

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

IN THE MATTER OF PUBLIC HEARING :
FOR THE PROMULGATION OF OHIO : NOTICE OF PUBLIC HEARING
ADMINISTRATIVE CODE 3901-1-67 :

Pursuant to R.C. 119.03, the Superintendent of Insurance, State of Ohio, will hold a public hearing at 10:00 a.m., on Monday, March 1, 2021, to consider the promulgation of Ohio Adm. Code 3901-1-67 Alternative derivative and reserve accounting practices. Due to the COVID-19 pandemic and social distancing concerns, the hearing will be conducted remotely by video conferencing coordinated by the Ohio Department of Insurance (“Department”). Instructions and a web link and/or telephone number for accessing the hearing will be provided on the Department’s web site, www.insurance.ohio.gov. Alternatively, a request for the web link and/or telephone number may be submitted to ecomment@insurance.ohio.gov.

The purpose of Ohio Adm. Code 3901-1-67 is to allow insurance companies to utilize certain alternative derivative and reserve accounting practices for eligible derivative instruments and indexed products, respectively, in order to better match derivative and reserve accounting as it relates to interest crediting for indexed products and to provide for a more true and fair representation of the capital position and net gain from operations of insurance companies that offer or have in force indexed products.

Ohio Adm. Code 3901-1-67 is being promulgated to address the mismatches related to the changes in value of an eligible derivative instrument as compared to the interest accrual in the reserve calculation for the underlying indexed product in two ways. This rule provides insurance companies with the ability, once certain criteria are met, to: (1) account for eligible derivative instruments using the amortized cost method, and (2) make an election at a policy level to use a reserve calculation methodology for indexed annuity products under which interest credits based upon one or more external indices are included in the reserve only after those interest credits have been credited to the contract holder under the terms of the annuity contract. In addition, regardless of the use of the ability provided for in the previous sentence, this rule provides insurance companies with the ability to record changes in, and settlement of, eligible derivative instruments through net investment income in the summary of operations.

Requests for a copy of Ohio Adm. Code 3901-1-67 should be addressed to Tina Chubb, Ohio Department of Insurance, 50 West Town Street, 3rd Floor, Suite 300 Columbus, Ohio 43215, or the proposed rule can be viewed online at www.insurance.ohio.gov.

Sean Sheridan, Staff Attorney