



**Representative Jeff LaRe**  
**77<sup>th</sup> House District**

**House Bill 528 Sponsor Testimony**

Chairman Brinkman, Vice-Chair Antani, Ranking Member Boggs, and members of the House Insurance Committee, thank you for the opportunity to testify today on House Bill 528. The bill seeks to amend Ohio's reinsurance model law so that it is consistent with recent Covered Agreements made between the United States, European Union, and the United Kingdom.

**Background**

Reinsurance is insurance for an insurance company. Historically, state insurance regulators in the United States have required non-U.S. reinsurers to hold 100 percent collateral in the United States to cover the risks assumed from U.S. insurers. The issue of collateral requirements for non-U.S. reinsurers has been continuously debated, with the National Association of Insurance Commissioners (NAIC) in 2011 revising the Credit for Reinsurance Model law to allow non-U.S. reinsurers to hold less than 100 percent collateral as determined by their financial strength and home country's effectiveness as a regulator. Ohio's current insurance law reflects this, as the state enacted its reinsurance model law in 2014 during the 130<sup>th</sup> General Assembly.

In 2017 and 2018, new Covered Agreements were made between the United States, European Union, and the United Kingdom that eliminated collateral requirements in those countries as long as they met certain regulatory criteria. To reflect this change, states have until March 1, 2021 to amend their insurance laws or face the possibility of having their law preempted by the Director of the Federal Insurance Office for being inconsistent with Covered Agreements.

**Intent of Legislation**

To ensure Ohio's reinsurance model law does not face possible preemption, House Bill 528 would eliminate reinsurance collateral requirements for reinsurers in a European Union member country that is subject to a covered agreement, a state that meets NAIC accreditation requirements, and non-U.S. jurisdictions that are recognized as a qualified jurisdiction and meet the requirements consistent with a Covered Agreement.

As of the end of April 2020, six states have passed legislation to revise their reinsurance model law, while another twenty states, to include Ohio, have introduced legislation. Along with House Bill 528, Senators Hottinger and Peterson have introduced companion legislation in the Senate (Senate Bill 284).

The revisions this bill would make to Ohio's reinsurance model law would allow the state to maintain its regulatory authority, while also benefiting Ohio's domestic insurers that both sell and purchase reinsurance.

Thank you again for the opportunity to provide testimony on House Bill 528. I am happy to answer any questions the Committee has at this time.