded in part by state funds and by a Centers for Medicare and Medicare Services (CMS) grant. The program was established to provide Medicare beneficiaries with free, objective health insurance information and other helpful services.

In 2001, OSHIIP educated 499,513 citizens at training sessions and speaking events, and counseled 7,529 individuals in one-on-one sessions and nearly 30,000 via the OSHIIP hotline. OSHIIP, utilizing 1,400 volunteers in all 88 counties, assists Ohio's Medicare beneficiaries. The program provides information and support services about Medicare, Medicaid, Medicare supplements, managed care, long-term care, annuities and other health insurance matters. OSHIIP has saved Ohio seniors \$3,406,754 since January 1, 1999.



In 2001, the Consumer Service Division helped Ohio consumers recover nearly \$9 million, answered 126,176 consumer calls, and responded to 9,929 written complaints.



Department Publications and Brochures

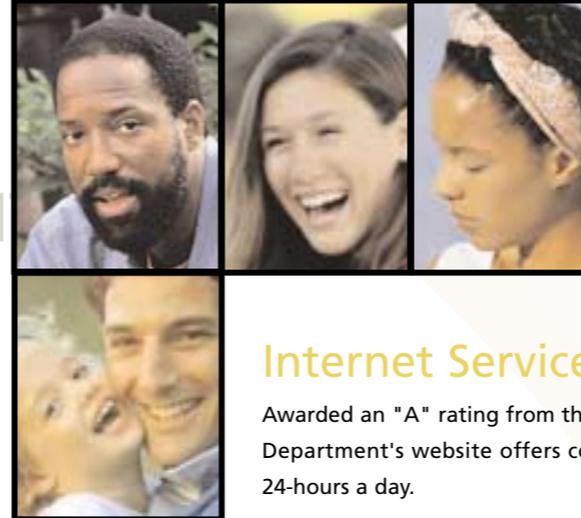
(Also available on website at www.ohioinsurance.gov)

Shoppers Guides

- Shoppers Guide to Life Insurance
- Shoppers Guide to Automobile Insurance
- Shoppers Guide to Health Insurance
- Shoppers Guide to Managed Care
- Shoppers Guide to Homeowner and Tenant Insurance
- Shoppers Guide to Annuities
- Shoppers Guide to Long Term Care Insurance
- Shoppers Guide to Medicare Supplement Insurance

Pamphlets and Brochures

- How to File a Complaint
- Ohio Senior Health Insurance Information Program (OSHIIP) (also available in Spanish)
- Ohio Medicare Savings Programs for 2001 (also available in Spanish)
- Financial Responsibility Bonds to Comply with Ohio Law
- Homeowner & Tenant Insurance Inventory Guide
- Ohio Life & Health Insurance Guaranty Association
- The Ohio Department of Insurance – Facts and Figures
- Public Participation in the Rule Making Process
- The Ohio Medicare Partners
- A Key To Your Insurance Questions
- All About Title Insurance
- Consumer Outreach Program
- Employer Self-Insured Health Plans
- Ohio Medical Savings Accounts
- Teenager's Guide to Auto Insurance
- What is Credit Life Insurance?



Internet Services

Awarded an "A" rating from the Consumer Federation of America, the Department's website offers consumers the luxury of online services 24-hours a day.

The site's new web address – www.ohioinsurance.gov – is recognizable and easy to remember. More than 24 consumer guides and brochures are available on the website.



- Visitors to the site can file complaints and track the complaint status online. Visitors can also access company premium information and complaint ratios for comparison-shopping.
- The site features an agent locator application to allow consumers to search for agents/ agencies by name, city and zip code. It is also a way to verify that an agent is licensed to sell insurance in Ohio.
- Consumers are welcome to contact anyone at the Ohio Department of Insurance by e-mail, phone or regular mail. A comprehensive Department directory is available on the Department website.
- The site also includes a listing of all Health Insuring Corporations (HIC) authorized in Ohio and a county-by-county breakdown, which updates instantaneously when there is a change.

Governor Bob Taft has charged state agencies to move their customers from being 'in line to online.' The Ohio Department of Insurance is a leader in using the Internet to provide better service to Ohioans.

Consumer Testimonials

Ohioan Ted Glover sent a note to OSHIIP analyst Eileen Howard early last year:

"Thank you for your work to fix my dad's insurance problems. It renewed my belief that there are good people in this world. It's extremely difficult to be a child 1,000 miles away trying to do something for a loved one. To have someone who knows what to do, step-up, and work the problem is a blessing. I cannot express enough thanks for your work."

William McCoy also appreciated the way he was treated by Department staff. In a letter he wrote:

"Your prompt and professional handling of my complaint produced a settlement within days. Thanks for a great job."

In June, Nick and Dawn Patouhas sent a heart-felt letter to Consumer Services Division representative Heather Stovall, commending her for a job well done. Heather settled insurance issues revolving around their son Teddy's eye surgery, saving the family nearly \$3,000. They also sent a family photo and a picture of their son.

"During the time of your investigation, you treated us like people and not just a number. Again, we would like to thank you and wish you continued success in your life."



POLICY AND ADMINISTRATION POLICY

Director Lee Covington

On March 5, 1999, Ohio Governor Bob Taft named Lee Covington as Director of the Ohio Department of Insurance. In his first two years as Director, Covington worked to successfully reorganize and retool the Department's financial regulation office that, after receiving some of the highest scores in the nation from a National Association of Insurance Commissioners (NAIC) Accreditation Review Team in 2001, is considered one of the best in the country.

Covington also has worked to pass a legislation to strengthen the financial requirements for Health Maintenance Organizations and a viatical settlements bill to provide protections to Ohio seniors and the terminally ill. He worked to pass the Governor's Patient Protection Bill and initiated a comprehensive Health Insurance Prompt Pay review to improve the speed at which consumers and providers receive health insurance payments.

Covington has implemented several technology initiatives resulting in the Department winning the NAIC's Uniform Regulation Through Technology Award. The Department launched a new Internet agent testing and licensing system, allowing applicants to receive a license within five days. The Department also received an "A" grade from the Consumer Federation of America for its consumer guides and outstanding website which receives approximately 15,000 visits per week.

Covington is a member of the Executive Committee of the NAIC, chair of the Speed to Market Improvements to State-Based Systems Committee, the Regulatory Re-engineering Task Force, the Electronic Commerce Working Group and the Statistical Information Task Force. He is Vice-Chair of the Market Conduct and Consumer Affairs Committee, the Special Insurance Issues Committee, and Accounting Practices and Procedures Task Force.

Covington has been recognized nationally by Best's Review magazine for his efforts in insurance regulation.

Office of Policy and Legislation

The Office of Policy and Legislation develops the Department's policy on all insurance matters as well as represents ODI before the Ohio General Assembly.

The Policy and Legislation staff works regularly with federal and state government officials, insurers, insurance trade groups, agent trade groups, other professional interest groups, and consumers to ensure state laws promote a healthy and fair insurance market in Ohio.

Together with the Director, the Policy and Legislation staff prioritizes the Department's legislative agenda, determining priority issues based on the number of stakeholders, impact on the insurance industry and consumers, and the urgency of the legislation. This can include drafting insurance-related legislation, writing rules to implement state insurance law, and coordinating policy initiatives with other state departments of insurance.

The goal of the Policy and Legislation office is to keep Ohio an attractive state for insurance companies, but also to make sure consumer rights and benefits are addressed.

Office of Communications

The Office of Communications directs and coordinates all aspects of the Department's internal and external communications efforts.

The communications staff manages relationships with the local, regional, national and trade media; writing and distributing press releases, columns, consumer alerts; preparing speeches and presentations; overseeing the content and design of the Department's award-winning website and publications; coordinating community outreach efforts, and educating the general public, major stakeholders, and opinion leaders about the Department of Insurance and its services and activities.



Office of Legal Services

The Office of Legal Services handles regulatory transactions and provides legal assistance to other divisions in the agency.

Legal staff help review corporate transactions reviewed by the Department, including changes of control, mergers, re-domestications, demutualizations, and the investment activities of domestic insurance companies.

Support services to other departmental divisions includes helping draft proposed statutes, amendments, rules and bulletins; providing legal advice on human resource issues; evaluating contract compliance; formulating departmental policies; administering public hearings; and drafting consent agreements, reports and recommendations, and orders for the Director's approval. In 2001, the office conducted 128 hearings which included 44 agent application hearings, 41 agent continuing education hearings, 21 agent revocation hearings, two cease and desist hearings, 12 Ohio Fair Plan hearings, five rule hearings, two merger commission hearings, and a mutual company merger hearing. Legal Services also reviewed 23 Form A filings, 105 Form B's, 20 amended articles of incorporation, two proxy materials filings, 47 securities filings, and issued 86 certifications.

General Services

The Office of General Services is comprised of three divisions: Fiscal Operations, Human Resources, and Resource Management. It administers several programs that benefit the health, safety and security of Department employees.

The Fiscal Operations Division provides accounting and budgeting services. The division prepares the Department's budget, manages revenue, monitors expenses, processes payroll, administers grants, deposits securities, and oversees the internal accounting control program.

The Human Resources Division directs and coordinates all personnel and labor relations activities. The successful performance of these duties attracts, develops, and retains quality personnel in a positive work environment that contributes to more effective and efficient departmental operations.

Activities include recruiting, selecting, hiring and training employees, EEO/AA programs, and overseeing benefits for department employees, administering the collective bargaining agreement, responding to grievances, mediating and arbitrating disputes, and human resource policy development.

Interested candidates can apply online for vacant positions at ODI. The Human Resources Division has also improved the maintenance and security of employee personnel files by imaging them and storing them offsite.

The Resource Management Division performs services that promote department efficiency and employee productivity. The division is responsible for monitoring facility maintenance and providing space planning and reconfiguration assistance. The division also administers the telecommunications system, manages the records retention program, and purchases non-computer related equipment.

Office of Information and Technology

The Office of Information and Technology Services (OITS) assists the Department in achieving its regulatory oversight responsibilities through the thoughtful application of technology. The office designs, implements and maintains computer programs and applications, and provides the Department's technological infrastructure. The Information and Technology Services office produces a website that is friendly to both consumers and industry.

This office also organizes the Combined Charitable Campaign for the Department, an effort that has been very successful in recent years, raising more than \$180,000 for worthwhile charities in 2000-2002.



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OHIO, A NATIONAL LEADER OHIO, A NATIONAL

Ohio Department of Insurance: A National Leader

While the Ohio Department of Insurance is committed to the protection of Ohio consumers through financial solvency regulation, market conduct regulation and consumer education, the Department is also active on a national scale to create an efficient model of market-oriented regulation of insurance.

Keeping up with ever-changing technologies and evolving markets is a challenge, but it is a challenge the Department is confident it can meet. As a member of the National Association of Insurance Commissioners (NAIC) Ohio is helping to lead this change – much of which was initiated by the enactment of the federal Gramm-Leach-Bliley Act (GLBA) in November 1999.

The Act was designed to break down a decades-old wall erected between the banking and insurance industries. This legislation has ushered in a new era of financial services, one that allows many previously prohibited affiliations between banks and insurance companies.

While the NAIC has been moving aggressively toward regulatory modernization since the mid 1990s, the provisions of GLBA have served as an additional catalyst to push the states toward an overhaul and modernization of the regulatory system that eliminates inefficiencies and creates an environment that will allow new products to be brought to the market with unprecedented speed and effectiveness – all while protecting the states’ insurance consumers.

Ohio has been a leader in that effort. Ohio is the fourth-most active state with memberships in 71 of the NAIC’s 130 committees, including the Coordinating with Federal Regulators Working Group, the Electronic Commerce and Regulation Working Group chaired by Director Lee Covington, the Financial Services Modernization Task Force, two product speed-to-market working groups, and the Market Conduct and Consumer Affairs Committee.

Ohio is leading the way in modernizing state insurance regulation by:

- Being the first state to adopt reciprocity for agent licensing.
- Implementing a state-of-the-art Internet licensing system.
- Piloting the National Insurance Producer Registry, allowing one-stop licensing for non-resident agents.
- Adopting regulations to reduce the time needed for insurance product approvals.

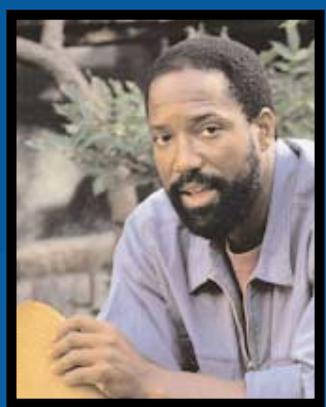
Ohio was the first state to adopt the NAIC Electronic Commerce Bulletin. Ohio’s Bulletin 2001-03 provides legal and compliance guidance in a number of areas for insurers, producers and other regulated entities as electronic insurance products and services to consumers increase.

The NAIC is spearheading a bold set of national initiatives, as outlined in the “Statement of Intent—The Future of Insurance Regulation” and signed by all state insurance commissioners, that will move state insurance regulation beyond GLBA goals by achieving uniformity and greater efficiency for agent licensing, establishing national treatment of companies, speeding up the process for introducing insurance products to market, and facilitating e-commerce.

The effort and resources being devoted to national efforts and GLBA compliance are enormous – but just as those investments are large, most people in the financial services industry believe the payoff also will be enormous in terms of expanded marketing opportunities, customer convenience, customer retention, new product synergies, and consumer protection.

"Thank you for your work to fix my dad's insurance problems. It renewed my belief that there are good people in this world. To have someone who knows what to do, step-up, and work the problem is a blessing. I cannot express enough thanks for your work."

-Ted Glover



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