



**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 256 (Wilson)**

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Chair Brinkman, Vice Chair Lampton, Ranking Member Miranda, and members of the House Insurance Committee, thank you for allowing me to come before this Committee to discuss the importance of SB 256. 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. OII members write about two-thirds of the commercial insurance in the state.

SB 256 is the result of years of discussion and deliberation by the National Council of Insurance Legislators (“NCOIL”) and the National Association of Insurance Commissioners (“NAIC”). Legislators and regulators from all over the nation came together to modernize the regulatory schematic for travel insurance. This product has been in use for decades. As companies sought to adapt and expand coverage for travel insurance, it became evident that clear and consistent regulation was necessary.

This bill does not impose onerous, new regulatory standards on insurers and their sales force. This bill does, however, recognize that the traveling public expects additional coverages. This bill acknowledges that a consistent regulatory environment between the states will promote availability of this product.

Seventeen states have already adopted this model legislation. Our hope is that Ohio will be the eighteenth state to adopt consumer protections and the expansion of availability. After the last nearly two years, it is axiomatic that people are ready to travel. One way to ensure the financial security of the traveling public in the United States—and around the world—is to pass this legislation and allow for more availability by promoting consistency amongst the states.

Please note that travel insurance is already regulated in Ohio. This bill does not so much add regulation as it does modernize and streamline the regulation. States have dealt with this line of insurance differently. SB 256 provides the Ohio General Assembly a consumer-friendly way to maintain the appropriate level of regulation and promote consumer protection.

**SENATE COMMITTEE AMENDMENTS**

In addition to the provisions dealing with travel insurance, the Senate added other much-needed provisions to the bill.

### **Electronic Regulatory Signature:**

During the early stages of the global pandemic, leadership at the Ohio Department of Insurance promptly waived “wet-signature” requirements for documents. This change facilitated remote work and brought practice in line with current technological realities. Over the last twenty-four months, this process has proceeded smoothly. Insurers expressed a strong preference for continuing interactions with various regulatory filings with an electronic signature, rather than reverting to wet-signature requirements. Our discussions with the Ohio Department of Insurance resulted in the language found in SB 256.

### **Group Capital Calculation:**

The NAIC adopted a model act that is currently under discussion as an accreditation standard. This model act will require insurers to compile financial solvency information in a format that will help insurance regulators monitor the solvency of the insurance company. This model act was developed with an eye toward maintaining state-based insurance regulation. The European Union and United Kingdom regulators have developed similar tools to monitor solvency. Under Covered Agreements entered into by the European Union and the United States and the United Kingdom and the United States, if the state regulator does not substantially conform to the requirements of the foreign regulator, the regulated entity will be subject to the EU or UK requirements. This is only applicable to internationally active insurers—or those insurers with business operations in the given foreign jurisdiction.

Ohio is blessed with many strong domestic insurers. Some of these insurers do business in the EU and/or UK. If the domestic regulator does not adopt the Group Capital Calculation before November of this year, the insurer will become subject to the international prudential regulator. Under the ongoing premise that state-based regulation empowers states to oversee the actions of domestic regulators, this provision of the substitute bill is consistent.

The Department has engaged in discussions with insurers about what compliance will look like. We are far ahead of the curve in Ohio. However, it is imperative that this provision be adopted prior to November 2022. The alternative will subject Ohio insurers to costly, potentially duplicative regulation.

### **Rebating/Value Added:**

Rebating is the process of providing an insured with something of value to improve their insurability or to minimize loss. One can think of this in the commercial setting as an insurer paying for a fire-suppression system in a large warehouse to prevent extensive loss. In the personal lines construct, one might think of an insurer providing a homeowner a high-water detector to reduce loss due to a flooded basement.

This provision substantially adopts the NAIC Rebating Model Act, which modernizes rebating regulations. The Ohio-draft also includes language that eliminates unnecessary restrictions on commercial lines rebating. The commercial lines provision was adopted in Missouri over a year and a half ago and has worked very well for commercial consumers. Traditionally, commercial lines customers have been subject to less regulatory intrusion because they are viewed as sophisticated parties.

Ohio law has been in place for many years. The restrictions are dated. This modernization will promote innovation in product offerings and pricing for both personal and commercial lines. This language will also help prevent loss events for Ohio citizens. This language was developed in consultation with the Ohio Department of Insurance.

**Corrective Title Insurance Language:**

This language clarifies recent changes to title insurance adopted in the operating budget (HB 110). The operating budget made clarifications to continuing law to include joint ventures as an allowed business form for a title insurance agency. The language in the substitute bill defines “joint venture” and clarifies that the percentage of ownership in the joint venture shall not be based on the percentage referred to the original joint venture. Corrective language is added to properly refer to the entity as a title agency instead of the reference to a title company. The Ohio Department of Insurance worked with the interested parties to develop this clarifying language.

SB 256 is a step toward maintaining Ohio’s status as a premier state for property and casualty insurance. We thank you for your consideration. Chair Brinkman and members of the Committee, thank you for the opportunity to present testimony today. I am happy to answer any questions you may have.