

**Rule Summary and Fiscal Analysis (Part A)****Department of Insurance**

Agency Name

Division

**Tina Chubb**

Contact

**50 W Town Street Suite 300 Columbus OH  
43215-0000**

Agency Mailing Address (Plus Zip)

**(614) 728-1044**

Phone

**(614)  
644-3742**

Fax

**tina.chubb@ins.state.oh.us**

Email

**3901-3-19**

Rule Number

**NEW**

TYPE of rule filing

Rule Title/Tag Line

**Corporate governance annual disclosure.****RULE SUMMARY**1. Is the rule being filed for five year review (FYR)? **No**2. Are you proposing this rule as a result of recent legislation? **Yes**Bill Number: **SB273**General Assembly: **131**Sponsor: **Sen. Kevin Bacon**3. Statute prescribing the procedure in accordance with the agency is required to adopt the rule: **119.03**4. Statute(s) authorizing agency to adopt the rule: **3901.77, 3901.041**5. Statute(s) the rule, as filed, amplifies or implements: **3901.074**

6. State the reason(s) for proposing (i.e., why are you filing,) this rule:

S.B. 273 of the 131st General Assembly requires that insurers file a corporate governance annual disclosure, or "CGAD", annually with the superintendent of insurance. Section 3901.074 of the Revised Code, as enacted by S.B. 273 of the 131st General Assembly states that the CGAD shall be prepared consistent with the rule adopted by the superintendent and shall contain the material information necessary for the superintendent to gain an understanding of the insurer's or group's

corporate governance structure, policies and practices.

7. If the rule is an AMENDMENT, then summarize the changes and the content of the proposed rule; If the rule type is RESCISSION, NEW or NO CHANGE, then summarize the content of the rule:

The CGAD shall describe the insurer's corporate governance framework and structure; describe the insurer's policies and practices of the most senior governing entity and significant committees thereof; describe the policies and practices for directing senior management; and describe the process by which the board, its committees and senior management ensure an appropriate amount of oversight to the critical risk areas impacting the insurer's business activities.

The insurer or insurance group shall have the discretion regarding the appropriate format for providing the information required and is permitted to customize the CGAD to provide the most relevant information necessary to permit the superintendent to gain an understanding of the corporate governance structure.

An insurer may comply with the rule by referencing other existing documents, such as holding company statements or SEC proxy statements, if the documents provide information that is comparable to the information described in the rule. The insurer is required to clearly reference the location of the relevant information and attach a copy if the document is not already filed with the department.

8. If the rule incorporates a text or other material by reference and the agency claims the incorporation by reference is exempt from compliance with sections 121.71 to 121.74 of the Revised Code because the text or other material is **generally available** to persons who reasonably can be expected to be affected by the rule, provide an explanation of how the text or other material is generally available to those persons:

*This response left blank because filer specified online that the rule does not incorporate a text or other material by reference.*

9. If the rule incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material electronically, provide an explanation of why filing the text or other material electronically was infeasible:

*This response left blank because filer specified online that the rule does not incorporate a text or other material by reference.*

10. If the rule is being **rescinded** and incorporates a text or other material by

reference, and it was **infeasible** for the agency to file the text or other material, provide an explanation of why filing the text or other material was infeasible:

*Not Applicable.*

11. If **revising** or **refiling** this rule, identify changes made from the previously filed version of this rule; if none, please state so. If applicable, indicate each specific paragraph of the rule that has been modified:

Revised technical error on the RSFA. The response to RSFA #2 has been corrected to read S.B. 273.

12. Five Year Review (FYR) Date:

(If the rule is not exempt and you answered NO to question No. 1, provide the scheduled review date. If you answered YES to No. 1, the review date for this rule is the filing date.)

NOTE: If the rule is not exempt at the time of final filing, two dates are required: the current review date plus a date not to exceed 5 years from the effective date for Amended rules or a date not to exceed 5 years from the review date for No Change rules.

### **FISCAL ANALYSIS**

13. Estimate the total amount by which *this proposed rule* would **increase / decrease** either **revenues / expenditures** for the agency during the current biennium (in dollars): Explain the net impact of the proposed changes to the budget of your agency/department.

This will have no impact on revenues or expenditures.

0.00

Not applicable.

14. Identify the appropriation (by line item etc.) that authorizes each expenditure necessitated by the proposed rule:

Not applicable.

15. Provide a summary of the estimated cost of compliance with the rule to all directly affected persons. When appropriate, please include the source for your information/estimated costs, e.g. industry, CFR, internal/agency:

To complete the initial CGAD, the insurer will need to spend an estimated forty working hours gathering the necessary information. Most of the information that is required to be included should already be known to the insurer and relied upon in its ongoing board and business operations. Many insurers currently summarize and describe their corporate governance practices to a number of various stakeholders on a regular basis. In addition, the disclosure requirements allow reference to existing documents and filings and provide guidance for filing changes from the prior year to simplify the reporting process. The time to complete subsequent CGADs should drop significantly as the insurer will only need to update the CGAD with any changes that occurred during the year.

In light of the fact that this is a new submission requirement, there have been no CGADs filed at this time. Staff have simply made a good faith estimate of the impact based on typical submissions to the department. Staff will be offering trainings to impacted insurers to assist them in understanding the requirements of the filing and making suggestions on how to avoid unnecessary duplication of work. Department staff will maintain communications with insurers to track potential common omissions or misunderstandings to help ensure that the process remains effective and efficient.

16. Does this rule have a fiscal effect on school districts, counties, townships, or municipal corporations? **No**

17. Does this rule deal with environmental protection or contain a component dealing with environmental protection as defined in R. C. 121.39? **No**

### **S.B. 2 (129th General Assembly) Questions**

18. Has this rule been filed with the Common Sense Initiative Office pursuant to R.C. 121.82? **Yes**

19. Specific to this rule, answer the following:

A.) Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? **No**

This rule does not require a license. It establishes the content of the report that companies which have licenses to do the business of insurance in the state of Ohio are required to file by S.B. 273 of the 131st General Assembly and the procedure for filing the report.

B.) Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? **No**

S.B. 273 of the 131st General Assembly establishes the penalty in section 3901.078 of the Revised Code.

C.) Does this rule require specific expenditures or the report of information as a condition of compliance? **No**

The rule does not require the report of information as a condition of compliance. The statutes enacted by S.B. 273 of the 131st General Assembly create the requirement that information be reported in order to be compliant with the provisions of S.B. 273 of the 131st General Assembly.