Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 259 of the 131st G.A.

Date: December 9, 2015

Status: As Enacted

Sponsor: Reps. Ryan and Sears

Local Impact Statement Procedure Required: No

Contents: To regulate certificates of insurance prepared or issued to verify the existence of property or casualty insurance coverage, to repeal and reenact a subrogation provision in current law, to update prompt payment, and to require the Administrator of Workers' Compensation to reduce the transfer of negative experience to a successor employer under certain circumstances

State Fiscal Highlights

- The bill may minimally increase the Department of Insurance's administrative costs. 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 may help offset such administrative costs.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Certificate of insurance

The bill provides for the creation of a certificate of insurance, a document that is prepared or issued by an insurer or a licensed insurance agent to verify the existence of property and casualty coverage, and regulates the content, preparation, and issuance of such certificates. The bill states that a certificate of insurance is not a policy of insurance and cannot be used to confer to any person new or additional rights beyond what the referenced policy of insurance expressly provides. The bill also specifies that a certificate holder is entitled to notice of cancellation or nonrenewal concerning a policy of insurance only if the certificate holder is named within the policy and the policy requires notice to the holder.

The bill allows the Superintendent of Insurance to (1) require a person who violates any requirement related to certificates of insurance to cease and desist from the actions constituting the violation, (2) assess a civil penalty not to exceed $1,000 per violation, or (3) do both. All penalties assessed under this provision would be deposited into the Department of Insurance Operating Fund (Fund 5540).

The bill also allows the Superintendent to investigate the activities of any person the Superintendent reasonably believes has engaged in or is engaging in an act or practice prohibited under this bill. The bill permits the Superintendent to adopt necessary rules to implement the requirements in the bill.

Fiscal effect

The bill may minimally increase the Department of Insurance's administrative costs due to the regulation of certificates of insurance. Any such costs would be paid from the Department of Insurance Operating Fund (Fund 5540). The bill also allows the Superintendent of Insurance to impose penalties. Any penalties collected by the Superintendent may help offset such administrative costs.

Subrogation

The bill repeals an existing subrogation provision that was enacted in Am. Sub. H.B. 64 of the 131st General Assembly and took effect on September 28, 2015. H.B. 259 reenacts the same provision. These changes would have no direct fiscal impact on the state and local governments.

The provision in H.B. 64 provided that a subrogee's claim must be reduced proportionally (between insurer and injured party) whenever less than the full value of a tort action is recovered. This type of proportionate sharing of recovery is currently required by law in 35 other states. When enacted in H.B. 64, this provision had the potential to decrease costs recovered by insurance companies, possibly resulting in a rise of future premium rates to consumers.

Prompt payment

The bill updates prompt payment requirements to reflect the most current code, ICD-10, published by the United States Department of Health and Human Services. The provision would have no direct fiscal impact on the state and local governments.

Administrator of Workers' Compensation

The bill requires the Administrator of Workers' Compensation to adopt rules for the purpose of reducing the transfer of negative experience to a successor employer under certain conditions. The requirement may minimally increase the Administrator's administrative cost to create such rules.