



# Common Sense Initiative

Mike DeWine, Governor  
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## Business Impact Analysis

Agency Name:	<u>Ohio Department of Insurance</u>
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Regulation/Package Title ( <i>a general description of the rules' substantive content</i> ):	
<u>Chapter 1 rules</u>	
Rule Number(s):	<u>3901-1-02, 3901-1-50, and 3901-1-67</u>
Date of Submission for CSI Review:	<u>July 25, 2025</u>
Public Comment Period End Date:	<u>August 7, 2025, 11:59 PM</u>
Rule Type/Number of Rules:	
<input type="checkbox"/> New/ rules	<input checked="" type="checkbox"/> No Change/ <b>1</b> rules (FYR? <b>yes</b> )
<input checked="" type="checkbox"/> Amended/ <b>2</b> rules (FYR? <b>yes</b> )	<input type="checkbox"/> Rescinded/ rules (FYR? )

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of regulations that have an adverse impact on business with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

### **Reason for Submission**

1. R.C. 106.03 and 106.031 require agencies, when reviewing a rule, to determine whether the rule has an adverse impact on businesses as defined by R.C. 107.52. If the agency determines that it does, it must complete a business impact analysis and submit the rule for CSI review.

Which adverse impact(s) to businesses has the Agency determined the rule(s) create?

The rule(s):

- ☒ a. Requires a license, permit, or any other prior authorization to engage in or operate a line of business.
- ☒ b. Imposes a criminal penalty, a civil penalty, or another sanction, or creates a cause of action for failure to comply with its terms.
- ☒ c. Requires specific expenditures or the report of information as a condition of compliance.
- ☐ d. Is likely to directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies.

### **Regulatory Intent**

2. Please briefly describe the draft regulation in plain language.

*Please include the key provisions of the regulation as well as any proposed amendments.*

***Rule 3901-1-02, access to confidential personal information, implements requirements statutorily mandated by section 1347.15 of the Revised Code, the rule sets forth how department staff must handle any personal information gathered in the normal course of business. Technical amendments are proposed.***

***Rule 3901-1-50, sets procedures for insurers to file annual financial reports to facilitate the department's ability and statutory requirement to review and analyze the financial condition of insurers. This rule is based upon a National Association of Insurance Commissioners (NAIC) accreditation standard. Technical amendments are proposed.***

***Rule 3901-1-67, allows insurance companies to utilize certain alternative derivative and reserve accounting practices for eligible derivative instruments and indexed products, respectively, in order to better match derivative and reserve accounting as it relates to interest crediting for indexed products and to provide for a more true and fair representation of the capital position and net gain from operations of insurance***

*companies that offer or have in force indexed products. There are no proposed amendments.*

3. Please list the Ohio statute(s) that authorizes the Agency to adopt the rule(s) and the statute(s) that amplify that authority.

*Rule 3901-1-02: Sections 1347.15(B), 1347.99, and 3901.041 of the Revised Code.*

*Rule 3901-1-50: Sections 3901.041, 3901.07, and 3901.77 of the Revised Code.*

*Rule 3901-1-67: Sections 3901.77, 3903.722, 3903.723, 3903.724, 3903.725, 3903.726, 3903.727, 3903.728, and 3903.7211 of the Revised Code.*

4. Does the regulation implement a federal requirement? ☐ Yes ☒ No

Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?

☐ Yes ☒ No

*If yes, please briefly explain the source and substance of the federal requirement.*

*Not applicable.*

5. If the regulation implements a federal requirement, but includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

*Not applicable.*

6. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?

*Rule 3901-1-02: The purpose of this rule is to protect the information gathered by the agency that is confidential. By administering this rule, the department is safeguarding the confidential personal information that is gathered in the process of insurance regulation.*

*Rule 3901-1-50: The purpose of this rule is to allow regular and thorough review of insurers' financial condition, and to ensure there are adequate funds and financial structures in place to pay policyholders' claims.*

*Rule 3901-1-67: The purpose of this rule is to make the financial picture of the insurance companies clearer and more accurate, especially for those offering indexed products.*

7. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?

*The department will see a maintained decrease in confusion surrounding such requirements as well as a decrease in complaints and/or damages to consumers and Ohioans as the rules are maintained.*

8. Are any of the proposed rules contained in this rule package being submitted pursuant to R.C. 101.352, 101.353, 106.032, 121.93, or 121.931? ☐ Yes ☒ No

*If yes, please specify the rule number(s), the specific R.C. section requiring this submission, and a detailed explanation.*

*Not applicable.*

### **Development of the Regulation**

9. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation. *If applicable, please include the date and medium by which the stakeholders were initially contacted.*

*On Thursday May 1<sup>st</sup>, the department vetted the draft rules via email to the department stakeholder list. This list includes insurers, consumer groups, insurance agents, and various associations representing insurers and agents with specific interest applicable to the rules. The rules have remain posted online at the departments web site and will remain until the completion of the rule review.*

10. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?

*These rules were reviewed as part of the five year rule review. The department received no comments on the rules from industry or the general public during the comment period.*

11. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?

*Rule 3901-1-02: This rule was developed in accordance with state statute that outlines the necessary procedures to be adhered to by state agencies to adequately safeguard consumer personal information.*

*Rules 3901-1-50 & 3901-1-67: These rules are established according to a national model adopted by the NAIC. When developing a model, the NAIC works with a subgroup*

***consisting of representatives from multiple states. Stakeholders also provide comment as to find the right balance between consumer protection and ease of compliance.***

12. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives? *Alternative regulations may include performance based regulations, which define the required outcome, but do not dictate the process the regulated stakeholders must use to comply.*

***Rule 3901-1-02: This rule was based on statute that requires all state agencies to follow standard best practices and procedures to assure consumer personal information is protected. Alternative regulation is not appropriate.***

***Rules 3901-1-50 & 3901-1-67: These rules are modeled upon current NAIC guidance and publications which represent nationwide industry standards. These rules provide consistent regulatory requirements for insurance carriers. Therefore, no other alternatives were considered.***

13. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?

***The department, which serves as the sole regulator of the insurance industry in Ohio, reviewed Ohio statutes and rules and determined that it does not duplicate other regulations.***

14. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.

***These regulations have been in place for many years and have been applied consistently. Those impacted by the rules are familiar with the requirements.***

### **Adverse Impact to Business**

15. Provide a summary of the estimated cost of compliance with the rule(s). Specifically, please do the following:
- Identify the scope of the impacted business community; and
  - Quantify and identify the nature of all adverse impact (e.g., fees, fines, employer time for compliance, etc.).

*The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a representative business. Please include the source for your information/estimated impact.*

**a.**

***Rule 3901-1-02: There is no business impact imposed by this rule on Ohio businesses as it is a requirement impacting state agencies. Only the department, not regulated entities in the insurance industry, must adhere to this rule.***

***Rules 3901-1-50 & 3901-1-67: Implements a national model that requires certain insurers to file forms under certain conditions.***

**b.**

***Rule 3901-1-02: There is no adverse impact to the business community as the rules pertain to how the Department must internally handle confidential information.***

***Rules 3901-1-50 & 3901-1-67: Insurers must have internal practices in place to ensure that compliance is met. These standards are currently in place within the existing rule and provide guidance for filings.***

16. Are there any proposed changes to the rule(s) that will reduce a regulatory burden imposed on the business community? Please identify. (*Reductions in regulatory burden may include streamlining reporting processes, simplifying rules to improve readability, eliminating requirements, reducing compliance time or fees, or other related factors.*)

***No, by maintaining national standards as set by the NAIC and those established by the Ohio revised code within these rules, the need for insurers to create different forms, standards and systems when conducting business in multiple states is reduced or eliminated.***

17. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?

***Rule 3901-1-02: This rule sets internal guidelines on managing confidential information gathered by the department. Therefore, there is no adverse impact as there is no applicable impact on the business community.***

***Rule 3901-1-50: Ohio Law requires insurers to file annually with the department, and requires the department's regular and ongoing financial review. Regular financial review is vital to the department's ability to regulate and monitor the financial conditions of insurers doing business in this state and providing services to Ohio policyholders. Conducting the audit creates savings for the companies when filing with the department,***

*because department staff can leverage the audit information while examining the financial records.*

*Rule 3901-1-67: This rule makes the financial picture of the insurance companies clearer and more accurate, especially for those offering indexed products. Ultimately fostering solvency and the maintenance of a healthy market.*

### **Regulatory Flexibility**

18. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.

*Rule 3901-1-02: This rule does not impact businesses as it is solely a requirement on the department and is already in practice.*

*Rules 3901-1-50 & 3901-1-6: These rules enact NAIC models that are a requirement of accreditation from the NAIC which is fundamental in the regulation of insurance in Ohio.*

19. How will the Agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?

*Section 119.14 of the Revised Code does not apply to these rules as there is no impact to the regulated community. Department staff found in violation of these rules could be subject to action from the department or authorities depending on the circumstance.*

*For rules 3901-1-50 & 3901-1-67, the department will apply section 119.14 of the Revised Code into the implementation of this regulation by working with businesses on first-time violations of this rule.*

20. What resources are available to assist small businesses with compliance of the regulation?

*Department staff is available to answer questions, regardless of the size of business. Furthermore, the department provides filing information and instructions on its web site. The department intends to continue dialogue with stakeholders through the implementation process to ensure compliance and facilitate questions.*