

**MEMORANDUM**

TO: Vicki Rich, Ohio Department of Insurance

FROM: Cory Bailey, Regulatory Policy Advocate, Lt. Governor's Office

DATE: July 27, 2015

RE: **CSI Review – Life & Health Rules (OAC § 3901-3-10, 3901-3-13, 3901-6-11, and 3901-6-12)**

On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (R.C.) § 107.54, CSI has reviewed the abovementioned administrative rules and associated Business Impact Analysis (BIA). This memo represents CSI's comments to the Agency as provided for in R.C. § 107.54.

Analysis

On June 19, 2015, the Ohio Department of Insurance (ODI) submitted a rule package consisting of four rules, including two amended rules, to the CSI Office as part of the five-year rule review requirement contained in Ohio statute. The official public comment period closed on July 6, 2015 with no comments submitted.

The draft rules regulate health and life insurance companies through the establishment of minimum required reserves, recognition of mortality tables, and the licensing of managing general agents (MGA). Minimum required reserves for health insurers are outlined in OAC § 3901-3-13, while the mortality tables recognized in OAC § 3901-6-11 and 3901-6-12 are specific to life insurance companies. OAC § 3901-3-10 defines the application requirements for an MGA, which is a specialized type of insurance agent who possesses underwriting authority from an insurer. The purpose of the draft rules is to maintain financial accountability for insurers while also protecting the interests of policyholders.

The draft rules are based on standards produced by the National Association of Insurance Commissioners (NAIC). NAIC is a regulatory support organization created and governed by the chief insurance regulators throughout the country. According to the BIA, NAIC model laws and

regulations are developed through a multi-state committee review process that includes input from industry representatives. Adoption of the rules is a part of Ohio's NAIC accreditation.

ODI lists the adverse impacts to business as the time required to complete the MGA application as well as the application fee. The CSI Office would add that the minimum health insurance reserves, as well as the mortality tables used to determine minimum reserve liabilities, also represent an adverse impact to business as insurers are required to meet the standards.

The draft rules have been written in alignment with NAIC standards, which include an extensive amount of research and stakeholder input. Additionally, no comments were submitted by stakeholders characterizing the rules as overly burdensome. Following review of the draft rules, BIA, and stakeholder outreach, it has been determined that the standards espoused by the CSI Office have been met, and the adverse impacts of the draft rules and amendments are justified.

Recommendations

For the reasons discussed above, the CSI Office does not have any recommendations for this rule package.

Conclusion

Based on the above comments, the CSI Office concludes that the Ohio Department of Insurance should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.

cc: Mark Hamlin, Lt. Governor's Office