



Common Sense Initiative

Mike DeWine, Governor
Jon Husted, Lt. Governor

Joseph Baker, Director

MEMORANDUM

TO: Loretta Medved, Ohio Department of Insurance

FROM: Michael Bender, Business Advocate

DATE: July 17, 2023

RE: **CSI Review – Life Insurance Group #1 (OAC 3901-6-08, 3901-6-10, 3901-6-10.1, 3901-6-10.2, and 3901-6-15)**

On behalf of Lt. Governor Jon Husted, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Department as provided for in ORC 107.54.

Analysis

This rule package consists of five amended rules proposed by the Ohio Department of Insurance (ODI) as part of the statutory five-year review process. This rule package was submitted to the CSI Office on June 21, 2023, and the public comment period was held open through July 7, 2023. Unless otherwise noted below, this recommendation reflects the version of the proposed rules filed with the CSI Office on June 21, 2023.

Ohio Administrative Code (OAC) 3901-6-08 establishes standards and requirements for insurers with respect to fixed premium and flexible premium variable life insurance policies. The rule is amended to update language and citations and remove unnecessary language. OAC 3901-6-10 provides for select mortality factors, minimum standards for the valuation of plans with non-level premiums or benefits, minimum standards for the valuation of plans with secondary guarantees, and the method for calculating basic reserves, the latter of which constitutes the Commissioners' Reserve Valuation Method for applicable policies. The rule is amended to update language, grammar, and citations. An appendix to the rule is also provided which contains the tables of select mortality factors that may apply under certain provisions of the rule.

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OAC 3901-6-10.1 permits the use of mortality tables that reflect differences in mortality between smokers and nonsmokers in determining minimum reserve liabilities, minimum cash surrender values, and amounts of paid-up nonforfeiture benefits for plans of insurance with separate premium rates for smokers and nonsmokers. The rule is amended to update language. OAC 3901-6-10.2 permits individual life insurance policies to provide the same cash surrender values and paid-up nonforfeiture benefits to both men and women. The rule is amended to add clarifying language, remove unnecessary language, and update language, grammar, typography, and a citation. OAC 3901-6-15 establishes for pre-need insurance products minimum mortality standards for reserves and nonforfeiture values and requires the use of the 1980 Commissioners Standard Ordinary (CSO) Life Valuation Mortality Table in determining the minimum standard of valuation of reserves and the minimum standard nonforfeiture values for pre-need insurance products. The rule is amended to update language and citations.

During early stakeholder outreach, ODI posted the draft rules on its website and emailed stakeholders in mid-April 2023 informing them of a two-week comment period. The stakeholders included consumer groups and associations such as the Ohio Association of Health Plans, the Ohio Insurance Agents Association, the National Association of Insurance and Financial Advisors, and the Ohio Insurance Underwriters Association, in addition to insurance companies. No stakeholders provided feedback in response. No comments were received during the CSI public comment period, although ODI did correct a citation.

The business community impacted by the rules includes life insurance companies. The adverse impacts created by the rules include obtaining and maintaining appropriate licensure and approval to do business, submitting reports and information, meeting minimum standards and mandatory benefit and design requirements when selling life insurance, and providing proper disclosure to customers. ODI notes that the rules have already been in effect for several years and that the total cost of the adverse impacts will depend on the number of policies sold. ODI states that the adverse impacts to business are justified to ensure that insurance companies are able to cover claim payments and prevent insurance companies from experiencing hazardous financial conditions.

Recommendations

Based on the information above, the CSI Office has no recommendations on this rule package.

Conclusion

The CSI Office concludes that ODI should proceed in filing the proposed rules with the Joint Committee on Agency Rule Review.