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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Office

H.B. 575
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 575's Bill Analysis](#)

Version: As Reported by Senate Insurance

Primary Sponsor: Rep. Cutrona

Local Impact Statement Procedure Required: No

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Highlights

- The bill is unlikely to increase the Department of Insurance's administrative costs, but if there were any increase in such costs, it would be paid from the Department of Insurance Operating Fund (Fund 5540).

Detailed Analysis

The bill requires a domestic fraternal benefit society to present to the Superintendent of Insurance a plan to protect the interests of the society members not later than 45 days following either of these events: the society (1) has an authorized control level risk-based capital (RBC)¹ or (2) fails to comply with the surplus requirement under existing law. The bill specifies that the plan must provide for the transfer of all members, certificates, and other assets and liabilities of the society to another society or other insurer through merger, consolidation, assumption, or any other means, and it requires the plan to designate a period of time to complete the transfer. The bill specifies that any such transfer is subject to approval by the Superintendent. The bill stipulates several other requirements related to the transfer, which have no fiscal effect.

The bill also modifies provisions related to imposing any assessment of shares of a deficiency. The bill extends the number of days that the society is required to notify the Superintendent of its plan to impose such an assessment from 30 days to 90 days prior to the assessment, and following the notice period, provides that the assessment may be imposed only

¹ Under existing law, "authorized control level RBC" occurs if an insurer's capital falls below a certain amount.

if the assessment has not been disapproved by the Superintendent. The bill also specifies liquidation proceedings for such societies.

Fiscal effect

A domestic fraternal benefit society is a nonprofit organization governed by Chapter 3921 of the Revised Code that provides benefits to its members that are generally comparable to those provided by a life insurer, and subject to examination by the Department of Insurance. According to the latest Department of Insurance annual report,² there were 50 fraternal benefit societies authorized to do business in Ohio, including nine societies that were domiciled in the state.

The bill affects such societies and the Department of Insurance only if a society becomes financially weak or needs to be liquidated. Liquidation is a process comparable to bankruptcy, and is overseen by the Superintendent of Insurance. The bill is not likely to increase the Department's administrative costs, and may streamline the process if the bill's provisions were triggered for a society. If there were any increase in departmental costs, it would be paid from the Department of Insurance Operating Fund (Fund 5540). Fund 5540 receives funding from various fees, including fees associated with such societies.³

Provisions related to the liquidation of a society would have no fiscal effect. Under current law, when an Ohio domestic insurance company becomes insolvent and requires liquidation, the Superintendent of Insurance would initiate a court action to place the company in liquidation. The Office of the Ohio Insurance Liquidator is funded by a share of the estate left by a liquidated insurance company. In the same way, the cost of liquidating an insolvent society would likely be recovered from the society's assets.

The bill has no direct fiscal impact on local governments.

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² Source: [Ohio Department of Insurance Annual Report 2022 \(PDF\)](#).

³ In addition, currently payments associated with any examination of domestic fraternal benefit societies are transferred from Fund 5540 to the Superintendent's Examination Fund (Fund 5550) under an uncodified provision of H.B. 110.