



Insurance **Insights** newsletter

Summer 2013



ODI
Ohio Department
of Insurance



Lt. Governor / Director
Mary Taylor

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Specifically understanding how your homeowners insurer will cover repairs to your roof is important because there can be many factors involved.

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A Message from Lt. Governor and Insurance Director Mary Taylor

Department of Insurance Continues Focus on Consumers and a Competitive Insurance Market

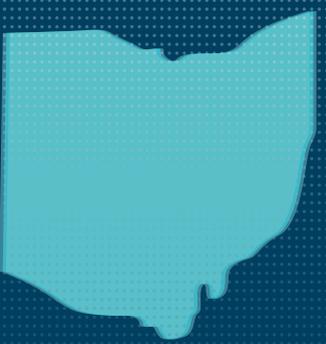
Over the past two and a half years, the Ohio Department of Insurance has worked to improve our consumer assistance programs while continuing to foster a competitive insurance market. Just last year the Department helped consumers save or recover \$24.4 million – a record year for the Department’s consumer programs. In addition, the Department has implemented new strategies to improve how we serve Ohioans such as cutting down the time it takes to resolve a consumer complaint from nearly 140 days in 2011 to 31 days in 2013.

We are also working with industry to highlight the need for 17,000 insurance related jobs in Ohio in the next five years. Because Ohio has the sixth largest insurance market in the country and one that continues to grow, more jobs are needed to meet a growing demand. These are good paying, stable jobs in areas such as communications, consumer assistance, legal, IT, management, marketing, and sales. There is tremendous opportunity in the insurance industry in the coming years and, thanks to Ohio’s recently passed state budget, even more opportunity across the entire state.

The recently passed budget provides \$2.7 billion in total net tax cuts – specifically a 50 percent tax cut for small businesses and a 10 percent income tax cut for all taxpayers. These tools help to further grow Ohio’s economy and create more jobs by allowing Ohioans to hold on to more of what they earn.

Because small businesses are the backbone of our economy and our communities they deserve every opportunity to succeed. The budget’s 50 percent small business tax cut will make \$1.6 billion available in new capital that, during the next three years, small businesses can use to reinvest in their companies. We realize that there’s work ahead, but Governor Kasich’s budget is keeping the momentum going at a time when our state is recovering and our economy is growing.

For details about Governor Kasich’s FY2014-2015 state budget, please visit **www.transforming.ohio.gov**.



Department Announces Federal Exchange Rates for 2014

The Ohio Department of Insurance announced August 1 that individual consumers buying health insurance on the federal government's health insurance exchange for Ohio will pay an average of 41 percent more than they did in 2013.

In addition, ODI confirmed previously-released preliminary calculations that insurance companies' costs to provide individual health coverage will increase by 83 percent.

"Ohio has traditionally had a more competitive health insurance market than other states with a wider range of prices and choices – from simple, high deductible coverage to comprehensive, full service plans," Lieutenant Governor Mary Taylor said. "That level of diversity is essentially outlawed under Obamacare so Ohio's rates and premiums are going up significantly, and going up more than in other states where prices were already high."

Premiums Increase 41 Percent:

The Department utilized a National Association of Insurance Commissioners (NAIC) report of premiums reported by Ohio companies at the end of 2012 to compare premiums. Individual exchange plan premiums are expected to increase on average by 41 percent in 2014 compared to 2013, while exchange plans for Ohio's small businesses will increase on average by 18 percent.

For individual health insurance plans, a total of 12 companies offering 200 different plans have been approved by the Department for the exchange. Open enrollment for the exchange will begin on October 1, 2013. For small group health insurance plans, 6 companies offering 184 plans have been approved to sell on the exchange.

Based on premiums for the current individual market, plans in Ohio today cost on average \$236.29 per month compared to \$332.58 in 2014. For the small group market, today's premiums average is \$341.03 per month compared to \$401.99 in 2014. An example of the difference between premium and the cost to provide coverage is that premiums do not include cost sharing paid by the consumer, whereas cost includes both the cost to the company to provide the coverage and the cost sharing paid by the consumer.

Insurance Companies' Costs to Insure Increase 83 Percent:

Estimates from a Society of Actuaries study released in 2013 showed Ohio's current average cost to provide individual health insurance coverage is \$223. Based on the rate filings approved by the Department, the average cost to provide coverage for individuals purchasing health insurance on the exchange in 2014 is \$409 representing an increase of 83 percent when compared to the Society of Actuaries study.



Department Announces Federal Exchange Rates for 2014... Cont'd

During the two month review process, the Department requested changes to submissions that in some cases resulted in rate adjustments. Ohio law requires all companies selling products in Ohio, including on the exchange, to justify rate submissions and any rate changes for 2014 by using sound actuarial judgment. The intense review process the Department conducted (as it does with all insurance products sold in Ohio) is to protect consumers from rates that are too high and to protect against company insolvency in which rates are too low and companies are unable to pay a consumer's claim.

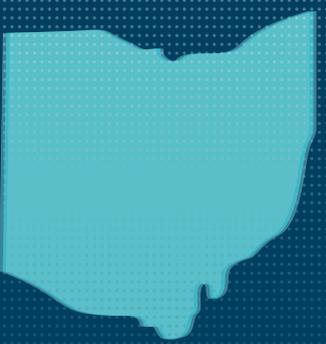
Ohio is one of many states to recently release final exchange rate numbers and each state's experience is different. Ohio's rates are going up while some other states are seeing rates remain stable or even decrease as the ACA drives rates across the country closer together. For states where prices were already much higher and that had more coverage mandates, rates are not increasing as much. In Ohio, where rates have been among the most competitive in the country, rates are increasing significantly as consumers are faced with fewer options and a higher level of required coverage.

"These kinds of significant costs increases are bad for job creation and why the governor and I continue to call for the repeal and replacement of this flawed law with reforms that improve access by lowering costs." Taylor said. "Ohio said 'no' to running the federal government's health care exchange in our state and 'no' to federal takeovers of both our health insurance regulations and our Medicaid eligibility process. As the problems with this law continue to appear even the federal government has begun to balk, with its recent announcement to delay the employer mandate for a year. Hopefully it's just the beginning of more such news and an eventual total rethinking of this law."

In 2010 the ACA, which includes sweeping changes to America's health insurance system, became law. It includes the creation of health care exchanges in which individuals and small business owners in every state can purchase subsidized coverage. According to the federal government, initial open enrollment on the exchange is set to begin October 1, 2013 with coverage becoming effective January 1, 2014.

To learn more about the health care exchange visit www.healthcare.gov. Ohioans with questions about insurance can call the Department at 1-800-686-1526.

NOTE: For more information about the approved rates filed with the Department, please visit www.insurance.ohio.gov.



Consumer Alert: Avoiding Health Insurance Scams Associated with the ACA

Ohio Lieutenant Governor and Insurance Director Mary Taylor issued both a consumer alert and a cease and desist order to protect Ohioans from insurance scams this summer.

“Our mission at the Department is to protect Ohioans and take action against those who prey on innocent consumers,” Taylor said.

Reports surfaced that telephone con artists were using the confusion surrounding the Affordable Care Act (ACA) to attempt to steal Ohioans’ personal information. The scammers were claiming to be representatives of a health insurance exchanges, Medicare or a “government program.”

Specifically in Ohio, scammers are:

- Claiming to be authorized to help people navigate the health insurance exchange created under the ACA and say they need to verify the person’s name, address and Social Security number.
 - **Tip:** Health insurance exchange open enrollment does not begin until Oct. 1. The marketing of plans offering coverage through the exchange has not begun.
- Claiming to be a Medicare representative and that because of the ACA the person’s information needs verified in order to receive a new Medicare card.
 - **Tip:** New Medicare cards are not being issued because of the federal health care law.
- Claiming they need the person’s Medicare number to provide them an updated medical emergency alert device. One of the brand names mentioned was Lifeline.
 - **Tip:** Medicare does not cover medical alert devices.

United States Contractors Trust (USCT) was issued a cease and desist order in June for selling fictitious health insurance coverage to at least four Ohioans. USCT is not licensed to sell insurance in Ohio and has also recently been ordered to stop its unauthorized insurance business in South Carolina, North Carolina, Vermont, Florida and Maine.

Tips to Avoid Health Insurance Scams:

- Fake insurance companies and dishonest people often try to sell coverage that is usually difficult to secure and sell policies that are significantly cheaper. If it is too good to be true, it usually is!
- Ask if the company and person representing the product are licensed in Ohio. Then confirm the license status at www.insurance.ohio.gov and by calling 1-800-686-1526.
- Be cautious if there are not many questions about your health. Ask your own hard questions about the coverage and company.
- Be mindful that scammers will make marketing materials, letterhead and websites appear legitimate, including copying and using official documentation from real companies. Always carefully read and securitize all material, including information on websites.
- Never provide your checking account number to have your premiums automatically deducted unless you are dealing with a reputable company. Be suspicious if you are being pressured into using the direct deposit payment method.



Understanding Homeowners Insurance and Roof Repair/Replacement

Your home's roof is important. It keeps your house and belongings protected from the elements. Your homeowners insurance policy helps to protect your assets if your roof is damaged. However, not all insurance policies are identical. It is important to read and understand your homeowners insurance policy, especially when it comes to your roof.

Insurance and Roof Repair: Replacement Cost vs. Actual Cash Value.

Replacement Cost Coverage means that the insurer will pay the full cost to repair or replace the damaged property with new materials of like, kind and quality to that which was damaged. However, to receive the full replacement cost, many insurance policies require that the damaged property be repaired or replaced within a reasonable time frame, such as 180 days from the date of the loss. If the repairs are not completed in that time frame, the amount of loss settlement may be limited to only the actual cash value.

Actual Cash Value means that the insurer will pay the current cost of the damaged property less depreciation. The depreciation takes into consideration the aging and wearing of the damaged property. If the policy pays on the basis of actual cash value, the insured will likely not be fully compensated for the cost to repair or replace the damaged property.

Factoring in Deductibles

Regardless of whether the loss is settled on a replacement cost or actual cost value basis, your claim will be subject to the deductible provision. A deductible is the amount of out-of-pocket expense for which you are responsible before the insurance coverage begins. Failing to understand this provision could leave you unprepared for a large out-of-pocket expense at the time of a loss.

Most insurance policies covering your home have an All Other Perils (AOP) deductible and Wind/Hail deductible. The AOP deductible is applied whenever the damage to your home is caused by perils other than wind or hail. The wind/hail deductible is applied whenever the damage to your home is due to wind and/or hail.

The wind/hail deductible is either a flat dollar amount or a percentage amount. If the wind/hail deductible is a flat dollar amount, the amount paid by the insurance company for the claim is reduced by the deductible amount. For example, if hail caused \$15,000 damage to your roof, and siding, the insurer would pay \$14,000 and you would be responsible for the remaining \$1,000 to complete the repairs to your home. What confuses many is that a percentage deductible is based on the amount the home is insured for, NOT the amount of damage to the home. For example, your home is insured for \$300,000 and your wind/hail deductible is a 2% of \$300,000 or \$6,000. Regardless of the amount of damage caused by wind or hail, you would be responsible for \$6,000 of the repair costs.

Ask Questions When Selecting and Reviewing Your Policy

- Does the age, condition or composition of my roof affect the cost of my insurance policy? If so, what can I do to lower this cost?
 - Am I being charged more because I have an older roof? If so, am I eligible to receive a discount if I replace my roof?
 - Does my insurance policy settle claims for damage to the roof on a replacement cost or actual cash value basis?
 - Does the age or condition or composition of my roof determine whether the claim is settled on a replacement cost or actual cash value basis?
 - Could the age of my roof cause the insurance company to decide to non-renew my insurance policy?
- For Example:**
- If my roof is damaged, how quickly must I report the claim to the insurance agent or insurance company?
 - Does my insurance policy provide coverage if it is determined that the damage to my roof is only cosmetic?
 - If my policy currently settles roof claims on an actual cash basis, will replacing my roof make me eligible for replacement cost coverage?



Parents, Teen Driving and Insurance

It is important for parents to conduct an insurance review and discuss driving safety when it is time for their teens to get behind the wheel.

- **Lay the Ground Rules:** Establish driving rules for safe driving, such as not speeding, seat belt usage, minimal number of passengers, no mobile phone text and the amount of time of day driving is permitted.
- **Shop Around:** Ohio has a competitive personal auto insurance market but no two insurance companies charge the same rates. Compare costs and coverages between insurers since having a teen driver in the household does greatly affect the family's auto insurance premium. Take advantage of discounts that various insurance companies offer, such as good student discounts.
- **Purchase a Vehicle for your Teen Driver?:** The difference in the cost of auto insurance for a teen driving a newer, expensive sports car versus a modestly priced economy car with liability cover only can be significant. If shopping for an additional vehicle for your teen to drive, the cost of insurance should be part of the conversation.
- **Consider Revising Deductibles, Coverage:** Whether purchasing an additional car or sharing the family car with your teen driver, you can reduce your auto insurance premium costs by raising the deductibles on physical damage (collision and comprehensive) coverages.

Ohioans with insurance questions can call the Department's consumer hotline at 1-800-686-1526. The Department's new auto insurance consumer guide and young drivers guide to auto insurance is also available at www.insurance.ohio.gov

Avoiding Contractor Fraud

Those impacted by Ohio's severe weather should be aware of fraudulent contractors trying to take advantage of people in need of property repairs.

How to Avoid Contractor Fraud:

- Immediately contact your insurance company if you believe your property sustained damage.
- Request a list of reputable contractors from your insurer, the Better Business Bureau or a specialized organization.
- Contact multiple contractors and obtain more than one estimate.
- Read all documents provided by a contractor before signing.
- Do not allow a contractor to inspect your property when you are not home.
- If you give a contractor permission to inspect your property, watch them conduct the inspection.
- Do not give a contractor Power of Attorney over your affairs, or permit them to negotiate or settle your insurance claim.
- Pay contractors by check or credit card, rather than in cash, so you have a record of all payments issued.
- Do not pay a contractor in full, or sign a completion certificate, until all work has been finished.

If you believe you have been defrauded by a home repair contractor or have been encouraged to fabricate an insurance claim, call the Department's fraud hotline at 1-800-686-1527.