

STATE OF OHIO  
DEPARTMENT OF INSURANCE  
50 West Town Street, 3<sup>rd</sup> Floor, Suite 300  
Columbus, Ohio 43215

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| IN THE MATTER OF PUBLIC HEARING             | : |                |
| FOR THE AMENDMENT OF OHIO                   | : |                |
| ADMINISTRATIVE CODE SECTIONS                | : |                |
| 3901-1-02, 3901-1-50, 3901-3-01, 3901-3-02, | : | NOTICE OF      |
| 3901-3-03, 3901-3-04, 3901-3-08, 3901-3-09, | : | PUBLIC HEARING |
| 3901-3-11, 3901-3-16, 3901-3-17, 3901-6-11  | : |                |
| AND 3901-6-12 AND THE RESCISSION            | : |                |
| OF OHIO ADMINISTRATIVE CODE                 | : |                |
| SECTION 3901-10-01                          | : |                |

Pursuant to section 119.03 of the Ohio Revised Code, the Superintendent of Insurance, State of Ohio, will hold a public hearing at 1:30 p.m., on Monday, September 14, 2015 at the Ohio Department of Insurance, Public Hearing Room, 50 West Town Street, 3<sup>rd</sup> Floor, Suite 300, Columbus, Ohio, to consider the amendment of Ohio Administrative Code sections 3901-1-02 Access to confidential personal information; 3901-1-50 Annual audited financial reports; 3901-3-01 Requirements for approval of the proposed acquisition of control of or merger with a domestic insurer; 3901-3-02 Regulation and registration of insurers under the insurance holding company regulatory act; 3901-3-03 Transactions subject to prior notice – notice filings; 3901-3-04 Hazardous financial condition standards; 3901-3-08 Definition of work papers; 3901-3-09 Requirements for domestic insurers employing the services of reinsurance intermediaries; 3901-3-11 Actuarial opinion and memorandum; 3910-3-16 Credit for reinsurance; 3901-3-17 New annuity mortality tables for use in determining reserve liabilities for annuities; 3901-6-11 Recognition of the 2001 CSO mortality table for use in determining minimum reserve liabilities and nonforfeiture benefits; and 3901-6-12 Permitting the recognition of preferred mortality tables for use in determining minimum reserve liabilities. Also, to consider the rescission of Ohio Administrative Code section 3901-10-01 Notice of public meetings for health care coverage and quality council.

The purpose of rule 3901-1-02 is to regulate employee access to the confidential personal information that the department of insurance (department) keeps. This rule applies to both electronic records and records kept on paper.

The reason for amending rule 3901-1-02 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to correct citations and update language in paragraph (F) to be consistent with department practices.

The purpose of rule 3901-1-50 is to facilitate the department's surveillance of the financial condition of insurers by requiring (a) an annual audit of financial statements reporting the

financial position and results of operation of insurers by independent certified public accountants, (b) communication of internal control related matters noted in an audit, and (c) management's report of internal control over financial reporting.

The reason for amending rule 3901-1-50 is the five year rule review under section 119.032 of the Revised Code. The NAIC model rule provides a guideline that was developed through a multi-state committee review process that includes input from industry representatives. The model rule has recently been updated to include internal audit function requirements for large insurers. The rule is being amended to include these requirements.

The purpose of rule 3901-3-01 is to establish the content of and form to be used in the application for approval of the proposed transaction with an insurer domiciled in this state.

The reason for amending rule 3901-3-01 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to correct a citation in paragraph (F).

The purpose of rule 3901-3-02 is to interpret certain terms, establish standards, and to promulgate forms to be adhered to in the regulation and registration of insurers authorized to do business in this state.

The reason for amending rule 3901-3-02 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to correct a cross reference in paragraph (C)(3).

The purpose of rule 3901-3-03 is to establish the form and content an insurer must use in order to give notice of a proposed transaction under section 3901.341 of the Revised Code.

The reason for amending rule 3901-3-03 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to update the information to match updates to the National Association of Insurance Commissioners (NAIC) model regulation. The updates represent current practices.

The purpose of rule 3901-3-04 is to facilitate the department of insurance's surveillance of the financial condition of insurers by setting out standards which the superintendent may use for identifying insurers whose condition is such as to render the continuance of their business hazardous to their policyholders, creditors, or the general public.

The reason for amending rule 3901-3-04 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to insert paragraph (D), per updates to National Association of Insurance Commissioners (NAIC) model rule, which is an accreditation standard rule. Proposed language clarifies the superintendent's authority and responsibility to intervene with insurer if conditions are evident that may negatively affect insurer's financial health.

The purpose of rule 3901-3-08 is to define the term "work papers" as employed in section 3901.48 of the Revised Code as it relates to the surveillance and examination of insurers pursuant to section 3901.07 of the Revised Code.

The reason for amending rule 3901-3-08 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to update the names of the financial tools used during financial exams or reviews, and makes the rule consistent with updates to NAIC model regulation.

The purpose of rule 3901-3-09 is to establish minimum contractual terms between domestic insurers, domestic reinsurers and reinsurance intermediaries. This rule also establishes standards for business assumed by domestic reinsurers through reinsurance intermediaries as reported in their annual statement. The rule also sets out the information reinsurance intermediaries must maintain for the purpose of examination under section 3901.07 of the Revised Code.

The reason for amending rule 3901-3-09 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to provide technical corrections and to update language to be consistent with department practices.

The purpose of rule 3901-3-11 is to prescribe: (1) Requirements for statements of actuarial opinion that are to be submitted in accordance with division (B) of sections 3903.722 and 3903.723 of the Revised Code, and for memoranda in support thereof; (2) Rules applicable to the appointment of an appointed actuary; and (3) Guidance as to the meaning of "adequacy of reserves."

The reason for amending rule 3901-3-11 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to correct references, due to statute renumbering that occurred as result of recent legislation. Additionally, there are some technical edits and an insertion of a descriptive example in paragraph (G)(3)(iv).

The purpose of rule 3901-3-16 is to set out procedural requirements which the superintendent deems necessary to carry out the provisions of sections 3901.61 to 3901.65 of the Revised Code, credit for reinsurance ceded. The information and procedures set out in this rule are necessary for the protection of ceding insurers domiciled in this state.

The reason for amending rule 3901-3-16 is the five year rule review under section 119.032 of the Revised Code. Proposed Amendments are technical corrections.

The purpose of rule 3901-3-17 is to recognize new annuity mortality tables for use in determining the minimum standard of valuation for annuity and pure endowment contracts.

The reason for amending rule 3901-3-17 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to provide updated tables reflecting current longer life expectancies, and requiring higher minimum reserves. National Association of Insurance Commissioners has worked with the industry to update standards for reserve minimums, and has developed new mortality tables in conjunction with research from the Society of Actuaries Committee on Life Insurance Research. Additional amendments are technical, including referencing that statutory authority has changed location in Ohio Revised Code.

The purpose of rule 3901-6-11 is to recognize, permit and prescribe the use of the 2001 commissioners standard ordinary (CSO) mortality table in accordance with sections 3903.723 and 3915.071 of the Revised Code and rule 3901-6-10 of the Administrative Code (valuation of life insurance policies).

The reason for amending rule 3901-6-11 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to correct citations in the rule which have changed as a result of recent legislation.

The purpose of rule 3901-6-12 is to provide authorized companies an alternative to rule 3901-6-11 of the Administrative Code, by recognizing, permitting and prescribing the use of mortality tables that reflect differences in mortality between preferred and standard lives in determining minimum reserve liabilities in accordance with sections 3903.723 and 3915.071 of the Revised Code and rule 3901-6-10 of the Administrative Code (valuation of insurance policies).

The reason for amending rule 3901-6-12 is the five year rule review under section 119.032 of the Revised Code. The rule is being amended to correct citations in the rule which have changed as a result of recent legislation.

The purpose of rule 3901-10-01 details the process of notification of meetings of the Health Care Coverage and Quality Council (HCCQC), fulfilling the requirement of section 121.22 of the Revised Code for a public body to establish by rule a reasonable method for providing such notice.

The reason for rescinding rule 3901-10-01 is the five year rule review under section 119.032 of the Revised Code. The statute authorizing the rule, section 3923.91 of the Revised Code, was repealed during the 129<sup>th</sup> General Assembly effective September 29, 2011. The agency is therefore proposing a rescission of the rule.

Requests for copies of the rule should be addressed to Tina Chubb, Ohio Department of Insurance, 50 West Town Street, 3<sup>rd</sup> Floor, Suite 300 Columbus, Ohio 43215, or the proposed rule can be viewed online at [www.insurance.ohio.gov](http://www.insurance.ohio.gov).

Whitney Fitch, Staff Attorney  
3901-3-09

Connie M. Lodge, Staff Attorney  
3901-1-02

Katherine J. Melton, Staff Attorney  
3901-3-11, 3901-3-17, 3901-6-11, 3901-6-12, and 3901-10-01

Stephen J. Vamos, Staff Attorney  
3901-1-50, 3910-3-01, 3901-3-02, 3901-3-03, 3901-3-04, 3901-3-08, and 3901-3-16