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Sub. S. B. No. 187

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

A B I L L

To amend sections 3915.02, 3915.073, 3915.14, 1
3937.25, 3937.26, and 3937.27 and to enact 2
sections 3937.28 and 3937.29 of the Revised Code 3
to adopt a new formula for determining the minimum 4
nonforfeiture value of an individual deferred 5
annuity, to require insurance companies to obtain 6
the Superintendent of Insurance's approval prior 7
to deferring the payment of a cash surrender 8
benefit, to prohibit the delivery or use of an 9
annuity contract and its related endorsements for 10
thirty days after the form of the contract or 11
endorsement is filed with the Superintendent, 12
unless earlier approved by the Superintendent, and 13
to differentiate provisions for the cancellation, 14
termination, and nonrenewal of policies of medical 15
malpractice insurance from those provisions 16
regulating other policies of insurance, and to 17
amend the version of section 3915.073 of the 18
Revised Code as results from this act two years 19
after the act's effective date. 20

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

Section 1. That sections 3915.02, 3915.073, 3915.14, 3937.25, 21
3937.26, and 3937.27 be amended and sections 3937.28 and 3937.29 22
of the Revised Code be enacted to read as follows: 23

Sec. 3915.02. This chapter does not apply to annuities except 24
as provided in sections 3915.051, 3915.073, 3915.14, and 3915.21 25
to 3915.24 of the Revised Code, industrial policies except as 26
provided in sections 3915.07 and 3915.071 of the Revised Code, 27
fraternal benefit societies, corporations or associations 28
operating on the assessment plan, or corporations or associations 29
which have been organized under sections 3919.01 to 3919.19 of the 30
Revised Code, except corporations and associations which, as of 31
September 28, 1933, have amended their articles of incorporation 32
under section 3919.13 of the Revised Code. 33

Sec. 3915.073. (A) This section shall be known as the 34
standard nonforfeiture law for individual deferred annuities. 35

(B) This section does not apply to any reinsurance, group 36
annuity purchased under a retirement plan or plan of deferred 37
compensation established or maintained by an employer, including a 38
partnership or sole proprietorship, or by an employee 39
organization, or by both, other than a plan providing individual 40
retirement accounts or individual retirement annuities under 41
section 408 of the Internal Revenue Code of 1954, 26 U.S.C.A. 408, 42
as amended, premium deposit fund, variable annuity, investment 43
annuity, immediate annuity, any deferred annuity contract after 44
annuity payments have commenced, or reversionary annuity, nor to 45
any contract which is delivered outside this state through an 46
agent or other representative of the company issuing the contract. 47

(C) In the case of contracts issued on or after the operative 48
date of this section as defined in division ~~(L)~~(M) of this 49
section, no contract of annuity, except as stated in division (B) 50

of this section, shall be delivered or issued for delivery in this 51
state unless ~~it~~ the contract contains in substance the following 52
provisions, or corresponding provisions that in the opinion of the 53
superintendent of insurance are at least as favorable to the 54
~~contractholder, upon~~ contract owners, relative to the cessation of 55
payment of consideration under the contract: 56

(1) That upon cessation of payment of considerations under a 57
contract, or upon the written request of the contract owner, the 58
company ~~will~~ shall grant a paid-up annuity benefit on a plan 59
stipulated in the contract of such value as is specified in 60
divisions (E), (F), (G), (H), and (J) of this section; 61

(2) If a contract provides for a lump sum settlement at 62
maturity, or at any other time, that upon surrender of the 63
contract at or prior to the commencement of any annuity payments, 64
the company ~~will~~ shall pay in lieu of any paid-up annuity benefit 65
a cash surrender benefit of such amount as is specified in 66
divisions (E), (F), (H), and (J) of this section. The company 67
~~shall~~ may reserve the right to defer the payment of such cash 68
surrender benefit for a period ~~of~~ not to exceed six months after 69
demand therefor with surrender of the contract. The deferral is 70
contingent upon the company's conveyance of a written request for 71
the deferral to the superintendent and the company's receipt of 72
written approval from the superintendent for the deferral. The 73
request shall address the necessity and equitability to all 74
contract owners of the deferral; 75

(3) A statement of the mortality table, if any, and interest 76
rates used in calculating any minimum paid-up annuity, cash 77
surrender, or death benefits that are guaranteed under the 78
contract, together with sufficient information to determine the 79
amounts of such benefits; 80

(4) A statement that any paid-up annuity, cash surrender, or 81
death benefits that may be available under the contract are not 82

less than the minimum benefits required by any statute of the 83
state in which the contract is delivered and an explanation of the 84
manner in which such benefits are altered by the existence of any 85
additional amounts credited by the company to the contract, any 86
indebtedness to the company on the contract, or any prior 87
withdrawals from or partial surrenders of the contract. 88

Notwithstanding the requirements of this section, any 89
deferred annuity contract may provide that if no considerations 90
have been received under a contract for a period of two full years 91
and the portion of the paid-up annuity benefit at maturity on the 92
plan stipulated in the contract arising from considerations paid 93
prior to such period would be less than twenty dollars monthly, 94
the company may at its option terminate such contract by payment 95
in cash of the then present value of such portion of the paid-up 96
annuity benefit, calculated on the basis of the mortality table, 97
if any, and interest rate specified in the contract for 98
determining the paid-up annuity benefit, and by such payment shall 99
be relieved of any further obligation under such contract. 100

(D) The minimum values as specified in divisions (E), (F), 101
(G), (H), and (J) of this section of any paid-up annuity, cash 102
surrender, or death benefits available under an annuity contract 103
shall be based upon minimum nonforfeiture amounts as defined in 104
divisions (D)(1), (2), and (3) or divisions (D)(4), (5), (6), and 105
(7) of this section. 106

(1) With respect to contracts providing for flexible 107
considerations, the minimum nonforfeiture amount at any time at or 108
prior to the commencement of any annuity payments shall be equal 109
to an accumulation up to such time at a rate of interest of ~~three~~ 110
one and one-half per cent per annum of percentages of the net 111
considerations, as defined in division (D)(1) of this section, 112
paid prior to such time, decreased by the sum of: 113

(a) Any prior withdrawals from or partial surrenders of the 114

contract accumulated at a rate of interest of ~~three~~ one and 115
one-half per cent per annum; ~~and~~ 116

(b) The amount of any indebtedness to the company on the 117
contract, including interest due and accrued; and increased by any 118
existing additional amounts credited by the company to the 119
contract. 120

The net considerations for a given contract year used to 121
define the minimum nonforfeiture amount shall be an amount not 122
less than zero and shall be equal to the corresponding gross 123
considerations credited to the contract during that contract year 124
less an annual contract charge of thirty dollars and less a 125
collection charge of one dollar and twenty-five cents per 126
consideration credited to the contract during that contract year. 127
The percentages of net considerations shall be sixty-five per cent 128
of the net consideration for the first contract year and 129
eighty-seven and one-half per cent of the net considerations for 130
the second and later contract years. Notwithstanding the 131
provisions of the preceding sentence, the percentage shall be 132
sixty-five per cent of the portion of the total net consideration 133
for any renewal contract year that exceeds by not more than two 134
times the sum of those portions of the net considerations in all 135
prior contract years for which the percentage was sixty-five per 136
cent. 137

~~Notwithstanding any other provision of this section, for any~~ 138
~~contract issued on or after the effective date of this amendment,~~ 139
~~and before September 1, 2004, the interest rate at which net~~ 140
~~considerations, partial withdrawals, and partial surrenders shall~~ 141
~~be accumulated for purposes of determining minimum nonforfeiture~~ 142
~~amounts shall be one and one half per cent per annum.~~ 143

(2) With respect to contracts providing for fixed scheduled 144
considerations, minimum nonforfeiture amounts shall be calculated 145
on the assumption that considerations are paid annually in advance 146

and shall be defined as for contracts with flexible considerations 147
which are paid annually with two exceptions: 148

(a) The portion of the net consideration for the first 149
contract year to be accumulated shall be the sum of sixty-five per 150
cent of the net consideration for the first contract year plus 151
twenty-two and one-half per cent of the excess of the net 152
consideration for the first contract year over the lesser of the 153
net considerations for the second and third contract years; 154

(b) The annual contract charge shall be the lesser of (i) 155
thirty dollars or (ii) ten per cent of the gross annual 156
consideration. 157

(3) With respect to contracts providing for a single 158
consideration, minimum nonforfeiture amounts shall be defined as 159
for contracts with flexible considerations except that the 160
percentage of net consideration used to determine the minimum 161
nonforfeiture amount shall be equal to ninety per cent and the net 162
consideration shall be the gross consideration less a contract 163
charge of seventy-five dollars. 164

(4)(a) The minimum nonforfeiture amount at any time at or 165
prior to the commencement of any annuity payments shall be equal 166
to an accumulation up to such time at rates of interest determined 167
in accordance with division (D)(5) of this section of the net 168
considerations, determined in accordance with division (D)(4)(b) 169
of this section, paid prior to such time, decreased by the sum of: 170

(i) Any prior withdrawals from or partial surrenders of the 171
contract, accumulated at rates of interest determined in 172
accordance with division (D)(5) of this section; 173

(ii) An annual contract charge of fifty dollars, accumulated 174
at rates of interest determined in accordance with division (D)(5) 175
of this section; 176

(iii) Any premium tax paid by the company for the contract, 177

<u>accumulated at rates of interest determined in accordance with</u>	178
<u>division (D)(5) of this section;</u>	179
<u>(iv) The amount of any indebtedness to the company on the</u>	180
<u>contract, including interest due and accrued.</u>	181
<u>(b) The net considerations for a given contract year used to</u>	182
<u>define the minimum nonforfeiture amount shall be an amount equal</u>	183
<u>to eighty-seven and one-half per cent of the gross considerations</u>	184
<u>credited to the contract during that contract year.</u>	185
<u>(5)(a) The interest rate used in determining minimum</u>	186
<u>nonforfeiture amounts under divisions (D)(4) to (D)(7) of this</u>	187
<u>section shall be an annual rate of interest determined as the</u>	188
<u>lesser of three per cent per annum or the following, which shall</u>	189
<u>be specified in the contract if the interest rate will be reset:</u>	190
<u>(i) The five-year constant maturity treasury rate reported by</u>	191
<u>the federal reserve as of a date or an average over a period,</u>	192
<u>rounded to the nearest one-twentieth of one per cent, specified in</u>	193
<u>the contract, no longer than fifteen months prior to the contract</u>	194
<u>issue date or the redetermination date specified in division</u>	195
<u>(D)(5)(b) of this section;</u>	196
<u>(ii) Reduced by one hundred twenty-five basis points;</u>	197
<u>(iii) Where the resulting interest rate shall not be less</u>	198
<u>than one per cent.</u>	199
<u>(b) The interest rate determined under division (D)(5)(a) of</u>	200
<u>this section shall apply for an initial period and may be</u>	201
<u>redetermined for additional periods. The redetermination date,</u>	202
<u>basis and period, if any, shall be stated in the contract. The</u>	203
<u>basis is the date or average over a specified period that produces</u>	204
<u>the value of the five-year constant maturity treasury rate to be</u>	205
<u>used at each redetermination date.</u>	206
<u>(6) During the period or term that a contract provides</u>	207

substantive participation in an equity-indexed benefit, the 208
contract may provide for an increase in the reduction described in 209
division (D)(5)(a)(ii) of this section by a maximum of one hundred 210
basis points to reflect the value of the equity-indexed benefit. 211
The present value at the contract issue date, and at each 212
redetermination date thereafter, of the additional reduction shall 213
not exceed the market value of the benefit. The superintendent may 214
require a demonstration that the present value of the additional 215
reduction does not exceed the market value of the benefit. If the 216
demonstration is not acceptable to the superintendent, the 217
superintendent may disallow or limit the additional reduction. 218

(7) The superintendent may adopt rules to implement division 219
(D)(6) of this section and to provide for further adjustments to 220
the calculation of minimum nonforfeiture amounts for contracts 221
that provide substantive participation in an equity-indexed 222
benefit and for other contracts for which the superintendent 223
determines adjustments are justified. 224

(E) Any paid-up annuity benefit available under a contract 225
shall be such that its present value on the date annuity payments 226
are to commence is at least equal to the minimum nonforfeiture 227
amount on that date. Such present value shall be computed using 228
the mortality table, if any, and the interest rate specified in 229
the contract for determining the minimum paid-up annuity benefits 230
guaranteed in the contract. 231

(F) For contracts which provide cash surrender benefits, such 232
cash surrender benefits available prior to maturity shall not be 233
less than the present value as of the date of surrender of that 234
portion of the maturity value of the paid-up annuity benefit that 235
would be provided under the contract at maturity arising from 236
considerations paid prior to the time of cash surrender reduced by 237
the amount appropriate to reflect any prior withdrawals from or 238
partial surrenders of the contract, such present value being 239

calculated on the basis of an interest rate not more than one per 240
cent higher than the interest rate specified in the contract for 241
accumulating the net considerations to determine such maturity 242
value, decreased by the amount of any indebtedness to the company 243
on the contract, including interest due and accrued, and increased 244
by any existing additional amounts credited by the company to the 245
contract. In no event shall any cash surrender benefit be less 246
than the minimum nonforfeiture amount at that time. The death 247
benefit under such contracts shall be at least equal to the cash 248
surrender benefit. 249

(G) For contracts that do not provide cash surrender 250
benefits, the present value of any paid-up annuity benefit 251
available as a nonforfeiture option at any time prior to maturity 252
shall not be less than the present value of that portion of the 253
maturity value of the paid-up annuity benefit provided under the 254
contract arising from considerations paid prior to the time the 255
contract is surrendered in exchange for, or changed to, a deferred 256
paid-up annuity, such present value being calculated for the 257
period prior to the maturity date on the basis of the interest 258
rate specified in the contract for accumulating the net 259
considerations to determine such maturity value, and increased by 260
any existing additional amounts credited by the company to the 261
contract. For contracts that do not provide any death benefits 262
prior to the commencement of any annuity payments, such present 263
values shall be calculated on the basis of such interest rate and 264
the mortality table specified in the contract for determining the 265
maturity value of the paid-up annuity benefit. However, in no 266
event shall the present value of a paid-up annuity benefit be less 267
than the minimum nonforfeiture amount at that time. 268

(H) For the purpose of determining the benefits calculated 269
under divisions (F) and (G) of this section, in the case of 270
annuity contracts under which an election may be made to have 271

annuity payments commence at optional maturity dates, the maturity 272
date shall be deemed to be the latest date for which election 273
shall be permitted by the contract, but shall not be deemed to be 274
later than the anniversary of the contract next following the 275
annuitant's seventieth birthday or the tenth anniversary of the 276
contract, whichever is later. 277

(I) Any contract that does not provide cash surrender 278
benefits or does not provide death benefits at least equal to the 279
minimum nonforfeiture amount prior to the commencement of any 280
annuity payments shall include a statement in a prominent place in 281
the contract that such benefits are not provided. 282

(J) Any paid-up annuity, cash surrender, or death benefits 283
available at any time, other than on the contract anniversary 284
under any contract with fixed scheduled considerations, shall be 285
calculated with allowance for the lapse of time and the payment of 286
any scheduled considerations beyond the beginning of the contract 287
year in which cessation of payment of considerations under the 288
contract occurs. 289

(K) For any contract that provides, within the same contract 290
by rider or supplemental contract provision, both annuity benefits 291
and life insurance benefits that are in excess of the greater of 292
cash surrender benefits or a return of the gross considerations 293
with interest, the minimum nonforfeiture benefit shall be equal to 294
the sum of the minimum nonforfeiture benefits for the annuity 295
portion and the minimum nonforfeiture benefits, if any, for the 296
life insurance portion computed as if each portion were a separate 297
contract. Notwithstanding the provisions of divisions (E), (F), 298
(G), (H), and (J) of this section, additional benefits payable: 299

(1) In the event of total and permanent disability; 300

(2) As reversionary annuity or deferred reversionary annuity 301
benefits; or 302

(3) As other policy benefits additional to life insurance, 303
endowment and annuity benefits, and considerations for all such 304
additional benefits shall be disregarded in ascertaining the 305
minimum nonforfeiture amounts, paid-up annuity, cash surrender, 306
and death benefits that may be required by this section. 307

The inclusion of such additional benefits shall not be 308
required in any paid-up benefits, unless such additional benefits 309
separately would require minimum nonforfeiture amounts, paid-up 310
annuity, cash surrender, and death benefits. 311

~~(L) Any company may file with the superintendent a written 312
notice of its election to comply with the provisions of this 313
section on or before July 1, 1980. The date specified in the 314
notice shall be the operative date of this section for such 315
company. If a company makes no such election, the operative date 316
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. 319~~

(M) Before the second anniversary of the effective date of 320
this amendment, a company may elect to apply this section to 321
annuity contracts on a contract-form-by-contract-form basis by 322
using either divisions (D)(1), (2), and (3) or divisions (D)(4), 323
(5), (6), and (7) of this section. Divisions (D)(1), (2), and (3) 324
of this section shall be repealed on the second anniversary date 325
of the effective date of this amendment. 326

Sec. 3915.14. (A) No policy of life insurance, nor any 327
indorsement, rider, or application which becomes or is designed to 328
become a part of any such policy, shall be delivered, issued for 329
delivery, or used in this state, or be issued by a life insurance 330
company organized under the laws of this state, until thirty days 331
after the form of said policy, indorsement, rider, or application 332
has been filed with the superintendent of insurance, unless within 333

~~such~~ that time the superintendent gives the ~~insurer~~ insurance 334
company written approval for the use of ~~such~~ the form. ~~When~~ 335

(B) No individual or group annuity policy or contract, 336
including, but not limited to, a guaranteed investment contract, 337
deposit administration contract, funding agreement, structured 338
settlement agreement, or similar types, excluding those required 339
to be filed with the superintendent pursuant to section 3911.011 340
of the Revised Code, and no certificate, endorsement, rider, or 341
application which becomes or is designed to become a part of any 342
such policy, contract, or agreement, shall be delivered, issued 343
for delivery, or used in this state, or be issued by a life 344
insurance company organized under the laws of this state, until 345
thirty days after the form of said policy, contract, agreement, 346
certificate, endorsement, rider, or application has been filed 347
with the superintendent, unless within that time the 348
superintendent gives the insurance company written approval for 349
the use of the form. 350

(C) When the superintendent finds within such thirty-day 351
period that the form filed contains any language ~~which~~ that is 352
prohibited by any law of this state, including any rule of the 353
superintendent, or is inconsistent, ambiguous, misleading, 354
deceptive, or likely to mislead an applicant or policyholder, ~~he~~ 355
the superintendent shall give written notice of such finding to 356
~~any insurer which~~ the insurance company that filed ~~such~~ the form, 357
and thereafter ~~it~~ the insurance company shall not deliver, issue 358
for delivery, or use ~~such~~ the form. 359

The superintendent's action is subject to review by any court 360
of competent ~~jurisdiction~~ jurisdiction, subject to Chapter 119. of 361
the Revised Code. 362

Sec. 3937.25. (A) As used in sections 3937.25 to 3937.29 of 363

the Revised Code, "medical malpractice insurance" means insurance 364
coverage against the legal liability of the insured for loss, 365
damage, or expense arising from a medical, optometric, or 366
chiropractic claim, as those claims are defined in section 367
2305.113 of the Revised Code. 368

(B) After a policy of commercial property insurance, 369
commercial fire insurance, or commercial casualty insurance other 370
than fidelity or surety bonds, medical malpractice insurance, and 371
automobile insurance as defined in section 3937.30 of the Revised 372
Code, has been in effect for more than ninety days, a notice of 373
cancellation for such policy shall not be issued by any licensed 374
insurer unless it is based on one of the following grounds: 375

(1) Nonpayment of premium; 376

(2) Discovery of fraud or material misrepresentation in the 377
procurement of the insurance or with respect to any claims 378
submitted thereunder; 379

(3) Discovery of a moral hazard or willful or reckless acts 380
or omissions on the part of the named insured that increase any 381
hazard insured against; 382

(4) The occurrence of a change in the individual risk which 383
substantially increases any hazard insured against after insurance 384
coverage has been issued or renewed, except to the extent the 385
insurer reasonably should have foreseen the change or contemplated 386
the risk in writing the contract; 387

(5) Loss of applicable reinsurance or a substantial decrease 388
in applicable reinsurance, if the superintendent has determined 389
that reasonable efforts have been made to prevent the loss of, or 390
substantial decrease in, the applicable reinsurance, or to obtain 391
replacement coverage; 392

(6) Failure of an insured to correct material violations of 393

safety codes or to comply with reasonable written loss control 394
recommendations; 395

(7) A determination by the superintendent of insurance that 396
the continuation of the policy would create a condition that would 397
be hazardous to the policyholders or the public. 398

~~(B)~~(C) The notice of cancellation required by this section 399
must be in writing, be mailed to the insured at ~~his~~ the insured's 400
last known address, and contain all of the following: 401

(1) The policy number; 402

(2) The date of the notice; 403

(3) The effective date of the cancellation; 404

(4) An explanation of the reason for cancellation. 405

Such notice of cancellation also shall be mailed to the 406
insured's agent. 407

~~(C)~~(D) Except for nonpayment of premium, the effective date 408
of cancellation must be no less than thirty days from the date of 409
mailing the notice. When cancellation is for nonpayment of 410
premium, the effective date of cancellation must be no less than 411
ten days from the date of mailing the notice. 412

~~(D)~~(E) Nothing in division ~~(A)~~(B) of this section shall be 413
construed to prevent an insurer from writing a policy of 414
commercial property insurance, commercial fire insurance, or 415
commercial casualty insurance other than medical malpractice 416
insurance and automobile insurance as defined in section 3937.30 417
of the Revised Code for a period greater than one year and 418
providing in such policy that the insurer may issue a notice of 419
cancellation of such policy at least thirty days prior to an 420
anniversary of such policy, with the effective date of 421
cancellation being that anniversary. 422

The superintendent may prescribe that adequate disclosure be 423

made to the insured when a policy is issued for a term of more than one year. 424
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~~(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. 426
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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. 441
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Such notice shall contain all of the following: 449

- (1) The policy number; 450
- (2) The date of the notice; 451
- (3) The expiration date of the policy. 452

Such notice of nonrenewal also shall be mailed to the 453

insured's agent. 454

(B) If the notice of nonrenewal is mailed less than thirty 455
days before the expiration date of the policy, the insured's 456
coverage then in effect remains in effect until thirty days after 457
the date of mailing the notice, unless the insured notifies the 458
insurer in writing that ~~he~~ the insured accepts the nonrenewal as 459
stated. The insurer shall notify the insured of the amount of the 460
premium for the time after the expiration date that the coverage 461
may remain in effect, and the insured shall pay such premium 462
unless ~~he~~ the insured accepts the stated nonrenewal. The premium 463
must be calculated using the rates originally applicable to the 464
insured's coverage then in effect. 465

Sec. 3937.27. (A) An insurer who intends to condition renewal 466
of a policy of commercial property insurance, commercial fire 467
insurance, or commercial casualty insurance other than fidelity 468
and surety bonds, medical malpractice insurance, and automobile 469
insurance as defined in section 3937.30 of the Revised Code, upon 470
a substantial increase in premium shall mail a notice of such 471
intention to the agent of record and to the insured, at ~~his~~ the 472
insured's last known address, at least thirty days prior to the 473
expiration date of the policy. 474

(B) If the notice is mailed less than thirty days before the 475
expiration date of the policy, the insured's coverage then in 476
effect remains in effect until thirty days after the date of 477
mailing the notice. The insurer shall notify the insured of the 478
amount of the premium for the time after the expiration date that 479
the existing coverage may remain in effect, and the insured shall 480
pay such premium unless ~~he~~ the insured notifies the insurer in 481
writing that ~~he~~ the insured does not want ~~his~~ the coverage then in 482
effect to be extended past the expiration date. The premium must 483
be calculated using the rates originally applicable to the 484

insured's coverage then in effect. 485

If the insured accepts the increased premium, such change is 486
effective immediately following the expiration of the insured's 487
coverage then in effect. 488

Sec. 3937.28. (A) A notice of cancellation of a policy of 489
medical malpractice insurance shall not be issued by any licensed 490
insurer unless it is based on one of the following grounds: 491

(1) Nonpayment of premium; 492

(2) Discovery of fraud or material misrepresentation in the 493
procurement of the insurance or with respect to any claims 494
submitted thereunder; 495

(3) Discovery of a moral hazard or willful or reckless acts 496
or omissions on the part of the named insured that increase any 497
hazard insured against; 498

(4) The occurrence of a change in the individual risk that 499
substantially increases any hazard insured against after insurance 500
coverage has been issued or renewed, except to the extent the 501
insurer reasonably should have foreseen the change or contemplated 502
the risk in writing the contract; 503

(5) Loss of applicable reinsurance or a substantial decrease 504
in applicable reinsurance, if the superintendent of insurance has 505
determined that reasonable efforts have been made to prevent the 506
loss of, or substantial decrease in, the applicable reinsurance, 507
or to obtain replacement coverage; 508

(6) Failure of an insured to correct material violations of 509
safety codes or to comply with reasonable written loss control 510
recommendations; 511

(7) A determination by the superintendent that the 512
continuation of the policy would create a condition that would be 513
hazardous to the policyholders or the public. 514

(B) The notice of cancellation required by this section shall 515
be in writing, be mailed both to the insured at the insured's last 516
known address and to the insured's agent, and contain all of the 517
following: 518

(1) The policy number; 519

(2) The date of the notice; 520

(3) The effective date of the cancellation; 521

(4) An explanation of the grounds for cancellation. 522

(C) Except when cancellation is for nonpayment of premium, 523
the effective date of cancellation shall be not less than sixty 524
days from the date of mailing the notice. When cancellation is for 525
nonpayment of premium, the effective date of cancellation shall be 526
not less than ten days from the date of mailing the notice. 527

(D) Nothing in division (A) of this section shall be 528
construed to prevent an insurer from writing a policy of medical 529
malpractice insurance for a period greater than one year and 530
providing in such policy that the insurer may issue a notice of 531
cancellation of such policy at least sixty days prior to an 532
anniversary of such policy, with the effective date of 533
cancellation being that anniversary. 534

The superintendent may prescribe that adequate disclosure be 535
made to the insured when a policy is issued for a term of more 536
than one year. 537

(E) There is no liability on the part of, and no cause of 538
action of any nature arises against, the superintendent, any 539
insurer, or any person furnishing information requested by the 540
superintendent or an insurer, or the agent, employee, attorney or 541
other authorized representative of any such persons, for any oral 542
or written statement made to supply information relevant to a 543
determination on cancellation of any policy of medical malpractice 544

insurance, or in connection with advising an insured or the 545
insured's attorney of the grounds for a cancellation of such 546
insurance, or in connection with any administrative or judicial 547
proceeding arising out of or related to such cancellation. 548

Sec. 3937.29. (A) An insurer that intends to cancel, 549
terminate, or otherwise not renew all policies of medical 550
malpractice insurance that it has issued to any class, type, or 551
specialty of practitioner, or that intends to cancel, terminate, 552
or otherwise not renew all policies of medical malpractice 553
insurance in a specific geographic area, which may include the 554
state as a whole, shall file written notice of its intended action 555
with the superintendent of insurance. These actions by an insurer 556
are not effective unless the written notice is filed with the 557
superintendent within the following time frames: 558

(1) At least one hundred eighty days prior to the insurer 559
acting to cancel, terminate, or otherwise not renew all policies 560
of medical malpractice insurance that the insurer has issued in 561
this state; 562

(2) At least one hundred twenty days prior to the insurer 563
acting to cancel, terminate, or otherwise not renew all policies 564
of medical malpractice insurance for a specific class, type, or 565
specialty of practitioner or in a specific geographic area other 566
than this state as a whole. 567

Written notice also shall be filed with the superintendent at 568
least one hundred twenty days prior to the insurer making changes 569
in its underwriting guidelines, if the effect of the changes will 570
be to cancel, terminate, or otherwise not renew all policies of 571
medical malpractice insurance for a specific class, type, or 572
specialty of practitioner or in a specific geographic area other 573
than this state as a whole. 574

(B) The written notice filed with the superintendent under 575
division (A) of this section shall contain all of the following 576
information: 577

(1) The date of the notice; 578

(2) The number of insureds with policies that will be 579
cancelled, terminated, or not renewed; 580

(3) The date that the insurer intends to cancel, terminate, 581
or otherwise not renew all policies of medical malpractice 582
insurance that the insurer has issued to any class, type, or 583
specialty of practitioner, or that the insurer intends to cancel, 584
terminate, or otherwise not renew all policies of medical 585
malpractice insurance in a specific geographic area, including the 586
state as a whole; 587

(4) The specific geographic area, if any; 588

(5) Any other information required by the superintendent. 589

(C) An insurer that intends to condition renewal of a policy 590
of medical malpractice insurance upon an increase in premium shall 591
mail a notice of the insurer's intention to the agent of record 592
and to the insured at the insured's last known address at least 593
sixty days prior to the expiration date of the policy. 594

(D) An insurer may refuse to renew a policy of medical 595
malpractice insurance by mailing a notice of the insurer's 596
intention to the agent of record and to the insured at the 597
insured's last known address at least sixty days prior to the 598
expiration date of the policy. The notice mailed under this 599
division shall contain all of the following information: 600

(1) The policy number; 601

(2) The date of the notice; 602

(3) The expiration date of the policy; 603

(4) An explanation of the grounds for nonrenewal. 604

(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: 605
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(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. 610
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(2) In the case of nonrenewal, the insured notifies the insurer in writing that the insured accepts the nonrenewal as stated. 613
614
615

(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: 616
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(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. 624
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(2) In the case of nonrenewal, the insured notifies the insurer in writing that the insured accepts the nonrenewal as stated. 627
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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. 630
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Section 3. That section 3915.073 of the Revised Code as it 633
results from Section 1 of this act be amended to read as follows: 634

Sec. 3915.073. (A) This section shall be known as the 635
standard nonforfeiture law for individual deferred annuities. 636

(B) This section does not apply to any reinsurance, group 637
annuity purchased under a retirement plan or plan of deferred 638
compensation established or maintained by an employer, including a 639
partnership or sole proprietorship, or by an employee 640
organization, or by both, other than a plan providing individual 641
retirement accounts or individual retirement annuities under 642
section 408 of the Internal Revenue Code of 1954, 26 U.S.C.A. 408, 643
as amended, premium deposit fund, variable annuity, investment 644
annuity, immediate annuity, any deferred annuity contract after 645
annuity payments have commenced, or reversionary annuity, nor to 646
any contract which is delivered outside this state through an 647
agent or other representative of the company issuing the contract. 648

(C) ~~In the case of contracts issued on or after the operative~~ 649
~~date of this section as defined in division (M) of this section,~~ 650
~~no~~ No contract of annuity, except as stated in division (B) of 651
this section, shall be delivered or issued for delivery in this 652
state unless the contract contains in substance the following 653
provisions, or corresponding provisions that in the opinion of the 654
superintendent of insurance are at least as favorable to the 655
contract owners, relative to the cessation of payment of 656
consideration under the contract: 657

(1) That upon cessation of payment of considerations under a 658
contract, or upon the written request of the contract owner, the 659
company shall grant a paid-up annuity benefit on a plan stipulated 660
in the contract of such value as is specified in divisions (E), 661
(F), (G), (H), and (J) of this section; 662

(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 695
in cash of the then present value of such portion of the paid-up 696
annuity benefit, calculated on the basis of the mortality table, 697
if any, and interest rate specified in the contract for 698
determining the paid-up annuity benefit, and by such payment shall 699
be relieved of any further obligation under such contract. 700

(D) The minimum values as specified in divisions (E), (F), 701
(G), (H), and (J) of this section of any paid-up annuity, cash 702
surrender, or death benefits available under an annuity contract 703
shall be based upon minimum nonforfeiture amounts as defined in 704
~~divisions (D)(1), (2), and (3) or divisions (D)(4), (5), (6), and~~ 705
~~(7) of this section~~ division. 706

~~(1) With respect to contracts providing for flexible 707
considerations, the minimum nonforfeiture amount at any time at or 708
prior to the commencement of any annuity payments shall be equal 709
to an accumulation up to such time at a rate of interest of one 710
and one half per cent per annum of percentages of the net 711
considerations, as defined in division (D)(1) of this section, 712
paid prior to such time, decreased by the sum of: 713~~

~~(a) Any prior withdrawals from or partial surrenders of the 714
contract accumulated at a rate of interest of one and one half per 715
cent per annum; 716~~

~~(b) The amount of any indebtedness to the company on the 717
contract, including interest due and accrued; and increased by any 718
existing additional amounts credited by the company to the 719
contract. 720~~

~~The net considerations for a given contract year used to 721
define the minimum nonforfeiture amount shall be an amount not 722
less than zero and shall be equal to the corresponding gross 723
considerations credited to the contract during that contract year 724
less an annual contract charge of thirty dollars and less a 725~~

~~collection charge of one dollar and twenty five cents per 726
consideration credited to the contract during that contract year. 727
The percentages of net considerations shall be sixty five per cent 728
of the net consideration for the first contract year and 729
eighty seven and one half per cent of the net considerations for 730
the second and later contract years. Notwithstanding the 731
provisions of the preceding sentence, the percentage shall be 732
sixty five per cent of the portion of the total net consideration 733
for any renewal contract year that exceeds by not more than two 734
times the sum of those portions of the net considerations in all 735
prior contract years for which the percentage was sixty five per 736
cent. 737~~

~~(2) With respect to contracts providing for fixed scheduled 738
considerations, minimum nonforfeiture amounts shall be calculated 739
on the assumption that considerations are paid annually in advance 740
and shall be defined as for contracts with flexible considerations 741
which are paid annually with two exceptions: 742~~

~~(a) The portion of the net consideration for the first 743
contract year to be accumulated shall be the sum of sixty five per 744
cent of the net consideration for the first contract year plus 745
twenty two and one half per cent of the excess of the net 746
consideration for the first contract year over the lesser of the 747
net considerations for the second and third contract years; 748~~

~~(b) The annual contract charge shall be the lesser of (i) 749
thirty dollars or (ii) ten per cent of the gross annual 750
consideration. 751~~

~~(3) With respect to contracts providing for a single 752
consideration, minimum nonforfeiture amounts shall be defined as 753
for contracts with flexible considerations except that the 754
percentage of net consideration used to determine the minimum 755
nonforfeiture amount shall be equal to ninety per cent and the net 756~~

consideration shall be the gross consideration less a contract charge of seventy five dollars. 757
758

~~(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: 759
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(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; 766
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(ii) An annual contract charge of fifty dollars, accumulated at rates of interest determined in accordance with division (D)~~(5)~~(2) of this section; 769
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(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; 772
773
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(iv) The amount of any indebtedness to the company on the contract, including interest due and accrued. 775
776

(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. 777
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~~(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: 781
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(i) The five-year constant maturity treasury rate reported by 786

the federal reserve as of a date or an average over a period, 787
rounded to the nearest one-twentieth of one per cent, specified in 788
the contract, no longer than fifteen months prior to the contract 789
issue date or the redetermination date specified in division 790
(D)~~(5)~~(2)(b) of this section; 791

(ii) Reduced by one hundred twenty-five basis points; 792

(iii) Where the resulting interest rate shall not be less 793
than one per cent. 794

(b) The interest rate determined under division (D)~~(5)~~(2)(a) 795
of this section shall apply for an initial period and may be 796
redetermined for additional periods. The redetermination date, 797
basis and period, if any, shall be stated in the contract. The 798
basis is the date or average over a specified period that produces 799
the value of the five-year constant maturity treasury rate to be 800
used at each redetermination date. 801

~~(6)~~(3) During the period or term that a contract provides 802
substantative participation in an equity-indexed benefit, the 803
contract may provide for an increase in the reduction described in 804
division (D)~~(5)~~(2)(a)(ii) of this section by a maximum of one 805
hundred basis points to reflect the value of the equity-indexed 806
benefit. The present value at the contract issue date, and at each 807
redetermination date thereafter, of the additional reduction shall 808
not exceed the market value of the benefit. The superintendent may 809
require a demonstration that the present value of the additional 810
reduction does not exceed the market value of the benefit. If the 811
demonstration is not acceptable to the superintendent, the 812
superintendent may disallow or limit the additional reduction. 813

~~(7)~~(4) The superintendent may adopt rules to implement 814
division (D)~~(6)~~(3) of this section and to provide for further 815
adjustments to the calculation of minimum nonforfeiture amounts 816
for contracts that provide substantive participation in an 817

equity-indexed benefit and for other contracts for which the 818
superintendent determines adjustments are justified. 819

(E) Any paid-up annuity benefit available under a contract 820
shall be such that its present value on the date annuity payments 821
are to commence is at least equal to the minimum nonforfeiture 822
amount on that date. Such present value shall be computed using 823
the mortality table, if any, and the interest rate specified in 824
the contract for determining the minimum paid-up annuity benefits 825
guaranteed in the contract. 826

(F) For contracts which provide cash surrender benefits, such 827
cash surrender benefits available prior to maturity shall not be 828
less than the present value as of the date of surrender of that 829
portion of the maturity value of the paid-up annuity benefit that 830
would be provided under the contract at maturity arising from 831
considerations paid prior to the time of cash surrender reduced by 832
the amount appropriate to reflect any prior withdrawals from or 833
partial surrenders of the contract, such present value being 834
calculated on the basis of an interest rate not more than one per 835
cent higher than the interest rate specified in the contract for 836
accumulating the net considerations to determine such maturity 837
value, decreased by the amount of any indebtedness to the company 838
on the contract, including interest due and accrued, and increased 839
by any existing additional amounts credited by the company to the 840
contract. In no event shall any cash surrender benefit be less 841
than the minimum nonforfeiture amount at that time. The death 842
benefit under such contracts shall be at least equal to the cash 843
surrender benefit. 844

(G) For contracts that do not provide cash surrender 845
benefits, the present value of any paid-up annuity benefit 846
available as a nonforfeiture option at any time prior to maturity 847
shall not be less than the present value of that portion of the 848
maturity value of the paid-up annuity benefit provided under the 849

contract arising from considerations paid prior to the time the 850
contract is surrendered in exchange for, or changed to, a deferred 851
paid-up annuity, such present value being calculated for the 852
period prior to the maturity date on the basis of the interest 853
rate specified in the contract for accumulating the net 854
considerations to determine such maturity value, and increased by 855
any existing additional amounts credited by the company to the 856
contract. For contracts that do not provide any death benefits 857
prior to the commencement of any annuity payments, such present 858
values shall be calculated on the basis of such interest rate and 859
the mortality table specified in the contract for determining the 860
maturity value of the paid-up annuity benefit. However, in no 861
event shall the present value of a paid-up annuity benefit be less 862
than the minimum nonforfeiture amount at that time. 863

(H) For the purpose of determining the benefits calculated 864
under divisions (F) and (G) of this section, in the case of 865
annuity contracts under which an election may be made to have 866
annuity payments commence at optional maturity dates, the maturity 867
date shall be deemed to be the latest date for which election 868
shall be permitted by the contract, but shall not be deemed to be 869
later than the anniversary of the contract next following the 870
annuitant's seventieth birthday or the tenth anniversary of the 871
contract, whichever is later. 872

(I) Any contract that does not provide cash surrender 873
benefits or does not provide death benefits at least equal to the 874
minimum nonforfeiture amount prior to the commencement of any 875
annuity payments shall include a statement in a prominent place in 876
the contract that such benefits are not provided. 877

(J) Any paid-up annuity, cash surrender, or death benefits 878
available at any time, other than on the contract anniversary 879
under any contract with fixed scheduled considerations, shall be 880
calculated with allowance for the lapse of time and the payment of 881

any scheduled considerations beyond the beginning of the contract 882
year in which cessation of payment of considerations under the 883
contract occurs. 884

(K) For any contract that provides, within the same contract 885
by rider or supplemental contract provision, both annuity benefits 886
and life insurance benefits that are in excess of the greater of 887
cash surrender benefits or a return of the gross considerations 888
with interest, the minimum nonforfeiture benefit shall be equal to 889
the sum of the minimum nonforfeiture benefits for the annuity 890
portion and the minimum nonforfeiture benefits, if any, for the 891
life insurance portion computed as if each portion were a separate 892
contract. Notwithstanding the provisions of divisions (E), (F), 893
(G), (H), and (J) of this section, additional benefits payable: 894

(1) In the event of total and permanent disability; 895

(2) As reversionary annuity or deferred reversionary annuity 896
benefits; or 897

(3) As other policy benefits additional to life insurance, 898
endowment and annuity benefits, and considerations for all such 899
additional benefits shall be disregarded in ascertaining the 900
minimum nonforfeiture amounts, paid-up annuity, cash surrender, 901
and death benefits that may be required by this section. 902

The inclusion of such additional benefits shall not be 903
required in any paid-up benefits, unless such additional benefits 904
separately would require minimum nonforfeiture amounts, paid-up 905
annuity, cash surrender, and death benefits. 906

(L) The superintendent may adopt rules in accordance with 907
Chapter 119. of the Revised Code to implement this section. 908

~~(M) Before the second anniversary of the effective date of 909
this amendment, a company may elect to apply this section to 910
annuity contracts on a contract form by contract form basis by 911
using either divisions (D)(1), (2), and (3) or divisions (D)(4), 912~~

~~(5), (6), and (7) of this section. Divisions (D)(1), (2), and (3)~~ 913
~~of this section shall be repealed on the second anniversary date~~ 914
~~of the effective date of this amendment.~~ 915

Section 4. That existing section 3915.073 of the Revised Code 916
as it results from Section 1 of this act is hereby repealed. 917

Section 5. Sections 3 and 4 of this act shall take effect two 918
years after the effective date of this act. 919

Section 6. Section 3915.02 of the Revised Code is presented 920
in this act as a composite of the section as amended by both Sub. 921
H.B. 16 and Sub. S.B. 137 of the 119th General Assembly. The 922
General Assembly, applying the principle stated in division (B) of 923
section 1.52 of the Revised Code that amendments are to be 924
harmonized if reasonably capable of simultaneous operation, finds 925
that the composite is the resulting version of the section in 926
effect prior to the effective date of the section as presented in 927
this act. 928