

**MEMORANDUM**

**TO:** Vicki Rich, Ohio Department of Insurance

**FROM:** Cory Bailey, Regulatory Policy Advocate, Lt. Governor's Office

**DATE:** June 29, 2015

**RE:** **CSI Review – Mergers, Acquisitions, and Holding Company Transactions (OAC § 3901-3-01 and 3901-3-03)**

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On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (R.C.) § 107.54, CSI has reviewed the abovementioned administrative rules and associated Business Impact Analysis (BIA). This memo represents CSI's comments to the Agency as provided for in R.C. § 107.54.

**Analysis**

On June 10, 2015, the Ohio Department of Insurance (ODI) submitted a rule package consisting of two amended draft rules to the CSI Office as part of the five-year rule review requirement contained in Ohio statute. The official public comment period closed on June 25, 2015 with no comments submitted.

The draft rules establish the form and content required of an insurance company when proposing a merger, acquisition, or holding company transaction. More specifically, OAC § 3901-3-01 establishes the form to be used in the application for approval of a proposed transaction with an insurer domiciled in Ohio, while OAC § 3901-3-03 establishes the form to be used to give notice of a proposed transaction. According to the BIA, the purpose of the forms is to ensure that regulation of insurers is consistent and predictable. The proposed amendments are largely formatting and/or clarifying in nature.

The draft rules are written in accordance with guidelines from the National Association of Insurance Commissioners (NAIC). NAIC is a regulatory support organization created and governed by the chief insurance regulators throughout the country. ODI must adopt NAIC's model regulation with reporting forms and instructions in order to retain its accreditation. The

more states that adopt NAIC's standards, the more uniformity will exist in transaction forms among state insurance departments. According to ODI, this will lead to better inter-state cooperation and a reduction in regulatory redundancies.

The adverse impact to business as a result of the draft rules is the employee time dedicated to completing the forms. Form A in OAC § 3901-3-01 takes approximately 25-30 hours to complete, and Form D in OAC § 3901-3-01 takes an average of 6 hours to complete. The forms are filled out on an as-needed basis, so the overall amount of time is dependent on the number of proposed transactions. ODI states in the BIA that stakeholders did not request any changes to the draft rules.

The use of the forms established in the draft rules is necessary for ODI to properly regulate mergers, acquisitions, and holding company transactions. The adoption of NAIC's guidelines not only ensure ODI's ability to retain its accreditation, but creates uniformity leading to less regulatory redundancy for insurers operating in multiple states. Following review of the draft rules, BIA, and stakeholder outreach, it has been determined that the standards espoused by the CSI Office have been met, and the adverse impacts of the draft rules and amendments are justified.

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

cc: Mark Hamlin, Lt. Governor's Office