



# Ohio Legislative Service Commission

Ruhaiza Ridzwan

## Fiscal Note & Local Impact Statement

**Bill:** H.B. 23 of the 128th G.A.

**Date:** March 25, 2009

**Status:** As Introduced

**Sponsor:** Reps. Okey and Stebelton

**Local Impact Statement Procedure Required:** No — Minimal cost

**Contents:** To increase the minimum amounts required for valid proof of financial responsibility.

### State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
<b>State Bureau of Motor Vehicles Fund (Fund 4W40) – Department of Public Safety</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase
<b>Operating Fund (Fund 5540) – Department of Insurance</b>			
Revenues	Potential minimal gain	Potential minimal gain	Potential minimal gain
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The provision to increase the amount of minimum liability coverage that is required under Ohio's financial responsibility law may increase the Department of Public Safety's administrative costs to enforce the requirements. If there is any increase in such costs, it is likely to be minimal.
- The provision to increase the amount of minimum liability coverage that is required under Ohio's financial responsibility law may increase the Department of Insurance's administrative costs associated with a potential increase in forms review for insurers who underwrite basic automobile insurance policies in Ohio.

### Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
<b>Counties, municipalities, townships</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase
<b>School Districts</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The provision to increase the amount of minimum liability coverage that is required under Ohio's financial responsibility law may increase automobile insurance premiums to counties, municipalities, and townships statewide. However, LSC staff do not have insurance information for local governments' fleets. Assuming most are self-insured or maintain greater coverage than the requirements, the bill would have no fiscal impact on local governments. If there is a cost to some local governments, it would likely be minimal.
- The provision to increase the amount of minimum liability coverage that is required under Ohio's financial responsibility law may increase automobile insurance premiums to school districts statewide. However, LSC staff do not have insurance information for local governments' fleets. Assuming most are self-insured or maintain greater coverage than the requirements, the bill would have no fiscal impact on local governments. If there is a cost to some school districts, it would likely be minimal.

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## Detailed Fiscal Analysis

The bill proposes to increase the amount of minimum liability coverage due to injuries and property damages in an accident that is required for automobile insurance policies under Ohio's financial responsibility law. The bill increases liability coverage for bodily injury or death of one person in an accident to \$25,000, \$50,000 for bodily injury or death of two or more persons in an accident, and \$25,000 for injury to property of others in an accident. Minimum amounts under existing requirements are \$12,500, \$25,000, and \$7,500, respectively. Acceptable evidence of fulfilling financial responsibility requirements includes insurance policies, surety bonds, certificates, and forms as prescribed by the Bureau of Motor Vehicles.<sup>1</sup>

The bill would likely increase automobile insurance premiums for policyholders in Ohio who choose minimum legal coverage. Currently, the state of Ohio self-insures its fleets, meaning that there would be no fiscal effect to the state from increased premiums. However, LSC staff do not have insurance information for local governments' fleets. Assuming most are self-insured or maintain greater coverage than the minimum requirements, the bill would have no fiscal impact on local governments. If there is a cost to some local governments, it would likely be minimal.

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<sup>1</sup> The number of drivers without proof of financial responsibility is undetermined. However, data on financial responsibility of drivers involved in crashes throughout the state is collected and published in Ohio Traffic Crash Facts 2007, published by the Ohio Department of Public Safety on May 7, 2008. According to that source, 2.8% of such drivers were uninsured that year, 89.1% were insured, while the remaining 8.1% were not stated. These percentages may not be generalizable to all Ohio drivers.

Moreover, the bill may increase administrative costs of the Department of Public Safety (DPS) to enforce the new requirements. The Department would be the primary enforcer of the financial responsibility law, but any possible increase in enforcement costs is expected to be minimal, and would be paid from the State Bureau of Motor Vehicles Fund (Fund 4W40). It may also increase the Department of Insurance's administrative costs due to potential increase in automobile policy forms refiling; if there is such an increase, it would likely be minimal. Currently, insurers are required to pay filing fees for any forms filed for review. The fees are deposited into the Department of Insurance Operating Fund (Fund 5540).

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