

Fiscal Note & Local Impact Statement

125th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 425** DATE: **March 24, 2004**

STATUS: **As Introduced** SPONSOR: **Rep. Stewart**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Makes changes to laws governing mine subsidence insurance, repeals a provision of current law that permits an annual distribution of excess moneys in the Mine Subsidence Insurance Fund to policyholders, and repeals language citing state appropriations as a source of funding for the Mine Subsidence Insurance Fund**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.
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Detailed Fiscal Analysis

House Bill 425 would repeal a provision in law that permits an annual distribution of excess moneys in the Mine Subsidence Insurance Fund to policyholders and would repeal a provision that the fund may obtain moneys from state appropriations. It also makes changes to the law governing mine subsidence insurance, including changes to laws governing coverage limits, deductibles, and limits on the amount of reinsurance coverage that the mine subsidence underwriting association may offer. The bill specifies the Ohio counties in which mine subsidence insurance must be offered in connection with property and homeowners insurance, and permits a representative to be elected to the Mine Insurance Governing Board without a meeting of the members.

Background

The Ohio Mine Subsidence Insurance Program was created by the General Assembly in 1987. The program is intended to aid homeowners whose property is damaged by the collapse or shifting of land located over an abandoned mine. Current law requires that mine subsidence coverage be included in basic property or homeowners insurance coverage for property located in one of 26 counties, mostly located in the eastern and southeastern areas of the state. It permits the Mine Subsidence Insurance Governing Board to require insurers to offer mine subsidence insurance coverage in other counties; currently such coverage must be offered in another 11 counties. H.B. 425 would codify the 11 counties in which such coverage must be offered. Premiums for the coverage are set by the governing board, are collected by the insurer, and forwarded to the program's administrator.

The ultimate recipient of premiums paid by policyholders is the Mine Subsidence Insurance Fund, which was created as a fund in the custody of the Treasurer of State. The fund was originally capitalized by action of the Controlling Board on January 17, 1986, but the principal source of revenue is premiums collected for mine subsidence insurance coverage. The fund has not received any state appropriations since its establishment. The Treasurer of State shows a balance in the fund of \$11.8 million as of March 2004.

An official with the Ohio Fair Plan Underwriting Association, which was hired to perform administrative and claims services for the program, reports that the fund has never distributed excess money to policyholders as allowed under the provision that the bill would repeal. The official further indicates that any information that program officials have about policyholders arises only in connection with a claim, because policyholder information is collected and retained by the insurer that issues the affiliated property or homeowners coverage. Therefore it would be very difficult to implement any distribution of excess money to policyholders.

Fiscal Effect

The bill would make changes to a program that currently operates independently of the state's budget. The bill would repeal the existing statutory basis for future state appropriations for the program, but no appropriations have been made for the program since its initial establishment. There would be no fiscal effect from the bill.

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