

AN ACT

To amend sections 3905.29, 3905.421, 3907.15, 3917.01, 3917.06, 3939.01, 3939.06, 3939.07, 3939.09, and 3941.27 and to enact sections 3905.423, 3905.424, and 3939.11 of the Revised Code to require warranty reimbursement insurance policies for vehicle protection product warranties and reimbursement insurance policies for certain consumer goods service contracts, to require given statements to be included in warranty reimbursement insurance policies and in reimbursement insurance policies for certain consumer goods service contracts, to add conditions related to the issuance of vehicle protection product warranties, to apply the Ohio Consumer Sales Practices Act to the issuance of vehicle protection product warranties and consumer goods service contracts, to make changes regarding the organization and determination of financial capacity of mutual protective associations dealing with property, to require the filing of group life insurance policy forms with the Superintendent of Insurance, to specify that certain waivers of customer obligations are not insurance, to lower the percentage of amounts allocated to certain accounts concerning life insurance policies or annuities that a domestic life insurance company may invest, and to apply that lower percentage for investment to securities issued or guaranteed by the United States.

Be it enacted by the General Assembly of the State of Ohio:

SECTION 1. That sections 3905.29, 3905.421, 3907.15, 3917.01, 3917.06, 3939.01, 3939.06, 3939.07, 3939.09, and 3941.27 be amended and sections 3905.423, 3905.424, and 3939.11 of the Revised Code be enacted to read as follows:

Sec. 3905.29. Sections 3905.01 to 3905.28 of the Revised Code do not apply to associations organized and operating under sections 3939.01 to ~~3939.09~~ 3939.11 of the Revised Code.

Sec. 3905.421. (A) As used in this section:

(1) "Incidental costs" means the losses and expenses specified by a vehicle protection product warranty related to the failure of a vehicle protection product to deter the theft of a vehicle or facilitate the recovery of the vehicle after it has been stolen. "Incidental costs" may include, but are not limited to, insurance policy deductibles, rental vehicle charges, the difference between the actual value of the stolen vehicle at the time of the theft and the cost of a replacement vehicle, sales taxes, registration fees, transaction fees, and mechanical inspection fees.

(2) "Vehicle protection product" means a vehicle protection device, system, or service that is installed on or applied to a vehicle and that is designed to deter the theft of a vehicle or facilitate the recovery of the vehicle after it has been stolen. "Vehicle protection product" includes, but is not limited to, alarm systems, window etch products, body part marking products, steering locks, pedal and ignition locks, fuel and ignition kill switches, and electronic, radio, and satellite tracking devices.

(3) "Warrantor of a vehicle protection product" or "warrantor" means the person that is contractually obligated to the warranty holder under the terms of a vehicle protection product warranty. "Warrantor" does not include an insurer authorized or eligible to do business in this state.

(4) "Warranty reimbursement insurance policy" means a policy of insurance issued by an insurer authorized or eligible to do business in this state to the warrantor of a vehicle protection product to pay, on behalf of the warrantor, all covered contractual obligations incurred by the warrantor under the terms and conditions of the vehicle protection product warranty.

(B) All vehicle protection product warranties issued in this state shall be covered by a warranty reimbursement insurance policy.

(C) A vehicle protection product warranty issued by the warrantor of a vehicle protection product does not constitute a contract substantially amounting to insurance or its issuance the business of insurance under section 3905.42 of the Revised Code, if ~~both~~ all of the following conditions are met:

(1) The warranty is limited to indemnifying the warranty holder for incidental costs caused by the failure of the vehicle protection product to deter the theft of the vehicle or facilitate the recovery of the vehicle after it has been stolen.

(2) The vehicle protection product warranty contains both of the following conspicuous, written disclosures:

(a) "This vehicle protection product warranty is not subject to the insurance laws of this state, contained in Title XXXIX of the Ohio Revised Code."

(b) "This warranty may not include all of the benefits or protections of an insurance policy that includes theft coverage issued by an insurer authorized to do business in Ohio."

(3) The warranty identifies the warrantor, the warranty holder, and the terms of the sale of the vehicle protection product.

(4) The warranty conspicuously states that the obligations of the warrantor to the warranty holder are guaranteed under a warranty reimbursement insurance policy.

(5) The warranty conspicuously states that if a payment due under the terms of the warranty is not paid by the warrantor within sixty days after the warranty holder files proof of loss pursuant to the terms of the warranty, the warranty holder may file directly with the warrantor's warranty reimbursement insurance company for reimbursement.

(6) The warranty conspicuously states the name and address of the warrantor's warranty reimbursement insurance company.

(D) A warranty reimbursement insurance policy shall contain both of the following statements:

(1) A statement that the warranty reimbursement insurance company will reimburse, or pay on behalf of, the warrantor of a vehicle protection product all covered amounts for which the warrantor is legally obligated, and will provide any service that the warrantor is legally obligated to perform, under the terms of a vehicle protection product warranty;

(2) A statement that if a payment due under the terms of a vehicle protection product warranty is not paid within sixty days after the warranty holder files proof of loss pursuant to the terms of the warranty, that the warranty holder may file directly with the warrantor's warranty reimbursement insurance company for payment or reimbursement.

(E) The cancellation of a warrantor's warranty reimbursement insurance policy does not affect the warrantor's liability to the warranty holder.

(F) The sale of a vehicle protection product or the issuance of a vehicle protection product warranty to a consumer by the warrantor of a vehicle

protection product constitutes a consumer transaction for purposes of sections 1345.01 to 1345.13 of the Revised Code. The warrantor is the supplier and the warranty holder is the consumer in such consumer transactions.

(G) A warrantor of a vehicle protection product shall indemnify a seller of that product that pays or is required to pay a consumer of the product any amount that the warrantor is obligated to pay under the terms of the vehicle protection product warranty.

(H) The rights of a warranty holder against a warrantor's warranty reimbursement insurance company as provided in this section apply only in regard to a warranty reimbursement insurance policy issued under this section. This section does not create any contractual rights in favor of a person that does not qualify as an insured under any other type of insurance policy described in Title XXXIX of the Revised Code.

Sec. 3905.423. (A) As used in this section:

(1) "Consumer" has the same meaning as in section 1345.01 of the Revised Code.

(2) "Consumer goods" means goods sold, leased, assigned, awarded by chance, or transferred to a consumer in a consumer transaction.

(3) "Consumer goods service contract" means a contract or agreement to perform or pay for repairs, replacement, or maintenance of consumer goods due to a defect in materials or workmanship, normal wear and tear, power surges, or accidental damage from handling, that is effective for a specified duration and paid for by means other than the purchase of the consumer goods. "Consumer goods service contract" does not include any of the following:

(a) A contract or agreement to perform or pay for the repair, replacement, or maintenance of a motor vehicle or utility vehicle, as defined in section 4501.01 of the Revised Code, that is effective for a specified duration and paid for by means other than the purchase of a motor vehicle or utility vehicle;

(b) A vehicle protection product as defined in section 3905.421 of the Revised Code;

(c) A home service contract as defined in section 3905.422 of the Revised Code.

(4) "Consumer transaction" has the same meaning as in section 1345.01 of the Revised Code.

(5) "Contract holder" means the consumer who purchased goods covered by a consumer goods service contract, any authorized transferee or assignee of the consumer, or any other person assuming the consumer's

rights under the consumer goods service contract.

(6) "Provider" means a person who is contractually obligated to a contract holder under the terms of a consumer goods service contract.

(7) "Reimbursement insurance policy" means a policy of insurance issued by an insurer authorized or eligible to do business in this state to a provider to pay, on behalf of the provider, all covered contractual obligations incurred by the provider under the terms and conditions of the consumer goods service contract.

(8) "Supplier" has the same meaning as in section 1345.01 of the Revised Code.

(B) All consumer goods service contracts issued in this state that provide for the performance of or payment for repairs, replacement, or maintenance of consumer goods due to power surges or accidental damage from handling shall be covered by a reimbursement insurance policy.

(C) A consumer goods service contract issued by a provider that is required to be covered by a reimbursement insurance policy under division (B) of this section shall comply with all of the following requirements:

(1) Conspicuously state that the obligations of the provider are guaranteed under a reimbursement insurance policy;

(2) Conspicuously state that if a provider fails to perform or make payment due under the terms of the contract within sixty days after the contract holder requests performance or payment pursuant to the terms of the contract, the contract holder may request performance or payment directly from the provider's reimbursement policy insurer, including, but not limited to, any obligation in the contract by which the provider must refund the contract holder upon cancellation of a contract;

(3) Conspicuously state the name, address, and telephone number of the provider's reimbursement insurance policy insurer.

(D) A reimbursement insurance policy that is required to be issued under this section shall contain a statement that if a provider fails to perform or make payment due under the terms of the consumer goods service contract within sixty days after the contract holder requests performance or payment pursuant to the terms of the contract, the contract holder may request performance or payment directly from the provider's reimbursement policy insurer, including, but not limited to, any obligation in the contract by which the provider must refund the contract holder upon cancellation of a contract.

(E) The sale or issuance of a consumer goods service contract is a consumer transaction for purposes of sections 1345.01 to 1345.13 of the Revised Code. The provider is the supplier and the contract holder is the

consumer for purposes of those sections.

(F) Unless issued by an insurer authorized or eligible to do business in this state, a consumer goods service contract does not constitute a contract substantially amounting to insurance, or the contract's issuance the business of insurance, under section 3905.42 of the Revised Code.

(G) The rights of a contract holder against a provider's reimbursement policy insurer as provided in this section apply only in regard to a reimbursement insurance policy issued under this section. This section does not create any contractual rights in favor of a person that does not qualify as an insured under any other type of insurance policy described in Title XXXIX of the Revised Code.

Sec. 3905.424. (A) As used in this section:

(1) "Service provider" means any public or private provider of services, including, but not limited to, all of the following services:

(a) Electricity, gas, water, wastewater, solid waste collection, or similar utility;

(b) Communications involving the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, through any medium or method now in existence or hereafter devised, including, but not limited to, cable, internet access, voice over internet, telephone, or wireless telephone.

(2) "Waiver of customer obligation" means an optional agreement between a service provider and the service provider's customer under which the service provider agrees, in return for a specified charge payable by the customer to the service provider, to waive all or a portion of the customer's financial obligation to the service provider for charges incurred during a defined period and upon the occurrence of a qualifying event. For purposes of this division, "qualifying event" may include the customer's call to active military service, involuntary unemployment, death, disability, hospitalization, marriage, divorce, evacuation, displacement due to a natural disaster or other cause, qualification for family leave, or similar occurrence.

(B) A waiver of customer obligation is not insurance and the laws of this state relating to insurance shall not govern the sale or issuance of such a waiver.

(C) A waiver of customer obligation may be a portion of a larger agreement or a separate agreement.

Sec. 3907.15. (A) A domestic life insurance company may, subject to section 3911.011 of the Revised Code, issue policies, annuities, or other contracts, whether on an individual or group basis, providing benefits or other contractual payments payable in fixed or variable dollar amounts, or

both, and allocate to one or more separate accounts any amounts which are to be applied to provide such benefits and contractual payments. The income, if any, and any gains or losses, realized or unrealized, on each separate account shall be credited to or charged against the amounts allocated to the separate account without regard to other income, gains, or losses of the company. The amounts allocated to the separate accounts and the accumulations thereon remain the property of the company, but that portion of the assets of the separate accounts equal to the reserves and other contractual liabilities under all policies, annuities, and other contracts identified with the separate accounts shall not be chargeable with liabilities arising out of any other business of the company. The company shall not be, or hold itself out to be, a trustee in respect of such amounts.

~~The amounts allocated to any separate account under this section and the accumulations thereon may be invested and reinvested by the company without regard to the requirements and limitations of section 3907.14 of the Revised Code; provided that, except in the case of securities (B)(1) Not more than ten per cent of the amounts allocated to any separate account and the accumulations thereon shall be invested in the stocks, notes, debentures, bonds, or other securities of any one corporation or issuer and not more than ten per cent of the issued and outstanding voting securities of any one corporation or issuer may be acquired by all separate accounts. The superintendent of insurance may waive this limitation if, in the opinion of the superintendent, the waiver will not render the operation of the separate account hazardous to the public or policyholders in this state;~~

(2) Division (B)(1) of this section does not apply to any of the following:

(a) Securities of investment companies registered under the "Investment Company Act of 1940," 54 Stat. 789, 15 U.S.C.A. 80a-1, as amended, ~~or in the case of annuities;~~

(b) Annuities or funding agreements issued by a life insurance company authorized to do business in this state from its general account, ~~or in the case of the;~~

(c) The transfer of any investment or other asset in any separate account to any other account or to the general assets of the company or any investment among the general assets of the company transferred to any separate account; ~~not more than twenty-five per cent of the amounts allocated to the separate account and the accumulations thereon shall be invested in the stocks, notes, debentures, bonds, or other securities of any one corporation or issuer and not more than twenty-five per cent of the issued and outstanding voting securities of any one corporation or issuer~~

~~may be acquired by all separate accounts;~~

(d) Securities issued or guaranteed as to principal or interest by the United States.

~~No~~ (C) No security of any corporation which is a subsidiary of, or which is affiliated through stock ownership with, such insurance company shall be allocated to any separate account. No investment or other asset in any separate account shall be transferred to any other account or to the general assets of the company and no investment among the general assets of the company shall be transferred to any separate account unless such transfer is made solely:

~~(A)~~ (1) To establish a separate account or support the guarantees of the policies, annuities, or other contracts identified with such account;

~~(B)~~ (2) To withdraw amounts previously allocated to any separate account which are no longer needed to support the guarantees of the policies, annuities, or other contracts ~~identified~~ identified therewith; and such transfer is of cash or securities having a readily determinable market value or unless such transfer is approved by the superintendent ~~of insurance~~. If a company withdraws all or part of its participation in a separate account, it shall be entitled to receive its proportionate share of the value of the assets of the separate account at the time of withdrawal.

(D) The assets of a separate account shall be valued at their market value on the date of valuation, or if there is no readily available market, then in accordance with the terms of the contracts or the rules or other written agreement applicable to such separate account. ~~The~~

(E) The amounts allocated to any separate account under this section and the accumulations thereon may be invested and reinvested by the company without regard to the requirements and limitations of section 3907.14 of the Revised Code.

(F) The assets of a separate account shall not be taken into account in applying the investment requirements and limitations of section 3907.14 of the Revised Code to other investments of the company.

(G) Any such domestic life insurance company may do all things necessary under any state or federal law in order that such policies, annuities, or other contracts may be lawfully offered for sale and sold, including, but not limited to, the granting of voting rights to such policyholders, annuitants, and other contract holders with respect to the management of such separate accounts and investment of the assets thereof and the establishment of committees, boards, or other similar designated bodies with respect to such separate accounts as may be required by such laws, notwithstanding Chapter 3907. or section 3913.06 of the Revised

Code, or the articles of incorporation, charter, bylaws, or code of regulations of such company.

Sec. 3917.01. As used in sections 3917.01 to 3917.06 of the Revised Code, the following forms of life insurance are group life insurance:

(A) A life insurance policy issued to an employer, or to the trustees of a fund established by an employer, which employer or trustees shall be deemed the policyholder, to insure employees of the employer for the benefit of persons other than the employer, subject to all of the following requirements:

(1) All of the employees of the employer, or all of any class or classes of employees, are eligible for life insurance. The policy may provide that "employees" includes the employees of one or more subsidiary corporations and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships, or partnerships if the business of the employer and the affiliated corporations, proprietorships, or partnerships is under common control. The policy may provide that "employees" includes retired employees, former employees, and directors of a corporate employer. A policy issued to insure the employees of a public body may provide that "employees" includes elected or appointed officials.

(2) The premium for the policy shall be paid either from the employer's funds or from funds contributed by the insured employees, or from both. Except as provided in division (A)(3) of this section, a policy for which no part of the premium is derived from funds contributed by the insured employees shall insure all eligible employees, except those employees who reject the coverage in writing.

(3) An insurer may exclude or limit the coverage on any employee as to whom evidence of individual insurability is not satisfactory to the insurer.

(4) A policy issued pursuant to section 3911.091 of the Revised Code is not subject to the requirements of this division.

(B) A life insurance policy issued to a creditor or its parent holding company or to a trustee or trustees or agent designated by two or more creditors, which creditor, holding company, affiliate, trustee, trustees, or agent shall be deemed the policyholder, to insure debtors of the creditor or creditors, subject to the following requirements:

(1) The debtors eligible for insurance under the policy shall be all of the debtors of the creditor or creditors, or all of any class or classes of the debtors. The policy may provide that "debtors" includes all of the following:

(a) Borrowers of money or purchasers or lessees of goods, services, or property for which payment is arranged through a credit transaction;

(b) The debtors of one or more subsidiary corporations;

(c) The debtors of one or more affiliated corporations, proprietorships, or partnerships if the business of the policyholder and of the affiliated corporations, proprietorships, or partnerships is under common control.

(2) The premium for the policy shall be paid either from the creditor's funds, or from charges collected from the insured debtors, or from both. Except as provided in division (B)(3) of this section, a policy on which no part of the premium is derived from the funds contributed by insured debtors specifically for the debtors' insurance shall insure all eligible debtors.

(3) An insurer may exclude any debtor as to whom evidence of individual insurability is not satisfactory to the insurer.

(4) The amount of insurance on the life of any debtor, at no time, shall exceed the greater of the scheduled or actual amount of unpaid indebtedness to the creditor, except that insurance written in connection with open-end credit having a credit limit exceeding ten thousand dollars may be in an amount not exceeding the credit limit.

(5) The insurance may be payable to the creditor or any successor to the right, title, and interest of the creditor. The payment shall reduce or extinguish the unpaid indebtedness of the debtor to the extent of the payment and any excess of the insurance shall be payable to the estate of the insured.

(6) Notwithstanding divisions (B)(1) to (5) of this section, insurance on agricultural credit transaction commitments may be written up to the amount of the loan commitment on a nondecreasing or level term plan. Insurance on educational credit transaction commitments may be written up to the amount of the loan commitment less the amount of any repayments made on the loan.

(C) A life insurance policy issued to a labor union or similar employee organization, which union or organization shall be deemed the policyholder, to insure members of the union or organization for the benefit of persons other than the union or organization or any of its officials, representatives, or agents, subject to all of the following requirements:

(1) All of the members of the union or organization, or all of any class or classes of the members, are eligible for insurance under the policy.

(2) The premium for the policy is paid either from funds of the union or organization or from funds contributed by the insured members specifically for the members' insurance, or from both. Except as provided in division (C)(3) of this section, a policy on which no part of the premium is derived from funds contributed by the insured members specifically for the members' insurance shall insure all eligible members, except those members who reject the coverage in writing.

(3) An insurer may exclude or limit the coverage on any member as to whom evidence of individual insurability is not satisfactory to the insurer.

(D) A life insurance policy issued to a trust or to the trustees of a trust fund established or adopted by two or more ~~employees~~ employers, or by one or more labor unions or similar employee organizations, or by one or more employers and one or more labor unions or similar employee organizations, which trust or trustees shall be deemed the policyholder, to insure employees of the employers or members of the unions or similar employee organizations for the benefit of persons other than the employers or the unions or organizations, subject to the following requirements:

(1) The persons eligible for such insurance shall be all of the employees of the employers, or all of the members of the unions or organizations, or all of any class or classes of the employees or members. The policy may provide that "employees" includes the employees of one or more subsidiary corporations and the employees, individual proprietors, and partners of one or more affiliated corporations, proprietorships, or partnerships if the business of the employer and of the affiliated corporations, proprietorships, or partnerships is under common control. The policy may provide that "employees" includes the individual proprietor or partners if the employer is an individual proprietorship or a partnership. The policy may provide that "employees" includes retired employees, former employees, and directors of a corporate employer. The policy may provide that "employees" includes the trustees or their employees, or both, if their duties are principally connected with the trusteeship.

(2) The premium for the policy shall be paid from funds contributed by the employer or employers of the insured persons, or by the union or unions or similar employee organizations, or by both, or from funds contributed by the insured persons or from both the insured persons and the employers or unions or similar employee organizations. Except as provided in division (D)(3) of this section, a policy on which no part of the premium is derived from funds contributed by the insured persons specifically for their insurance ~~must~~ shall insure all eligible persons, except those persons who reject the coverage in writing.

(3) An insurer may exclude or limit the coverage on any person as to whom evidence of individual insurability is not satisfactory to the insurer.

(E) A life insurance policy issued to an association or to a trust or the trustees of a fund established, created, or maintained for the benefit of members of one or more associations, which association, trust or trustee, or an agent, shall be deemed the policyholder, subject to all of the following requirements:

(1) The association or associations have at the outset a minimum of one hundred persons, have been organized and maintained in good faith for purposes other than that of obtaining insurance, have been in active existence for at least two years, and have a constitution and bylaws providing for all of the following:

(a) The association or associations shall hold regular meetings not less than annually to further purposes of the members.

(b) The association or associations, except for credit unions, shall collect dues or solicit contributions from members.

(c) The members of the association or associations shall have voting privileges and representation on the governing board and committees.

(2) The policy is subject to all of the following requirements:

(a) The policy may insure one or more of the members of the association or associations, employees of the association or associations, or employees of members, or all of any class or classes of the employees or members of the association or associations, and employees of the members of the association or associations, for the benefit of persons other than an employee's employer.

(b) The premium for the policy is paid from funds contributed by the association or associations, or by employer members, or by both, or from funds contributed by the covered members or employees or from both the covered members and employees and the association, associations, or employer members.

(c) Except as provided in division (E)(3) of this section, a policy on which no part of the premium is derived from funds contributed by the covered members and employees specifically for the covered members' and employees' insurance shall insure all eligible members and employees, except those who reject the coverage in writing.

(3) An insurer may exclude or limit the coverage on any member or employee as to whom evidence of individual ~~insurance~~ insurability is not satisfactory to the insurer.

(F) A life insurance policy issued to a credit union or to a trustee or trustees or agent designated by two or more credit unions, which credit union, trustee, trustees, or agent shall be deemed the policyholder, to insure the members of the credit union or credit unions for the benefit of persons other than the credit union or credit unions, trust or trustees, or agents or officials of the credit union or credit unions or trust, subject to all of the following requirements:

(1) All of the members of the credit union or credit unions, or all of any class or classes of the members, are eligible for insurance.

(2) The premium for the policy is paid by the policyholder from the credit union's funds and except as provided in division (F)(3) of this section shall insure all eligible members.

(3) An insurer may exclude or limit the coverage on any member as to whom evidence of individual insurability is not satisfactory to the insurer.

(G) Life insurance that is written under a policy issued to a trustee under a trust established by an insurer for the purpose of providing continued group life insurance coverage to those former employees, former members, or former members and the employees of such members, and their dependents, previously covered under policies of group life insurance issued by the insurer to employers or trustees pursuant to division (A) of this section, to associations pursuant to division (D) of this section, to trustees pursuant to division (E) of this section, or to groups pursuant to division (I) of this section, and that is evidenced by the issuance of a certificate of insurance or other evidence of insurance to such former employees or members as required by section 3917.06 of the Revised Code; provided that the amount of the continued life insurance coverage made available to a former employee or member and to the employee's or member's dependents shall not exceed the amount of the group life insurance coverage previously provided to the employee or member and the employee's or member's eligible dependents at the time of the employee's separation from employment or the member's termination of membership.

(H) Life insurance covering the members of a workforce actively engaged in an occupation for, and performing services on behalf of, a duly organized corporation, limited liability company, partnership, proprietor, or a similar organization whose members are not employees of the organization, written under a policy issued to the organization, which organization is the employer for this purpose, the premium on which is to be paid by the organization or by the organization and the members jointly, insuring members for amounts of insurance based upon some plan for the benefit of persons other than the organization; provided also that members may be required to furnish evidence of insurability satisfactory to the insurer. Life insurance meeting this definition may also cover the organization's employees at the option of the organization.

(I)(1) A life insurance policy covering the members of a group other than one listed in divisions (A) to (H) of this section, subject to the superintendent finding all of the following:

(a) The issuance of the policy is not contrary to the best interest of the public.

(b) The issuance of the policy would result in economies of acquisition

or administration.

(c) The policy provides benefits that are reasonable in relation to the premiums charged.

(2) An insurer shall not offer group life insurance in this state under a policy issued in another state unless the superintendent, or the insurance regulatory authority of another state with requirements substantially similar to the requirements set forth in division (I)(1) of this section, makes a determination that the requirements in division (I)(1) of this section have been met.

(3) The premium for a life insurance policy under this division is paid either from the policyholder's funds or from funds contributed by the insured members, or from both, and except as provided in division (I)(4) of this section, the policy ~~must~~ shall insure all eligible members except those members who reject the coverage in writing.

(4) An insurer may exclude or limit the coverage on any member as to whom evidence of individual insurability is not satisfactory to the insurer.

Sec. 3917.06. ~~Except~~ No policy of group life insurance shall be delivered in this state until a copy of its form has been filed with the superintendent of insurance pursuant to division (A) of section 3915.14 of the Revised Code. In addition, except as provided in division (M) of this section, no policy of group life insurance shall be delivered in this state unless it contains in substance the following provisions or other provisions, that in the opinion of the superintendent of insurance are more favorable to the persons insured, or at least as favorable to the persons insured and more favorable to the policyholder:

(A) A provision that the policyholder is entitled to a grace period of thirty-one days for the payment of any premiums due except the first, during which grace period the death benefit coverage shall continue in force, unless the policyholder has given the insurer written notice of discontinuance in advance of the date of discontinuance and in accordance with the terms of the policy; the policy may provide that the policyholder is liable to the insurer for the payment of a pro rata premium for the time the policy was in force during such grace period;

(B) A provision that the policy is incontestable after two years from its date of issue, except for nonpayment of premiums. No statement made by any individual insured under the policy relating to the individual's insurability shall be used in contesting the validity of the insurance, with respect to which the statement was made, that has been in force prior to the contest for a period of two years during the individual's life, unless the statement is contained in a written instrument signed by the individual. This

division does not preclude the assertion at any time of defenses based upon provisions in the policy that relate to eligibility for coverage.

(C) A provision requiring that a copy of the application of the policyholder, if any, be attached to the policy when issued, and that all statements made by the policyholder and individuals insured shall be deemed representations and not warranties, and that no statement made by any person insured shall be used in any contest unless a copy of the instrument containing the statement is furnished to the insured, or in the event of the death or incapacity of the insured, to the insured's beneficiary or personal representative;

(D) A provision setting forth the conditions, if any, under which the insurer reserves the right to require an individual eligible for insurance to furnish evidence of individual insurability satisfactory to the insurer as a condition to part or all of the individual's coverage;

(E) A provision specifying an equitable adjustment of the premium or benefits, or both, to be made in the event of a misstatement of the age of an insured. The provision shall contain a clear statement of the method of adjustment.

(F) A provision requiring that any sum becoming due by reason of the death of the insured be payable to the beneficiary designated by the insured. However, if the policy contains conditions pertaining to family status, the beneficiary may be the family member specified by the policy terms, subject to the provisions of the policy in the event that there is no designated beneficiary living at the time of the death of the insured as to all or any part of the sum, and subject to any right reserved in the policy by the insurer and set forth in the certificate to pay, at the insurer's option, a part of the sum not exceeding two thousand dollars to any beneficiary that the insurer believes is equitably entitled to the amount by reason of having incurred funeral or other expenses incident to the last illness or death of the insured.

(G) A provision that the insurer will issue to the policyholder for delivery to each person insured a certificate setting forth a statement as to the insurance protection to which the person is entitled, any dependent's coverage, to whom benefits are payable, and the rights and conditions set forth in divisions (H) to (K) of this section. The policyholder may issue a single certificate for delivery to an insured employee or member if a statement concerning any dependent's coverage is included in the certificate.

(H)(1) A provision that if all or any part of the insurance on an insured or an insured's dependents ceases because of the termination of employment or of membership in the class or classes eligible for coverage under the policy, such person is entitled to have issued to the person by the insurer,

without evidence of insurability, an individual policy of life insurance without disability or supplementary benefits, provided that application for the individual policy is made, and the first premium is paid to the insurer, within thirty-one days after such termination, and provided that all of the following conditions are met:

(a) The individual policy is on any one of the forms customarily issued by the insurer to that age and for the amount applied for, except that the group policy may exclude the option to elect term insurance.

(b) The individual policy is in an amount not in excess of the amount of life insurance that ceases because of termination, less the amount of any life insurance for which the person is eligible under the same or any other group policy within thirty-one days after termination, provided that any amount of life insurance that matures on or before the date of termination as an endowment payable to the insured, whether in one sum, installments, or in the form of an annuity, shall not, for purposes of this division, be included in the amount that is considered to cease because of termination.

(c) The premium on the individual policy is set at the insurer's then customary rate applicable to the form and amount of the individual policy, the individual's class of risk, and the individual's age as of the effective date of the individual policy.

(2) Subject to the conditions set forth in division (H)(1) of this section, the conversion privilege is available to the following individuals:

(a) A surviving dependent, if any, at the death of the employee or member, with respect to the coverage under the group policy that terminates by reason of the employee's or member's death;

(b) A dependent of an employee or member upon termination of the dependent's coverage, while the employee or member remains insured under the group policy, by reason of the dependent ceasing to be a dependent under the group policy.

(3) If the individual is not given notice of the right to obtain individual coverage under this division at least fifteen days prior to the expiration of the thirty-one-day conversion period provided by division (H)(1) of this section, then the individual shall have an additional period to exercise that right. This additional period shall extend for fifteen days after the individual is given notice, but in no event shall the period extend beyond sixty days after the expiration date of the period provided in the policy. Written notice provided to the individual or mailed by the policyholder to the last known address of the individual, or mailed by the insurer to the last known address of the individual furnished to the insurer by the policyholder, constitutes notice for purposes of this division.

(4) Nothing contained in ~~the~~ this division shall be construed to continue any insurance beyond the expiration date of the period provided in the policy.

(I) A provision that if the group policy terminates or is amended so as to terminate the insurance of any class of insured persons, every person insured thereunder at the date of such termination whose insurance terminates, including an insured's dependent, and who has been so insured for at least five years prior to such termination date is entitled to have issued by the insurer an individual policy of life insurance, subject to the same conditions and limitations as are provided by division (H) of this section, except that the group policy may provide that the amount of such individual policy shall not exceed the smaller of (1) the amount of the person's life insurance ceasing because of the termination or amendment of the group policy, less the amount of any life insurance for which the person is or becomes eligible under any group policy issued or reinstated by the same or another insurer within thirty-one days after such termination, and (2) ten thousand dollars;

(J) A provision that if a person insured under the group policy, or an insured's dependent, dies during the period within which the person would have been entitled to have an individual policy issued in accordance with division (H) or (I) of this section, and before such an individual policy has become effective, the amount of life insurance which the person would have been entitled to have issued under such individual policy shall be payable as a claim under the group policy, whether or not application for the individual policy or the payment of the first premium therefor has been made;

(K) Where active employment is a condition of insurance, a provision that an insured may continue coverage during the insured's total disability by timely payment to the policyholder of that portion, if any, of the premium that would have been required from the insured if the insured's total disability had not occurred. The continuation shall be on a premium basis for a period of six months after the date on which the insured's total disability started, but not later than the earlier of either of the following:

(1) The insurer approving of continuation of the coverage under any disability provision that the group policy may contain;

(2) The discontinuance of the group life insurance policy.

(L) In the case of a life insurance policy insuring the lives of debtors, a provision requiring that the insurer furnish to the policyholder for delivery to each debtor insured under the policy a certificate of insurance describing the coverage and specifying that the death benefit first be applied to reduce or extinguish the debtor's unpaid indebtedness.

(M)(1) Divisions (F) to (K) of this section do not apply to group policies

insuring the lives of debtors.

(2) With the exception of division (K) of section 3915.05 ~~and~~, section 3915.052, and division (A) of section 3915.14 of the Revised Code, Chapter 3915. of the Revised Code does not apply to group policies.

(3) If a group policy is other than a term plan of insurance, the policy shall contain a nonforfeiture provision or provisions, which, in the opinion of the superintendent, are equitable to the insureds and the policyholder. Nothing in this division shall be construed to require group life insurance policies to contain the same nonforfeiture provisions as are required for individual life insurance policies.

(4)(a) If a group policy is other than a term plan of insurance, the policy shall contain a policy loan provision authorizing insureds to borrow upon the policy, unless the loan value of certificates issued under the policy is established by federal law. The policy loan provision may include one or more of the following conditions:

(i) The borrower has held a certificate under the policy for a minimum period, not to exceed three years;

(ii) No premium on the policy is in default beyond the grace period for payment;

(iii) A minimum loan amount, not to exceed one thousand dollars;

(iv) The borrower accepts an adjustable interest rate charge, not to exceed two per cent above the rate used to compute the cash surrender value.

(b) For purposes of the policy loan provision, the loan value of a certificate shall equal one of the following:

(i) Ninety per cent of the cash surrender value of the certificate at the time that the loan is made, less any outstanding indebtedness including any unpaid interest not already deducted;

(ii) The cash surrender value of the certificate at the time that the loan is made, less any outstanding indebtedness including any unpaid interest not already deducted, less the amount needed to pay the certificate's cost of insurance charges and expenses for as long as three months after the time that the loan is made.

Sec. 3939.01. (A) Any number of persons of lawful age, not less than ten in number, owning insurable property in this state, may associate themselves together for the purpose of insuring each other against the risk of direct physical loss on or damage to property in this state caused by fire and lightning, smoke, smudge, cyclones, tornadoes or wind storms, hail storms, explosion, except explosion by steam boilers or flywheels, riot, riot attending a strike, civil commotion, and falling or moving bodies, including

theft of property in this state, except loss or damage to motor vehicles caused by collision, and also to. Any association organized under this section shall file with the department of insurance all policy forms currently in use by the association and all additions, deletions, or amendments to the policy forms at least thirty days prior to the use of the policy forms, additions, deletions, or amendments. Each filing under this division is deemed approved thirty days after the filing is received by the superintendent of insurance, unless the filing is disapproved by the superintendent during that thirty-day period.

(B) Any association organized under this section, from time to time, may assess upon and collect from each other its members or other responsible parties sums of money, from time to time, as that are necessary to pay expenses and losses which that occur, or are anticipated to occur, from such causes those covered perils. The assessment and collection of such those sums of money shall be regulated by the constitution and bylaws of the association, which adopted under section 3939.06 of the Revised Code. The constitution shall require such the assessments to be made directly and specifically upon the members or other responsible parties, and to be paid directly and specifically by them and not out of any fund funds paid to or deposited with the association or other trustee in anticipation of assessments, nor in any other manner except that any such. Any association organized under this section may borrow money for the payment of losses and associated expenses, but such those loans shall not be made for a longer period than of time that extends beyond the collection of their the association's next assessment. Such

(C) Any association organized under this section may also accumulate a surplus from its assessments, not exceeding ten dollars on each one thousand dollars of insurance in force, such surplus to be used in paying losses and expenses that occur. Such That surplus, if and all other funds received or accumulated in the course of business shall be invested, shall be under sections 3925.05 and 3925.08 of the Revised Code. Such associations Upon prior approval of the superintendent of insurance, the association may invest that surplus and those other funds in real estate for the association's convenient accommodation in the transaction of its business. The association shall not have at any one time more than ten per cent of its admitted assets invested in real estate.

(D) Any association organized under this section may only insure farm buildings, residential and detached dwellings and, outbuildings, schoolhouses, churches, township buildings, grange buildings, farm implements, machinery, equipment, and other farm products, livestock

personal property, household goods, furniture and personal effects, pleasure and utility vehicles, motor vehicles, steam, gas, gasoline, and oil engines, motor trucks, tractors, electric motors, electric appliances, lighting systems, and other similar property, except motor vehicles titled or capable of being titled for use on public roads and property used exclusively for commercial or industrial purposes.

~~Such~~ The property described in this division may be classified only for the purpose of determining and levying assessments, and ~~such that~~ property may be located within or without the limits of any municipal corporation. ~~An association whose membership is restricted to persons engaged in any particular trade or occupation, and whose insurance is confined in any particular kind or description of property, may insure property located in any county in this state which is used exclusively for such commercial or industrial purposes. An association whose membership is so restricted and whose insurance is so confined and which insures such property may also accumulate from its assessments a surplus not exceeding five times the average yearly losses and expenses of the association, as shown by the reports of the association to the division of insurance for the preceding three years. Such surplus shall be used in paying losses and expenses that may occur and, if invested, shall be under sections 3925.05 and 3925.08 of the Revised Code.~~

(E) Any association organized under this section may collect an initial a charge on each contract of insurance in accordance with its constitution and bylaws, and in addition thereto an amount not in excess of one tenth of one per cent of the amount of each individual contract of insurance, provided that the total amount of such charges shall not exceed fifteen dollars adopted under section 3939.06 of the Revised Code.

(F) Any association organized under this section may make contracts of reinsurance for the kinds of insurance authorized by sections 3939.01 to 3939.10 3939.11 of the Revised Code; or accept reinsurance on any portion thereof of that insurance.

Sec. 3939.06. Every association organized under section 3939.01 of the Revised Code shall adopt a constitution, whether designated a constitution, constitution and bylaws which will, regulations, or code of regulations, that in the judgment of its members best subserve serves its interests and purposes. All persons who sign such constitution shall be considered and held to be members of the association, and shall be held in law to comply with all its requirements. The constitution may include provisions set forth in section 1702.11 of the Revised Code.

Sec. 3939.07. Before granting insurance, an association organized under

section 3939.01 of the Revised Code shall file with the superintendent of insurance a copy of its articles of incorporation, certified by the secretary of state, ~~and~~ a copy of its constitution, ~~bylaws~~ adopted under section 3939.06 of the Revised Code, and forms of certificates of membership or insurance. If the superintendent finds that ~~such~~ the association was properly organized and has complied with the law, ~~he~~ the superintendent shall issue to it ~~his~~ a certificate reciting ~~such that~~ compliance, which. The certificate shall be the authority of the association to commence business and grant insurance.

Sec. 3939.09. The president or vice-president and the secretary of every association organized under section 3939.01 of the Revised Code, annually on the first day of January; or within ~~thirty sixty~~ thirty days ~~thereafter~~ after the first day of January, shall prepare under oath and deposit in the office of the superintendent of insurance a statement of the condition of the association on the thirty-first day of the preceding December, exhibiting the facts enumerated in section 3929.30 of the Revised Code and applicable to ~~such~~ associations organized under section 3939.01 of the Revised Code, and ~~such~~ any other information necessary to reveal the financial condition of the association ~~as that~~ that the superintendent requires. ~~Such~~ That statement shall be rendered in a printed form to be supplied by the superintendent for that purpose.

Every ~~such~~ association which organized under section 3939.01 of the Revised Code that fails to make and deposit ~~such the~~ the statement described in this section, or to reply to any inquiry of the superintendent, shall be subject to a forfeiture of five hundred dollars and shall be subject to an additional forfeiture of five hundred dollars for every month that it continues ~~thereafter~~ after that failure to transact any business of insurance after that failure.

Sec. 3939.11. In determining the financial capacity of a mutual protective association organized under section 3939.01 of the Revised Code, the superintendent of insurance may take into consideration factors that include, but are not limited to, all of the following:

(A) Any reinsurance arrangements of the association with authorized insurers in this state;

(B) The amount of contracts or policies of insurance of the association that are written and in force;

(C) Any other measure of financial capacity of the association that the superintendent considers appropriate.

Sec. 3941.27. Sections 3941.01 to 3941.29, ~~inclusive~~, of the Revised Code do not affect any company doing business within this state on the premium note plan, ~~nor~~ or any mutual protective association organized or doing business under ~~section~~ sections 3939.01 to ~~3939.10, inclusive~~,

3939.11 of the Revised Code, unless ~~such~~ that company or association elects to reorganize under sections 3941.01 to 3941.29, ~~inclusive~~, of the Revised Code. The sections repealed by Volume 104, Ohio Laws, page 208, section 28, shall remain in force, so far as applicable, to any such company or association not so electing.

SECTION 2. That existing sections 3905.29, 3905.421, 3907.15, 3917.01, 3917.06, 3939.01, 3939.06, 3939.07, 3939.09, and 3941.27 of the Revised Code are hereby repealed.

Speaker _____ of the House of Representatives.

President _____ of the Senate.

Passed _____, 20____

Approved _____, 20____

Governor.

The section numbering of law of a general and permanent nature is complete and in conformity with the Revised Code.

Director, Legislative Service Commission.

Filed in the office of the Secretary of State at Columbus, Ohio, on the
____ day of _____, A. D. 20____.

Secretary of State.

File No. _____ Effective Date _____