## As Passed by the Senate

**125th General Assembly**
**Regular Session**
**2003-2004**

**Sub. S. B. No. 187**

**Senators Nein, Robert Gardner, Armbruster, Schuler, Stivers, Mumper, Padgett, Spada**

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# A BILL

To amend sections 3915.02, 3915.073, 3915.14, 3937.25, 3937.26, and 3937.27 and to enact sections 3937.28 and 3937.29 of the Revised Code to adopt a new formula for determining the minimum nonforfeiture value of an individual deferred annuity, to require insurance companies to obtain the Superintendent of Insurance's approval prior to deferring the payment of a cash surrender benefit, to prohibit the delivery or use of an annuity contract and its related endorsements for thirty days after the form of the contract or endorsement is filed with the Superintendent, unless earlier approved by the Superintendent, and to differentiate provisions for the cancellation, termination, and nonrenewal of policies of medical malpractice insurance from those provisions regulating other policies of insurance, and to amend the version of section 3915.073 of the Revised Code as results from this act two years after the act's effective date.

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

**Section 1.** That sections 3915.02, 3915.073, 3915.14, 3937.25, 3937.26, and 3937.27 be amended and sections 3937.28 and 3937.29 of the Revised Code be enacted to read as follows:

**Sec. 3915.02.** This chapter does not apply to annuities except as provided in sections 3915.051, 3915.073, 3915.14, and 3915.21 to 3915.24 of the Revised Code, industrial policies except as provided in sections 3915.07 and 3915.071 of the Revised Code, fraternal benefit societies, corporations or associations operating on the assessment plan, or corporations or associations which have been organized under sections 3919.01 to 3919.19 of the Revised Code, except corporations and associations which, as of September 28, 1933, have amended their articles of incorporation under section 3919.13 of the Revised Code.

**Sec. 3915.073.** (A) This section shall be known as the standard nonforfeiture law for individual deferred annuities.

(B) This section does not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code of 1954, 26 U.S.C.A. 408, as amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which is delivered outside this state through an agent or other representative of the company issuing the contract.

(C) In the case of contracts issued on or after the operative date of this section as defined in division ~~(L)~~(M) of this section, no contract of annuity, except as stated in division (B) of this section, shall be delivered or issued for delivery in this state unless ~~it~~ the contract contains in substance the following provisions, or corresponding provisions that in the opinion of the superintendent of insurance are at least as favorable to the ~~contractholder, upon~~ contract owners, relative to the cessation of payment of consideration under the contract:

(1) That upon cessation of payment of considerations under a contract, or upon the written request of the contract owner, the company ~~will~~ shall grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in divisions (E), (F), (G), (H), and (J) of this section;

(2) If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company ~~will~~ shall pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in divisions (E), (F), (H), and (J) of this section. The company ~~shall~~ may reserve the right to defer the payment of such cash surrender benefit for a period ~~of~~ not to exceed six months after demand therefor with surrender of the contract. The deferral is contingent upon the company's conveyance of a written request for the deferral to the superintendent and the company's receipt of written approval from the superintendent for the deferral. The request shall address the necessity and equitability to all contract owners of the deferral;

(3) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender, or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits;

(4) A statement that any paid-up annuity, cash surrender, or death benefits that may be available under the contract are not

less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract, or any prior withdrawals from or partial surrenders of the contract.

Notwithstanding the requirements of this section, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

(D) The minimum values as specified in divisions (E), (F), (G), (H), and (J) of this section of any paid-up annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in <u>divisions (D)(1), (2), and (3) or divisions (D)(4), (5), (6), and (7) of</u> this section.

(1) With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at a rate of interest of ~~three~~ <u>one and one-half</u> per cent per annum of percentages of the net considerations, as defined in <u>division (D)(1) of</u> this section, paid prior to such time, decreased by the sum of:

(a) Any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of ~~three~~ one and one-half per cent per annum; ~~and~~

(b) The amount of any indebtedness to the company on the contract, including interest due and accrued; and increased by any existing additional amounts credited by the company to the contract.

The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of thirty dollars and less a collection charge of one dollar and twenty-five cents per consideration credited to the contract during that contract year. The percentages of net considerations shall be sixty-five per cent of the net consideration for the first contract year and eighty-seven and one-half per cent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be sixty-five per cent of the portion of the total net consideration for any renewal contract year that exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was sixty-five per cent.

~~Notwithstanding any other provision of this section, for any contract issued on or after the effective date of this amendment, and before September 1, 2004, the interest rate at which net considerations, partial withdrawals, and partial surrenders shall be accumulated for purposes of determining minimum nonforfeiture amounts shall be one and one-half per cent per annum.~~

(2) With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance

and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:

(a) The portion of the net consideration for the first contract year to be accumulated shall be the sum of sixty-five per cent of the net consideration for the first contract year plus twenty-two and one-half per cent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years;

(b) The annual contract charge shall be the lesser of (i) thirty dollars or (ii) ten per cent of the gross annual consideration.

(3) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to ninety per cent and the net consideration shall be the gross consideration less a contract charge of seventy-five dollars.

(4)(a) The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at rates of interest determined in accordance with division (D)(5) of this section of the net considerations, determined in accordance with division (D)(4)(b) of this section, paid prior to such time, decreased by the sum of:

(i) Any prior withdrawals from or partial surrenders of the contract, accumulated at rates of interest determined in accordance with division (D)(5) of this section;

(ii) An annual contract charge of fifty dollars, accumulated at rates of interest determined in accordance with division (D)(5) of this section;

(iii) Any premium tax paid by the company for the contract, accumulated at rates of interest determined in accordance with division (D)(5) of this section;

(iv) The amount of any indebtedness to the company on the contract, including interest due and accrued.

(b) The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount equal to eighty-seven and one-half per cent of the gross considerations credited to the contract during that contract year.

(5)(a) The interest rate used in determining minimum nonforfeiture amounts under divisions (D)(4) to (D)(7) of this section shall be an annual rate of interest determined as the lesser of three per cent per annum or the following, which shall be specified in the contract if the interest rate will be reset:

(i) The five-year constant maturity treasury rate reported by the federal reserve as of a date or an average over a period, rounded to the nearest one-twentieth of one per cent, specified in the contract, no longer than fifteen months prior to the contract issue date or the redetermination date specified in division (D)(5)(b) of this section;

(ii) Reduced by one hundred twenty-five basis points;

(iii) Where the resulting interest rate shall not be less than one per cent.

(b) The interest rate determined under division (D)(5)(a) of this section shall apply for an initial period and may be redetermined for additional periods. The redetermination date, basis and period, if any, shall be stated in the contract. The basis is the date or average over a specified period that produces the value of the five-year constant maturity treasury rate to be used at each redetermination date.

(6) During the period or term that a contract provides

substantive participation in an equity-indexed benefit, the contract may provide for an increase in the reduction described in division (D)(5)(a)(ii) of this section by a maximum of one hundred basis points to reflect the value of the equity-indexed benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction shall not exceed the market value of the benefit. The superintendent may require a demonstration that the present value of the additional reduction does not exceed the market value of the benefit. If the demonstration is not acceptable to the superintendent, the superintendent may disallow or limit the additional reduction.

(7) The superintendent may adopt rules to implement division (D)(6) of this section and to provide for further adjustments to the calculation of minimum nonforfeiture amounts for contracts that provide substantive participation in an equity-indexed benefit and for other contracts for which the superintendent determines adjustments are justified.

(E) Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

(F) For contracts which provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit that would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one per cent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

(G) For contracts that do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts that do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

(H) For the purpose of determining the benefits calculated under divisions (F) and (G) of this section, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

(I) Any contract that does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

(J) Any paid-up annuity, cash surrender, or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

(K) For any contract that provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefit shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of divisions (E), (F), (G), (H), and (J) of this section, additional benefits payable:

(1) In the event of total and permanent disability;

(2) As reversionary annuity or deferred reversionary annuity benefits; or

(3) As other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all such additional benefits shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits that may be required by this section.

The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits.

(L) ~~Any company may file with the superintendent a written notice of its election to comply with the provisions of this section on or before July 1, 1980. The date specified in the notice shall be the operative date of this section for such company. If a company makes no such election, the operative date of this section for the company shall be July 1, 1980.~~ The superintendent may adopt rules in accordance with Chapter 119. of the Revised Code to implement this section.

(M) Before the second anniversary of the effective date of this amendment, a company may elect to apply this section to annuity contracts on a contract-form-by-contract-form basis by using either divisions (D)(1), (2), and (3) or divisions (D)(4), (5), (6), and (7) of this section. Divisions (D)(1), (2), and (3) of this section shall be repealed on the second anniversary date of the effective date of this amendment.

**Sec. 3915.14.** (A) No policy of life insurance, nor any indorsement, rider, or application which becomes or is designed to become a part of any such policy, shall be delivered, issued for delivery, or used in this state, or be issued by a life insurance company organized under the laws of this state, until thirty days after the form of said policy, indorsement, rider, or application has been filed with the superintendent of insurance, unless within

~~such~~ that time the superintendent gives the ~~insurer~~ insurance company written approval for the use of ~~such~~ the form. ~~When~~

(B) No individual or group annuity policy or contract, including, but not limited to, a guaranteed investment contract, deposit administration contract, funding agreement, structured settlement agreement, or similar types, excluding those required to be filed with the superintendent pursuant to section 3911.011 of the Revised Code, and no certificate, endorsement, rider, or application which becomes or is designed to become a part of any such policy, contract, or agreement, shall be delivered, issued for delivery, or used in this state, or be issued by a life insurance company organized under the laws of this state, until thirty days after the form of said policy, contract, agreement, certificate, endorsement, rider, or application has been filed with the superintendent, unless within that time the superintendent gives the insurance company written approval for the use of the form.

(C) When the superintendent finds within such thirty-day period that the form filed contains any language ~~which~~ that is prohibited by any law of this state, including any rule of the superintendent, or is inconsistent, ambiguous, misleading, deceptive, or likely to mislead an applicant or policyholder, ~~he~~ the superintendent shall give written notice of such finding to ~~any insurer which~~ the insurance company that filed ~~such~~ the form, and thereafter ~~it~~ the insurance company shall not deliver, issue for delivery, or use ~~such~~ the form.

The superintendent's action is subject to review by any court of competent ~~jursdiction~~ jurisdiction, subject to Chapter 119. of the Revised Code.

**Sec. 3937.25.** (A) As used in sections 3937.25 to 3937.29 of the Revised Code, "medical malpractice insurance" means insurance coverage against the legal liability of the insured for loss, damage, or expense arising from a medical, optometric, or chiropractic claim, as those claims are defined in section 2305.113 of the Revised Code.

(B) After a policy of commercial property insurance, commercial fire insurance, or commercial casualty insurance other than fidelity or surety bonds, medical malpractice insurance, and automobile insurance as defined in section 3937.30 of the Revised Code, has been in effect for more than ninety days, a notice of cancellation for such policy shall not be issued by any licensed insurer unless it is based on one of the following grounds:

(1) Nonpayment of premium;

(2) Discovery of fraud or material misrepresentation in the procurement of the insurance or with respect to any claims submitted thereunder;

(3) Discovery of a moral hazard or willful or reckless acts or omissions on the part of the named insured that increase any hazard insured against;

(4) The occurrence of a change in the individual risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed, except to the extent the insurer reasonably should have foreseen the change or contemplated the risk in writing the contract;

(5) Loss of applicable reinsurance or a substantial decrease in applicable reinsurance, if the superintendent has determined that reasonable efforts have been made to prevent the loss of, or substantial decrease in, the applicable reinsurance, or to obtain replacement coverage;

(6) Failure of an insured to correct material violations of

safety codes or to comply with reasonable written loss control recommendations;

(7) A determination by the superintendent of insurance that the continuation of the policy would create a condition that would be hazardous to the policyholders or the public.

~~(B)~~(C) The notice of cancellation required by this section must be in writing, be mailed to the insured at ~~his~~ the insured's last known address, and contain all of the following:

(1) The policy number;

(2) The date of the notice;

(3) The effective date of the cancellation;

(4) An explanation of the reason for cancellation.

Such notice of cancellation also shall be mailed to the insured's agent.

~~(C)~~(D) Except for nonpayment of premium, the effective date of cancellation must be no less than thirty days from the date of mailing the notice. When cancellation is for nonpayment of premium, the effective date of cancellation must be no less than ten days from the date of mailing the notice.

~~(D)~~(E) Nothing in division ~~(A)~~(B) of this section shall be construed to prevent an insurer from writing a policy of commercial property insurance, commercial fire insurance, or commercial casualty insurance other than medical malpractice insurance and automobile insurance as defined in section 3937.30 of the Revised Code for a period greater than one year and providing in such policy that the insurer may issue a notice of cancellation of such policy at least thirty days prior to an anniversary of such policy, with the effective date of cancellation being that anniversary.

The superintendent may prescribe that adequate disclosure be made to the insured when a policy is issued for a term of more than one year.

~~(E)~~(F) There is no liability on the part of, and no cause of action of any nature arises against, the superintendent of insurance, any insurer, or any person furnishing information requested by the superintendent, an insurer, the agent, employee, attorney, or other authorized representative of any such persons, for any oral or written statement made to supply information relevant to a determination on cancellation of any policy of commercial property insurance, commercial fire insurance, or commercial casualty insurance other than fidelity or surety bonds, medical malpractice insurance, and automobile insurance as defined in section 3937.30 of the Revised Code, or in connection with advising an insured or ~~his~~ an insured's attorney of the reasons for a cancellation of such insurance, or in connection with any administrative or judicial proceeding arising out of or related to such cancellation.

**Sec. 3937.26.** (A) An insurer may refuse to renew a policy of commercial property insurance, commercial fire insurance, or commercial casualty insurance other than fidelity or surety bonds, medical malpractice insurance, and automobile insurance as defined in section 3937.30 of the Revised Code, by mailing to the insured, at ~~his~~ the insured's last known address, at least thirty days prior to the date of the expiration date of the policy, a notice of the insurer's intention not to renew the policy.

Such notice shall contain all of the following:

(1) The policy number;

(2) The date of the notice;

(3) The expiration date of the policy.

Such notice of nonrenewal also shall be mailed to the insured's agent.

(B) If the notice of nonrenewal is mailed less than thirty days before the expiration date of the policy, the insured's coverage then in effect remains in effect until thirty days after the date of mailing the notice, unless the insured notifies the insurer in writing that ~~he~~ the insured accepts the nonrenewal as stated. The insurer shall notify the insured of the amount of the premium for the time after the expiration date that the coverage may remain in effect, and the insured shall pay such premium unless ~~he~~ the insured accepts the stated nonrenewal. The premium must be calculated using the rates originally applicable to the insured's coverage then in effect.

**Sec. 3937.27.** (A) An insurer who intends to condition renewal of a policy of commercial property insurance, commercial fire insurance, or commercial casualty insurance other than fidelity and surety bonds, medical malpractice insurance, and automobile insurance as defined in section 3937.30 of the Revised Code, upon a substantial increase in premium shall mail a notice of such intention to the agent of record and to the insured, at ~~his~~ the insured's last known address, at least thirty days prior to the expiration date of the policy.

(B) If the notice is mailed less than thirty days before the expiration date of the policy, the insured's coverage then in effect remains in effect until thirty days after the date of mailing the notice. The insurer shall notify the insured of the amount of the premium for the time after the expiration date that the existing coverage may remain in effect, and the insured shall pay such premium unless ~~he~~ the insured notifies the insurer in writing that ~~he~~ the insured does not want ~~his~~ the coverage then in effect to be extended past the expiration date. The premium must be calculated using the rates originally applicable to the insured's coverage then in effect.

If the insured accepts the increased premium, such change is effective immediately following the expiration of the insured's coverage then in effect.

**Sec. 3937.28.** (A) A notice of cancellation of a policy of medical malpractice insurance shall not be issued by any licensed insurer unless it is based on one of the following grounds:

(1) Nonpayment of premium;

(2) Discovery of fraud or material misrepresentation in the procurement of the insurance or with respect to any claims submitted thereunder;

(3) Discovery of a moral hazard or willful or reckless acts or omissions on the part of the named insured that increase any hazard insured against;

(4) The occurrence of a change in the individual risk that substantially increases any hazard insured against after insurance coverage has been issued or renewed, except to the extent the insurer reasonably should have foreseen the change or contemplated the risk in writing the contract;

(5) Loss of applicable reinsurance or a substantial decrease in applicable reinsurance, if the superintendent of insurance has determined that reasonable efforts have been made to prevent the loss of, or substantial decrease in, the applicable reinsurance, or to obtain replacement coverage;

(6) Failure of an insured to correct material violations of safety codes or to comply with reasonable written loss control recommendations;

(7) A determination by the superintendent that the continuation of the policy would create a condition that would be hazardous to the policyholders or the public.

(B) The notice of cancellation required by this section shall be in writing, be mailed both to the insured at the insured's last known address and to the insured's agent, and contain all of the following:

(1) The policy number;

(2) The date of the notice;

(3) The effective date of the cancellation;

(4) An explanation of the grounds for cancellation.

(C) Except when cancellation is for nonpayment of premium, the effective date of cancellation shall be not less than sixty days from the date of mailing the notice. When cancellation is for nonpayment of premium, the effective date of cancellation shall be not less than ten days from the date of mailing the notice.

(D) Nothing in division (A) of this section shall be construed to prevent an insurer from writing a policy of medical malpractice insurance for a period greater than one year and providing in such policy that the insurer may issue a notice of cancellation of such policy at least sixty days prior to an anniversary of such policy, with the effective date of cancellation being that anniversary.

The superintendent may prescribe that adequate disclosure be made to the insured when a policy is issued for a term of more than one year.

(E) There is no liability on the part of, and no cause of action of any nature arises against, the superintendent, any insurer, or any person furnishing information requested by the superintendent or an insurer, or the agent, employee, attorney or other authorized representative of any such persons, for any oral or written statement made to supply information relevant to a determination on cancellation of any policy of medical malpractice insurance, or in connection with advising an insured or the insured's attorney of the grounds for a cancellation of such insurance, or in connection with any administrative or judicial proceeding arising out of or related to such cancellation.

**Sec. 3937.29.** (A) An insurer that intends to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance that it has issued to any class, type, or specialty of practitioner, or that intends to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance in a specific geographic area, which may include the state as a whole, shall file written notice of its intended action with the superintendent of insurance. These actions by an insurer are not effective unless the written notice is filed with the superintendent within the following time frames:

(1) At least one hundred eighty days prior to the insurer acting to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance that the insurer has issued in this state;

(2) At least one hundred twenty days prior to the insurer acting to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance for a specific class, type, or specialty of practitioner or in a specific geographic area other than this state as a whole.

Written notice also shall be filed with the superintendent at least one hundred twenty days prior to the insurer making changes in its underwriting guidelines, if the effect of the changes will be to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance for a specific class, type, or specialty of practitioner or in a specific geographic area other than this state as a whole.

(B) The written notice filed with the superintendent under division (A) of this section shall contain all of the following information:

(1) The date of the notice;

(2) The number of insureds with policies that will be cancelled, terminated, or not renewed;

(3) The date that the insurer intends to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance that the insurer has issued to any class, type, or specialty of practitioner, or that the insurer intends to cancel, terminate, or otherwise not renew all policies of medical malpractice insurance in a specific geographic area, including the state as a whole;

(4) The specific geographic area, if any;

(5) Any other information required by the superintendent.

(C) An insurer that intends to condition renewal of a policy of medical malpractice insurance upon an increase in premium shall mail a notice of the insurer's intention to the agent of record and to the insured at the insured's last known address at least sixty days prior to the expiration date of the policy.

(D) An insurer may refuse to renew a policy of medical malpractice insurance by mailing a notice of the insurer's intention to the agent of record and to the insured at the insured's last known address at least sixty days prior to the expiration date of the policy. The notice mailed under this division shall contain all of the following information:

(1) The policy number;

(2) The date of the notice;

(3) The expiration date of the policy;

(4) An explanation of the grounds for nonrenewal.

(E) If the notice required by divisions (C) and (D) of this section is mailed less than sixty days before the expiration date of the policy, the insured's coverage then in effect remains in effect until sixty days after the date of mailing the notice unless either of the following is true:

(1) In the case of a premium increase, the insured accepts the increased premium. The change is then effective immediately following the expiration of the insured's coverage then in effect.

(2) In the case of nonrenewal, the insured notifies the insurer in writing that the insured accepts the nonrenewal as stated.

(F) If the insured's coverage is extended beyond the original expiration date of the policy as provided by division (E) of this section, the premium for the time after the original expiration date must be calculated using the rates originally applicable to the insured's coverage then in effect. The insurer shall notify the insured of the amount of the premium for the time after the expiration of the insured's coverage then in effect. The insured shall pay the premium unless either of the following is true:

(1) In the case of a premium increase, the insured notifies the insurer in writing that the insured does not want the coverage then in effect to be extended past the expiration date.

(2) In the case of nonrenewal, the insured notifies the insurer in writing that the insured accepts the nonrenewal as stated.

**Section 2.** That existing sections 3915.02, 3915.073, 3915.14, 3937.25, 3937.26, and 3937.27 of the Revised Code are hereby repealed.

**Section 3.** That section 3915.073 of the Revised Code as it results from Section 1 of this act be amended to read as follows:

**Sec. 3915.073.** (A) This section shall be known as the standard nonforfeiture law for individual deferred annuities.

(B) This section does not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under section 408 of the Internal Revenue Code of 1954, 26 U.S.C.A. 408, as amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which is delivered outside this state through an agent or other representative of the company issuing the contract.

(C) ~~In the case of contracts issued on or after the operative date of this section as defined in division (M) of this section, no~~ No contract of annuity, except as stated in division (B) of this section, shall be delivered or issued for delivery in this state unless the contract contains in substance the following provisions, or corresponding provisions that in the opinion of the superintendent of insurance are at least as favorable to the contract owners, relative to the cessation of payment of consideration under the contract:

(1) That upon cessation of payment of considerations under a contract, or upon the written request of the contract owner, the company shall grant a paid-up annuity benefit on a plan stipulated in the contract of such value as is specified in divisions (E), (F), (G), (H), and (J) of this section;

(2) If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company shall pay in lieu of any paid-up annuity benefit a cash surrender benefit of such amount as is specified in divisions (E), (F), (H), and (J) of this section. The company may reserve the right to defer the payment of such cash surrender benefit for a period not to exceed six months after demand therefor with surrender of the contract. The deferral is contingent upon the company's conveyance of a written request for the deferral to the superintendent and the company's receipt of written approval from the superintendent for the deferral. The request shall address the necessity and equitability to all contract owners of the deferral;

(3) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender, or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of such benefits;

(4) A statement that any paid-up annuity, cash surrender, or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which such benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract, or any prior withdrawals from or partial surrenders of the contract.

Notwithstanding the requirements of this section, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to such period would be less than twenty dollars monthly, the company may at its option terminate such contract by payment in cash of the then present value of such portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by such payment shall be relieved of any further obligation under such contract.

(D) The minimum values as specified in divisions (E), (F), (G), (H), and (J) of this section of any paid-up annuity, cash surrender, or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in ~~divisions (D)(1), (2), and (3) or divisions (D)(4), (5), (6), and (7) of~~ this ~~section~~ division.

(1) ~~With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at a rate of interest of one and one-half per cent per annum of percentages of the net considerations, as defined in division (D)(1) of this section, paid prior to such time, decreased by the sum of:~~

~~(a) Any prior withdrawals from or partial surrenders of the contract accumulated at a rate of interest of one and one-half per cent per annum;~~

~~(b) The amount of any indebtedness to the company on the contract, including interest due and accrued; and increased by any existing additional amounts credited by the company to the contract.~~

~~The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of thirty dollars and less a~~

~~collection charge of one dollar and twenty-five cents per consideration credited to the contract during that contract year. The percentages of net considerations shall be sixty-five per cent of the net consideration for the first contract year and eighty-seven and one-half per cent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be sixty-five per cent of the portion of the total net consideration for any renewal contract year that exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was sixty-five per cent.~~

~~(2) With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:~~

~~(a) The portion of the net consideration for the first contract year to be accumulated shall be the sum of sixty-five per cent of the net consideration for the first contract year plus twenty-two and one-half per cent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years;~~

~~(b) The annual contract charge shall be the lesser of (i) thirty dollars or (ii) ten per cent of the gross annual consideration.~~

~~(3) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to ninety per cent and the net~~

~~consideration shall be the gross consideration less a contract charge of seventy-five dollars.~~

~~(4)~~(a) The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at rates of interest determined in accordance with division (D)~~(5)~~(2) of this section of the net considerations, determined in accordance with division (D)~~(4)~~(1)(b) of this section, paid prior to such time, decreased by the sum of:

(i) Any prior withdrawals from or partial surrenders of the contract, accumulated at rates of interest determined in accordance with division (D)~~(5)~~(2) of this section;

(ii) An annual contract charge of fifty dollars, accumulated at rates of interest determined in accordance with division (D)~~(5)~~(2) of this section;

(iii) Any premium tax paid by the company for the contract, accumulated at rates of interest determined in accordance with division (D)~~(5)~~(2) of this section;

(iv) The amount of any indebtedness to the company on the contract, including interest due and accrued.

(b) The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount equal to eighty-seven and one-half per cent of the gross considerations credited to the contract during that contract year.

~~(5)~~(2)(a) The interest rate used in determining minimum nonforfeiture amounts under divisions (D)~~(4)~~(1) to ~~(7)~~(4) of this section shall be an annual rate of interest determined as the lesser of three per cent per annum or the following, which shall be specified in the contract if the interest rate will be reset:

(i) The five-year constant maturity treasury rate reported by the federal reserve as of a date or an average over a period, rounded to the nearest one-twentieth of one per cent, specified in the contract, no longer than fifteen months prior to the contract issue date or the redetermination date specified in division (D)~~(5)~~(2)(b) of this section;

(ii) Reduced by one hundred twenty-five basis points;

(iii) Where the resulting interest rate shall not be less than one per cent.

(b) The interest rate determined under division (D)~~(5)~~(2)(a) of this section shall apply for an initial period and may be redetermined for additional periods. The redetermination date, basis and period, if any, shall be stated in the contract. The basis is the date or average over a specified period that produces the value of the five-year constant maturity treasury rate to be used at each redetermination date.

~~(6)~~(3) During the period or term that a contract provides substantative participation in an equity-indexed benefit, the contract may provide for an increase in the reduction described in division (D)~~(5)~~(2)(a)(ii) of this section by a maximum of one hundred basis points to reflect the value of the equity-indexed benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction shall not exceed the market value of the benefit. The superintendent may require a demonstration that the present value of the additional reduction does not exceed the market value of the benefit. If the demonstration is not acceptable to the superintendent, the superintendent may disallow or limit the additional reduction.

~~(7)~~(4) The superintendent may adopt rules to implement division (D)~~(6)~~(3) of this section and to provide for further adjustments to the calculation of minimum nonforfeiture amounts for contracts that provide substantive participation in an equity-indexed benefit and for other contracts for which the superintendent determines adjustments are justified.

(E) Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. Such present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

(F) For contracts which provide cash surrender benefits, such cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit that would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, such present value being calculated on the basis of an interest rate not more than one per cent higher than the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under such contracts shall be at least equal to the cash surrender benefit.

(G) For contracts that do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, such present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine such maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts that do not provide any death benefits prior to the commencement of any annuity payments, such present values shall be calculated on the basis of such interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

(H) For the purpose of determining the benefits calculated under divisions (F) and (G) of this section, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

(I) Any contract that does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that such benefits are not provided.

(J) Any paid-up annuity, cash surrender, or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

(K) For any contract that provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefit shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of divisions (E), (F), (G), (H), and (J) of this section, additional benefits payable:

(1) In the event of total and permanent disability;

(2) As reversionary annuity or deferred reversionary annuity benefits; or

(3) As other policy benefits additional to life insurance, endowment and annuity benefits, and considerations for all such additional benefits shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits that may be required by this section.

The inclusion of such additional benefits shall not be required in any paid-up benefits, unless such additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender, and death benefits.

(L) The superintendent may adopt rules in accordance with Chapter 119. of the Revised Code to implement this section.

~~(M) Before the second anniversary of the effective date of this amendment, a company may elect to apply this section to annuity contracts on a contract-form-by-contract-form basis by using either divisions (D)(1), (2), and (3) or divisions (D)(4),~~

~~(5), (6), and (7) of this section. Divisions (D)(1), (2), and (3) of this section shall be repealed on the second anniversary date of the effective date of this amendment.~~

**Section 4.** That existing section 3915.073 of the Revised Code as it results from Section 1 of this act is hereby repealed.

**Section 5.** Sections 3 and 4 of this act shall take effect two years after the effective date of this act.

**Section 6.** Section 3915.02 of the Revised Code is presented in this act as a composite of the section as amended by both Sub. H.B. 16 and Sub. S.B. 137 of the 119th General Assembly. The General Assembly, applying the principle stated in division (B) of section 1.52 of the Revised Code that amendments are to be harmonized if reasonably capable of simultaneous operation, finds that the composite is the resulting version of the section in effect prior to the effective date of the section as presented in this act.