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H.B. 675
134th General Assembly

Fiscal Note & Local Impact Statement

Click here for H.B. 675's Bill Analysis

Version: As Reported by House Insurance

Primary Sponsor: Rep. Dean

Local Impact Statement Procedure Required: No

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Highlights

- The bill would minimally increase the Department of Insurance's administrative costs for promulgating new rules consistent with the bill. But repealing certain rules to comply with the bill may decrease costs related to enforcing those rules. LBO staff think the likely net effect would be a decrease in the Department's costs paid from the Department of Insurance Operating Fund (Fund 5540).
- Exempting certain practices from classification as unfair and deceptive acts or practices in the business of insurance, may reduce revenue from penalties. The magnitude of any revenue loss would depend on health insurers' compliance, and would affect Fund 5540.

Detailed Analysis

Under current law, the Superintendent of Insurance is required to adopt reasonable rules governing advertising, marketing practices, and compensation arrangements for Medicare supplement policies and certificates. The rules are specified in the Ohio Administrative Code under Rule 3901-8-09 Solicitation and sale of Medicare supplemental accident and health policies. According to the rules certain types of unsolicited contacts with a Medicare-eligible person are considered to be engaging in an unfair and deceptive act or practice in the business of insurance. The bill prohibits the Superintendent from banning the following types of solicitation for Medicare supplement policies and certificates: (1) print solicitations such as leaflets, flyers, or door hangers left at residences or on motor vehicles, (2) in-person solicitations of individuals at the individual's residence or in public or common areas, and (3) telephonic or electronic solicitations such as electronic voicemail messages, text messages, or direct social media messages. The bill provides that the Superintendent is permitted to prohibit in-person solicitations for such policies and certificates at nursing homes and residential care facilities.

Fiscal effect

The bill would require the Department of Insurance to promulgate new rules consistent with the bill's prohibition, by repealing certain existing rules. This would minimally increase administrative costs for the Department. The bill may also decrease costs for the Department to enforce the current rules governing solicitation that would be repealed under the bill. LBO staff are uncertain of the magnitude of resources currently expended on such enforcement, but consider it likely that there would be a cost decrease that would exceed any cost increase due to promulgating new rules. Any decrease in the Department's costs would reduce expenditures paid from the Department of Insurance Operating Fund (Fund 5540).

Under existing law, a health insurer that repeatedly violates the Superintendent's rules related to solicitation and sale of Medicare supplemental accident and health policies is considered to have engaged in an unfair and deceptive act or practice in the business of insurance, which carries civil penalties.[1] Any revenue from the penalties would depend on health insurers' compliance with the rules. Any revenue from the penalties would be deposited into Fund 5540.

The bill has no direct fiscal effect on political subdivisions.

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[1] Under existing law, the Superintendent is authorized to assess an insurer for half of Department costs, up to $100,000, reasonably incurred to conduct investigations of that insurer's committing unfair or deceptive acts in the business of insurance; violations of a cease and desist order issued by the Superintendent may lead to a court order of civil penalties up to $3,500 for each violation or a total of $35,000 in any six-month period.