OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 256
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Wilson

Local Impact Statement Procedure Required: No

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Highlights

- Taxing certain travel insurance premiums will increase revenue to the GRF to the extent that tax is not already being remitted on such premiums. Increases in GRF tax revenue likewise increase revenue to the Local Government Fund (LGF) and the Public Library Fund (PLF). LBO does not have an estimate of the magnitude of any such increases.
- Augmenting the currently existing regulatory framework and requiring the Department of Insurance (INS) to monitor compliance with and enforce the regulations will likely increase workload at the Department. LBO thinks any increase of INS expenditures resulting from the bill is likely to be minimal.
- Subjecting anyone offering travel insurance to Ohio residents to the law governing unfair and deceptive acts in the business of insurance may allow INS to levy penalties against market participants who violate the bill's provisions. This may increase revenue deposited in the Department of Insurance Operating Fund (Fund 5540), with the amount of revenue depending on market participants' compliance with the bill and existing law.

Detailed Analysis

The bill modifies a number of current practices with regard to the travel insurance market and its regulation in Ohio. Among other changes, the bill modifies the conditions under which travel retailers are permitted to sell travel insurance, specifies certain allowable pricing practices, subjects market participants to oversight regarding unfair or deceptive business practices, and modifies state oversight for travel administrators who are in contract with insurers. Other provisions in the bill include rules governing cancellation policies, and requirements relating to marketing and policy documentation.

The bill also adds coverage of three new risks to the list of coverages that are explicitly defined as travel insurance. Currently, insurance policies that cover the following specified travel risks are explicitly defined as travel insurance: (1) interruption or cancellation of a trip, (2) loss of baggage or personal effects, (3) damages to accommodations or rental vehicles, and (4) sickness, accident, disability, or death occurring during travel. The bill expands this list to include coverage for emergency evacuations and repatriation of remains. S.B. 256 also allows the Superintendent of Insurance to augment the list to include any approved travel-related contractual obligation. Similarly, the bill adds to the list of products and services that are explicitly excluded from the definition of travel insurance.

Lastly, the bill explicitly subjects travel insurance contracts purchased by Ohio residents and businesses to the foreign and domestic insurance premiums taxes.

Fiscal impact

To the extent S.B. 256 increases the tax base on which the foreign and domestic insurance taxes are levied, revenue accruing to the GRF will rise as a result. Distributions to the Local Government Fund (LGF) and Public Library Fund (PLF), which receive 1.66% and 1.70% of GRF tax revenue, respectively, are also affected.[1] LBO does not have an estimate of the magnitude of any such revenue increase.

The bill additionally codifies regulatory practices with regards to travel insurance. Under the bill, INS is required to issue limited lines travel insurance agent licenses to businesses meeting the requirements, and to ensure both the agents and insurers offer travel insurance products in a manner compliant with rules established in the bill.[2] Monitoring compliance with and enforcing the bill's regulatory provisions will likely increase the workload at INS. LBO staff think that any increase in administrative expenditures would likely be minimal. Currently, INS administrative costs are paid from Fund 5540. License fee revenue is deposited into this fund to defray these costs.

In addition, Fund 5540 may receive revenue from penalties assessed by the Superintendent of Insurance due to infringements of codified law or INS policy. Penalties for such infringements may be up to $3,500 per violation, up to $35,000 in any six-month period, and recovery of half of departmental costs, up to $100,000, for investigating the violations.[3] Any changes in revenue to this fund as a result of the bill will depend on the compliance of insurers and retailers with the bill's requirements.

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[1] The LGF and PLF receive a set percentage of GRF tax revenue under continuing law. The distribution percentage for the PLF is set to revert to 1.66%, following the expiry of uncodified provisions in H.B. 110 of the 134th General Assembly, in July 2023.

[2] The bill details specific informational materials, policy documentation, marketing restrictions, and contractual limitations that agents and insurers must adhere to while conducting travel insurance business. Please refer to the LSC bill analysis for details on those specific provisions.

[3] Section 3901.22 of the Revised Code, not in the bill.