

As Passed by the House

**124th General Assembly
Regular Session
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Sub. S. B. No. 171

**SENATORS Nein, DiDonato, Oelslager, Wachtmann
REPRESENTATIVES Stapleton, Olman, Evans, Jolivette, Wolpert, Calvert,
G. Smith, Hoops, Coates, Flowers, Hughes, Clancy, Flannery, Reidelbach,
Setzer, Salerno, Schmidt**

A B I L L

To amend sections 3905.29, 3907.02, 3925.03, 3925.04, 1
and 3941.05, to enact section 3901.73, and to 2
repeal section 3901.43 of the Revised Code relative 3
to the residency of the directors of insurance 4
companies and the provision of copies of late 5
filing notices to governing boards under the 6
jurisdiction of the Department of Insurance, to 7
rescind the statutory requirement that the 8
Superintendent of Insurance annually file a report 9
on insurer investments with the General Assembly, 10
to allow the Superintendent to send certain forms 11
electronically to insurers, and to provide 12
mechanisms for changes in the number of directors 13
and trustees of insurance companies. 14

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 3905.29, 3907.02, 3925.03, 3925.04, 15
and 3941.05 be amended and section 3901.73 of the Revised Code be 16
enacted to read as follows: 17

Sec. 3901.73. The department of insurance shall forward a 18
copy of any written notice received from any insurance company or 19
health insuring corporation domiciled in this state that the 20
insurer or health insuring corporation will be late in making the 21
filing of any quarterly or annual financial statement, required 22
under Title XXXIX or Chapter 1751. of the Revised Code, to the 23
board of directors of the insurer or health insuring corporation 24
required to file the financial statement. The department shall 25
also provide the board the date on which the department received 26
the notice. 27

Sec. 3905.29. (A) The superintendent of insurance shall adopt 28
the forms, instructions, and manuals prescribed by the national 29
association of insurance commissioners, for the preparation and 30
filing of statutory financial statements and other financial 31
information. However, the superintendent may by rule adopt 32
modifications to such prescribed forms, instructions, and manuals 33
as ~~he~~ the superintendent considers necessary. 34

(B) For circumstances not addressed by the forms, 35
instructions, and manuals prescribed by the national association 36
of insurance commissioners, the superintendent may determine 37
accounting practices and methods for purposes of preparing 38
statutory financial statements and other financial information. 39

(C) The superintendent shall furnish each domestic insurance 40
company ~~a printed copy of~~ the forms for the filing of statutory 41
financial statements and other financial information required to 42
be made by it. 43

Sec. 3907.02. The persons forming a company under section 44
3907.01 of the Revised Code shall file in the office of the 45
secretary of state articles of incorporation, signed by them, 46
setting forth their intention to form a company, which articles 47

shall comprise a copy of the charter they propose to adopt. The 48
charter shall set forth the name of the company, which shall not 49
be the corporate name or title used to designate any fire, life, 50
marine, or other insurance company existing under the laws of this 51
state, the place where it is to be located, the kind of business 52
to be undertaken, the manner in which its corporate powers are to 53
be exercised, the number of directors or trustees, the manner of 54
electing them and other officers, ~~a majority of whom shall be~~ 55
~~citizens of this state,~~ the time of such election, the manner of 56
filling vacancies, the amount of capital to be employed, and such 57
other particulars as are necessary to explain and make manifest 58
the objects and purposes of the company, and the manner in which 59
it is to be conducted. The number of directors or trustees shall 60
be not less than five nor more than twenty-one. ~~At any time the~~ 61
~~number may be increased or diminished between the same limits, at~~ 62
~~the will of the stockholders representing a majority of the stock~~ 63
~~or a majority of the members~~ The number of directors or trustees 64
may be fixed or changed at a meeting of the stockholders or 65
members called for the purpose of electing directors or trustees 66
at which a quorum is present, by affirmative vote of the holders 67
of a majority of the shares, or a majority of the members, which 68
are represented at the meeting and entitled to vote on the 69
proposal. In addition to the authority of the stockholders or 70
members to change the number of directors or trustees and the 71
manner in which the number may be fixed or changed, the articles, 72
code of regulations, or bylaws may authorize the directors or 73
trustees to change the number of directors or trustees, may 74
specify the manner in which the directors or trustees are to 75
change the number of directors or trustees and the limitations 76
upon the directors' or trustees' use of this authority, and may 77
authorize the directors or trustees who are in office to fill any 78
director's or trustee's office that is created by an increase in 79
the number of directors or trustees. No reduction in the number of 80

directors or trustees shall of itself have the effect of 81
shortening the term of any incumbent director or trustee. 82

Sec. 3925.03. Within one month after the subscription books 83
of ~~an~~ a stock insurance company are filled, as provided in section 84
3925.02 of the Revised Code, and after the articles of 85
incorporation of a stock insurance company are filed with the 86
secretary of state, a majority of subscribers to the voting stock 87
shall hold a meeting for the election of not less than five nor 88
more than twenty-one directors. ~~At any time thereafter the~~ The 89
number of directors may be increased or diminished between the 90
same limits, ~~at the will of stockholders representing a majority~~ 91
~~of the stock or a majority of the members. Each member of a mutual~~ 92
~~insurance company is entitled to one vote, and each~~ by amendment 93
of the code of regulations or bylaws, if the number of directors 94
is included in the code of regulations or bylaws of the company, 95
or pursuant to a vote of the stockholders representing a majority 96
of the stock voting, in person or by proxy, at a meeting, if the 97
number of directors is included in the articles of incorporation 98
of the company. No reduction in the number of directors shall of 99
itself have the effect of shortening the term of any incumbent 100
director. Each stockholder ~~in other companies~~ is entitled to one 101
vote for each share of voting stock ~~he holds~~ held. ~~If their bylaws~~ 102
~~so provide, mutual companies may elect directors for a term of~~ 103
~~three years, the term of office of one third of the number elected~~ 104
~~to expire each year, and those who receive the highest number of~~ 105
~~votes at the first election to serve for the longest term.~~ 106

~~From their own number the~~ The directors of ~~such an~~ a stock 108
insurance company shall choose, by ballot, a president, and also 109
fill vacancies that arise in the board, or in the presidency 110
thereof of the company. 111

Sec. 3925.04. When convened at the office of the company, the board of directors elected or appointed as provided in section 3925.03 or 3941.05 of the Revised Code, or a majority of the board, may appoint a secretary and other officers or agents necessary for transacting its business, and may pay such salaries and take such securities as the board considers reasonable. The board may ordain and establish bylaws and a code of regulations, or make amendments to the bylaws or code of regulations previously adopted, not inconsistent with the constitution and laws of this state and of the United States, which appear necessary for regulating and conducting the business of the company. New bylaws or regulations shall not take effect until approved by the superintendent of insurance and until a copy thereof is filed in his the superintendent's office. The board shall keep full and correct records of its transactions, which shall be open at all times to the inspection of the members or stockholders.

Sec. 3941.05. A domestic mutual company has legal existence, subject to the limitations prescribed in sections 3941.01 to 3941.34 ~~inclusive,~~ of the Revised Code, from the filing of its articles of incorporation with the secretary of state. The original incorporators may fix and call the first meeting and adopt bylaws which thereupon shall be filed with the superintendent of insurance, and may elect the first officers and directors who shall continue in office until the first annual meeting of the members. The number of directors shall not be less than five nor more than twenty-one. 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 of the mutual company, or 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 143
articles of incorporation of the mutual company. No reduction in 144
the number of directors shall of itself have the effect of 145
shortening the term of any incumbent director. 146

If a mutual company's code of regulations or bylaws so 147
provide, a mutual company may elect directors for a term of three 148
years, the term of office of one third of the number elected to 149
expire each year, and those who receive the highest number of 150
votes at the first election to serve the longest term. The 151
directors of a mutual company may choose, by ballot, a president 152
of the company and also fill vacancies that arise in the board, or 153
in the presidency of the company. 154

Section 2. That existing sections 3905.29, 3907.02, 3925.03, 155
3925.04, and 3941.05 and section 3901.43 of the Revised Code are 156
hereby repealed. 157