



# Ohio Legislative Service Commission

*Ruhaiza Ridzwan*

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## Fiscal Note & Local Impact Statement

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**Bill:** [Am. H.B. 430 of the 130th G.A.](#)

**Date:** May 21, 2014

**Status:** As Reported by House Insurance

**Sponsor:** Reps. Kunze and Stinziano

**Local Impact Statement Procedure Required:** No

**Contents:** To regulate self-service storage insurance

### State Fiscal Highlights

- The bill would increase the Department of Insurance's administrative expenses related to regulation and enforcement of the new limited lines self-service storage insurance. Any such costs would be paid from the Department of Insurance Operating Fund (Fund 5540). The bill allows the Superintendent of Insurance to impose penalties. Any penalties collected by the Superintendent would offset the Department's administrative costs.
- The bill would increase revenues from the new license fee on self-service storage insurance agents. The bill authorizes the Superintendent to set the fee amounts, but sets a maximum of \$100 for the initial application and \$25 for each renewal, with renewals being required biennially. Any revenue increase would depend on the number of applicants for such license, and on the precise fees set by the Superintendent. The fees would be credited to Fund 5540.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

The bill would establish requirements and procedures for a new line of insurance for self-service storage. The bill requires self-service storage facilities to hold limited lines insurance licenses before they are allowed to offer, sell, solicit, or place coverage under a policy of self-service storage insurance. The bill also allows a self-service storage facility to receive compensation for performing billing and collection services related to such insurance, if it meets certain conditions. The bill defines self-service storage insurance as "insurance providing coverage for the loss of, or damage to, tangible personal property that is contained in storage space or in transit during a self-service storage rental agreement period, which may be offered on a month-to-month or other periodic basis under an individual policy, or as a group, commercial, or master policy issued to a self-service storage facility to provide insurance for the self-service storage facility's customers." The bill specifies that this definition does not include consumer goods service contracts governed by section 3905.423 of the Revised Code; sellers', or manufacturers' warranties; or homeowners', renters', private passenger automobile, or similar insurance policies.

The bill requires the Superintendent of Insurance to issue a limited lines insurance agent license to a self-service storage facility if the self-service storage facility satisfies certain requirements, upon submission of a completed application and accompanying fees. The bill authorizes the Superintendent to set fee amounts. However, the fees must not exceed the following amounts: (1) for self-service storage facilities engaged in self-service transactions at more than ten locations in this state, an application fee of \$100 for an initial license and a biennial license renewal fee of \$25 for each renewal, and (2) for storage facilities engaged in self-service storage transactions at ten or fewer locations in this state, an application fee of \$50 for an initial license and a biennial license renewal fee of \$10. The bill specifies that a self-service storage insurance license is either a resident or nonresident insurance agent license, depending on the domicile of the self-service storage facility. Under the bill any self-service storage facility offering or selling self-service storage insurance on or before the bill's effective date must apply for a license within 90 days after the application is made available by the Superintendent of Insurance. The bill allows the Superintendent to adopt necessary rules to implement self-service storage insurance.

The bill specifies that the Superintendent may revoke or suspend the self-service storage facility's license or impose any other sanctions provided under existing law if the Superintendent determines that a self-service storage facility or its endorsee has violated any provision of this bill. If the Superintendent determines that any provision of the bill is violated, or if an unfair or deceptive practice is engaged in, by a self-service storage facility or its endorsee at a particular location, the Superintendent may issue a cease and desist order to a particular location, or take any other administrative action

authorized under current law. If the Superintendent determines that a violation of any prohibition under existing law or this bill has occurred, the Superintendent may also assess a civil penalty in an amount not exceeding \$25,000 per violation, including an administrative fee to cover expenses incurred by the Department of Insurance related to any administrative action.

The bill contains other provisions governing self-service storage insurance and administration of a self-service storage insurance program. The bill specifies requirements related to training and education for all endorsees who sell self-service storage insurance, regulations regarding proceeds from the sale of such insurance, and specifications related to information and disclosure to consumers. These provisions would have no direct fiscal effects.

### **Fiscal effect**

The bill would expand the Department of Insurance's regulatory and enforcement responsibilities related to the new limited lines of insurance for self-service storage. 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. However, the amount of revenue would depend on the number of licenses issued to such self-service storage facilities and the specific fee amounts set by the Superintendent.