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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 175
135th General Assembly

Final Fiscal Note & Local Impact Statement

[Click here for S.B. 175's Bill Analysis](#)

Primary Sponsor: Sen. Lang

Local Impact Statement Procedure Required: No

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Highlights

- The bill may increase the Department of Insurance's administrative costs. If there is any increase in such costs, it would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The bill specifies a calculation for determining the tax base for bail bond premiums and applies the policy to premiums reported on annual statements filed in 2021 and thereafter. The bill expressly authorizes an insurance company to submit an application for a tax refund for the amount overpaid on applicable insurance taxes. According to a Department of Insurance official, the provision codifies the Department's current practice in calculating bail bonds' tax liabilities, thus, there would be no effect on state revenues.
- No direct fiscal effect to political subdivisions.

Detailed Analysis

The bill specifies a legal framework for selling, issuing, and delivering pet insurance in the state. The bill also makes several changes to the tax on bail bond premiums, insurance regulatory restrictions, certain filing and confidentiality requirements, and the procedure to serve certain notices and documents. Most of the provisions have no significant fiscal effect on the state and none of the provisions have any fiscal effect on local governments. Please refer to the LSC bill analysis for additional detail about provisions in the bill.

Pet insurance

The bill specifies a legal framework for pet insurance. The bill requires a pet insurance policy to include certain disclosures and notices, including disclosure requirements related to coverage limits, claim payments, waiting periods, and preexisting conditions. The bill prohibits a pet insurer from conditioning eligibility to purchase pet insurance on participation, or lack of participation, in a separate wellness program. The bill prohibits a pet insurer from selling,

soliciting, or negotiating a pet insurance product until after the agent is appropriately licensed and has completed the required training specified under the bill. The bill provides that no additional training is required for a pet insurer or agent that has completed the training requirements of another state, if those requirements are the same or substantially similar to the requirements under the bill. The bill authorizes the Superintendent of Insurance to adopt rules for the purpose of administering and enforcing the pet insurance law.

Bail bonds

The bill modifies Chapter 5729 of the Revised Code by specifying that the gross amount of premiums for bail bonds written by a foreign insurance company included in the annual statement to the Superintendent must equal the company's direct written premiums determined under R.C. 3905.901 and reported on the company's corresponding annual statement of condition. Under continuing law, the direct written premiums for bail bonds written by an insurer must be determined as the gross bail bond premiums less any amounts retained by surety bail bond agents, but not be less than 6.5% of the gross bail bond premiums received by the insurer's agent.

The bill also specifies that the calculation under the bill applies to premiums reported on annual statements filed in 2021 and thereafter. The bill provides that if the new calculation results in a reduction in the amount of tax due from an insurance company as determined from an annual statement filed before the amendment's effective date, the insurance company may submit an application for refund of the amount overpaid.

Under existing law under Chapter 5729, every foreign insurance company must set forth in its annual statement to the Superintendent the gross amount of premiums received by a foreign insurance company from policies covering risks within this state during the preceding calendar year, less return premiums paid for cancellations and considerations received for reinsurance of risks within this state. The gross premiums from policies covering risks within this state during the preceding calendar year, less deductions, are currently used to calculate domestic and foreign insurance taxes.

Regulatory restrictions

The bill exempts any rule that is adopted as a requirement for a state agency to obtain or maintain accreditation or certification from a multistate organization consisting of at least 45 participating states (e.g., National Association of Insurance Commissioners' financial regulation standards and accreditation committee) from the base inventory of regulatory restrictions that a state agency must reduce by 30% under continuing law.

Filing and confidentiality requirements

The bill exempts a commercial insurance policy form or endorsement that is unique in character and designed for a particular risk from filing requirements. However, the bill allows the Superintendent, by regulation or order, to prescribe specific restrictions relating to the exemption. The bill requires the insurer to make such policy form, endorsement, or rate, and the supporting documentation available for inspection if requested by the Superintendent.

The bill requires the Superintendent to maintain the confidentiality of information in connection with the merger or other acquisition of control of a domestic insurer.

Procedure to serve certain notices and documents

The bill enumerates specific notices and documents that must be served in accordance with Ohio's Administrative Procedure Act. Revisions related to the Administrative Procedure Act were recently made in the state operating budget act, H.B. 33 of the 135th General Assembly.

Elsewhere, the bill specifies that a shared employee is considered an employee of the professional employer organization (PEO) for purposes of determining whether a PEO who sponsors a group health benefit plan is a small employer under the state's Small Employer Health Benefit Plans Law.¹ The bill allows the plan sponsor of a fully insured health benefit plan, on behalf of individuals covered under the plan, to provide consent to the transmission of all communications related to the plan by electronic means, including electronic delivery of any health insurance identification card. The bill requires the plan sponsor to take certain actions before providing delivery by electronic means.

The bill adds funding agreements to the list of eligible claims on the assets of 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.

The bill eliminates the requirement that a health insuring corporation (HIC) include notice that the corporation is not a member of the [Ohio Life and Health Insurance Guaranty Association \(OLHIGA\)](#) in insurance contracts. The bill also modifies requirements related to the Ohio Assigned Risk Insurance Plan (OARP). OLHIGA and OARP are not-for-profit insurers associations and funded through assessments charged to member insurers. OLHIGA provides protection for certain policyholders against the insolvency and liquidation of an insurance company licensed to sell in Ohio. For instance, if a member company is liquidated, OLHIGA would step in to cover claims of the company's policyholders up to the certain limits. OARP provides an option for a licensed driver to obtain automobile insurance when the driver is not able to purchase automobile insurance through the insurance open market.²

Fiscal effect

The provision related to pet insurance may increase the Department of Insurance's administrative costs to implement, administer, and enforce the pet insurance law. The provisions related to regulatory restrictions and filing and confidentiality requirements may also increase the Department's administrative costs. Any increase would be paid from the Department of Insurance Operating Fund (Fund 5540). According to a Department of Insurance official, the

¹ According to the Bureau of Workers' Compensation (BWC) [website](#), there are 345 PEOs that are currently registered with BWC.

² Ohioans who are unable to purchase automobile insurance through the insurance open market may obtain automobile insurance through the [Ohio Automobile Insurance Plan](#).

provision related to bail bonds simply codifies the Department's current practice in calculating bail bonds' tax liabilities, thus, there would be no effect on state revenues.