



## Ohio Revised Code Section 3906.01 Definitions.

Effective: September 4, 2014

Legislation: Senate Bill 140 - 130th General Assembly

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As used in this chapter:

- (A) "Annual financial statement" means an insurer's statutorily required financial statement under the insurer's respective authorizing chapter of the Revised Code.
- (B) "Authorized control level risk-based capital" means authorized control level RBC as defined in sections 1753.31 and 3903.81 of the Revised Code.
- (C) "Cash equivalent" means a short-term, highly liquid investment that is both readily convertible to known amounts of cash and so near its maturity that it presents an insignificant risk of change in value because of changes in interest rates, and that has an original maturity date, to the entity holding the investment, of three months or less.
- (D) "Covered" means that an insurer owns, or can immediately acquire through the exercise of options, warrants, or conversion rights already owned, the underlying interest in order to fulfill or secure its obligation under the option, cap, or floor it has written.
- (E)(1) "Derivative instrument" means an agreement, option, instrument, or a series or a combination thereof of either of the following types:
- (a) To make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interest, or to make a cash settlement in lieu thereof;
  - (b) That has a price, performance, value, or cash flow based primarily upon the actual or expected price, level, performance, value, or cash flow of one or more underlying interests.
- (2) "Derivative instrument" includes options, warrants, caps, floors, collars, swaps, forwards, futures, and any other agreements, options, or instruments substantially similar thereto or any series



or combination thereof.

(F) "Derivative transaction" means a transaction involving the use of one or more derivative instruments.

(G) "Hedging transaction" means a derivative transaction that is entered into and maintained to reduce either of the following:

(1) The risk of economic loss due to a change in the value, yield, price, cash flow, or quantity of assets or liabilities that the insurer has acquired or incurred or anticipates acquiring or incurring;

(2) The currency exchange rate risk or the degree of exposure as to assets or liabilities that an insurer has acquired or incurred or anticipates acquiring or incurring.

(H) "Income generation" means a derivative transaction involving the writing of covered options, caps, or floors that is intended to generate income or enhance return.

(I) "Lower-grade investment" means a rated credit instrument or debt-like preferred stock rated 4, 5, or 6 by the securities valuation office.

(J) "Medium-grade investment" means a rated credit instrument or debt-like preferred stock rated 3 by the securities valuation office.

(K) "Minimum asset requirement" is the requirement that an insurer maintain assets in an amount equal to the sum of the insurer's liabilities and its minimum financial security benchmark, as required by division (A) of section 3906.11 of the Revised Code.

(L) "Minimum financial security benchmark" is the amount an insurer is required to have under section 3906.03 of the Revised Code.

(M) "Replication transaction" means a derivative transaction that is intended to replicate the performance of one or more assets that an insurer is authorized to acquire under this chapter.

"Replication transaction" does not include a derivative transaction that is entered into as a hedging



transaction.

(N) "Securities valuation office" means the securities valuation office of the national association of insurance commissioners or any successor office.

(O) "Securities valuation office listed mutual fund" means a money market mutual fund or short-term bond fund that is registered with the United States securities and exchange commission under the "Investment Company Act of 1940," 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-64, and that has been determined by the securities valuation office to be eligible for special reserve and reporting treatment, rather than as common stock.

(P) "Securities valuation office listed exchange traded fund" means a bond or preferred stock exchange traded fund that is registered with the United States securities and exchange commission under the "Investment Company Act of 1940," 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-64, and that has been rated 1 or 2 by the securities valuation office and determined by the office to be eligible for special reserve and reporting treatment, rather than as common stock.

(Q) "Superintendent" means the superintendent of insurance.