

Our mission

To act as the Ohio property and
casualty insurance industry's voice
on matters affecting or involving the industry.

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Proponent Testimony—SB 175 Insurance Regulatory Updates (Lang)

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Chair Lampton, Vice Chair Barhorst, Ranking Member Jarrells and members of the House Insurance Committee, thank you for allowing me to come before this Committee to discuss the importance of Senate Bill 175. I am Michael Farley and I have the distinct honor to serve as the Vice President, Government Affairs and General Counsel for the Ohio Insurance Institute (“OII”). The OII is a trade and information association of more than 55 Ohio-based property and casualty insurance companies and related affiliate organizations. OII members write approximately 87% of auto insurance in Ohio and 81% of home insurance. And OII members write about two-thirds of the commercial insurance in the state.

The insurance industry is a major driver of Ohio's economy, with more than 275 insurance entities sustaining over **115,000 jobs** and contributing to a **wage total exceeding \$10 billion**. Of those Ohioans employed by the insurance industry, 35% are in the property and casualty field, making us second in the nation for property casualty insurance employment. Moreover, Ohio consumers enjoy the 7th lowest homeowners premiums and 10th lowest auto insurance premiums in the nation.

My understanding is that Chair Lampton sent a summary document to the members of the Committee. My goal is to not retread known ground. I do wish to highlight several components of the bill and explain their practical importance. I am also happy to answer any questions about provisions I may not have included in these remarks.

Commercial Manuscript Policies

Commercial manuscript policies involve sophisticated insurance purchasers and sellers. They are unique policies designed to meet the needs of commercial policyholders. Traditionally, these policies have not been reviewed by the Ohio Department of Insurance. This is based on two grounds: 1) the parties are sophisticated and well represented and 2) reviewing these policies would unnecessarily take up an inordinate amount of time and resources that can be used on other products at the ODI. As Ohio's economy continues to grow and morph into new markets, this regulatory flexibility will significantly assist Ohio businesses. This was previously permitted under an ODI bulletin, under SB 175, it would move to statute.

NAIC Accreditation Protection

Ohio is blessed with a vibrant domestic insurance market. The plentiful number of insurers creates competition, which promotes competitive, stable pricing for consumers. Ohio is widely known as one of the top regulatory markets in the nation. Insurance is regulated by the states. The National Association of Insurance Commissioners (“NAIC”) has created processes to streamline and rationalize the prudential regulation of insurers. This process is known as accreditation.

To be accredited by the NAIC, a state must meet rigorous standards. Some of the most important standards are maintaining laws and regulations that are substantially similar to given model acts and model regulations. The Senate’s laudable work over the last many years to right-size the regulatory footprint may have created pressures on Ohio’s ability to maintain accreditation.

After discussions with Senate originators of the regulatory reductions provision, we came up with a narrow consideration of the regulations required for NAIC accreditation. Language in the substitute version excludes regulations necessary for accreditation from inclusion in the required reductions. This narrow safeguard will protect state-based insurance. It will also continue Ohio’s ability to regulate Ohio insurers and to make sure that Ohio insurers are solvent and able to meet their promises.

Ohio Assigned Risk Plan

Ohio motorists are required to maintain proof of financial responsibility in order to drive in Ohio. One of the mechanisms in place to allow for those that may otherwise be uninsurable to obtain insurance is the statutorily created Ohio Assigned Risk Plan. This is a market of last resort for commercial and personal auto insurance in Ohio. These plans are backstopped by all insurers that write business in Ohio.

The amendments in the substitute bill accomplish two goals—both relate to fraud prevention. The first goal is to clarify that fraudulent acts against the Ohio Assigned Risk Plan fall within the insurance fraud statute (R.C. 2913.47). We believe such fraudulent acts against the Assigned Risk Plan fall under this statute currently, but this amendment makes it crystal clear. The second goal is to prevent entities from pretending they are agents in order to file applications that do not comply with the statute or internal regulations. This is accomplished by creating a simple registration process that is similar to the process used for traditional insurers to appoint their agents.

Ohio Fair Plan

In a very similar way to the Ohio Assigned Risk Plan, the Ohio Fair Plan provides property insurance. The amendments in the substitute bill modernize the statute by removing antiquated language. Furthermore, the amendments will expand and expedite processes to approve applications and potential claims. These amendments are consumer focused.

Funding Agreement Clarification

Funding agreements are very much like annuities. This amendment provides sufficient clarity to allow Ohio-domiciled insurers to provide these products. The amendment also clarifies that holders of funding agreements are treated like policyholders (in terms of priority status) in the unlikely event of insolvency.

Confidentiality of Personal Information

This amendment requires the Ohio Department of Insurance to maintain information supplied during the review of an acquisition or merger involving a domestic insurer. This information often contains personal information or proprietary information.

Hearing Notice Provisions

In HB 33, the Senate added language to modernize notice provided for administrative hearings. Many, if not most, of the pages of the bill deal with updating the sections of the insurance code to reflect these changes. These changes are necessary to avoid confusion and any potential redundancies.

I have not discussed all of the provisions in SB 175. In the interest of time, I have highlighted many of them that may have evoked questions as you read the substitute bill or supporting documentation. However, I am happy to answer any questions you may have about any of the provisions in SB 175.

Mr. Chairman, thank you and the Committee for considering SB 175. I am happy to answer any questions.