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S.B. 306
136th General Assembly

Fiscal Note & Local Impact Statement

Click here for S.B. 306's Bill Analysis

Version: As Reported by Senate Financial Institutions, Insurance and Technology

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 for regulating insurance companies, including special purpose financial captive insurance companies and investigating insurance fraud. Any increase in the Department's administrative costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- The bill broadens the offense of "insurance fraud" which could slightly increase the number of cases for local criminal justice systems to investigate and adjudicate. The number of new cases should be small for any given local criminal justice system and more or less absorbed by utilizing existing staff and resources. Some of these costs may be partially offset by fine and court cost revenue, if collected.
- The costs for the Office of the Attorney General's Consumer Protection Section to investigate and enforce new violations of the Consumer Sales Practices Act (CSPA) will depend on the number of complaints filed/reported, investigations performed, and enforcement actions taken. The collection of civil penalties credited to the Consumer Protection Enforcement Fund (Fund 6310) may offset these costs to some degree.
- Civil justice systems will be able to absorb any additional filings into their respective caseloads with little, if any, discernible effect on annual operating expenses.

Detailed Analysis

Special purpose financial captive insurance company

The bill modifies the requirement regarding a reserve basis for a special purpose financial captive insurance company (SPFCIC). Under existing law, an SPFCIC insurance company must follow the National Association of Insurance Commissioner's (NAIC) accounting practices and

procedures manual, but, upon request, the Superintendent of Insurance may allow an SPFCIC to use a reserve basis other than that found in NAIC's manual. Under the bill, upon request, the Superintendent, may allow an SPFCIC to admit an unimpaired asset held by the SPFCIC or any affiliate entity, which is intended to secure the reinsurance obligations of such parties, or which is not recognized as such in the NAIC's accounting practices and procedures manual. The bill requires the Superintendent to adopt rules that define admitted asset. The bill also modifies the requirement related to a counterparty taking credit for reinsurance ceded to an SPFCIC.

Unaffiliated insurance agent license

The bill provides for the licensure of unaffiliated insurance agents who are registered investment advisors, have passed the Series 65 Exam administered by the Financial Industry Regulatory Authority, and are qualified to sell, solicit, or negotiate variable life and variable annuity insurance products without a separate line of authority. The bill also specifies that unaffiliated insurance agents who solicit an application for insurance on the life of another person are to be considered the agent of the insured.

Ohio Assigned Risk Insurance Plan

The bill specifies requirements regarding the Ohio Assigned Risk Insurance Plan. The bill specifies conditions for granting insurance under the plan, including eligibility requirements to participate under the plan. The bill allows the plan to place an applicant with any insurer admitted or authorized in the state, regardless of whether the agent submitting the application is appointed with the insurer.

The bill also specifies that knowingly submitting, or submitting with the purpose to defraud, false, manufactured, manipulated, or inaccurate information to the plan is considered insurance fraud. Under continuing law, unchanged by the bill, anyone guilty of an insurance fraud is liable for a misdemeanor of the first degree. If the insurance claim that is false or deceptive is between $1,000 and $7,500, it is a felony of the fifth degree. If the amount of the claim that is false or deceptive is between $7,501 and $150,000, it is a felony of the fourth degree. If the amount of the claim that is false or deceptive is more than $150,000, it is a felony of the third degree. The table below illustrates the general penalty structure for misdemeanors and felonies for insurance fraud under current law, including the maximum fine and possible term of incarceration.

Felony and Misdemeanor Sentences and Fines		
Offense Level	**Fine**	**Term of Incarceration**
Felony 3rd degree	Up to $10,000	9, 12, 18, 24, 30, or 36 months definite prison term
Felony 4th degree	Up to $5,000	6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, or 18 months definite prison term
Felony 5th degree	Up to $2,500	6, 7, 8, 9, 10, 11, or 12 months definite prison term
Misdemeanor 1st degree	Up to $1,000	Jail, not more than 180 days

Insurance investment law changes

The bill modifies investment provisions for certain insurers. The bill specifies limitations regarding investment instruments that can be invested in for certain assets of domestic life insurance companies and domestic insurance companies other than life insurance companies.

Civil actions

The bill imposes various requirements and prohibitions regarding repair facilities, for instance, prohibiting them from requiring consumers to sign contracts that interfere with certain contracts, such as an insurance policy, and from representing, negotiating, or attempting to obtain an assignment of claims, rights, or proceeds from a consumer. In addition, repair facilities must cease assessing all storage-related charges once notified by the insurer, or if otherwise determined, that the vehicle is a total loss. Facilities must also allow the insurer prompt access to the vehicle for inspection and valuation during normal business hours. Violation of these provisions constitutes a deceptive act or practice under the Consumer Sales Practices Act (CSPA), which already covers certain motor vehicle repairs and service issues.

The bill also modifies the law that authorizes an insurance company to bring a civil action against a towing service or storage facility (as outlined in the LSC bill analysis). In general, these modifications (1) clarify the current procedures governing an insurance company civil action against a towing service or storage facility by specifying that the insurance company must file the civil action in the municipal or county court with territorial jurisdiction, regardless of the value of the vehicle or bill for services, (2) expand the timeframe in which the action must be filed from 30 days to 45 days after an insurance company receives the bill for services from the towing service or storage facility, (3) prohibit a towing service or storage facility from adding additional storage or related fees to the disputed bill after an insurance company files a civil action, and (4) requires, rather than permits, a court to penalize a towing service or storage facility that does not release a vehicle to its owner after the insurance company pays the undisputed portion of the bill.

Fiscal effect

Insurance provisions regarding SPFCIC and insurance fraud may increase the Department of Insurance's administrative costs to regulate such companies and investigate such fraud. Any increase in the Department's administrative costs would be paid from the Department of Insurance Operating Fund (Fund 5540). Currently, eight captive insurance companies are licensed by the Department. In FY 2025, the Department "received more than 9,014 allegations of agent misconduct and insurance fraud from insurance companies, consumers, government agencies, and law enforcement entities. As a result of these referrals, the Department opened 1,208 administrative and criminal investigations, identified 215 potential law violations, and took administrative and/or criminal action against 226 individuals."[1]

In addition, the unaffiliated insurance agents licensing provision may increase fees from such insurance agents. Currently, most fees collected under Chapter 3905 of the Revised Code are deposited in Fund 5540, but a portion of certain fees are deposited into the GRF. According to the Department of Insurance's 2025 annual report, approximately 347,306 insurance agents and 24,439 insurance agencies do business in Ohio. In addition, according to information from

[1] Source: Ohio Department of Insurance Annual Report 2025 (PDF).

the Investment Adviser Association's website, in 2024 there were over 1,200 adviser firms with about 17,000 nonclerical employees. The number of applicants for an unaffiliated insurance agent license under the bill is undetermined. However, fee revenue deposited in the state treasury may increase 1% or 2% based on the bill's licensing provision for unaffiliated agents, to the extent some of those investment advisors apply for such license.

Regarding criminal provisions related to insurance fraud, it appears unlikely that the bill will create many new cases for municipal and county criminal justice systems to process. As such, the costs associated with adjudication, prosecution, and indigent defense (if applicable), will likely be minimal annually for any single jurisdiction. To the extent that new cases are successfully prosecuted, counties and municipalities may gain minimal at most additional revenue collected from violators pursuant to the order of the sentencing court. In addition, a court generally imposes state court costs that are credited to the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020). The annual revenue gain to the state will also be minimal at most annually.[2] Assuming there are additional convictions of the offense of insurance fraud, there might be a slight increase in the number of offenders sentenced to a term of incarceration. To the degree this occurs, there will be marginal annual increases in state and local incarceration expenditures. According to the Department of Rehabilitation and Correction (DRC), the FY 2024 average marginal cost to house an additional offender was $13.47 per day or $4,917 per year. Marginal costs, as defined by DRC, are those that increase or decrease directly on a per-person basis with changes in prison population. However, for lower level felonies, there is generally a presumption that offenders would be subjected to community sanctions, which is generally a less costly alternative, rather than institutional incarceration.

CSPA provisions regarding repair facilities may increase costs for the Attorney General (AGO) and civil justice systems. The AGO has broad authority to enforce the CSPA, including suing for injunctive relief and civil penalties. Depending upon the nature of the violation, the court is permitted to impose a civil penalty of up to between $5,000 and $25,000. Pursuant to current law, the civil penalties are distributed as follows: three-fourths, or 75%, to the state's existing Consumer Protection Enforcement Fund (Fund 6310) and one-fourth, or 25%, to the treasury of the county where the AGO's action is brought. The timing and magnitude of this potential revenue stream is uncertain. Typically, the AGO will try to negotiate a settlement and take a matter to trial as a last resort. Under the bill and the CSPA, a consumer has a private right of action and can sue the alleged violator to recover the consumer's actual economic damages plus up to $5,000 in noneconomic damages. If the violation is an act or practice that has already been declared deceptive or unconscionable by the AGO or by a court, then the consumer may sue to recover three times the amount of the consumer's actual economic damages. Overall, the number of additional AGO or consumer-initiated civil actions is expected to be relatively small in the context of a court's total caseload. Any costs, likely minimal, would be absorbed utilizing existing staff and resources and partially offset if any civil penalties are assessed and recouped. Similarly, any fiscal effects for courts related to insurance company civil actions regarding towed vehicles is also likely to be minimal.

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[2] For felonies, state court costs are $60 and credited as follows: $30 to the Indigent Defense Support Fund (Fund 5DY0) and $30 to the Victims of Crime/Reparations Fund (Fund 4020). For misdemeanors, state court costs are $29 and credited as follows: $20 to Fund 5DY0 and $9 to Fund 4020.