

Ohio Sunset Review Commission Testimony
Ohio Department of Insurance
June 11, 2024

Chairman Wilkin, Vice Chair Hillyer, and members of the Sunset Review Committee. Thank you for the opportunity to address the committee today. My name is George McNab, and I am the Assistant Director of Legislative Affairs for the Ohio Department of Insurance (ODI). The mission of the ODI is to provide consumer protection through education and fair but vigilant regulation while promoting a stable and competitive environment for insurers. Ohio is a leading insurance state and is one of the largest insurance marketplaces in the world by many measurements.

My testimony will address four ODI entities for review:

- Board of Directors of the Ohio Health Reinsurance Program
- Board of Governors, Ohio Commercial Insurance Joint Underwriting Association
- Board of Governors of the Medical Liability Underwriting Association
- Directors of the Medical Liability Underwriting Association, Stabilization Reserve Fund

Board of Directors of the Ohio Health Reinsurance Program

To improve access and affordability of health insurance, Ohio created a Health Reinsurance Program in 1993. This program specifically targeted small employers and individuals who could not obtain traditional health insurance. The program functioned as a high-risk insurance pool, sharing risks to make coverage more affordable backed by state funding. The program was suspended in 2014 after the Affordable Care Act (ACA) was enacted. The suspension was later extended under HB 49 of the 132nd General Assembly running until January 1, 2022. It's my understanding that the Health Reinsurance Program was suspended rather than repealed was due to ongoing legal challenges of the ACA at the time. The program previously subcontracted all services and required no staff, but would now need an Executive Director, Third Party Administrator, Auditor, and Actuary for tasks like premium collection and claims processing. Funding came solely from member assessments, covering claims and administrative costs. The proposed governing board would have nine members, appointed by legislative chairs and the Superintendent of Insurance, representing various stakeholders like insurers, providers, employers, and consumers, with no specified compensation. These members' expertise would range from small business insurance to actuarial science, reflecting the diverse needs of the program.

Given that the program has remained inactive for over a decade, The Ohio Department of Insurance respectfully requests that the Sunset Review Commission consider officially sunseting the program.

This recommendation reflects the significant changes in the health insurance landscape since the program's inception in the early 1990's, particularly the implementation of the Affordable Care Act (ACA) in 2010.

Board of Governors, Ohio Commercial Insurance Joint Underwriting Association

Established in 1988, the Ohio Commercial Insurance Joint Underwriting Association (OCIIA) is a mechanism designed to provide commercial insurance products in the event of a market crisis. If a specific type of commercial insurance becomes unavailable, potentially harming businesses and the public, the OCIIA can be activated. Upon activation, the OCIIA's Board of Governors develops a plan to offer the necessary insurance, including details on underwriting standards, rates, and application procedures.

Primary funding would come from a stabilization reserve fund, where policyholders contribute 20% of their annual premium. Additionally, member insurance companies would share expenses, deficits, and losses proportionally to their direct premiums written in Ohio. The board, not yet formed, would consist of eleven members appointed by the Superintendent, representing various industry stakeholders, serving a one-year term without compensation but with expense reimbursement. Many of the provisions governing the OCIIA are outlined in the Ohio Revised Code section 3930.03.

While the OCIIA has never been activated due to the consistent availability of commercial insurance in Ohio, it remains a valuable tool should the need arise to address potential future market gaps. For these reasons, the Ohio Department of Insurance respectfully requests for the reauthorization of this entity.

Board of Governors of the Medical Liability Underwriting Association | Directors of the Medical Liability Underwriting Association, Stabilization Reserve Fund

Created in 2004, the Medical Liability Underwriting Association (MLUA) is a tool for the Superintendent of Insurance 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. Activation of the MLUA would require the creation of a Stabilization Reserve Fund to manage any deficits and administrative costs associated with the MLUA's operations.

The MLUA, not yet activated, has no past workload or staff. If activated, it would hire staff or contractors for administration and potentially create an annual report. The budget, also non-existent due to inactivity, would primarily rely on a Stabilization Reserve Fund funded by policyholders' annual charges, with varying rates possible for different coverage types. The nine-member governing board, appointed by the governor, includes insurance, healthcare, and consumer representatives. If the associated Fund is activated, it would be run by thirteen

directors, including medical professionals and hospital representatives, who would also serve on the MLUA's board. All members serve without compensation but are eligible for expense reimbursement.

Although not active, the MLUA remains a viable tool for the Department should the need to respond to a market crisis in the future. For these reasons, the Ohio Department of Insurance respectfully requests for the reauthorization of this entity.

Thank you for your consideration. I am happy to take any questions from members of the committee.