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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 528
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 528's Bill Analysis](#)

Version: As Passed by the House

Primary Sponsor: Rep. LaRe

Local Impact Statement Procedure Required: No

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Highlights

- The bill's requirements, levied on insurance companies, may increase the Department of Insurance's financial examination expenses. If there is any increase in such expenses, it is likely to be minimal. Any such expenses would be paid from the Superintendent's Examination Fund (Fund 5550). Expenses from conducting such examinations are paid by the company to the Superintendent and deposited into Fund 5550.
- The bill's requirement to create and publish lists of reciprocal jurisdictions and assuming insurers may also increase the Department of Insurance's administrative costs. Any increase in general departmental administrative costs would be paid from the Department of Insurance Operating Fund (Fund 5540).¹

Detailed Analysis

The bill allows a domestic ceding insurer that is authorized to do any insurance business in Ohio to take credit for any reinsurance² ceded as either an asset or a reduction of liability if the reinsurance is ceded to an assuming insurer that meets explicit conditions as specified under the bill. The bill specifies several conditions that the assuming insurer must meet, primarily including minimum conditions related to capital, surplus, and solvency; the LSC bill analysis provides a complete description of the conditions. Two conditions may result in fiscal

¹ Revenue to Fund 5540 comes from various fees imposed on insurance companies, primarily insurance agent license fees and agent appointment fees.

² "Reinsurance" is when an insurer (the ceding insurer) purchases insurance from a separate insurer (the assuming insurer) to cover a portion or all of its potential liabilities.

effects: the assuming insurer must (1) have its head office or be domiciled in, and be licensed in a reciprocal jurisdiction;³ and (2) agree in writing to the jurisdiction of Ohio courts, to the appointment of the Superintendent of Insurance as agent for service of process, and to pay all final judgments obtained by a ceding insurer. The fiscal effect from the first condition arises because the bill also requires the Superintendent to timely create and publish a list of reciprocal jurisdictions and a list of assuming insurers that have satisfied the bill's requirements.⁴

The bill requires the Superintendent to adopt certain rules related to the required conditions. The bill also specifies one element of a legal process of rehabilitation, liquidation, or conservation for the ceding insurer, requiring the assuming insurer to post security for outstanding ceded liabilities if ordered to do so by a court. The bill provisions do not limit or alter the capacity of parties to a reinsurance agreement to agree on requirements for security or other terms in that reinsurance agreement, except as expressly prohibited by sections 3901.61 to 3901.65 of the Revised Code or other applicable law, rule, or regulation.

Fiscal effect

The bill's requirements may increase the Department of Insurance's financial examination expenses. If there is any increase in such expenses, it is likely to be minimal. Any such expenses would be paid from the Superintendent's Examination Fund (Fund 5550). Any expenses from conducting such examinations are paid by the company to the Superintendent and deposited into Fund 5550.

The bill's requirements that the Superintendent (1) create and publish a list of reciprocal jurisdictions, (2) create and publish a list of assuming insurers, and (3) act as agent for service of process for some assuming insurers may also increase the Department's administrative costs. Any increase in the Department's general administrative costs would be paid from the Department of Insurance Operating Fund (Fund 5540).

The bill refers to the process of liquidation of a ceding insurer. Currently, when an Ohio domestic insurance company becomes insolvent and requires liquidation the Superintendent would initiate a court action to place the company in liquidation. The Office of the Ohio Insurance Liquidator is technically a private trustee's office, overseen by the Franklin County Court of Common Pleas, and it would liquidate all assets and resolve all claims against the insolvent insurance company. The Office is funded by a share of the estate left by a liquidated insurance company. Thus, the cost of liquidating such insurer would be recovered from the insurer's assets.

The bill has no fiscal effect on local governments.

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³ Under the bill, a "reciprocal jurisdiction" must meet certain criteria.

⁴ The Superintendent is allowed to revoke or suspend the eligibility of the assuming insurer if it does not meet one or more of the conditions under the bill or rules adopted by the Superintendent.