



Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 278 of the 129th G.A.

Date: December 13, 2012

Status: As Reported by Senate Insurance, Commerce & Labor

Sponsors: Reps. Stebelton and Okey

Local Impact Statement Procedure Required: No

Contents: To increase the minimum amounts required for valid proof of financial responsibility, to make certain changes to the law governing automobile insurance policies, to prohibit an automobile insurer from enforcing certain intrafamily exclusions, and to permit insurance companies to obtain a salvage certificate of title for a motor vehicle in certain circumstances

State Fiscal Highlights

STATE FUND	FY 2013	FY 2014	FUTURE YEARS
State Bureau of Motor Vehicles Fund (Fund 4W40) – Department of Public Safety			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Operating Fund (Fund 5540) – Department of Insurance			
Revenues	- 0 -	Potential gain	Potential gain
Expenditures	- 0 -	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 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. 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).
- The provision related to automobile insurance policies and an unfair and deceptive act or practice in the business of insurance may also increase the Department of Insurance's administrative costs. Any increase in administrative costs would be paid from Fund 5540.

- The bill requires the creation of a Study Committee, which would consist of 12 members, with the Director of Public Safety and the Superintendent of Insurance acting as co-chairpersons of the Committee. Thus, it may increase the Departments of Public Safety's and Insurance's administrative costs.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2012	FY 2013	FUTURE YEARS
Counties, municipalities, townships			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase
School Districts			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	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 and to prohibit an automobile insurer from enforcing certain "intrafamily exclusion" under certain circumstances may increase automobile insurance premiums to counties, municipalities, townships, and 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 local governments or school districts, it would likely be minimal.
- The provision allowing insurance companies to obtain a salvage certificate of title for a motor vehicle under certain conditions may minimally increase the clerk of courts of common pleas. However, currently the clerk is allowed to charge a fee of \$4 for the cost of processing each salvage certificate of title.

Detailed Fiscal Analysis

Financial responsibility

The bill proposes to increase the amounts necessary to meet proof of financial responsibility requirements. The amounts would be increased nine months after the bill's effective date. 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. Currently, the minimum requirements are \$12,500, \$25,000, and \$7,500, respectively.

Automobile insurance policy

The bill reduces the minimum policy period for automobile insurance policies from two years to one year and makes other changes to the law governing automobile insurance policies.

The bill provides that any insurer that charges excessive, inadequate, or unfairly discriminatory premium rates in private passenger automobile insurance based solely on the insured's residence location would be considered violating an unfair and deceptive act or practice in the business of insurance.

Intrafamily exclusion

The bill prohibits an automobile insurer from enforcing certain "intrafamily exclusion" included in an automobile insurance policy under certain circumstances described in the bill. The bill specifies that such insurers cannot preclude liability insurance coverage for the owner or operator of a motor vehicle against a claim for injury or death by a family member of the owner or operator when such individual dies as a result of an accident and the insured person is not at fault.

Salvage certificate of title

The bill allows insurance companies to apply for a salvage certificate of title from a clerk of a court of common pleas for a motor vehicle when the insurance company does not have possession of the certificate of title and under certain circumstances.¹ The bill also requires the salvage motor vehicle auction or salvage motor vehicle pool to give a copy of the certificate of salvage title or a copy of the certificate of title marked "FOR DESTRUCTION" to the purchaser, at the time any salvage motor vehicle is sold at auction or through a pool.

Study Committee

The bill creates a 12-member Study Committee to study the feasibility of requiring insurance companies issuing motor vehicle liability insurance policies in this state to report certain policy information to the Registrar of Motor Vehicles. The

¹ R.C. 4505.11(C)(1), (2), and (3).

Committee would consist of the Director of Public Safety or the Director's designee, the Superintendent of Insurance or the Superintendent's designee, six members appointed by the Governor, two members appointed by the Speaker of the House of Representatives, and two members appointed by the President of the Senate. The Governor, Speaker, and President must make such appointments within two weeks after the effective date of this bill. The Director of Public Safety or the Director's designee and the Superintendent of Insurance or the Superintendent's designee are to serve as co-chairpersons of the Committee.

The Committee must begin meeting as soon as practicable after the effective date of this bill. Not later than one year after the effective date of this bill, the Committee must prepare a report, including findings and recommendations. The Committee must submit a copy of the report to the Governor, the Registrar of Motor Vehicles, the Speaker of the House of Representatives, the President of the Senate, and the chairpersons of the Insurance and Transportation committees of the House of Representatives and the Senate.

Fiscal effect

The bill would increase automobile insurance premiums for policyholders in Ohio who choose minimum legal coverage. The provision related to the intrafamily exclusion may also increase automobile insurance premiums to such policyholders. Currently, the state of Ohio self-insures its fleets, thus there would be no fiscal effect on 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.

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).

The bill may increase the Department of Insurance's administrative costs due to changes to the law governing automobile policies, expansion of the unfair and deceptive act or practice in the business of insurance, and potential increase in automobile policy forms refiling; if there is such an increase, it would likely be minimal. Any increase in such costs would be paid from the Department of Insurance Operating Fund (Fund 5540).

Currently, insurers are required to pay filing fees for any forms filed for review. The fees are deposited into Fund 5540.

Under an unfair and deceptive act or practice in the business of insurance, the Superintendent of Insurance may conduct hearings to determine whether an unfair or

deceptive act or practice in the business of insurance has occurred. The Superintendent is also allowed to impose civil penalties up to \$3,500 per violation, or \$35,000 in the aggregate during a six-month period, or to enforce administrative remedies. The Superintendent is also allowed to recover a portion of its costs of enforcing the unfair and deceptive act or practice in the business of insurance. Currently, the Superintendent is allowed to recover up to \$100,000 of its costs of enforcing the law, which would be deposited into Fund 5540.

The bill may also increase the departments of Public Safety's and Insurance's administrative costs due to the requirements related to the Study Committee. The provision allowing insurance companies to obtain a salvage certificate of title for a motor vehicle under certain conditions may increase the cost for the clerk of courts of common pleas. However, currently the clerk is allowed to charge a fee of \$4 for the cost of processing each salvage certificate of title.