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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

**S.B. 157**  
**135<sup>th</sup> General Assembly**

## **Fiscal Note & Local Impact Statement**

[Click here for S.B. 157's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsor:** Sen. Lang

**Local Impact Statement Procedure Required:** No

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### **Highlights**

- The bill may minimally increase the Department of Insurance's administrative costs for ensuring insurers doing business in the state comply with the requirements related to ancillary product protection contracts. Any increase in the Department's administrative costs would be paid from the Department of Insurance Operating Fund (Fund 5540).
- No direct fiscal effect on political subdivisions.

### **Detailed Analysis**

The bill expands the types of products offered in connection with a sale or lease of a motor vehicle that are exempt from state insurance laws. In doing so, it establishes a new class of motor vehicle products, makes changes to debt cancellation or debt suspension products, and modifies motor vehicle ancillary product protection contracts.

#### **Excess wear and use waivers**

The bill stipulates that an "excess wear and use waiver"<sup>1</sup> is not an insurance product and defines it for use in commercial transactions associated with leasing of motor vehicles. The bill specifies that the terms of a related motor vehicle lease must not be conditioned upon the consumer's payment for any extended wear and use waiver. Extended wear and use waivers may

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<sup>1</sup> An "excess wear and use waiver" means a contractual agreement that is part of, or a separate addendum to, a lease agreement for use of a motor vehicle, under which the lessor agrees, with or without a separate charge, to do any of the following: (1) cancel or waive all or part of amounts that may become due under a lessee's lease agreement as a result of excess wear and use of a motor vehicle, and (2) cancel or waive amounts due for excess mileage.

be discounted or given at no extra charge in connection with the purchase of other noncredit-related goods or services.

## **Debt cancellation or debt suspension products**

The bill modifies debt cancellation or debt suspension products. Under the bill, such products may also provide, with or without a separate charge, a benefit that waives an amount, or provides a borrower with a credit, towards the purchase of a replacement motor vehicle. The bill specifies that a charge for any optional debt cancellation or debt suspension product must not be considered a finance charge or interest. Under continuing law, a “debt cancellation or debt suspension product” is an agreement, exempt from state insurance laws, that cancels any debt associated with a motor vehicle that is destroyed or stolen.

## **Ancillary product protection contracts**

The bill modifies requirements for ancillary product protection contracts and adds additional services that would be eligible for such contracts, which are exempted from state insurance laws. The bill expands the current definition of a “motor vehicle” to also include under-speed vehicles for the purpose of motor vehicle ancillary product protection contracts. The bill also specifies that a motor vehicle ancillary product protection contract includes a vehicle value protection agreement, which is a contract that provides benefits when a motor vehicle is damaged, lost, stolen, or otherwise depreciates in value.

## **Requirements for contract providers**

The bill requires all motor vehicle ancillary product protection contract providers in Ohio to comply with certain requirements as outlined under the bill, including insuring all such contracts under one or more reimbursement insurance policies or maintaining a funded reserve account for the contract provider’s obligations under ancillary product protection contracts issued and outstanding in the state. The bill provides that the reserve account is subject to examination and review by the Superintendent of Insurance. The bill also requires the contract provider to place a financial security deposit in trust with the Superintendent.

## **Fiscal effect**

The bill may minimally increase the Department of Insurance’s administrative costs for ensuring insurers doing business in the state comply with the bill requirements. Any increase in the Department’s administrative costs would be paid from the Department of Insurance Operating Fund (Fund 5540). The bill has no direct fiscal effect on political subdivisions.