

House Bill 575

Sponsor Testimony

Senate Insurance Committee

November 16, 2022

Good morning, Chairman Hackett and members of the Senate Insurance Committee. Thank you so much for having me here today to provide sponsor testimony on House Bill 575, a bill to modernize 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, and in turn use the proceeds from their financial service products to help members provide charitable service in their communities. Examples you might be familiar with include the Knights of Columbus, Woodmen of the World and the First Catholic Slovak Ladies Association founded in Cleveland.

The origins of House Bill 575 began in 2012 after the unfortunate financial collapse of a fraternal benefit society domiciled in New Hampshire. This failure resulted in great financial harm to members and the loss of a valuable charitable resource. Following this event, the industry came together to examine how they could prevent such occurrences in the future. One of the solutions the industry proposed is this effort to update and strengthen state solvency regulation of fraternal benefit societies to protect consumers who purchase life insurance and annuity products from the potential loss in the value of those policies that would result from an insolvency.

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, the other states where this has been pursued. Ohio is the final state as our laws were seen as being the strongest of this group and least in need of updating.

In the coming weeks, you can anticipate an amendment being brought forth. This Amendment was developed with the Ohio Department of Insurance and clarifies language in the bill to bring it in line with existing law.

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 on the more technical details as you continue your work on the bill. Thank you again for allowing me to testify and I'll be happy to try and answer any questions.