# Ohio Revised Code

## Section 3906.03 Alternative minimum financial security benchmarks.

Effective: September 4, 2014
Legislation: Senate Bill 140 - 130th General Assembly

(A)(1) Unless otherwise established in accordance with divisions (A)(2) and (3) of this section, the amount of the minimum financial security benchmark for an insurer shall be the greatest of the following:

(a) The authorized control level risk-based capital applicable to the insurer, as defined and set forth by sections 1753.31 to 1753.43 or 3903.81 to 3903.93 of the Revised Code, less the asset valuation reserve as defined in the risk-based capital instructions defined in division (M) of section 3903.81 of the Revised Code;

(b) The minimum capital or minimum surplus required by statute or rule for maintenance of an insurer's certificate of authority in this state;

(c) All invested assets of an entity organized under Chapter 3919. or 3939. of the Revised Code;

(d) For title insurers, the quotient of annualized net earned premiums divided by eight;

(e) For multiple employer welfare arrangements, the greater of three hundred per cent of the risk-based capital amount reported in the annual statement or the quotient of annualized net earned premiums divided by twelve.

(2) The superintendent may, in accordance with division (B) of this section, establish by order a minimum financial security benchmark to apply to a specific insurer that exceeds the amount arrived at under division (A)(1) of this section.

(3) The superintendent may by rule change the minimum financial security benchmark that is a multiple of authorized control level risk-based capital, or equivalent risk-based capital calculation, to apply to any class of insurers provided the amount established by the rule is not less than the amount arrived at under division (A)(1) of this section.

(B) The superintendent shall determine the amount of minimum capital or minimum surplus as specified in division (A)(1)(b) of this section to determine an insurer's minimum financial security benchmark. The amount shall be sufficient to provide reasonable security against contingencies affecting the insurer's financial position that are not fully covered by reserves or by reinsurance.

(1) In determining this amount, the superintendent shall consider all of the following risks:

(a) Increases in the frequency or severity of losses beyond the levels contemplated by the premium rates charged;

(b) Increases in expenses beyond those contemplated by the premium rates charged;

(c) Decreases in the value of assets, or the return on invested assets below those planned on;

(d) Changes in economic conditions that would make liquidity more important than contemplated and would force untimely sale of assets or prevent timely investments;

(e) Currency devaluation to which the insurer may be subject;

(f) Any other contingencies the superintendent identifies that may affect the insurer's operations.

(2) In determining the minimum financial security benchmark under division (A)(2) of this section, the superintendent shall also take into account the following factors:

(a) The most reliable information available as to the magnitude of the various risks under division (B)(1) of this section;

(b) The extent to which the risks in division (B)(1) of this section are independent of each other or are related, and whether any dependency is direct or inverse;

(c) The insurer's recent history of profits or losses;

(d) The extent to which the insurer has provided protection against adverse contingencies in ways other than the establishment of surplus, including redundancy of premiums, adjustability of contracts under their terms, investment valuation reserves, whether voluntary or mandatory, appropriate reinsurance, the use of conservative actuarial assumptions to provide a margin of security, reserve adjustments in recognition of previous rate inadequacies, contingency or catastrophe reserves, diversification of assets, and underwriting risks;

(e) Independent judgments on the soundness of the insurer's operations, as evidenced by the ratings of reliable professional financial reporting services;

(f) Any other factor the superintendent considers relevant.