



Bill Analysis

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Legislative Service Commission

Am. H.B. 425 125th General Assembly (As Passed by the House)

Reps. J. Stewart, Aslanides, Hollister, Schaffer, Seitz, Skindell, Cirelli, Domenick, Niehaus, Blasdel, Carano, Collier, Daniels, DeBose, C. Evans, D. Evans, Gibbs, Otterman, Slaby, D. Stewart, Wilson, Wolpert

BILL SUMMARY

- Removes current limits under which the loss covered by mine subsidence insurance must be the loss in excess of 2% of the policy's total insured value, and changes the provision under which an insurance company is not precluded from selling insurance coverage in excess of \$50,000 by increasing the amount to \$300,000.
- Increases the cap on the amount of reinsurance coverage that the Ohio Mine Subsidence Insurance Underwriting Association offers from \$50,000 to \$300,000.
- Eliminates authority for state appropriations to, and the annual distribution to policyholders of excess money in, the Mine Subsidence Insurance Fund.
- Allows the election of a representative of member companies to the Mine Subsidence Insurance Governing Board without a meeting of the members.
- Specifies the Ohio counties in which mine subsidence insurance must be offered as an option in connection with property and homeowners insurance.

CONTENT AND OPERATION

Background

Ohio law establishes a mine subsidence insurance program to provide coverage to homeowners in counties in which abandoned mines are located.

Under the program, insurance premiums are paid into the Mine Subsidence Insurance Fund, which is a custodial account. The program is administered by the Ohio Mine Subsidence Insurance Underwriting Association, which in turn is governed by the Mine Subsidence Insurance Governing Board. The bill makes changes in a number of the statutes that establish the program's requirements and procedures as discussed below.

Definitions

The bill alters several definitions in the Mine Subsidence Insurance Law and adds new definitions to that Law. Under that Law, "mine subsidence" is defined to mean loss caused by the collapse or lateral or vertical movement of structures resulting from the caving in of underground mines, including coal mines, clay mines, limestone mines, and salt mines. "Mine subsidence" does not include loss caused by earthquake, landslide, volcanic eruption, or collapse of strip mines, storm and sewer drains, or rapid transit tunnels. (Sec. 3929.50(A).) Currently, "structure" is defined as any one- to four-family dwellings as defined and limited in standard fire policies. The bill revises that definition by defining "structure" as any one- to four-family dwellings as defined and limited in dwelling fire, homeowners, and farm policies (see below) and other structures as described, defined, or limited in the mine subsidence insurance form. (Sec. 3929.50(B).)

Under current law, "basic property insurance" is defined to mean insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsements on them, as approved by the Superintendent of Insurance, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the superintendent designates. The bill generally retains the definition, but changes the reference in the first portion of the definition to insurance as defined in standard fire policies to dwelling fire, homeowners, and farm policies. (Sec. 3929.50(C).) In addition, "homeowners insurance" is defined under current law to mean insurance on owner-occupied dwellings providing personal multi-peril property and liability coverages commonly known as homeowners insurance, and is subject to such reasonable underwriting standards, exclusions, deductibles, rates, and conditions as are customarily used by member insurers for similar coverages. The bill retains only the first part of the definition, thus defining "homeowners insurance" to mean insurance on owner-occupied dwellings providing personal multi-peril property and liability coverages commonly known as homeowners insurance. (Sec. 3929.50(D).)

Finally, the bill adds the following definitions:

(1) "Mine subsidence coverage" means the limits and type of coverage as defined by the Mine Subsidence Insurance Governing Board in the coverage form and approved by the Superintendent (sec. 3929.50(E)).

(2) "Farm insurance" means insurance providing property coverage on farm dwelling buildings (sec. 3929.50(F)).

(3) "Dwelling fire insurance" means a policy providing property coverage on residential buildings for the perils of fire and lightning and additional coverages (sec. 3929.50(G)).

Mine subsidence coverage

Current law requires the premium charged for mine subsidence coverage to be the same as the premium level set by the plan of operation that is required to be formulated by the Mine Subsidence Insurance Governing Board for the economical, fair, and nondiscriminatory administration of the Mine Subsidence Insurance Fund. The loss covered must be the loss in excess of 2% of the policy's total insured value, but at no time can the deductible be less than \$250 or more than \$500, and the total insured value reinsured by the Ohio Mine Subsidence Insurance Underwriting Association cannot exceed \$50,000. However, current law does not preclude an insurance company from selling mine subsidence insurance coverage in excess of \$50,000. The bill revises the limits on mine subsidence coverage. It eliminates the requirement that the loss covered must be the loss in excess of 2% of the policy's total insured value. In addition, it changes the requirement that the total insured value reinsured by the Association cannot exceed \$50,000 by increasing the amount to \$300,000. Finally, the bill revises the provision that states that an insurance company is not precluded from selling insurance coverage in excess of \$50,000 by increasing the amount from \$50,000 to \$300,000. (Secs. 3929.53, not in the bill, and 3929.56(B).)

Reinsurance coverage

Current law requires all companies authorized to write basic property insurance in this state to enter into a reinsurance agreement with the Ohio Mine Subsidence Insurance Underwriting Association in which each company agrees to cede 100%, up to \$50,000, of any subsidence insurance underwritten to the Association. Such a company, in consideration of the ceding commission retained by the company, also must agree to undertake payment of taxes and all other expenses of the company necessary for sale of policies. The bill increases the cap from \$50,000 to \$300,000. (Sec. 3929.58.)

Mine Subsidence Insurance Fund

Current law creates the Mine Subsidence Insurance Fund for the purpose of making available insurance coverage against mine subsidence. The Treasurer of State is the custodian of the Fund, which is not a part of the state treasury. The money in the Fund is derived from appropriations by the state and premiums for reinsurance assumed by the Mine Subsidence Insurance Underwriting Association

on policies written by members of the Association. The bill eliminates the provision under which money in the Fund is derived from appropriations by the state. Thus, under the bill, money in the Fund is derived only from premiums for reinsurance. (Sec. 3929.52(A).)

Current law states that at the expiration of each fiscal year, any amount in the Fund that the Mine Subsidence Insurance Governing Board determines to be safely distributable, after reimbursing the Federal Special Revenue Fund for amounts appropriated to the Board, must be distributed among current policyholders in proportion to the premiums paid by them. The bill eliminates this provision. (Sec. 3929.52(E).)

Mine Subsidence Insurance Governing Board

Current law creates the Mine Subsidence Insurance Governing Board to govern the Ohio Mine Subsidence Insurance Underwriting Association.¹ The Board consists of the Director of Natural Resources or the Director's designee, as chairperson, the Treasurer of State or the Treasurer's designee, the Superintendent of Insurance or the Superintendent's designee, and one representative from member companies. The representative from member companies must be an Ohio domiciled member, elected every three years by members of the Association. The representative must be elected at a meeting of the members or their authorized representatives, which must be held at a time and place designated by the Superintendent. All actions of the Association must be approved by the Board. The Board may employ, compensate, and prescribe the duties and powers of employees and consultants that are necessary to carry out the Mine Subsidence Insurance Law and may enter into a contract with the Ohio Fair Plan Underwriting Association for administrative and claims adjusting services. The bill retains the Board, the Board's membership, and its authority and duties, but eliminates the requirement that the representative from member companies be elected at a meeting of the members or their authorized representatives that must be held at a time and place designated by the Superintendent. (Sec. 3929.51(C).)

Eligible counties

Existing law requires every insurer that offers basic property and homeowners insurance insuring on a direct basis a structure located in the counties

¹ *The Ohio Mine Subsidence Insurance Underwriting Association consists of all insurers authorized to write and engaged in writing within the state, on a direct basis, basic property insurance or any component of it in multi-peril policies, to operate in accordance with the plan of operation adopted pursuant to the Mine Subsidence Insurance Law. Every such insurer must be a member of the Association and must remain a member as a condition of its authority to write such insurance in Ohio. (Sec. 3929.51(A).)*

of Athens, Belmont, Carroll, Columbiana, Coshocton, Gallia, Guernsey, Harrison, Hocking, Holmes, Jackson, Jefferson, Lawrence, Mahoning, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Scioto, Stark, Trumbull, Tuscarawas, Vinton, and Washington to include mine subsidence coverage provided by the Association in each policy of basic property and homeowners insurance that is delivered, issued for delivery, or renewed in any of those counties on or after January 1, 1993. The bill eliminates the trigger date. (Sec. 3929.56(A)(1).)

Current law also authorizes the Board to designate any county, other than a county identified above, in which mine subsidence coverage must be offered by an insurer on an optional basis. Any designation made by the Board must be made in the Association's plan of operation required in statute and must be based on a county's risk of loss due to mine subsidence and other criteria established by the Board. Every insurer that offers basic property and homeowners insurance insuring on a direct basis a structure located in any county designated by the Board must offer to include, on an optional basis, mine subsidence coverage provided by the Association in each policy of basic property and homeowners insurance that is delivered, issued for delivery, or renewed in a designated county on or after January 1, 1993. The bill eliminates the Board's authority to designate such counties and the related provisions. It instead specifies that every insurer that offers basic property and homeowners insurance insuring on a direct basis a structure located in the counties of Delaware, Erie, Geauga, Lake, Licking, Medina, Ottawa, Portage, Preble, Summit, and Wayne must offer to include, on an optional basis, mine subsidence coverage as discussed above, except that the trigger date is eliminated. (Sec. 3929.56(A)(2).)

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-09-04	p. 1663
Reported, H. Energy & Environment	05-04-04	p. 1808
Passed House (98-0)	05-11-04	pp. 1890-1891

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