



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** Sub. H.B. 300 of the 128th G.A.

**Date:** February 24, 2010

**Status:** As Reported by Senate Insurance, Commerce, & Labor

**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, insurance company reporting requirement, the Ohio Life and Health Insurance Guaranty Association, to temporarily extend the time after employment during which a person can keep the person's health insurance coverage, and to declare an emergency

### State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	Potential loss of up to \$730,000	Potential loss of up to \$730,000
Expenditures	- 0 -	- 0 -	- 0 -
<b>Department of Insurance Operating Fund (Fund 5540)</b>			
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.

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## 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.

The bill also makes the following changes which have no significant fiscal effect on the state or local governments:

1. Specifies that a health insuring corporation (HIC) may fulfill the requirement related to information that it must provide to subscribers by delivering to them a document that identifies a web site where the subscriber may view such information;
2. Extends the deadline of health insurance coverage after termination of employment, "mini-COBRA," and declares an emergency; the bill specifies

- that any eligible employee and his or her dependent may continue the coverage for 15 months or until the federal government extends the program;
3. Changes the limit on the Ohio Life and Health Insurance Guaranty Association's liability for annuity benefits; the bill increases the guarantee fund limit from \$100,000 to \$250,000, to make it consistent with limits used by the Federal Deposit Insurance Corporation (FDIC) and conform with National Association of Insurance Commissioners' (NAIC) guidelines;
  4. Changes the tax base of the domestic insurance tax to correspond to the intent of changes enacted in H.B. 1, by including payments received attributable to Medicaid, after September 30, 2009, by a health insuring corporation that is operated by a domestic insurance company;
  5. Changes certain reporting requirements for insurers; and
  6. Allows the Superintendent, instead of the board of directors of the Ohio health reinsurance program to establish and design the Ohio Health Care Plan and specifies that the board may make recommendations related to the plans; the bill allows the Superintendent to adopt any necessary rules related to the plan, but prior to adopting any rule, the Superintendent must conduct an actuarial analysis of the cost impact of the proposed rule; the bill specifies that any plans that are in effect as of June 1, 2009, must remain in effect until they are amended or a new plan is adopted.

### **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.