



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 339
133rd General Assembly

Bill Analysis

Version: As Introduced

Primary Sponsor: Rep. Merrin

Yosef Schiff, Attorney

SUMMARY

- Corrects grammatical, citation, and other technical errors throughout the insurance laws.
- Inserts hard dates in places referring only to “the effective date of this section” or “effective date of this amendment.”
- Repeals insurance laws that are obsolete by their own terms.
- Lengthens the amount of time a life insurance policy may be backdated from three to six months.
- Specifies that a regional council of governments does not engage in the business of insurance if the council provides health care benefits to the council members’ officers and employees and their dependents if certain criteria are met.

DETAILED ANALYSIS

Technical corrections and hard dates

The bill corrects a number of technical errors in the insurance laws of a grammatical, citation, or other technical nature. For example, R.C. 1751.53(E) refers to the “director of insurance” instead of the “*superintendent* of insurance.” Another example is R.C. 3902.08, which contains an incorrect cross-reference. That section exempts certain insurance policies from the general requirement that policies must be filed with the Superintendent of Insurance, so long as the exempted policies are accompanied by certificates that meet certain requirements. One of those requirements is that the form must meet a minimum reading ease score. That specific requirement is found in R.C. 3902.**04**(D). However, R.C. 3902.08 incorrectly cross-references to a nonexistent division, R.C. 3902.**05**(D), instead.

In addition, instances of “the effective date of this section” and “effective date of this amendment” have been replaced with hard dates as applicable. For example, that phrase as it currently appears in R.C. 3901.41(I) has been updated to read “September 4, 2014.”

The bill also changes the wording of two sections. The first, R.C. 3919.14, appears to have been defectively re-codified from General Code 9429-2 in H.B. 1 of the 100th General Assembly in 1953. That bill re-codified all existing Ohio statutes into the Revised Code. This particular section requires a mutual life and accident insurer to submit “separate annual statements to the superintendent of insurance of the business transacted by it under the assessment plan, as required by section **3919.01 to 3919.15**, inclusive, of the Revised Code, **or for the purpose of** under the level premium or legal reserve plan, as required by section 3907.19 of the Revised Code.” The bill corrects two issues with this section. First, the bill changes “3919.01 to 3919.15” to “3919.16,” which is the correct cross-reference. And second, it replaces the phrase “or for the purpose of” – which is inconsistent with the original wording in the General Code and results in an incomplete sentence – with the phrase, “and of the business transacted by it,” which was the original wording under the General Code. Thus, under the bill, the insurer must make separate annual statements to the Superintendent of Insurance of the business transacted by it under the assessment plan, as required by **3919.16** of the Revised Code, **and of the business transacted by it** under the level premium or legal reserve plan, as required by section 3907.19 of the Revised Code.

The second provision reworded by the bill is R.C. 3964.19(E)(1). This division lists the types of agreements into which a special purpose financial captive insurance company may enter. The division was reworded and broken up into more divisions for ease of reading:

Current wording	H.B. 339 wording
<p>(E)(1) A special purpose financial captive insurance company may enter into asset management agreements, including swap agreements, guaranteed investment contracts, or other transactions with the objective of reducing timing differences in the funding of upfront, or ongoing, transaction expenses, or managing asset, credit, prepayment, or interest rate risk of the investments of the special purpose financial captive insurance company to ensure that the investments are sufficient to assure payment or repayment of the securities, and related interest or principal payments, issued pursuant to a special purpose financial captive insurance company insurance securitization transaction or the obligations required under a special purpose financial captive insurance company contract or for any other purpose approved by the superintendent.</p>	<p>(E)(1)(a) A special purpose financial captive insurance company may enter into the following types of transactions for the purposes described in division (E)(1)(b) of this section:</p> <ul style="list-style-type: none"> (i) Asset management agreements, including swap agreements; (ii) Guaranteed investment contracts; (iii) Other transactions with the objective of reducing timing differences in the funding of upfront, or ongoing, transaction expenses, or managing asset, credit, prepayment, or interest rate risk of the investments of the special purpose financial captive insurance company. <p>(b) The purpose of the transactions described in division (E)(1)(a) of this section shall be any of the following:</p> <ul style="list-style-type: none"> (i) To ensure that the investments are sufficient to assure payment or repayment of the securities,

Current wording	H.B. 339 wording
	<p>and related interest or principal payments, issued pursuant to a special purpose financial captive insurance company insurance securitization transaction;</p> <p>(ii) To ensure that the investments are sufficient to assure payment or repayment of the obligations required under a special purpose financial captive insurance company contract;</p> <p>(iii) Any other purpose approved by the superintendent.</p>

Obsolete sections

The bill repeals four sections of the insurance laws that appear to be obsolete by their own terms: R.C. 3941.47, 3941.48, 3941.49, and 3941.52. These sections were enacted in 1987 by S.B. 124 of the 117th General Assembly. S.B. 124 repealed the law that provided for the establishment and operation of hospital service associations (HSAs).

R.C. 3941.47 prohibits a mutual insurance company that merged with an HSA from discontinuing the contractual relationship between the HSA and a hospital before January 1, 1990, unless certain conditions are met. This date has passed, and therefore this section appears to be obsolete.

R.C. 3941.48 prohibits a mutual insurance company that merged with an HSA from terminating its contract with a hospital before January 1, 1991, for reasons related to pricing if the hospital is the only hospital in its county. This date has also passed.

R.C. 3941.49 prohibits a mutual insurance company that merged with an HSA from terminating its contract with a hospital for reasons relating to prices if the hospital is the only *osteopathic* hospital in its county. Although a specific date is not provided, it is unlikely that the referenced contracts still exist.

Lastly, R.C. 3941.52 states that if any provision of an existing contract was made unlawful by the repeal of the HSA laws, only that provision is void and the balance of the contract remains in effect. Although a specific date is not provided, it is unlikely that the referenced contracts still exist.

Backdating life insurance policies

A life insurer will often allow an applicant to backdate the applicant's life insurance policy if the applicant recently had a birthday, thereby "capturing" the applicant's younger age

and lowering the premium. Current law allows a policy to be backdated up to three months.¹ In other words, if an applicant turned 56 on January 1 and applied for life insurance March 31, the policy may be backdated to take effect as of December 31, when the applicant was 55 years old. This could result in a lower premium. The applicant would still need to pay the premiums for the additional months of January through March, but depending on the circumstances, the total amount paid could be less than if the policy were not backdated.

The bill extends the amount of time the policy may be backdated from three to six months.

Regional Council of Governments – health care benefits

Continuing law permits the governing bodies of Ohio political subdivisions to enter into an agreement with each other, or with the governing bodies of political subdivisions of another state, for establishment of a regional council. A regional council that is established to provide health care benefits to the council members' officers and employees and their dependents may contract to administer and coordinate a self-funded health benefit program of a nonprofit corporation.

Under the bill, if a council operating such a program does not act as a third-party administrator under the Third-party Administrator Law, the operation of the program does not constitute engaging in the business of insurance and is not subject to Ohio Insurance Laws.²

HISTORY

Action	Date
Introduced	09-17-19

H0339-I-133/ar

¹ R.C. 3915.13.

² R.C. 167.03(E) and R.C. 167.01, not in the bill.