76TH OREGON LEGISLATIVE ASSEMBLY 2011 Regular Session **MEASURE: HB 2679 B**
STAFF MEASURE SUMMARY **CARRIER: Sen. Burdick**
SENATE FINANCE AND REVENUE COMMITTEE

REVENUE: **Revenue Impact Issued**
FISCAL: **Minimal Fiscal Impact**

Action: Do Pass with Amendments and be printed Engrossed
Vote: 4-0-0
Yeas: Hass, Morse, Telfer, Burdick
Nays: 0
Exc.: 0
Prepared By: Dae Baek, Economist
Meeting Dates: 6/1, 6/8, 6/13

WHAT THE BILL DOES: Conforms the Oregon surplus lines insurance law to the federal Nonadmitted and Reinsurance Reform Act of 2010. Allows the Director of the Department of Consumer and Business Services to establish rules regarding reporting, collection, payment, allocation and disbursement of premium taxes on Oregon home state risks. Authorizes the Department of Consumer and Business Services to enter into a compact or otherwise establish surplus lines premium tax allocation procedures among states. Imposes surplus lines premium tax and reporting requirements on independently procured insurance policyholders. Revises the calculation method of surplus lines Fire Marshal tax.

ISSUES DISCUSSED:
- Allocation of multi-state surplus lines premium tax among states
- Need for a quick action to prepare for negotiations regarding premium tax allocation among states
- Constitutionality of a state agency going into a multi-state compact
- Surplus lines tax rates on Oregon firms under a multi-state compact

EFFECT OF COMMITTEE AMENDMENTS: Requires the director of DCBS to receive express legislative approval before entering into a compact or otherwise establishing surplus lines premium tax allocation procedures among states. Makes changes in overpayment recovery procedures between health insurers and health care providers. Requires insurers, health care service contractors and multiple employer welfare arrangements that offer prescription eye drop coverage to also cover one early refill of prescription for eye drops to treat glaucoma under specified conditions.

BACKGROUND: This bill makes sure the Oregon Surplus Lines Law conform to the federal Nonadmitted and Reinsurance Reform Act of 2010.

A surplus lines policy is a policy placed with an insurer that is not licensed in Oregon, but is eligible to provide property or liability insurance through a specially licensed producer known as a surplus lines licensee. The surplus lines insurance market exists to ensure that Oregonians can obtain unique or hard-to-find coverage that isn't available in the regular insurance marketplace. The Oregon Surplus Lines Law (Oregon Revised Statutes 735.400-735.495) governs the surplus lines market. (Source: Insurance Division, Department of Consumer and Business Services).

Currently, Oregon surplus lines insurance policies, except for independently procured ones without the use of Oregon-licensed producers, are subject to a two percent premium tax that goes to the General Fund and a tax for the purpose of supporting the function of the office of the State Fire Marshall. The new federal law authorizes states to collect the premium taxes on independently procured surplus lines policies. Under this bill, independently procured surplus lines policies will be subject to the two percent premium tax and the State Fire Marshall tax, which makes this bill revenue-raising.