



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 250 of the 129th G.A.](#) **Date:** December 14, 2011
Status: As Reported by Senate Insurance, Commerce & Labor **Sponsor:** Rep. Hackett

Local Impact Statement Procedure Required: No

Contents: To establish requirements and procedures for issuing portable electronics insurance and to revise the order of distribution of claims from an insurer's estate as it relates to interest on the claim

State Fiscal Highlights

STATE FUND	FY 2012	FY 2013	FUTURE YEARS
Department of Insurance Operating Fund (Fund 5540)			
Revenues	Potential gain	Potential gain	Potential 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 bill would increase the Department of Insurance's administrative expenses related to regulation and enforcement of the new limited lines portable electronics insurance. Any such costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The bill would increase revenues from the new filing fee on vendors engaging in portable electronics transactions. Any such increase would depend on the number of such vendors who would be licensed to offer portable electronics insurance in Ohio. The fees would be credited to Fund 5540.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Portable electronics insurance

The bill proposes to establish requirements and procedures for a new line of insurance for portable electronics. The bill requires any vendor who is in the business of selling or leasing portable electronics to hold a limited lines insurance license before he or she is allowed to offer, sell, or solicit a portable electronics insurance policy. The bill defines portable electronics insurance to be "insurance providing coverage for the repair or replacement of portable electronics, which may be offered on a month-to-month or other periodic basis as a group or master commercial inland marine policy issued to a vendor by an insurer." The bill specifies that this definition does not include consumer goods service contracts, governed by section 3905.423 of the Revised Code, or manufacturers' warranties.

The bill requires the Superintendent of Insurance to issue a limited lines insurance agent license to a vendor engaging in portable electronics transactions upon submission of a completed application and accompanying fees. The bill authorizes the Superintendent to set fee amounts, but limits them to no more than the following amounts: (a) for vendors with more than ten locations in Ohio, \$5,000 for an initial license and \$2,500 for a license renewal and (b) for vendors with ten or fewer locations in Ohio, \$3,000 for an initial license and \$1,000 for each renewal. The licenses are valid for 24 months. The bill allows the Superintendent to adopt necessary rules to implement portable electronics insurance.

The bill requires the Superintendent to enforce regulations related to portable electronics insurance. The bill provides that the Superintendent may impose a fine not to exceed \$25,000 per violation related to portable electronics insurance and an administrative fee to cover expenses incurred by the Department of Insurance related to any administrative action.

The bill contains other provisions governing vendors offering portable electronics insurance, including a requirement to provide training and education to employees and disclosure requirements to consumers, but those provisions have no direct fiscal effects.

Fiscal impact

The bill would expand the Department of Insurance's regulatory and enforcement responsibilities related to the new limited lines portable electronics insurance. Thus, the Department of Insurance's administrative costs may increase. However, LSC staff believe any increase in expenditures would likely be minimal. Currently, the Department's administrative costs are paid from the Department of Insurance Operating Fund (Fund 5540). The licensing requirement under this bill may increase revenue to Fund 5540, with the amount of revenue depending on the number

of licenses issued to such vendors. Also, any fines that the Superintendent may impose would be deposited into Fund 5540.

Interest on claims on liquidated insurers

The bill modifies the order of distribution of interest on claims from a liquidated insurer's estate. In the event an Ohio domestic insurance company becomes insolvent, it would be liquidated under Ohio's insurance liquidation law, upon the Superintendent of Insurance initiating a court action to place the company in liquidation. The liquidation is managed by the Ohio Insurance Liquidator. The Liquidator would sell such company's assets, and use the proceeds to pay its creditors and policyholders. The priority of distribution of claims from the insurer's estate is based on the classes specified under the law. All claims in each class would be paid in full before the members of the next class receive any payment.

Under the bill, the Liquidator, with the approval of the court, is allowed to make reasonable approximate computations of the interest to be paid on claims from an insurer's estate. Payment of such interest precedes payments to shareholders and other owners of the insurance company, but is lower in priority than other classes of claims. This provision has no direct fiscal impact on the state or on local governments.