75th OREGON LEGISLATIVE ASSEMBLY – 2010 Special Session
STAFF MEASURE SUMMARY
House Committee on Business and Labor

MEASURE: HB 3654 A
CARRIER: Rep. Barton

REVENUE: No revenue impact
FISCAL: Minimal fiscal impact, no statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	10 - 0 - 0
Yeas:	Barton, Cameron, Esquivel, Holvey, Hoyle, Kennemer, Matthews, Thatcher, Witt, Schaufler
Nays:	0
Exc.:	0
Prepared By:	Theresa Van Winkle, Administrator
Meeting Dates:	2/3, 2/5

WHAT THE MEASURE DOES: Allows the Department of Consumer and Business Services, upon the request of a mortgage insurer, to waive requirements regarding the ratio of aggregate insurance policies issued to surplus to policyholders. Outlines requirements for department to consider in determining whether the request is reasonable in relation to the mortgage insurer's aggregate insured risk and adequate to the mortgage insurer's financial needs. States that a granted waiver cannot exceed two years. Allows a mortgage insurer to request an extension for a period not exceeding two additional years. Requires the department to review the waiver extension request with the same criteria used in reviewing the initial waiver request. Directs the department to charge a fee to the requesting mortgage insurer at a rate that covers all costs for reviewing the waiver request. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Provisions of the measure

EFFECT OF COMMITTEE AMENDMENT: Allows the Director of the Department of Consumer and Business Services, in evaluating a waiver request, to consider any other factors believed relevant in making a decision. Clarifies that a mortgage insurer can request a waiver extension for a period not to exceed two additional years. Requires the director to review the extension request based upon the factors that must be considered for the original waiver. Removes the requirement for the director to adopt rules to carry out the measure's provisions; makes the provision permissive. Requires the director to charge a fee for a waiver request for purposes of reimbursing all costs incurred by the Department of Consumer and Business Services.

BACKGROUND: Prior to 2009, 16 states, including Oregon, prohibited mortgage insurance companies from writing new business if the insurer's total liability exceeded 25 times its capital, surplus, and reserve. The rationale behind this is to ensure the company maintains a sound financial structure and to ensure that adequate reserves are available to meet their obligations. On the other hand, while current economic conditions demonstrate the need for private mortgage insurance (PMI), these same conditions are driving higher claims rates and in some states, are putting companies at risk of not being able to write new business although they are sufficiently capitalized to meet all of their policyholders' claim obligations. The statutory restriction prevents flexibility needed for regulatory entities to adjust risk-to-capital ratio requirements to meet market needs.

HB 3654 A provides the Department of Consumer and Business Services (DCBS) with the ability to adjust the risk-to-capital ratio at the request of a mortgage insurer. The measure also outlines criteria that the department must consider when reviewing the request, such as the size of the mortgage insurer as measured by its assets, capital and surplus, reserves, premium writings, insurance in force and other appropriate criteria; the quality, diversification and liquidity of the insurer's assets and investment portfolio; and the adequacy of the mortgage insurer's reserves.