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Ohio Sunset Review Commission Testimony  
On behalf of  
The Board of Governors of the Medical Liability Underwriting Association and  
The Directors of the Stabilization Reserve Fund  
Jillian Froment, Deputy Director  
Ohio Department of Insurance  
May 3, 2016

Chairman Jordan, Vice Chair Brown, and members of the Sunset Review Committee - on behalf of the Medical Liability Underwriting Association (the Association) and the Stabilization Reserve Fund (the Fund), thank you for the opportunity to address the committee today. My name is Jillian Froment and I am the Deputy Director for the Ohio Department of Insurance (ODI). My testimony will address the items outlined in O.R.C. 3929.631, 3929.682, and 3929.62 through 3929.70.

**Primary purpose and their various goals and objectives**

The Medical Liability Underwriting Association and the Stabilization Reserve Fund are linked. The Association is a nonprofit, unincorporated underwriting association that serves as a tool for the Superintendent/ Director of Insurance (Superintendent) to use if it is determined that there is a market need for one or more classes of medical liability insurance (also known as medical malpractice insurance) for physicians and hospitals in Ohio. The Superintendent may create the Association by rule if he or she finds that a market need exists. Upon forming, the Association is then required to submit a plan of operation for setting underwriting standards, rates, and application procedures for the designated insurance product. If the Superintendent of Insurance creates the Association, he or she must also activate the Stabilization Reserve Fund to serve the Association. All monies paid to the Fund

are held in trust for the purpose of reimbursing the Association for any expenses incurred through the administration of the Fund and to reimburse the Association for operating costs.

**Past and anticipated workload, number of staff required to complete workload, and total number of staff**

Neither the Medical Liability Underwriting Association nor the Stabilization Reserve Fund have been activated. Consequently, staff and material resources have not been required. If activated, the Association would employ staff members or contractors to administer the insurance program. Additionally, it is anticipated that the Association would have administrative responsibilities such as providing an annual report to the Superintendent. As for the Fund, it would employ a corporate trustee to administer the program and conduct administrative duties. There is no current anticipation of activating the Association or consequently, the Fund.

**Past and anticipated budgets and their sources of funding**

Since neither the Association nor the Fund have been activated, there are no prior budgets. Should the Fund be activated, each policyholder would be required to pay a stabilization reserve fund charge annually. The charge would be determined by the Medical Liability Underwriting Association Board with the approval of the Superintendent. If the Directors of the Stabilization Reserve Fund, the Board for the Medical Liability Underwriting Association, and the Superintendent of Insurance are unable to reach an agreement on the amount of the charge, the Superintendent is required to set the amount alone. Alternately, different charges may be set for different types of coverage. These are conditioned upon the amount being sufficient to ensure the Association is actuarially sound, adequately reserved, financially stable, and efficiently managed.

The money in the Stabilization Reserve Fund is held in a trust. The trustee is a corporate trustee selected by the directors of the Fund. The money in the Fund may be invested by the trustee, subject to the approval of the directors. All income from the investments is credited to the Stabilization Reserve Fund.

**Number of members of its governing board or other governing entity and their compensation, if any**

The Association's Board consists of nine members who are appointed by the Governor with the advice of the Superintendent of Insurance. Five members of the board must be representatives of insurers licensed to write and writing liability insurance in Ohio, at least two of which must represent medical liability insurers. Additionally, there must be one physician licensed in Ohio, one representative from an Ohio hospital, one insurance agent licensed and writing medical liability insurance in Ohio, and one member representing the interests of consumers. The consumer representative cannot be a member of, or associated with, a health care provider or profession. The consumer representative also cannot be associated with an insurance company or a health insuring corporation licensed in Ohio.

The Fund, if created, would be administered by 13 directors with one director being the Superintendent or the Superintendent's deputy and 12 directors being appointees of the Superintendent. The 12 appointees would represent areas of the medical industry. Furthermore, the Directors of the Stabilization Reserve Fund would serve as ex officio members of the Medical Liability Underwriting Association Board. Both the Association and the Fund's governing members would serve without a salary, but would be reimbursed for actual and necessary expenses incurred in the performance of their official duties.

## **Conclusion**

The Medical Liability Underwriting Association has not been activated. Accordingly, the Stabilization Reserve Fund has also not been activated. Although not active, the Association remains a viable tool for the Department should a market need present itself in the future. If the Superintendent decides to form the Association, the Stabilization Reserve Fund would also need to be created to fulfill the requirements set forth in the Ohio Revised Code. Should the Medical Liability Underwriting Association remain active, we request the Stabilization Reserve Fund also remain active to serve the Association.

This concludes my testimony. I would be happy to answer questions at this time.