



Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: Am. [H.B. 300 of the 128th G.A.](#) **Date:** November 30, 2009
Status: As Reported by House Insurance **Sponsors:** Reps. Dyer and Hottinger

Local Impact Statement Procedure Required: No — No local cost

Contents: To make changes to the law governing the licensure and regulation of insurance agents and certain insurance-related taxes

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Potential loss of up to \$730,000	Potential loss of up to \$730,000
Expenditures	- 0 -	- 0 -	- 0 -
Department of Insurance Operating Fund (Fund 5540)			
Revenues	- 0 -	Potential gain of up to \$440,000	Potential gain of up to \$440,000
Expenditures	Potential increase	Potential increase	Potential increase

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

- The bill may increase the Department of Insurance's administrative expenses related to insurance agent licensing requirements and regulations. If there is any increase in such costs, it is likely to be minimal. Any such costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- Various provisions in the bill may affect fee revenue to Fund 5540 and the GRF. According to a Department of Insurance official, revenue credited to Fund 5540 may increase by up to \$440,000 while revenue credited to the GRF may decrease by up to \$730,000 per year.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill proposes to make several changes to insurance agent licensure requirements and regulation of insurance agents. It modifies the due date for foreign insurers' filing requirements. The bill is intended to conform Ohio's insurance agent regulations with other states'. Most of the provisions have no significant fiscal effect on the state, and none of the provisions have any fiscal effect on local governments. The following provisions may have a significant fiscal effect on Fund 5540 and the GRF.

The bill requires all resident and nonresident agents, surety bail bond agents, and surplus line brokers, to renew their licenses biennially. Currently, a resident or nonresident agent license is perpetual unless surrendered by the licensee or suspended or revoked by the Department. The bill requires the Superintendent of Insurance to send a renewal notice to all licensees at least one month prior to the renewal date specified in the bill. All renewal applications, except for applications submitted by individual resident agents who have met their continuing education requirements, surety bail bond agents, and surplus line brokers, must be accompanied by a \$25 biennial renewal fee and any necessary document as required by the Superintendent.

The bill specifies that each applicant for an insurance agent license must consent to a criminal records check and submit a full set of fingerprints to the Department of Insurance. The Department is directed to request such records checks be conducted by the Superintendent of the Bureau of Criminal Identification and Investigation and by the Federal Bureau of Investigation.

The bill requires all applicants for licensure as a resident or nonresident insurance agent, excluding surety bail bond agents, to pay a \$10 fee for each line of authority requested. Current law requires the fee be paid by applicants for licensure as individual insurance agents, prior to taking an examination. The bill increases the number of hours of required continuing education for agents from 20 hours every two years to 24 hours. According to a Department of Insurance official, the Department receives \$1.00 for every credit an agent takes from the agency's continuing education vendor. In addition, the bill repeals current law requirements governing the appointment of solicitors by an agent.

Fiscal effect

The bill may increase the Department of Insurance's administrative costs due to the provisions described above. Any increase in such costs would be paid from the Department of Insurance Operating Fund (Fund 5540). LSC staff consider it likely, however, that any increase in expenditures would be minimal. In addition, the fee changes described above may increase revenue to Fund 5540 by up to \$440,000 per year, based on an estimate from the Department of Insurance.

The fee changes may also have an impact on the GRF. According to a Department of Insurance official, the bill may decrease revenue credited to the GRF by up to \$730,000 per year.

The estimated revenue changes are primarily due to an expected decrease in the number of active agents who are licensed to conduct insurance business in Ohio, the requirement related to license renewal, and the \$1.00 fee credited to Fund 5540 for every credit hour an agent takes from the agency's continuing education vendor. In addition, new language in the bill in section 3905.40 directs all revenue from new fees, and from certain continuing fees, established in that section to Fund 5540.

The bill changes the due date for the foreign insurers' tax from January 31 each year to March 31. This change affects the timing of receipts from the tax, but does not change the amount received.

HB0300HR.docx / sle