

**TED STRICKLAND**  
GOVERNOR  
STATE OF OHIO

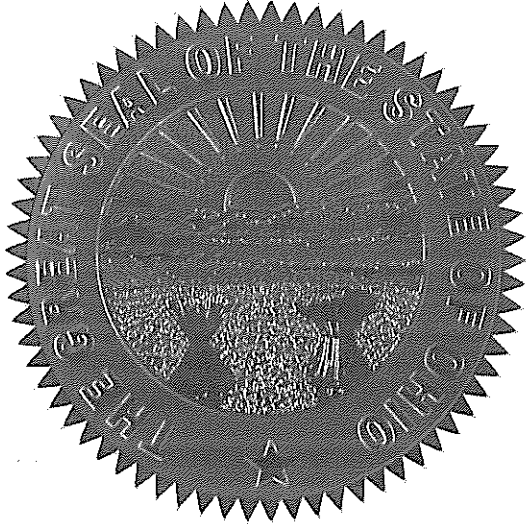
## **Executive Order 2009 – 01S**

### **Immediate Amendment of Rules Governing the Calculation of Policy Reserve Limits for Life Insurance Products**

- 1. Ohio Law Requires Domestic Life Insurance Companies to Determine the Value of Policy Reserves for Various Life Insurance Products.** Policy reserves are funds that an insurance company sets aside specifically for the purpose of meeting its policy obligations including, but not limited to, the payment of insurance proceeds in the future. To that end, Ohio law and regulations require domestic life insurance companies to determine an appropriate amount of policy reserves necessary to assure that policy obligations will be met. These reserve valuations are critical to ensuring that insurance companies can accurately prepare statutorily-mandated financial statements that are due every year.
- 2. Ohio Regulations Contain Rules that Result in Companies Setting Aside Excessive Policy Reserves for Certain Policies.** Policy reserve values are calculated using mortality tables, which are instruments used to predict the life expectancy and death rates of individuals based on a variety of factors and criteria. Mortality tables that contain more factors are likely to be more accurate. Despite this, current Ohio regulations utilize mortality tables that contain relatively few factors in making predictions. Consequently, companies are setting reserves at higher levels than may actually be necessary to meet their policy obligations. The establishment of excessive policy reserves then results in the insurance companies passing unnecessary expenses along to Ohioans in the form of higher costs for life insurance products. Moreover, if policy reserve limits in Ohio are not consistent with industry standards, then domestic life insurance companies may consider reducing business operations or products in the State, which will lead to decreased economic growth and a decline in job opportunities for Ohioans.

3. **Making Amendments to the Rules Effective January 21, 2009.** In order to ensure that domestic life insurance companies are not unnecessarily encumbering reserve funds, when determining an appropriate amount of policy reserves necessary to assure that policy obligations are being met, amendment of rules in the Ohio Administrative Code regarding the method by which policy reserves are calculated must occur immediately.
4. **Procedure for Immediate Enactment of Rule Changes.** Section 119.03(F) of the Ohio Revised Code authorizes the Governor, at the request of an agency, to suspend the normal rulemaking procedures with respect to a specific rule when an emergency exists necessitating the immediate adoption, amendment or rescission of the rule. When such a determination is made, the agency may immediately adopt, amend, or rescind a rule, but the rule is valid only for ninety (90) days.
5. **Determination of an Emergency.** I believe that an emergency exists justifying the suspension of the normal rulemaking process when the failure to act immediately would negatively impact the citizens of Ohio. ODI has asked me to determine, and I have determined, that the failure to immediately amend the rules governing the method by which policy reserves for life insurance products are calculated would negatively impact Ohioans by failing to ensure that Ohioans have the ability and option to purchase life insurance products at competitive and reasonable prices. Therefore, an emergency exists necessitating the immediate amendment of administrative rules in this regard.
6. **Authorization for Immediate Rule Implementation.** Accordingly, the normal rulemaking procedures are suspended with respect to the amendment of rules 3901-6-10 and 3901-6-12 in the Ohio Administrative Code so that more robust mortality table guidelines are used in calculating policy reserves for life insurance products. These rules will be electronically filed by ODI with the Secretary of State, the Director of Legislative Services Commission, and the Joint Committee on Agency Rule Review. ODI may, therefore, amend these rules immediately.

7. I signed this Executive Order on January 21, 2009, in Columbus, Ohio, and it will expire at the end of the ninetieth day it is in effect, April 21, 2009.



*Ted Strickland*

Ted Strickland, Governor

ATTEST:

\_\_\_\_\_  
Jennifer Brunner, Secretary of State