

3901-11-06

**Capital and surplus requirements for life insurance companies ceding to a special purpose financial captive insurance company and for special purpose financial captive insurance companies.****(A) Purpose**

The purpose of this rule is to establish the information required by the superintendent in setting an acceptable total capital and surplus requirement for insurers that cede risks and obligations to a special purpose financial captive insurance company pursuant to division (E)(6) of section 3964.03 of the Revised Code and for special purpose financial captive insurance companies pursuant to division (G)(2) of section 3964.07 of the Revised Code.

**(B) Authority**

This rule is promulgated pursuant to the authority vested in the superintendent under sections 3901.041 and 3964.21 of the Revised Code.

**(C) Definitions**

- (1) "Insurer" means a domestic legal reserve life insurance company organized pursuant to Chapter 3907. of the Revised Code.
- (2) "Qualified Actuary" means an individual who is both of the following:
  - (a) A member of the American academy of actuaries; and
  - (b) Qualified to provide such certifications as described in the United States qualifications standards promulgated by the American academy of actuaries pursuant to the code of professional conduct adopted by the American academy of actuaries, the society of actuaries, the American society of pension professionals and actuaries, the casualty actuarial society and the conference of consulting actuaries.
- (3) "Special Purpose Financial Captive Insurance Company" means a captive insurance company organized pursuant to sections 3964.19 to 3964.194 of the Revised Code.

**(D) Methodology**

- (1) In determining the capital and surplus requirement for an insurer that will cede risks and obligations to a special purpose financial captive insurance company, and the capital and surplus of a special purpose financial captive insurance company, the superintendent is by statute required to employ a methodology that:

- (a) Is consistent with current risk-based capital principles; and
  - (b) Takes into account all material risks and obligations, as well as the assets of the insurer or special purpose financial captive insurance company, as appropriate.
- (2) Pursuant to division (E)(6) of section 3964.03 of the Revised Code an insurer that cedes risks and obligations to a special purpose financial captive insurance company shall provide the superintendent a proposed capital and surplus requirement that is supported by:
  - (a) An actuarial report prepared by a qualified actuary. The qualified actuary shall perform a risk evaluation for purposes of enterprise risk management and provide the superintendent an actuarial report documenting that evaluation. The risk evaluation shall conform to all applicable actuarial standards of practice including those specifically addressing risk evaluation and risk treatment in enterprise risk management; and
  - (b) Any other information the superintendent deems necessary.
- (3) Pursuant to division (G) of section 3964.07 of the Revised Code an applicant for authority to be licensed as a special purpose financial captive insurance company shall provide the superintendent a proposed capital and surplus requirement that is supported by:
  - (a) An actuarial report prepared by a qualified actuary. The qualified actuary shall perform a risk evaluation for purposes of enterprise risk management of the risks and obligations specific to the special purpose financial captive insurance company and provide the superintendent an actuarial report documenting that evaluation. The risk evaluation shall conform to all applicable actuarial standards of practice including those specifically addressing risk evaluation and risk treatment in enterprise risk management; and
  - (b) Any other information the superintendent deems necessary.

(E) Severability

~~If any paragraph, term or provision of this rule is adjudged invalid for any reason, the judgment shall not affect, impair or invalidate any other paragraph, term or provision of this rule, but the remaining paragraphs, terms and provisions shall be and continue in full force and effect. If any portion of this rule or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions~~

or applications of the rule or related rules which can be given effect without the invalid portion or application, and to this end the provisions of this rule are severable.

Effective: 11/14/2024

Five Year Review (FYR) Dates: 8/30/2024 and 08/30/2029

CERTIFIED ELECTRONICALLY

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Certification

11/04/2024

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Date

Promulgated Under: 119.03  
Statutory Authority: 3901.041, 3964.21  
Rule Amplifies: 3964.03, 3964.07  
Prior Effective Dates: 06/11/2015