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S.B. 154
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Sen. Maharath

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SUMMARY

- Restricts the factors that an insurer can consider when setting motor vehicle insurance.
- Designates a violation of the bill's requirements an unfair and deceptive practice in the business of insurance.

DETAILED ANALYSIS

Overview

The bill restricts the factors that an insurer can consider when setting motor vehicle insurance. The bill applies to standard motor vehicle insurance and uninsured and underinsured motor vehicle insurance, but does not apply to commercial vehicle insurance.¹

Under current law, insurers are allowed to consider certain factors for setting general casualty insurance rates and then additional factors specifically for motor vehicle insurance. The bill exempts motor vehicle insurance from the general casualty rate factors and repeals the current law motor vehicle specific factors. The current law rate factors a motor vehicle insurer is allowed to consider are:

- Past and prospective loss experience within and outside of Ohio;
- The experience or judgment, or both, of the insurer or rating organization making the rate;
- The experience of other insurers or rating organizations;
- Physical hazards;

¹ R.C. 3937.021(G) and (H).

- Catastrophe hazards;
- A reasonable margin for underwriting profit and contingencies;
- Dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers;
- Past and prospective expenses both countrywide and those specially applicable to Ohio;
- All other relevant factors within and outside of Ohio;
- Any relevant factor contributing to the cancellation, refusal to renew, or other involuntary termination of motor vehicle insurance coverage previously maintained by the applicant.

Under current law, an insurer is prohibited from considering the fact that an applicant does not have motor vehicle insurance at the time of the applicant's application for insurance, unless the insurer has an actuarial justification. Also, current law prohibits rates from being excessive, inadequate, or unfairly discriminatory.²

Permissible factors

Under the bill, an insurer providing motor vehicle insurance is limited to considering only the following factors when setting rates and premiums:

- The insured's certified abstract (commonly referred to as a "driving record") furnished by the Registrar of Motor Vehicles;
- The number of miles the insured drives each year;
- The number of years of driving experience the insured has had;
- Any other factors that the Superintendent of Insurance determines to be necessary.

An insurer is required to weight each of these factors. They are arranged above in order from greatest to least weight to be given when setting premiums and rates.

Note that the factors to be adopted by the Superintendent in rule cannot be one of the prohibited factors outlined below (see "**Prohibited factors**," below). If the Superintendent adopts allowable factors in rule, then the Superintendent must also prescribe the method for measuring the respective weight to be given to each factor in determining motor vehicle insurance rates and premiums.³

Prohibited factors

An insurer offering motor vehicle insurance is prohibited from considering any of the following factors when setting rates and premiums:

² R.C. 3937.02(A) and (D) and current R.C. 3937.021, repealed.

³ R.C. 3937.021(A) to (C) and R.C. 4509.05, not in the bill.

- The number of claims made in the area where an insured's vehicle is garaged;
- Whether or not the vehicle is used for business purposes;
- The number of vehicles the insured has covered;
- The amount of insurance under the policy in question;
- The income of the insured;
- The number of dependents covered under the policy;
- The vehicle make and model;
- Sex;
- Marital status;
- Credit information.

“Credit information” is any information derived from a credit report, found on a credit report, or provided on an application for personal insurance. “Credit information” does not include noncredit related information, regardless of whether it is contained in a credit report on an application or is used to calculate an insurance score.⁴

Enforcement

A violation of the bill's requirements is considered an unfair and deceptive practice in the business of insurance.⁵ Under continuing law, unchanged by the bill, a person who is found to have committed an unfair and deceptive practice in the business of insurance is subject to any or all of the following sanctions:

- Suspension or revocation of the person's license to engage in the business of insurance;
- A prohibition being placed on an insurance company or insurance agency employing the person or permitting the person to serve the company or agency in any capacity for a period of time;
- Return of any payments received by the person as a result of the violation;
- Fees for attorneys and other costs of any investigation into the violations committed by the person.⁶

Interpretation

The bill specifies that it is not to be construed as prohibiting an insurer from doing either of the following:

⁴ R.C. 3937.021(D).

⁵ R.C. 3937.021(E).

⁶ R.C. 3901.22, not in the bill.

- Establishing and maintaining statistical reporting territories;
- Establishing or maintaining, for motor vehicle insurance, a premium discount plan for senior citizens who are at least 60 years of age.⁷

HISTORY

Action	Date
Introduced	05-21-19

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⁷ R.C. 3937.021(F).