HB 2045 A STAFF MEASURE SUMMARY

Carrier: Rep. Bonham

House Committee On Business and Labor

Action Date:	03/17/21
Action:	Do pass with amendments. (Printed A-Eng.)
Vote:	11-0-0-0
Yeas:	11 - Bonham, Boshart Davis, Breese-Iverson, Bynum, Clem, Evans, Fahey, Grayber, Holvey, Post, Witt
Fiscal:	No fiscal impact
Revenue:	No revenue impact
Prepared By:	Jan Nordlund, LPRO Analyst
Meeting Dates:	3/10, 3/17

WHAT THE MEASURE DOES:

Adopts model law of National Association of Insurance Commissioners regarding credit for reinsurance. Lowers from $100 million to $10 million the minimum trusteed surplus of multibeneficiary trust that must be maintained by accredited reinsurer. Authorizes exchange between Department of Consumer and Business Services and Department of Revenue of tax returns and all other information necessary to carry out provisions regarding retaliatory taxes. Takes effect 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Importance of accreditation in eliminating regulatory redundancies and ensuring quality regulatory oversight
- Provisions of the measure
- Role of reinsurance market

EFFECT OF AMENDMENT:

Replaces the measure.

BACKGROUND:

The Department of Consumer and Business Services (DCBS) is statutorily required to maintain accreditation of the state's insurance regulatory program by the National Association of Insurance Commissioners (NAIC). ORS 731.574(6)(d). The model laws developed by NAIC are an important part of the national system of state-based insurance regulations as they ensure state regulatory bodies operate in a consistent and uniform manner. States that maintain accreditation can rely on each other for the regulation of nondomestic business, which reduces the regulatory burden on insurers.

Reinsurance is insurance purchased by insurance companies. According to DCBS, credit for reinsurance is an accounting rule that allows insurers to receive a financial statement credit for any potential liabilities transferred to a reinsurer.

To discourage other states from disadvantaging Oregon-domiciled insurers with taxes and regulatory burdens that are greater than those imposed on similar insurers, Oregon statute requires the DCBS director to impose retaliatory taxes and regulatory burdens on the insurers of such other states doing business in Oregon.

House Bill 2045 A codifies NAIC's model law regarding credit for reinsurance. The measure also provides authority for DCBS and the Department of Revenue to exchange tax returns and other information necessary for DCBS to carry out statutory provisions regarding retaliatory taxes.

This summary has not been adopted or officially endorsed by action of the committee.