Key provisions of HB 278

Proof of financial responsibility-Increase minimum amounts
www.legislature.state.oh.us/bills.cfm?ID=129_HB_278

1) Increases Ohio's minimum Financial Responsibility (FR) limits

2) Reduces from two years to one year the minimum policy period for automobile insurance policies and further defines parameters for cancellation

3) Makes it an unfair and deceptive act or practice in the business of insurance to charge excessive, inadequate or unfairly discriminatory premium rates in private passenger automobile insurance based solely on the insured's residence location

4) Prohibits an automobile insurer from denying intra-family claims involving wrongful death

5) Allows an insurance company to obtain a salvage certificate of title on total loss vehicles in certain circumstances when the insurance company has paid a total loss claim and the claimant does not provide the certificate of title

6) Establishes a study committee to review and evaluate the feasibility of providing certain automobile insurance policy information to the Ohio Registrar of Motor Vehicles for the purpose of identifying potentially uninsured motorists

Note: The bill's effective date is March 22, 2013. Effective dates on provisions vary as noted below.

1) Increases Ohio's minimum Financial Responsibility (FR) bodily injury limits to $25,000 per person and $50,000 per accident and increases property damage liability to $25,000 per accident (25/50/25).

The existing FR limits have been in effect since 1969.
Effective on new or renewed auto insurance policies: December 22, 2013

Type of injury	Existing FR minimum limits	New minimum FR limits as of 12/22/13
Bodily injury or death of one person per accident	$12,500	$25,000
Bodily injury or death of multiple persons in one accident	$25,000	$50,000
Property damage per accident	$7,500	$25,000

2) Specifies that the minimum auto insurance policy period is one-year.

Ohio was the only state in the nation with a two-year non-cancellation period for auto insurance policies. Ohio Revised Code Section 3937.25 (B) states that after an auto insurance policy has been in effect for more than 90 days, an insurance company is prohibited from cancelling the policy for a two-year period unless the cancellation is based on nonpayment of premium; discovery of fraud or material misrepresentation; discovery of a moral hazard or willful or reckless acts or omissions; the occurrence of a change in the individual risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed or loss of applicable reinsurance or a substantial decrease in applicable reinsurance.

Many states don't have mandatory non-cancellation periods and of those that do, none provide a two-year non-cancellation period for auto insurance. In today's market auto insurance policies are typically written for a six-month or one-year period. A longer non-cancellation period in Ohio meant fewer auto insurance options for higher-risk drivers. There is more risk associated with a two-year versus a one-year policy period. Underwriting the risk over a longer period increases chances for a loss, increasing the base premium.

Effective on new or renewed auto insurance policies: September 22, 2013

HB 278 further defines circumstances under which an insurer can cancel an auto insurance policy including fraud, driver license revocation and concealment of information.

Effective date: March 22, 2013

3) Removes the requirement that auto insurance premiums be based on municipal boundaries and makes it an unfair and deceptive act or practice for insurers to charge excessive, inadequate or unfairly discriminatory premium rates in private passenger automobile insurance based solely on the insured's residence location.

Prior to the passage of HB 278, Ohio was the only state requiring auto insurance rating territories to be based upon municipal boundaries. This makes for burdensome regulation, complicated compliance and less accuracy in Ohio auto insurance rating.

Between 2007–11 there were over 750 municipal boundary changes in Ohio. Every time this occurred an insurer's auto rates for that area were automatically out of compliance. It's virtually impossible to predict when a municipality may annex an area and to develop insurance rating models that are able to keep up.

Current Ohio law states that no municipality can be subdivided into smaller areas for the purpose of developing auto insurance rates. This added complexity and cost as insurers had to constantly modify rating, quoting and application platforms.

Arguably Ohio's municipality rating mandate also lead to some drivers paying a rate that didn't necessarily coincide with the risk factors associated with where they garaged their vehicles.

Ohio statute already prohibits auto insurance rates from being excessive and unfairly discriminatory. Rates are reviewed and, if necessary, disapproved by the Ohio Department of Insurance. Modernizing Ohio's territorial rating requirements hasn't changed an insurer's obligation to comply with this law.

While Ohio was the only state in the country that required auto insurance rates to be based upon municipal boundaries, it hasn't had the same requirement with regard to homeowners insurance.

According to the December 2012 report from the National Association of Insurance Commissioners, Ohioans pay $295 less for homeowners (HO) insurance than the US average. The average 2010 Ohio HO expenditure was $614 compared to the US average of $909. Ohio's average homeowners insurance expenditure is 6th lowest in the country. Ohio has a long history of having some of the country's lowest homeowners insurance premiums. Given the fiercely competitive nature of Ohio's insurance market, insurance consumers should welcome this rate modernization into the auto insurance market.

Effective on new or renewed auto insurance policies: March 22, 2013

4) While the majority of automobile insurance policies written in Ohio don't restrict intra-family claims, some do. HB 278 prohibits any Ohio automobile insurance policy from denying intra-family claims involving wrongful death.

The exclusion had existed to prevent family members from colluding to fabricate or exaggerate intra-family injury claims to insurers. Essentially it is a claim where one family member sues another. However in wrongful death claims the injury is clear and cannot be exaggerated.

It's important to emphasize that most of the auto insurance policies issued in Ohio do not include this type of exclusion, and under the bill no automobile insurance policy issued in Ohio will be allowed to exclude coverage for an intra-family death claim.

Consumers may want to consult with their insurance company or agent regarding how this coverage may apply based on their auto insurance policy.

Effective on new or renewed auto insurance policies: March 22, 2013

5) Enables an insurer to obtain a salvage certificate of title for a motor vehicle in certain circumstances when it does not have possession of the title.

There was a recent new interpretation of the statute by the Ohio Bureau of Motor Vehicles which put a halt on an auto insurance company's ability to transfer the title on vehicles which they have already paid a claim on as a total loss, but were unable to get the necessary paperwork from the claimant to transfer the title. Unfortunately some insureds/claimants are unresponsive to their auto insurance company's request for paperwork necessary for a proper title transfer once they were paid for their loss.

HB 278 allows an auto insurance company to obtain a salvage vehicle title on totaled vehicles after showing evidence that they paid the claim on the vehicle and they properly requested a copy of the certificate of title from the vehicle owner.

This enables insurers to better manage total loss auto claims by allowing a more timely title transfer in order to dispose of the damaged vehicle to a junkyard or auto recycler.

Effective date: March 22, 2013

6) Establishes a 12-member auto insurance review committee to study the feasibility of requiring auto insurance carriers to report certain policy information to the Registrar of Motor Vehicles including renewals, cancellations or lapses in auto insurance policies. The committee is to report its findings within a year of the bill's effective date or by March 22, 2014. Upon submission, the committee will be dissolved.

Several vendors have approached state government offering systems that attempt to identify drivers who are not in compliance with Ohio's financial responsibility law by matching auto insurance company data. This type of enforcement mechanism has been implemented in some states. While these arrangements may be lucrative for vendors they have not proven to be more effective in reducing the number of uninsured motorists than Ohio's current verification programs. While the success of this enforcement tool remains questionable, it has the potential of increasing the cost of auto insurance while placing consumer personal information at risk.