

**MEMORANDUM**

TO: Michael Farley, Assistant Director for Legislative Affairs, Ohio Department of Insurance

FROM: Mark Hamlin, Director of Regulatory Policy

DATE: November 29, 2013

RE: **CSI Review – Credit Insurance (OAC 3901-1-14)**

On behalf of Lt. Governor Mary Taylor, 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 Agency as provided for in ORC 107.54.

Analysis

This rule package consists of a single rule being proposed by the Ohio Department of Insurance related to credit life and credit accident and health insurance policies offered for sale in the State of Ohio. The Department has reviewed the rule pursuant to the five-year review requirement of ORC 119.032, and is proposing amendments that were suggested by an industry association to bring the rule in line with the national model regulation of credit insurance.

Credit insurance is designed to pay off unpaid loans or indebtedness if the policyholder dies or is unable to pay due to accident or injury. Rule 3901-1-14 outlines in significant detail the requirements to offer credit insurance in Ohio. The rule is prescriptive in terms of how these insurance policies may be provided. As a result, the rule creates numerous adverse impacts such as notice and disclosure requirements to consumers, detailed reporting requirements to the Superintendent of Insurance, financial and actuarial requirements an insurer must comply with in order to sell the respective policies, and recordkeeping and auditing requirements. The proposed amendments to the rule lengthen filing requirements from every year to every three years, reducing one of the impacts to business.

The BIA submitted by the Department notes that these impacts are justified in order to protect consumers and provide a level of consistency in regulation of credit insurance, which is particularly complex and necessitates additional information for consumers who may choose to purchase this type of coverage. Moreover, the sale of insurance generally is a heavily regulated industry due to the actuarial and other requirements necessary to ensure that consumers will ultimately receive the benefits paid for through their premiums.

Based on follow-up conversations with the CSI Office related to the adverse impact of the rule and the stakeholder outreach for developing the rule, the Department submitted a revised BIA on November 4, 2013. No comments were submitted during the CSI review period to suggest that the adverse impacts created by the rule are out of line with requirements in other states, or otherwise unduly burdensome. The CSI Office has determined that the rule justifies the adverse impact to businesses.

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 Department of Insurance should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.