



Ohio Insurance Agents Association is the collective voice of over 1,000 independent agencies that employ nearly 11,000 Ohioans. We promote, progress, and protect the professional advice and guidance only independent insurance agents provide. OIA members write 89 percent of the commercial insurance policies and 45 percent of personal insurance policies in Ohio. Ohio is a renowned leader in the US insurance industry, and we believe enacting the following measures will make Ohio an even more competitive and healthy marketplace to do business.

Cracking Down on Storm Scammers

When severe weather causes damage and destruction it often brings out the best in humanity but unfortunately it also brings out storm chasing contractors who submit dubious claims and occasionally outright fraud. These bad actors artificially inflate claims and cause homeowners' premiums to go up.

The National Insurance Crime Bureau (NICB) released a report concluding that claims related to hail damage increased nationwide 61% from 2006 to 2010. In the same period, suspicious hail-related claims reported by insurers to the NICB rose 136%. In 2021, insurers paid \$92 billion in catastrophe losses, with upwards of 10% or \$9.2 billion lost to post-disaster fraud. We don't want to wait for the next catastrophe to strike and leave Ohioans vulnerable in what already may be a difficult situation.

As a fix to this problem, OIA strongly supports SB 77 sponsored by Senator George Lang (R-West Chester), pending in the Senate General Government Committee. SB 77 aims to enact commonsense consumer protections that will safeguard Ohioans from unscrupulous residential roofing contractors. The legislation will protect consumers from "storm scammers" who often fail to complete work and deceive consumers about their need for unnecessary repairs when they are highly vulnerable following severe weather events. The bill does the following:

- **Requiring Contracts:** SB 77 establishes requirements for any roofing contract exceeding \$750 dollars. It will require these contracts to be in writing and to include important information such as the contractors information, the contractors insurance coverage, an itemized description of the work to be done, the total cost and an approximation of the costs the consumer will have and prohibits a deposit of more than half the contract price.
- **Right to Cancellation:** SB 77 allows consumers to cancel a contract for three business days after it is signed. With "storm scammers" making hard sales in the wake of a disaster when people are most vulnerable, we believe a "cooling off" period helps consumers make sound decisions and reduce the likelihood of being scammed.
- **Protecting Ohioans:** Being properly insured protects consumers, workers and businesses, SB 77 would require roofing contractors to have workers compensation insurance and contractors' liability insurance. The contractor would also be required to maintain a list of all subcontractors along with their information from any contract during the past three years.
- **Prohibiting Nefarious Practices:** This proposed legislation would prohibit roofing contractors from:
 - Advertising, promising to pay, or rebating any portion of an insurance deductible as an inducement to the sale of goods or services.
 - Offering or providing any upgraded work, material, or product not specified in the contract, paying to the consumer or any other person directly or indirectly associated with the property in question, any form of compensation.
 - Reporting, adjusting, or negotiating a claim on behalf of the consumer or receiving compensation for referring a claim to any person who reports, adjusts, or negotiates a claim on a consumer's behalf.
 - Seeking or obtaining a power of attorney on a consumer's behalf.
 - Offering or advertising to represent, negotiate, obtain, or attempt to obtain an assignment of claims, rights, benefits, or proceeds from a consumer.
- **Strengthening Enforcement:** A contractor's failure to comply with the bill constitutes a deceptive act or practice in connection with a consumer transaction under Ohio's Consumer Sales Practices Act

Third Party Litigation Reform (Protecting Ohio's Businesses)

Over the past 30 years, Ohio has established itself as one of the most business-friendly states in the country in part because of our legal climate. An emerging issue that potentially threatens this standing is third-party funding of litigation. Ohio has

experienced a significant increase in large lawsuits. The US Chamber of Commerce ranks Ohio as the 15th worst state for lawsuit abuse, driven in part by undisclosed third-party litigation funders.

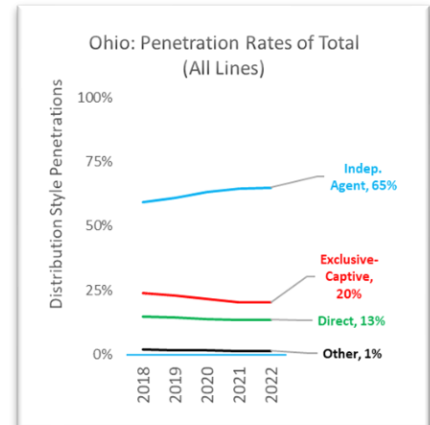
To fix this problem, OIA supports SB 19 sponsored by Senator Steve Wilson (R-Maineville), pending in the Senate Judiciary Committee. The bill will update Ohio's regulations regarding third party litigation funding, including:

- **Requiring registration:** Requires a company engaged in nonrecourse civil litigation advance in Ohio to file a registration statement with the Superintendent of Financial Institutions in the Department of Commerce.
- **Creating greater transparency:** By requiring a copy of any civil litigation advance contracts to be filed with the court and the opposing party.
- **Protecting consumers:** by limiting the interest rate that can be charged on advances, prohibiting financing agreements from lasting more than three years, and requiring companies to obtain a corporate surety bond assures only well-established and financially stable litigation financiers can offer their product in Ohio.
- **Prohibiting shady business practices:** This proposed legislation would prohibit third party funders from offering to pay for services regarding specific provider referrals, attempting to effect arbitration, offering legal advice or entering into a nonrecourse civil litigation advance if an attorney or a law firm retained by a consumer in a civil claim or action on which the nonrecourse civil litigation advance is based has any financial interest or ownership in the company.

Operating Budget – Decrease in Agent Appointment Fees

In Ohio, insurance agents and companies pay the Ohio Department of Insurance (ODI) tens of millions of dollars to report their appointments to do business. The fees represent 70% of ODI funding which is used to enforce our insurance laws that protect consumers. In HB 33, there is a proposed 33% reduction in the appointment fee. OIA supports the agent appointment fee reduction and urge the Legislature to retain that provision.

While the fee reduction laudable and good government at its finest we believe ODI should convene interested parties to study the current funding mechanism as it fails to recognize changes in the marketplace and puts a greater burden on the agent distribution model, ultimately favoring the direct to consumer (online) model. Direct to consumer represents 13% of the Ohio P&C marketplace. However, they do not use agents to distribute their product and therefore do not pay the agent fees.



As more insurance companies embrace multiple modalities of distribution, we anticipate a broadening of consumer complaints against all distribution models. ODI's mission of protecting consumers does not differentiate between the agent or direct distribution model however the funding source relies heavily on the former. We believe it is time to study the funding mechanism and come up with an action plan if it is warranted.

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