OHIO LEGISLATIVE SERVICE COMMISSION

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Office of Research and Drafting

Legislative Budget Office

S.B. 175
135th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 175's Bill Analysis

Version: As Introduced

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 is likely to be minimal, and it would be paid from the Department of Insurance Operating Fund (Fund 5540).
- No direct fiscal effect to political subdivisions.

Detailed Analysis

The bill makes several changes to the tax on bail bond premiums, insurance regulatory restrictions, and certain filing requirements to the Superintendent of Insurance. Most of the provisions have no significant fiscal effect on the state and none of the provisions have any fiscal effect on local governments. The bill also 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] however, this provision has no fiscal effect on the state or local governments. Please refer to the LSC bill analysis for detail provisions in the bill.

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

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

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 for 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 adopted or amended that is necessary to meet the requirements for accreditation by the National Association of Insurance Commissioners' (NAIC) financial regulation standards and accreditation committee from rules and regulatory restrictions under existing law. The bill requires the Superintendent, as soon as practicable after the bill's effective date, to amend the base inventory of regulatory restrictions prepared under existing law to remove the regulatory restrictions that are necessary to meet the requirements for accreditation by NAIC's committee. The Superintendent must also compute and state the total number of regulatory restrictions indicated in its amended base inventory, post the amended base inventory on its website, and electronically transmit a copy of the amended base inventory to the Joint Committee on Agency Rule Review.

Filing 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.

Fiscal effect

According to a Department of Insurance official, the 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. The provisions related to regulatory restrictions and filing requirements may increase the Department of Insurance's administrative costs. Any increase is likely minimal and it would be paid from the Department of Insurance Operating Fund (Fund 5540).

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