



Common Sense Initiative

Mike DeWine, Governor
Jon Husted, Lt. Governor

Carrie Kuruc, Director

MEMORANDUM

TO: Loretta Medved, Ohio Department of Insurance

FROM: Paula Steele, Common Sense Initiative Office

DATE: August 12, 2019

RE: **CSI Review – Captive Insurance Companies (OAC 3901-11-01 through 3901-11-06)**

On behalf of Lt. Governor Jon Husted, 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 one amended and five no-change draft rules submitted by the Ohio Department of Insurance (ODI) pursuant to ORC five-year review requirements. The rule package was submitted to the CSI Office on June 18, 2019, and the public comment period ended on July 3, 2019.

Captive insurance companies are defined in statute as "any insurer that insures only the risks of its parent or affiliated companies of its parent. "Captive insurance company" includes any protected cell captive insurance company formed or licensed under the provisions of this chapter." The proposed rules establish Ohio requirements for information captive insurance companies must file with ODI. The requirements include a process for filing annual financial statements, procedures to correct misstated financial information, requirements for alternative reserves methodology, and requirements of a special purpose financial captive. The amended rule, OAC 3901-11-03, is being changed to update a legal reference.

According to the BIA, ODI reached out to industry stakeholders for comment on the proposed rules. No comments were provided. Additionally, there were no comments made during the CSI public

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comment period.

While operating as a captive insurance company is optional, the revised BIA identifies impacts on captive insurance companies doing business in Ohio as time to apply and submit appropriate financial reports, a \$500 application fee and an additional \$50 fee for each entity established under the Ohio licensed captive insurance company. According to the BIA, the rules provide consumer protection by ensuring the companies are of good financial condition. Captive insurance company application fees are required in ORC 3964.03.

Recommendations

Based on the information above, the CSI Office has no recommendations on this rule package.

Conclusion

The CSI Office concludes that the Ohio Department of Insurance should proceed in filing the proposed rules with the Joint Committee on Agency Rule Review.