



Representative Al Cutrona
59th Ohio House District

Chairman Brinkman, Vice Chair Lampton, Ranking Member Miranda, and members of the House Insurance Committee, thank you for the opportunity to provide sponsor testimony on House Bill 575. HB 575 modernizes the regulation and oversight of fraternal benefit societies. This bill provides additional tools to fraternal benefit society leaders and the Department of Insurance to ensure that these vital providers remain solvent, productive members of the state's insurance industry.

As you may be aware, a fraternal benefit society is a non-profit membership organization that combines the "member owned" characteristic of a mutual insurance company with the "social mission" characteristic of a faith-based or service organization. Fraternal benefit societies are authorized to offer a limited variety of insurance products to members, primarily life insurance and annuity products. In turn, they use the proceeds from their financial service products to help members provide charitable service in their communities. The Knights of Columbus, Woodmen of the World, and the First Catholic Slovak Ladies Association founded in Cleveland are all examples of fraternal benefit societies.

The rationale behind House Bill 575 goes back to 2012. The unfortunate financial collapse of a fraternal benefit society domiciled in New Hampshire resulted in great financial harm to members and the loss of a valuable charitable resource. This event led the industry to examine how they could prevent such occurrences in the future. House Bill 575's main provisions came out of that discussion.

House Bill 575 contains the following key provisions to support the ongoing solvency of fraternal benefit societies:

- Authorizes early regulatory intervention only when statutorily defined financial trigger points are hit.
- Requires a fraternal benefit society provide more advanced notification to the Department prior to issuing an assessment to members and allows the Department to disapprove a financial assessment if it is not in the best interests of members.
- Creates a voluntary workout process prior to liquidation that facilitates the transfer of insurance certificates to another fraternal benefit society or to a commercial insurer.
- Creates a streamlined liquidation process to help minimize costs to members and reduce potential loss of benefits due to a member assessment.

I want to be clear that I have not introduced this bill because there is a current problem here in Ohio. All Ohio domiciled fraternal benefit societies are currently fiscally sound and proudly serving their members and communities. However, this industry saw a need to proactively strengthen and modernize state solvency laws to prevent the heartache it saw after the 2012 New Hampshire collapse. Ohio is the final push to complete this effort – similar laws have already been passed with no opposition in Illinois, Pennsylvania, Wisconsin, Minnesota, and Texas.

House Bill 575 would help identify and support troubled fraternal benefit societies and protect members against financial losses. As I noted, this legislation is supported by fraternal benefit societies, and I'm sure you will hear from them regarding their support and the more technical details of this bill. Thank you again for allowing me to testify, and I welcome any questions you may have.