



Common Sense Initiative

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Business Impact Analysis

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Regulation/Package Title (<i>a general description of the rules' substantive content</i>):	
<u>Financial conditions & forms rule package</u>	
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Rule Number(s):	<u>3901-3-01, 3901-3-02, 3901-3-03, 3901-3-04, 3901-3-07,</u>
	<u>3901-3-08, and 3901-3-09</u>
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Date of Submission for CSI Review:	<u>July 15, 2025</u>
Public Comment Period End Date:	<u>July 28, 2025, 11:59 p.m.</u>
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Rule Type/Number of Rules:	
<input type="checkbox"/> New/ rules	<input checked="" type="checkbox"/> No Change/ 3 rules (FYR? yes)
<input checked="" type="checkbox"/> Amended/ 4 rules (FYR? yes)	<input type="checkbox"/> Rescinded/ rules (FYR?)

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of regulations that have an adverse impact on business with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Reason for Submission

1. R.C. 106.03 and 106.031 require agencies, when reviewing a rule, to determine whether the rule has an adverse impact on businesses as defined by R.C. 107.52. If the agency determines that it does, it must complete a business impact analysis and submit the rule for CSI review.

Which adverse impact(s) to businesses has the Agency determined the rule(s) create?

The rule(s):

- ☒ a. Requires a license, permit, or any other prior authorization to engage in or operate a line of business.
- ☐ b. Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.
- ☒ c. Requires specific expenditures or the report of information as a condition of compliance.
- ☐ d. Is likely to directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies.

Regulatory Intent

2. Please briefly describe the draft regulation in plain language.

Please include the key provisions of the regulation as well as any proposed amendments.

Rule 3901-3-01: This rule establishes the content of and form to be used in the application for approval of the proposed transaction with an insurer domiciled in this state. (hereinafter called "form A"). Technical amendments are proposed.

Rule 3901-3-02: Regulation and registration of insurers under the insurance holding company regulatory act, provides for regulation and registration of insurance holding company systems, including filing reports to provide for transparency of financial transactions within a holding company structure per statutory requirement. Technical amendments are proposed.

Rule 3901-3-03: The purpose of this rule is to establish the form and content an insurer must use in order to give notice of a proposed transaction under section 3901.341 of the Revised Code. Proposed substantive amendments clarify that certain requirements under cost sharing agreements do not have to be included in tax sharing agreements.

Rule 3901-3-04: Hazardous financial condition standards, facilitates surveillance of insurers' financial condition by setting out the standards which the department may use for identifying insurers whose condition is such as to render the continuance of their business hazardous to their policyholders, creditors or the general public. No change is recommended.

Rule 3901-3-07: Credit for life reinsurance agreements, establishes accounting requirements for reducing liability or establishing assets in financial statements filed with the department based on ceded insurance. The requirements in the rule ensure proper use of reinsurance reserve credits. No change is recommended.

Rule 3901-3-08: Definition of work papers, defining work papers, is used to clearly establish that the information gathered during an examination or surveillance of an insurance company is deemed confidential. Technical changes are proposed.

Rule 3901-3-09: Requirements for domestic insurers employing the services of reinsurance intermediaries, establishes the minimum contractual terms between domestic insurers, domestic reinsurers and reinsurance intermediaries. No change is recommended.

3. Please list the Ohio statute(s) that authorizes the Agency to adopt the rule(s) and the statute(s) that amplify that authority.

Rule 3901-3-01: Sections 3901.041 and 3901.321 of the Revised Code.

Rule 3901-3-02: Section 3901.041 of the Revised Code.

Rule 3901-3-03: Sections 3901.041 and 3901.341 of the Revised Code.

Rule 3901-3-04: Sections 3901.041, 3903.09, and 3903.71 of the Revised Code.

Rule 3901-3-07: Section 3901.041 of the Revised Code.

Rule 3901-3-08: Section 3901.041 of the Revised Code.

Rule 3901-3-09: Section 3901.041, 3901.07, and 3901.77 of the Revised Code.

4. Does the regulation implement a federal requirement? ☐ Yes ☒ No

Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?

☐ Yes ☒ No

If yes, please briefly explain the source and substance of the federal requirement.

Not applicable.

5. If the regulation implements a federal requirement, but includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

Not applicable.

6. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?

Rules 3901-3-01, 3901-3-02, and 3901-3-03: To provide transparency of the financial conditions of insurers including those within a holding company structure, enabling the department to accurately monitor insurers' solvency and ability to keep commitments to policyholders.

Rule 3901-3-04: To enable the department to effectively monitor insurers' financial condition and to enable intervention if conditions indicate a potential financial hazard to policyholders, creditors and/or the general public.

Rule 3901-3-07: To facilitate the department's ability to accurately examine life insurers' financial information related to reinsurance and ensure that appropriate levels of surplus relief are in place when risk of loss is transferred to reinsurers.

Rule 3901-3-08: The purpose of this rule is to define what information constitutes as "work papers" during the examination of the financial affairs of an insurance company.

Rule 3901-3-09: To ensure adequate agreements are in place when reinsurance intermediaries are employed, so that appropriate safeguards are in place to protect policyholder interests when risk is transferred through intermediaries.

7. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?

Rule 3901-3-01: Compliant completion of required forms assists the department in conducting a review of the financial stability of an insurer.

Rule: 3901-3-02: To provide transparency of the financial conditions of companies within a holding company structure, enabling the department to accurately monitor insurers' solvency and ability to keep commitments to policyholders.

Rule: 3901-3-03: Compliant notification of proposed transactions will be provided to assist the department in reviewing financial stability of insurers.

Rule 3901-3-04: To enable the department to effectively monitor insurers' financial condition and to enable intervention if conditions indicate a potential financial hazard to policyholders, creditors and/or the general public.

Rule 3901-3-07: To facilitate the department's ability to accurately examine life insurers' financial information related to reinsurance and ensure that appropriate levels of surplus relief are in place when risk of loss is transferred to reinsurers.

Rule 3901-3-08: The purpose of this rule is define what information constitutes as "work papers" during the examination of the financial affairs of an insurance company.

Rule 3901-3-09: To ensure adequate agreements are in place when reinsurance intermediaries are employed, so that appropriate safeguards are in place to protect policyholder interests when risk is transferred through intermediaries.

8. Are any of the proposed rules contained in this rule package being submitted pursuant to R.C. 101.352, 101.353, 106.032, 121.93, or 121.931? ☐ Yes ☒ No

If yes, please specify the rule number(s), the specific R.C. section requiring this submission, and a detailed explanation.

Not applicable.

Development of the Regulation

9. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation. *If applicable, please include the date and medium by which the stakeholders were initially contacted.*

On Thursday, May 1st, the department vetted the draft rules via email to the department stakeholder list. This list includes insurers, consumer groups, insurance agents, and various associations representing insurers and agents with specific interest applicable to the rules. The rules have remain posted online at the departments web site and will remain until the completion of the rule review.

10. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?

These rules were reviewed as part of the five year rule review. The department received no comments on the rules from industry or the general public during the comment period.

11. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?

These rules follow national models that have been adopted by the National Association of Insurance Commissioners (NAIC). When developing a model, the NAIC works with a subgroup consisting of regulators from multiple states and industry stakeholders to find the right balance between consumer protection and ease of compliance.

12. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives? *Alternative regulations may include performance based regulations, which define the required outcome, but do not dictate the process the regulated stakeholders must use to comply.*

These rules are based upon current NAIC models and publications which represent nationwide industry standards. These rules provide consistent regulatory requirements for insurance carriers. Therefore, no other alternatives were considered.

13. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?

The department, which serves as the sole regulator of the insurance industry in Ohio, reviewed Ohio statutes and rules and determined that it does not duplicate other regulations.

14. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.

These regulations have been in place for many years and those impacted by the rules are familiar with the requirements. These rules are applied consistently, as it is required for all insurance companies to provide sufficient evidence of financial health which in turn, serves as an important consumer protection.

Adverse Impact to Business

15. Provide a summary of the estimated cost of compliance with the rule(s). Specifically, please do the following:
- Identify the scope of the impacted business community; and
 - Quantify and identify the nature of all adverse impact (e.g., fees, fines, employer time for compliance, etc.).

The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a representative business. Please include the source for your information/estimated impact.

Rule 3901-3-01: This rule impacts all Ohio domestic insurers.

Rule 3901-3-02: Insurers within holding company systems are impacted by the regulation, as part of their annual financial filing requirements.

Rule 3901-3-03: This rule impacts all Ohio domestic insurers.

Rule 3901-3-04: The rule impacts all Ohio domestic insurers.

Rule 3901-3-07: The rule impacts domestic life insurers and domestic property and casualty insurers with accident and health business, as well as any of the same types of non-domestic insurers that do not have substantially similar regulation in their home states.

Rule 3901-3-08: There is no impact on the business community as the rule simply further defines and clarifies language regarding information required to be submitted under section 3901.07 of the Revised Code.

Rule 3901-3-09: The rule impacts domestic insurers and reinsurance intermediaries, only when an insurer contracts with a reinsurance intermediary.

Rules 3901-3-01, 3901-3-02, 3901-3-03: The staff and/or legal resource costs of compiling and submitting the information would vary based on the complexity of the organization and its transactions.

Rule 3901-3-04: The rule identifies conditions that indicate hazardous financial condition, which is derived from information that the companies already file pursuant to other statutes or rules.

Rule 3901-3-07: The rule applies accounting standards and procedures for insurers to follow when showing how assets and liabilities are affected by reinsurance, and therefore does not have a direct filing cost or fee.

Rule 3901-3-08: There is no adverse impact to the business community as the rule simply exists to clarify a definition within the statute.

3901-3-09: The nature of the impact is to require the minimum provisions that must be in those contracts.

Rule 3901-3-01: A transactional filing cost of \$2500 or exemption of \$1000.

Rule: 3901-3-02: The department estimates the annual cost to range from \$250-\$5,000.

Rule 3901-3-03: A transactional filing cost of \$250-\$300.

Rule 3901-3-04: The rule itself does not require the companies to file this information.

Rule 3901-3-07: It is expected that these requirements are absorbed into the natural workflow of the insurers' overall accounting processes.

Rule 3901-3-08: There is no quantifiable impact on business as there is no impact on the business community.

Rule 3901-3-09: There is no anticipated cost, but rather the minimum standards are meant to prevent adverse impact.

16. Are there any proposed changes to the rule(s) that will reduce a regulatory burden imposed on the business community? Please identify. (*Reductions in regulatory burden may include streamlining reporting processes, simplifying rules to improve readability, eliminating requirements, reducing compliance time or fees, or other related factors.*)

No, by maintaining national standards as set by the NAIC within these rules, the need for insurers to create different forms, standards and systems when conducting business in multiple states is reduced or eliminated.

17. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?

The department has implemented each of the rules due to statutory requirement and/or to adopt model regulations that are part of NAIC accreditation standards. Additionally, the justification for any adverse impact on the regulated community is clarified below:

Rule 3901-3-01: Section 3901.321 of the Revised Code requires any person who wishes to engage in any transaction described in division (B)(1) of section 3901.321 of the Revised Code to file with the superintendent an information statement referred to as "form A."

Rule 3901-3-02: The requirement is statutory, and the transparency of financial transactions within a holding company is vital for the department's ability to ensure the solvency of the insurer and that the non-insurance financial investments of companies within the same system do not create negative impact on the insurer.

Rule 3901-3-03: Section 3901.341 of the Revised Code requires that a form and standards be established to give notice of a proposed transaction.

Rule 3901-3-04: Per statutory requirement and regulatory responsibility, the department must regularly review insurers' financial conditions for any indications that policyholder and/or public interests are threatened by potential solvency issues.

Rule 3901-3-07: The department relies on accurate financial accounting procedures in order to facilitate its responsibility to assess financial condition of the insurers doing business in Ohio.

Rule 3901-3-08: This rule simply defines the information required to be submitted by insurers during financial examination. Therefore, there is no adverse impact as there is no applicable impact on the business community.

Rule 3901-3-09: The rule has no anticipated financial or burdensome impact and provides guidance for creating appropriate contracts.

Regulatory Flexibility

18. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.

These rules require compliance with national standards that allow predictability and understanding throughout the industry. Each insurer regardless of size is understanding of their compliance requirements as it applies to each rule.

19. How will the Agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?

The department will apply section 119.14 of the Revised Code into the implementation of this regulation by working with businesses on first-time violations of these rules.

20. What resources are available to assist small businesses with compliance of the regulation?

Department staff is available to answer questions, regardless of the size of business. Furthermore, the department provides filing information and instructions on its website. The department intends to continue dialogue with stakeholders through the implementation process to ensure compliance and facilitate questions.