



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 169 of the 132nd G.A.

Status: As Reported by House Insurance

Sponsor: Sen. Wilson

Local Impact Statement Procedure Required: No

Subject: To authorize the Superintendent of Insurance to oversee the sale of travel insurance, to act as or select a group-wide supervisor for an internationally active insurance group, and regarding delinquency proceedings involving insurer-members of federal home loan banks

State Fiscal Highlights

- The bill would increase the Department of Insurance's administrative costs related to regulation and enforcement of the new limited lines travel insurance and supervision activities for an internationally active insurance group. Any such costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The bill would increase revenues related to limited lines travel agent fees. The bill would permit the Superintendent of Insurance to impose a fee of up to \$50 for an initial license application fee, and up to \$50 for a biennial renewal fee. The amount of revenue resulting from such fees would depend on the number of agents submitting applications, and the revenue would be deposited into Fund 5540.
- The bill provides that any limited lines travel insurance agent or travel retailer that does not comply with its provisions would be committing an unfair and deceptive act or practice in the business of insurance, which carries civil penalties. Any increase in revenue from such penalties would depend on compliance with the bill's requirements. LSC staff assume that such fees would be deposited into Fund 5540.
- Any increase in the Department's administrative costs related to supervision activities for an internationally active insurance group would be offset by reimbursements from insurers in Ohio that are members of the insurance holding company system.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Travel insurance

The bill proposes to regulate the sale of limited lines travel insurance. The bill allows the Superintendent of Insurance to issue a "limited lines travel insurance agent" license to qualified individuals or business entities. The bill defines "travel insurance" as insurance coverage for personal risks incident to planned travel, including interruption or cancellation of a trip or event, loss of baggage or personal effects, damages to accommodations or rental vehicles, or sickness, accident, disability, or death occurring during travel.¹ The bill prohibits anyone from selling travel insurance in Ohio without such a license.

The bill provides that each applicant for a limited lines travel insurance agent license must pay an application fee as prescribed by the Superintendent, but not to exceed \$50 for an initial license and a biennial license renewal fee of up to \$50 for each renewal thereafter. The bill specifies that such fees are to be deposited into the Department of Insurance Operating Fund (Fund 5540). The bill specifies that a limited lines travel insurance agent, and those registered under the agent's license, are exempted from any examination and education requirements under section 3905.04 of the Revised Code.

The bill imposes various restrictions and requirements on travel retailers² and travel insurance agents. It specifies, for example, that agents are required to establish and maintain a register, on a form prescribed by the Superintendent, of each travel retailer that offers travel insurance on the agent's behalf, and that the agent must submit the register to the Department upon reasonable request.³ Other requirements and restrictions have no fiscal effects, and are explained in the LSC bill analysis.

The bill specifies that any limited lines travel insurance agent, or any travel retailer offering and disseminating travel insurance under the limited lines travel insurance agent license, that fails to comply with the requirements under this bill is considered to have engaged in an unfair and deceptive act or practice in the business of

¹ The bill specifies that "travel insurance" does not include major medical plans that provide comprehensive medical protection for a traveler with a trip lasting six months or longer, including a plan covering a person working overseas as an expatriate or in a deployed military unit.

² Under the bill, "travel retailer" means a business entity that makes, arranges, or offers travel services, and that may offer or sell travel insurance as a service to its customers on behalf of, and under the direction of, a limited lines travel insurance agent.

³ At such a time, the retailer must also certify that he or she complies with federal law related to insurance affecting interstate commerce.

insurance. Under current law, if the Superintendent finds that a person has engaged in such an act or practice, the Superintendent may take a variety of actions, including issuing a cease and desist order, imposing a civil penalty of up to \$25,000, suspending or revoking an insurance license, and ordering corrective actions.

Internationally active insurance groups

The bill authorizes the Superintendent of Insurance to act as the group-wide supervisor, or to acknowledge a regulatory official from another jurisdiction as the group-wide supervisor, for an internationally active insurance group, if the group meets certain conditions as specified under the bill.⁴ An "internationally active insurance group" is an insurance holding company system that includes an insurance company registered in Ohio that meets certain requirements.⁵ In cooperation with other state, federal, and international regulatory agencies, the Superintendent is required to identify one group-wide supervisor for each internationally active insurance group.

The bill allows the Superintendent to collect from any insurer registered under section 3901.33 of the Revised Code all information necessary to make the determination or acknowledgement described in the previous paragraph. The bill specifies various duties for the group-wide supervisor for an internationally active insurance group. The bill allows the Superintendent to adopt rules in accordance with Chapter 119. of the Revised Code as necessary to implement these requirements.

Insurer-members of federal home loan banks

The bill specifies requirements related to delinquency proceedings involving insurer-members of federal home loan banks. These requirements have no fiscal effect.

Fiscal effect

The bill would expand the Department of Insurance's regulatory and enforcement responsibilities related to the new limited lines travel insurance agents and supervision activities for an internationally active insurance group, thereby increasing the Department's administrative costs. However, LSC staff believe that any increase in such expenditures would likely be minimal, and the bill provides additional sources of revenue. Currently, the Department's administrative costs are paid from Fund 5540. The license fee revenue is deposited into Fund 5540, helping to defray the administrative costs. In addition, Fund 5540 may receive revenue from penalties assessed by the Superintendent due to individuals committing newly defined unfair

⁴ The bill provides that an insurance holding company system that does not otherwise qualify as an internationally active insurance group may request that the Superintendent make a determination as to a group-wide supervisor for the insurance holding company system.

⁵ Those requirements include that insurer-members of the group write premiums in at least three countries, that at least 10% of the system's gross written premiums be written outside the U.S., and that either (1) the total assets of the system exceed \$50 billion or (2) the total gross written premiums of the system exceed \$10 billion.

and deceptive acts or practices in the business of insurance. The amount of revenue collected would depend on the compliance of insurers and retailers with the bill's requirements.

Any expenses related to the Superintendent's duties associated with the group-wide supervision activities for an internationally active insurance group will be reimbursed by insurers. The bill specifies that an insurer that is a registered member of a holding company system in Ohio is liable for and must pay the reasonable expenses of the Superintendent's supervision of the system, including engaging attorneys, actuaries, and any other professionals and all reasonable travel expenses.

The bill has no direct fiscal effect on political subdivisions.

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