



## Common Sense Initiative

**Mike DeWine**, Governor  
**Jon Husted**, Lt. Governor

**Joseph Baker**, Director

### MEMORANDUM

**TO:** Loretta Medved, Ohio Department of Insurance

**FROM:** Jacob Ritzenthaler, Business Advocate

**DATE:** March 8, 2023

**RE:** **CSI Review – Regulation and Registration of Insurers Under the Insurance Holding Company Regulatory Act and Transactions Subject to Prior Notice (OAC 3901-3-02 and 3901-3-03)**

---

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 Department as provided for in ORC 107.54.

#### Analysis

This rule package consists of two amended rules proposed by the Ohio Department of Insurance (ODI). This rule package was submitted to the CSI Office on January 25, 2023, and the public comment period was held open through February 9, 2023. Unless otherwise noted below, this recommendation reflects the version of the proposed rules filed with the CSI Office on January 25, 2023.

Ohio Administrative Code (OAC) Chapter 3901-3 establishes requirements related to Insurance Holding Company Systems. OAC 3901-3-02 concerns the regulation and registration of insurers under the Insurance Holding Company Regulatory Act. The rule is amended to implement updates to the National Association of Insurance Commissioners, as required by Senate Bill No. 256 of the 134th General Assembly. The amendment concerns group capital calculations and includes requirements related to criteria for submission or exemption of the group capital calculation and the recognizing and accepting of the group capital calculation by non-U.S. jurisdictions. OAC 3901-3-03 establishes requirements for insurers to give notice of a proposed transaction and requires specific

**77 South High Street | 30th Floor | Columbus, Ohio 43215-6117**  
**CSIOhio@governor.ohio.gov**

forms and information content. The rule is amended to update requirements for cost sharing services and management services, update the definition of records and data, include actions by the affiliate that violate agreement provisions within the scope of indemnification, expand requirements for when an action is taken against an insurer pursuant to the Insurers Supervision, Rehabilitation, and Liquidation Act, and specify that affiliates provide essential services for a minimum period of time after the termination of an agreement and that the affiliate's commitments extend to guaranty association if any action is taken against the insurer pursuant to the Insurers Supervision, Rehabilitation, and Liquidation Act.

During early stakeholder outreach, ODI sent the proposed rules to industry stakeholder groups for feedback, including the American Fraternal Alliance, Ohio Insurance Institute, Association of Ohio Life Insurance Companies, Ohio Association of Health Plans, Property Casualty Insurers of America, and National Association of Mutual Insurance Companies. No comments were received during that time or during the CSI public comment period.

The business community impacted by the rules includes insurers within holding company systems and insurers that engage in transactions with affiliated entities. The adverse impact created by the rules includes time spent by businesses to comply with periodic financial reporting requirements and to complete an application for transaction approval. ODI estimates that Form D, which is required for certain transactions, takes approximately six hours to complete. ODI states that the adverse impacts created by the rules are necessary to comply with statutory requirements and ensure that the rules meet national standards and that insurers are solvent.

### **Recommendations**

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

### **Conclusion**

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