



Ohio Legislative Service Commission

Bill Analysis

Nick Thomas

S.B. 346

129th General Assembly
(As Introduced)

Sens. Bacon, Jones, Beagle

BILL SUMMARY

- Adds the improper issuance of a certificate of insurance to the list of offenses for which the Superintendent of Insurance may suspend, revoke, or refuse to issue or renew any license of an insurance agent, assess a civil penalty, or impose other sanctions.
- Specifies the form in which a certificate of insurance must be issued.
- Specifies that a certificate of insurance is *not* a policy of insurance and that a certificate does not alter the coverage provided by the policy of which the certificate provides evidence.
- Prohibits a certificate of insurance from containing a reference to any contract other than the policy of insurance of which the certificate provides evidence.
- Specifies that an insurer is required to notify a holder of a certificate of insurance of any material change to a policy of insurance related to that certificate only if the certificate holder is named within the policy.

CONTENT AND OPERATION

The bill adds the improper issuance of a certificate of insurance to the list of offenses for which the Superintendent of Insurance (Superintendent) may suspend, revoke, or refuse to issue or renew any license of an insurance agent, assess a civil penalty, or impose other sanctions. A "certificate of insurance" is defined, in short, as a document an insurer or insurance agent issues to an insurance policy holder as evidence of property or casualty insurance coverage.¹ Such certificates are often issued

¹ R.C. 3905.14(B)(40)(e)(i).

in transactions where there is a potential for a large loss or liability and one party to the transaction requires evidence of insurance that mitigates risk related to the transaction. For example, prior to lending money for a construction project, a bank may require that a developer demonstrate, through a certificate of insurance, that the developer has adequate insurance coverage for the project.

Under the bill, it is a violation to provide, issue, modify, alter, or sign a certificate of insurance in a form that was not promulgated by the Association for Cooperative Operations Research and Development, the American Association of Insurance Services, the Insurance Services Office, or a nationally recognized insurance advisory organization that has been designated or approved by the Department of Insurance. The certificate issuer may also use a form promulgated by the insurance company that has underwritten the policy referenced in the certificate of insurance.²

The bill specifies that a certificate of insurance is *not* a policy of insurance and that a certificate does not alter the coverage afforded by the policy of which the certificate of insurance provides evidence. Furthermore, a certificate of insurance does not confer to a certificate holder new or additional rights beyond what the referenced policy of insurance expressly provides.³

The bill prohibits a certificate of insurance from containing references to any contract, including a construction or service contract, other than the policy of insurance of which the certificate provides evidence. Regardless of any provision of any contract that a certificate of insurance may be issued for or pertain to, a policy of insurance related to a certificate of insurance is subject only to the terms of that policy.⁴

The bill specifies that an insurer is only required to notify a holder of a certificate of insurance of the cancellation, nonrenewal, or making of any material change, or any similar change, to a policy of insurance related to that certificate if the certificate holder is named within the policy or any endorsement to the policy and the policy or endorsement requires notice to be provided to the certificate holder. The terms and conditions of such a notice, including the required timing of the notice, are governed by the policy of insurance and cannot be altered by a certificate of insurance.⁵

² R.C. 3905.14(B)(40)(a).

³ R.C. 3905.14(B)(40)(b).

⁴ R.C. 3905.14(B)(40)(c).

⁵ R.C. 3905.14(B)(40)(d).

Definitions

The bill makes two definitions related to the requirements of the bill. Note that these definitions do not affect any other requirements or provisions of Insurance Law other than those contained in the bill.

"Certificate of insurance" means a document or instrument, regardless of how titled or described, that is prepared or issued by an insurer or insurance agent licensed under the Insurance Producers Licensing Law as evidence of property or casualty insurance coverage. "Certificate insurance" includes a document issued to an individual as evidence of purchasing coverage under a master policy. "Certificate of insurance" does not include a policy of insurance, insurance binder, policy endorsement, automobile identification card, or any document used to provide proof of financial responsibility for purposes of the Motor Vehicle Financial Responsibility Law.⁶

"Certificate holder" means any person, other than a policyholder, that requests, obtains, or possesses a certificate of insurance.⁷

Context – punishment for violations

Before denying, revoking, suspending, or refusing to issue any license or imposing another penalty, the Superintendent of Insurance is required by current law, unchanged by the bill, to provide the licensee or applicant with an opportunity for a hearing under the Administrative Procedure Act.⁸ Subsequent to such a hearing, if the Superintendent determines that a violation has occurred, the Superintendent may take one or more of the following actions:

- Assess a civil penalty in an amount not exceeding \$25,000 per violation;
- Assess administrative costs to cover the expenses incurred by the Department of Insurance in carrying out the hearing process;
- Suspend any insurance license that the violator may hold for either a specified period or an indefinite period, subject to terms imposed by the Superintendent;
- Permanently revoke any insurance license that the violator may hold;

⁶ R.C. 3905.14(B)(40)(e)(i).

⁷ R.C. 3905.14(B)(40)(e)(ii).

⁸ R.C. 3905.14(C).

- Refuse to issue a license to the violator;
- Refuse to renew a license held by the violator;
- Prohibit the violator from being employed in any capacity in the business of insurance and from having any financial interest in an insurance agency or company, subject to terms imposed by the Superintendent;
- Order corrective actions;
- Accept a surrender for cause offered by the violator, which prohibits the violator from seeking any license under the authority of the Superintendent for a period of no less than five years.⁹

HISTORY

ACTION	DATE
Introduced	05-17-12

S0346-I-129.docx/ejs

⁹ R.C. 3905.14(C).