

CSI - Ohio

The Common Sense Initiative

Business Impact Analysis

Agency Name: Ohio Department of Public Safety, Bureau of Motor Vehicles
Regulation/Package Title: Financial Responsibility Identification Card
Rule Number(s): 4501:1-2-02

Date: December 19, 2013

Rule Type:

- | | |
|---|--|
| <input type="checkbox"/> New | <input type="checkbox"/> 5-Year Review |
| <input checked="" type="checkbox"/> Amended | <input type="checkbox"/> No Change |
| <input type="checkbox"/> Rescinded | |

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Regulatory Intent

1. Please briefly describe the draft regulation in plain language.

Please include the key provisions of the regulation as well as any proposed amendments.

Currently insurers are required to provide their insureds with a paper copy of their insurance card printed on 20-lb. cardstock or plastic equivalent. The Ohio Department of Insurance, along with the Ohio Department of Public Safety, Bureau of Motor Vehicles (ODPS/BMV), at the request of a group of stakeholders, (including a recommendation by Ohio domestic insurers) wanted to allow insurers the ability to provide proof of insurance by electronic means as many individuals today would have easier access to their electronic devices than they would an actual paper copy of their insurance card. The recommendation by Ohio domestic insurers was made by a group of Ohio's domestic

insurance CEOs with the goal of strengthening, streamlining and improving market regulations.

2. Please list the Ohio statute authorizing the Agency to adopt this regulation.

Ohio Revised Code 4501.02 gives the ODPS/BMV, express authority to "adopt and promulgate this rule, 4509.101 provides penalties for operating or permitting the operation of a motor vehicle without proof of financial responsibility, and 4509.103 provides that the financial responsibility identification card shall be "in a form prescribed by the registrar of motor vehicles."

3. Does the regulation implement a federal requirement? Yes No

Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?

Yes No

If yes, please briefly explain the source and substance of the federal requirement.

No. The regulation is not related to a federal requirement or a federal program.

4. If the regulation includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

Not applicable, as the new rule does not involve any federal requirements.

5. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?

The rule in its current form, and proposed form, clarifies how parties comply with O.R.C. 4509.103 and 4509.45. If this rule were not in place, the public would be left without the necessary direction as to how to comply with the financial responsibility requirements of the Revised Code. This regulation was designed to create uniform standards in issuing and delivering financial responsibility cards to consumers. These regulations allow for consumers to receive acceptable forms of proof when their policies are renewed. If this regulation did not exist consumers would not have clarity as to what forms of proof complied with the statutory requirements. The changes being proposed to the regulation will allow for electronic delivery of proof of financial responsibility cards. By allowing electronic delivery of the cards the regulation gives consumers and companies more flexibility on how they can send and receive these cards.

6. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?

Success will be measured by the acceptance and use of the financial responsibility card in electronic form by insurance companies, insurance customers, and law enforcement.

Development of the Regulation

7. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation. *If applicable, please include the date and medium by which the stakeholders were initially contacted.*

The stakeholders included representatives from insurance companies, law enforcement, and courts. Stakeholders were invited via email to participate in a meeting that was held on December 10, 2013. No other small businesses are impacted by this rule.

8. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?

The original recommendation was provided by Ohio domestic insurers. They requested an electronic delivery option be added to allow for cost savings and ease of use by both the consumer and the insurer. Discussions continued between companies, ODI and ODPS/BMV to determine what would be the best way to accomplish this goal. All parties agreed that removing the specificity on the medium of the card and allowing for electronic delivery would allow for long-term cost savings and ease of compliance by both the consumer and the insurer.

9. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?

Not applicable. No scientific data was used to develop these rules.

10. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives?

This is an existing regulation that needed to be updated to reflect the current state of industry. The ODPS/BMV, and the Department of Insurance decided after several conversations that the efficient way to address this request was by simply amending the existing regulation.

11. Did the Agency specifically consider a performance-based regulation? Please explain.

Performance-based regulations define the required outcome, but don't dictate the process the regulated stakeholders must use to achieve compliance.

This rule does not involve performance-based regulation. Insurance companies already provide, and insurance customers already use, paper or plastic financial responsibility identification cards. This rule simply grants authority to issue and use electronic versions in addition to the paper and plastic hard-copy versions.

12. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?

The ODPS/BMV, and DOI have determined that this regulation does not duplicate any existing Ohio regulation regarding financial responsibility identification cards.

13. Please describe the Agency’s plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.

This rule is self-implementing, allowing insurance companies and customers an alternative to present procedures. ODI will communicate the rule change to all the insurance companies it regulates; the ODPS/BMV, will publicize the change on the BMV website, www.bmv.ohio.gov to inform Ohio drivers and vehicle owners.

Adverse Impact to Business

14. Provide a summary of the estimated cost of compliance with the rule. Specifically, please do the following:

- a. Identify the scope of the impacted business community;
- b. Identify the nature of the adverse impact (e.g., license fees, fines, employer time for compliance); and
- c. Quantify the expected adverse impact from the regulation.

The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a “representative business.” Please include the source for your information/estimated impact.

a. The scope of the impacted business community includes all companies that provide auto insurance.

b. The ODPS/BMV, anticipates that there will be no adverse impact for two reasons: (1) the amended procedure is optional; the insurance companies may continue their current practices with no penalty or additional expense; and (2) if they choose to use the amended procedure, it is expected to save companies time and money by eliminating the need to print and mail insurance cards to each customer.

c. It is expected that there will be no adverse impact. Companies are not required to institute this new aspect of the rule. The amended rule removes a costly requirement for companies selling insurance in Ohio, while providing a positive alternative for consumers.

15. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?

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There is no adverse impact to this rule. Savings will result in not purchasing, printing or mailing insurance cards to customers. This regulation will also create a more consumer friendly process by allowing a more flexible option for compliance with the proof of financial responsibility laws.

Regulatory Flexibility

16. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.

The purpose of the amended regulation is to provide an alternative means of compliance for both small and large insurance businesses. Ohio Revised Code section 4509.103 requires insurance companies to provide a financial responsibility identification card to all policy holders. Currently that is done by mailing a paper or plastic card to each policy holder. This amendment allows the alternative means of providing the card electronically.

17. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?

This regulation, as amended, does not provide for fines or penalties on insurers.

18. What resources are available to assist small businesses with compliance of the regulation?

The Ohio Department of Insurance and the ODPS/BMV, stand ready to answer questions regardless of the size of the business. Proactive communications will be sent to insurance companies in advance of the effective date of the rule.