Bill Analysis

Greg Schwab *Legislative Service Commission*

Sub. S.B. 171

124th General Assembly
(As Reported by H. Insurance)

Sens. Nein, DiDonato, Oelslager, Wachtmann

Reps. Stapleton, Olman, Evans, Jolivette, Wolpert, Calvert, G. Smith

BILL SUMMARY

- Removes the statutory requirement that a majority of the officers of a domestic life insurance company be Ohio citizens.
- Ends the statutory requirement that forms furnished to insurers by the Superintendent of Insurance for filing of financial statements be in printed format.
- Requires the Department of Insurance to provide a copy of any written notice of late financial statement filing it receives to the company's board.
- Amends the laws governing changes in the number of directors or trustees of an insurance company.
- Rescinds the statutory requirement that the Superintendent annually file a report with the General Assembly on insurer investments.

CONTENT AND OPERATION

Residency requirement repealed

(sec. 3907.02)

Under current law, persons forming a domestic life insurance company must file articles of incorporation with the Secretary of State. The articles of incorporation are to include a copy of the company's proposed charter. The law specifies the items that must be included in the charter, such as the name of the company, its location, the kind of business it intends to conduct, the number of directors or trustees, and the manner of electing them and other officers. The law also specifies that a majority of such directors, trustees, and other officers are to be citizens of Ohio.

The bill removes the requirement that a majority of the directors, trustees, and other officers of a domestic life insurance company be Ohio citizens.

Notice of late filing

(sec. 3901.73)

The bill requires the Department of Insurance to forward a copy of any written notice received from an insurer or health insuring corporation domiciled in Ohio that states the insurer or health insuring corporation will be late in the filing of any quarterly or annual financial statement required under the Insurance Law, Title 39 of the Revised Code, or the Health Insuring Corporation Law, Chapter 1751. of the Revised Code. The Department is required to forward the copy of the notice to the insurer's or health insuring corporation's board of directors. The Department is also required to notify the board of the date on which the Department received the notice.

Filing forms

(sec. 3905.29)

Under current law, the Superintendent of Insurance is required to furnish each domestic insurance company with a printed copy of the forms to be used for the filing of statutory financial statements and other financial information. The bill removes the requirement that the Superintendent furnish the forms as printed copies, allowing the Superintendent to furnish the forms in other manners, such as over the Internet.

Altering the number of directors or trustees

(secs. 3907.02, 3925.03, 3925.04, and 3941.05)

Life insurance companies

Current law permits the number of directors or trustees of a life insurance company to be increased or diminished "at any time . . . at the will of the stockholders representing a majority of the stock or a majority of the members." (Sec. 3907.02.) The bill amends the manner of and the requirements for changing a life insurer's number of directors or trustees.

The bill provides that the number of directors or trustees may be fixed or changed at a meeting of the stockholders or members called for the purpose of electing directors or trustees, if a quorum is present at the meeting. The number may be changed by the affirmative vote of the holders of a majority of the shares, or a majority of the members, that are represented at the meeting and entitled to vote on the proposal.

The bill also states that the articles, code of regulations, or bylaws of a life insurer may authorize the directors or trustees to change the number of directors or trustees and may specify the manner in which this is to be done. The articles, regulations, or bylaws may impose limitations upon the directors' or trustees' use of this authority. The articles, regulations, or bylaws may also authorize those directors or trustees in office to fill any director's or trustee's office created by an increase in the number of directors or trustees.

The bill provides that no reduction in the number of directors or trustees, in itself, has the effect of shortening the term of any incumbent director or trustee.

Property and casualty insurers

Current law provides, "Within one month after the subscription books of an insurance company are filed . . . and after the articles of incorporation are filed with the secretary of state, a majority of subscribers to the stock shall hold a meeting for the election of . . . directors." (Sec. 3925.03.) The bill limits the scope of this provision to *stock* property and casualty insurance companies and specifies that the initial election of directors will be made by subscribers to the *voting* stock of the insurer. Pursuant to the changes made to section 3925.03 of the Revised Code by the bill, mutual insurers are no longer regulated under that section.

Current law permits the number of directors to be increased or diminished at any time after the initial election "at the will of stockholders representing a majority of the stock or a majority of the members." The law specifies that each member of a mutual insurance company is entitled to one vote. The bill amends the manner of and the requirements for changing the number of directors.

The bill provides that the number of directors may be changed by amendment of the company's code of regulations or bylaws, if the number of directors is included in the code of regulations or bylaws. The number of directors may be changed pursuant to a vote of the stockholders representing a majority of the stock voting, in person or by proxy, at a meeting, if the number of directors is included in the articles of incorporation. Each stockholder is entitled to one vote for each share of *voting* stock held; current law does not specify that the stock must be voting stock.

The bill provides that no reduction in the number of directors, in itself, has the effect of shortening the term of any incumbent director.

The bill amends current law governing mutual insurance companies doing the business of property and casualty insurance to reflect the provisions governing stock property and casualty insurers found in section 3925.03 of the Revised Code (sec. 3941.05).

The bill fixes the number of directors of a domestic mutual company at between five and 21. The number of directors may be increased or diminished between the same limits by amendment of the code of regulations or bylaws, pursuant to section 3941.09 of the Revised Code, if the number of directors is included in the code of regulations or bylaws. The number of directors may be changed pursuant to a vote of the majority of the members voting, in person or by proxy, at a meeting, if the number of directors is included in the company's articles of incorporation. The directors may choose, by ballot, a company president and may fill vacancies that arise in the board or presidency.

No reduction in the number of directors of a mutual company, in itself, has the effect of shortening the term of any incumbent director.

Report to the General Assembly

(sec. 3901.43 (repealed); Section 2)

Under current law, the Superintendent of Insurance is required to annually report in writing to the chairperson of the standing committee of each house of the General Assembly that normally considers economic development legislation, the Superintendent's findings regarding investments made by insurance companies. The Superintendent's findings appear to be based primarily on the annual investment report that each insurer is required to file with the Superintendent.

The bill rescinds both reporting requirements.

HISTORY

ACTION	DATE	JOURNAL ENTRY	
Introduced	10-02-01	p.	926
Reported, S. Insurance, Commerce & Labor	10-16-01	p.	970
Passed Senate (32-0)	10-17-01	pp.	990-991
Reported, H. Insurance	01-30-02	pp.	1353-1354

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