

HOUSE AMENDMENTS TO HOUSE BILL 2679

By COMMITTEE ON REVENUE

May 17

1 On page 1 of the printed bill, line 2, after “ORS” delete the rest of the line and insert “731.144,
2 735.405, 735.410, 735.415, 735.425, 735.430, 735.435, 735.450, 735.455, 735.460, 735.465, 735.470, 735.485
3 and 735.490;”.

4 Delete lines 8 through 28 and delete pages 2 through 6 and insert:

5 **“SECTION 3. Sections 4, 5 and 7 of this 2011 Act are added to and made a part of ORS
6 735.400 to 735.495.**

7 **“SECTION 4. For purposes of carrying out the Nonadmitted and Reinsurance Reform Act
8 of 2010 (P.L. 111-203, Title V, Subtitle B), the Director of the Department of Consumer and
9 Business Services is authorized to enter into a compact or to otherwise establish procedures
10 with other states to allocate among the states the premium taxes paid to an insured’s home
11 state.**

12 **“SECTION 5. (1) Each insured in this state who obtains independently procured insur-
13 ance, or continues or renews independently procured insurance on Oregon home state risks,
14 other than insurance procured through a surplus lines licensee, shall file, within 30 days af-
15 ter the date the insurance was procured, continued or renewed, a written report with the
16 Director of the Department of Consumer and Business Services showing:**

17 **“(a) The name and address of the insurer;**

18 **“(b) The subject of the insurance;**

19 **“(c) The amount of premium currently charged; and**

20 **“(d) Additional pertinent information reasonably requested by the director.**

21 **“(2) The insured filing a report under subsection (1) of this section shall pay, at the time
22 of filing the report, the director an amount equal to the taxes imposed under ORS 735.470 for
23 the premium reported under subsection (1)(c) of this section. The filing of the report and
24 payment of the taxes may be made by a person authorized by the insured to act on the
25 insured’s behalf.**

26 **“(3)(a) The director may require that reports filed under subsection (1) of this section
27 be filed with the Surplus Line Association of Oregon. The director may require that such
28 filings be made electronically, but may allow an exemption to this requirement for good
29 cause shown.**

30 **“(b) The director may require that amounts to be paid to the director under subsection
31 (2) of this section be paid to the Surplus Line Association of Oregon.**

32 **“SECTION 6. ORS 735.405 is amended to read:**

33 **“735.405. As used in ORS 735.400 to 735.495:**

34 **“(1) ‘Admitted insurer’ means an insurer authorized to do an insurance business in this state.**

35 **“(2) ‘Affiliated group’ means any group of entities that, with respect to an insured, ex-**

1 **ercise control over the insured, are under the control of the insured, or are under common**
2 **control with the insured.**

3 “[2] (3) ‘Capital’ means funds paid in for stock or other evidence of ownership.

4 “(4) ‘Control’ means a situation where a controlling entity:

5 “(a) **Directly, or acting through one or more other persons, owns or has the power to**
6 **vote 25 percent or more of any class of voting securities of the controlled entity; or**

7 “(b) **Directs in any manner the election of a majority of directors or trustees of the**
8 **controlled entity.**

9 “[3] (5) ‘Eligible surplus lines insurer’ means a nonadmitted insurer with which a surplus lines
10 licensee may place surplus lines insurance.

11 “(6) ‘Exempt commercial purchaser’ means any person purchasing commercial insurance
12 that, at the time of placement:

13 “(a) **Employs or retains a qualified risk manager to negotiate insurance coverage;**

14 “(b) **Has paid aggregate nationwide commercial property and casualty insurance premi-**
15 **ums in excess of \$100,000 in the immediately preceding 12 months; and**

16 “(c) **Meets at least one of the following criteria:**

17 “(A) **The person possesses a net worth in excess of \$10 million, as such amount is ad-**
18 **justed pursuant to section 7 of this 2011 Act.**

19 “(B) **The person generates annual revenues in excess of \$20 million, as such amount is**
20 **adjusted pursuant to section 7 of this 2011 Act.**

21 “(C) **The person employs more than 50 full-time or full-time equivalent employees for**
22 **each insured or is a member of an affiliated group employing more than 100 employees in the**
23 **aggregate.**

24 “(D) **The person is a not-for-profit organization or public entity generating annual budg-**
25 **eted expenses of at least \$30 million, as such amount is adjusted pursuant to section 7 of this**
26 **2011 Act.**

27 “(E) **The person is a municipality with a population in excess of 50,000 individuals.**

28 “[4] (7) ‘Export’ means to place surplus lines insurance with a nonadmitted insurer.

29 “(8) ‘Home state’ means, with respect to an insured:

30 “(a) **The state in which an insured maintains the insured’s principal place of business or,**
31 **in the case of an individual, the individual’s principal residence;**

32 “(b) **If 100 percent of the insured risk is located out of the state described in paragraph**
33 **(a) of this subsection, the state to which the greatest percentage of the insured’s taxable**
34 **premium for that insurance contract is allocated; or**

35 “(c) **If two or more insureds from an affiliated group are named as insureds on a single**
36 **nonadmitted insurance contract, the state, as determined pursuant to paragraph (a) or (b)**
37 **of this subsection, of the member of the affiliated group that has the greatest percentage**
38 **of premium attributed to it under the insurance contract.**

39 “[5] (9) ‘Kind of insurance’ means one of the types of insurance required to be reported in the
40 annual statement *[which]* **that** must be filed with the Director of the Department of Consumer and
41 Business Services by authorized insurers.

42 “[6] (10) ‘Nonadmitted insurer’ means an insurer not authorized to do an insurance business
43 in this state. *[This definition shall include]* ‘**Nonadmitted insurer**’ **includes** insurance exchanges
44 as authorized under the laws of various states. ‘**Nonadmitted insurer**’ **does not include a risk**
45 **retention group as defined in ORS 735.305.**

1 “(11) ‘Premium tax’ means any tax, assessment or other charge imposed by this state
2 directly or indirectly based upon any payment made as consideration for insurance in an in-
3 surance contract.

4 “[(7)] (12) ‘Producing insurance producer’ means the individual insurance producer dealing di-
5 rectly with the party seeking insurance.

6 “(13) ‘Qualified risk manager’ means, with respect to a policyholder of commercial in-
7 surance, a person who meets all of the following requirements:

8 “(a) The person is an employee of, or third party consultant retained by, the commercial
9 policyholder.

10 “(b) The person provides skilled services in:

11 “(A) Loss prevention;

12 “(B) Loss reduction; or

13 “(C) Risk and insurance coverage analysis and purchase of insurance.

14 “(c) The person has:

15 “(A) A bachelor’s degree, from an accredited college or university, in risk management,
16 business administration, finance, economics or any other field determined by an insurance
17 commissioner or other regulatory official of this or any other state to demonstrate minimum
18 competence in risk management, and has:

19 “(i) Three years of experience in risk financing, claims administration, loss prevention,
20 risk and insurance coverage analysis, or purchasing commercial lines of insurance; or

21 “(ii) Any designation, certification or license issued by a national insurance certification
22 organization that is determined by the Director of the Department of Consumer and Busi-
23 ness Services to demonstrate minimum competency in risk management;

24 “(B) At least seven years of experience in risk financing, claims administration, loss
25 prevention, risk and insurance coverage analysis, or purchasing commercial lines of insur-
26 ance, and has a designation, certification or license specified in subparagraph (A)(ii) of this
27 paragraph;

28 “(C) At least 10 years of experience in risk financing, claims administration, loss pre-
29 vention, risk and insurance coverage analysis or purchasing commercial lines of insurance;
30 or

31 “(D) A graduate degree, from an accredited college or university, in risk management,
32 business administration, finance, economics or any other field determined by the director to
33 demonstrate minimum competence in risk management.

34 “[(8)] (14) ‘Surplus’ means funds over and above liabilities and capital of the insurer for the
35 protection of policyholders.

36 “[(9)] (15) ‘Surplus lines licensee’ means an insurance producer licensed under ORS chapter 744
37 to place insurance on [*risks resident, located or to be performed in this state with nonadmitted insur-*
38 *ers eligible to accept such insurance*] **Oregon home state risks with nonadmitted insurers.**

39 “**SECTION 7. Beginning on January 1, 2015, and each fifth January 1 occurring there-**
40 **after, the amounts in ORS 735.405 (6)(c)(A), (B) and (D) shall be adjusted to reflect the per-**
41 **centage change for such five-year period in the Portland-Salem, OR-WA, Consumer Price**
42 **Index for All Urban Consumers for All Items as published by the Bureau of Labor Statistics**
43 **of the United States Department of Labor.**

44 “**SECTION 8.** ORS 735.470 is amended to read:

45 “735.470. (1)(a) The surplus lines licensee shall pay the Director of the Department of Consumer

1 and Business Services [an amount equal to the tax that would have been imposed under ORS 731.816
2 (1993 Edition) if that section were in effect and operative, and the tax that is imposed by ORS 731.820,
3 on authorized insurers for the premiums shown in the report required by ORS 735.465.] **a surplus**
4 **lines premium tax equal to two percent of the gross amount of premiums received on Oregon**
5 **home state risks as shown in the report required by ORS 735.465.**

6 **“(b) Notwithstanding ORS 731.820, the surplus lines licensee shall also pay to the director**
7 **a tax equal to 0.3 percent of the premium or fees charged by the insurer or the insurer’s**
8 **insurance producer and other intermediaries for the insurance, for the purpose of main-**
9 **taining the office of the State Fire Marshal and paying the expenses incident thereto.**

10 **“(c) The [tax] taxes shall be collected by the surplus lines licensee as specified by the director,**
11 **in addition to the [full amount of the gross premium] gross amount of premiums charged by the**
12 **insurer or the insurer’s insurance producer and other intermediaries for the insurance. The**
13 **[tax] taxes on any portion of the premium unearned at termination of insurance having been cred-**
14 **ited by the state to the licensee shall be returned to the policyholder directly by the surplus lines**
15 **licensee or through the producing insurance producer, if any. The surplus lines licensee is prohibited**
16 **from absorbing [such tax] the taxes, and from rebating for any reason, any part of [such tax] the**
17 **taxes.**

18 **“(2) The surplus lines [tax is] taxes are due quarterly on the 45th day following the calendar**
19 **quarter in which the premium is collected. The [tax] taxes shall be paid to and reported on forms**
20 **prescribed by the director or upon the director’s order paid to and reported on forms prescribed by**
21 **the Surplus Line Association of Oregon.**

22 **“(3) Notwithstanding subsection (2) of this section, if a surplus lines license is terminated or**
23 **nonrenewed for any reason, the taxes described in this section are due on the 30th day after the**
24 **termination or nonrenewal.**

25 **“[(4) In applying ORS 731.816 (1993 Edition) for purposes of this section, the rate shall be two**
26 **percent rather than two and one-quarter percent.]**

27 **“[(5) The director by rule shall establish procedures for payment of taxes on the Oregon portion**
28 **of risks covered by surplus lines insurance policies transacted outside this state that cover risks with**
29 **exposures both in this state and outside this state.]**

30 **“(4) For the purposes of carrying out the Nonadmitted and Reinsurance Reform Act of**
31 **2010 (P.L. 111-203, Title V, Subtitle B), the director may collect taxes on 100 percent of the**
32 **gross amount of premiums on Oregon home state risks. If the director enters into a compact**
33 **or otherwise establishes procedures with other states pursuant to section 4 of this 2011 Act,**
34 **the director by rule shall establish procedures to facilitate the reporting, collection, payment,**
35 **allocation and disbursement of premium taxes on Oregon home state risks that also include**
36 **risks allocable to other states.**

37 **“(5) As used in this section, ‘gross amount of premiums’ has the meaning given that**
38 **term in ORS 731.808.**

39 **“SECTION 9. ORS 735.410 is amended to read:**

40 **“735.410. (1) Insurance may be procured through a surplus lines licensee from a nonadmitted**
41 **insurer if:**

42 **“(a) The insurer is an eligible surplus lines insurer;**

43 **“(b) A diligent search has first been made among the insurers who are authorized to transact**
44 **and are actually writing the particular kind and class of insurance in this state, and it is determined**
45 **that the full amount or kind of insurance cannot be obtained from those insurers; and**

1 “(c) All other requirements of ORS 735.400 to 735.495 are met.

2 “[*(2) Subsection (1) of this section does not apply to a placement of surplus lines insurance outside*
3 *this state by a nonresident surplus lines licensee or by a nonresident surplus lines insurance producer*
4 *who is not licensed to transact surplus lines insurance in this state when the insurance covers a risk*
5 *with exposures both in this state and outside this state, if both of the following conditions are met:*]

6 “[*(a) If the nonresident surplus lines licensee or insurance producer is licensed in the state as an*
7 *insurance producer to transact surplus lines policies in the state in which the insurance is placed and*
8 *is in good standing in that state; and*]

9 “[*(b) If the surplus lines policy complies with all of the requirements for placement of nonadmitted*
10 *insurance in the state in which the insurance is placed.*]

11 “**(2) Subsection (1)(b) of this section does not apply to a surplus lines licensee seeking to**
12 **procure or place nonadmitted insurance in this state for an exempt commercial purchaser**
13 **if:**

14 “**(a) The surplus lines licensee procuring or placing the surplus lines insurance has dis-**
15 **closed to the exempt commercial purchaser that such insurance may or may not be available**
16 **from the admitted market that may provide greater protection with more regulatory over-**
17 **sight; and**

18 “**(b) The exempt commercial purchaser has subsequently requested in writing that the**
19 **surplus lines licensee procure or place such insurance from a nonadmitted insurer.**

20 “(3) The Director of the Department of Consumer and Business Services by rule may establish
21 requirements applicable to the placement of surplus lines insurance [*outside this state*] **on Oregon**
22 **home state risks** by a nonresident surplus lines licensee. [*or by a nonresident surplus lines insur-*
23 *ance producer who is not licensed in this state, when the insurance covers a risk with exposures both*
24 *in this state and outside this state. The rules may include such matters as the procurement of surplus*
25 *lines insurance, eligibility of the insurer, the conditions under which surplus lines insurance may be*
26 *obtained, the necessary evidence of insurance, filing requirements and other matters necessary for reg-*
27 *ulation of surplus lines insurance transactions that affect risk exposures in this state.*] The rules may
28 not interfere with or hinder implementation of the federal Gramm-Leach-Bliley Act (P.L. 106-102)
29 with respect to licensing reciprocity among the states, **or the Nonadmitted and Reinsurance**
30 **Reform Act of 2010 (P.L. 111-203, Title V, Subtitle B).**

31 “**SECTION 10.** ORS 735.415 is amended to read:]

32 “735.415. (1) A surplus lines licensee may not place any coverage with a nonadmitted insurer
33 unless at the time of placement the nonadmitted insurer has done all of the following:

34 “[*(a) Established satisfactory evidence of good repute and financial integrity.*]

35 “**(a) Obtained authorization to write the kind of insurance to be placed by the surplus**
36 **lines licensee by the insurance supervisory official in the insurer’s domiciliary jurisdiction.**

37 “(b) Qualified under one of the following subparagraphs:

38 “(A) Has capital and surplus or its equivalent under the laws of its domiciliary jurisdiction that
39 equals **the greater of** either the minimum capital and surplus requirements [*under the laws of this*
40 *state*] **of its domiciliary jurisdiction** or [*\$5*] **\$15** million, except that the requirements of this [*par-*
41 *agraph*] **subparagraph** may be satisfied by an insurer possessing less than [*\$5 million*] **the mini-**
42 **imum** capital and surplus upon an affirmative finding of acceptability by the Director of the
43 Department of Consumer and Business Services. The finding shall be based upon such factors as
44 quality of management, capital and surplus of any parent company, company underwriting profit and
45 investment income trends, **market availability** and company record and reputation within the in-

1 dustry. In no event shall the director make an affirmative finding of acceptability when the [*surplus*
2 *lines*] **nonadmitted** insurer's capital and surplus is less than [~~\$3~~] **\$4.5** million.

3 “(B) [*Except as otherwise provided in subparagraph (C) of this paragraph,*] In the case of an alien
4 insurer, **in addition to the requirements in subparagraph (A) of this paragraph**, maintains in
5 the United States an irrevocable trust fund in either a national bank or a member of the Federal
6 Reserve System, in an amount not less than [~~\$1.5~~] **\$5.4** million for the protection of all its
7 policyholders in the United States and such trust fund consists of cash, securities, irrevocable letters
8 of credit, or of investments of substantially the same character and quality as those which are eli-
9 gible investments for the capital and statutory reserves of admitted insurers authorized to write like
10 kinds of insurance in this state. Such trust fund, which shall be included in any calculation of cap-
11 ital and surplus or its equivalent, shall have an expiration date which at no time shall be less than
12 five years.

13 “(C) In the case of a group of insurers that includes incorporated and individual unincorporated
14 underwriters **that are not listed in accordance with subparagraph (E) of this paragraph**,
15 maintains a trust fund of not less than [~~\$50~~] **\$100** million as security to the full amount thereof for
16 all policyholders and creditors in the United States of each member of the group, and such trust
17 shall likewise comply with the terms and conditions established in subparagraph (B) of this para-
18 graph for alien insurers, except that the incorporated members of the group [*shall*] **may** not be en-
19 gaged in any business other than underwriting as a member of the group and shall be subject to the
20 same level of solvency regulation and control by the group's domiciliary regulators as are the
21 unincorporated members.

22 “(D) In the case of an insurance exchange created by the laws of individual states, maintains
23 capital and surplus, or the substantial equivalent thereof, of not less than [~~\$15~~] **\$75** million in the
24 aggregate. For insurance exchanges that maintain funds for the protection of all insurance exchange
25 policyholders, each individual syndicate shall maintain minimum capital and surplus, or the sub-
26 stantial equivalent thereof, of not less than [~~\$1.5~~] **\$5** million. In the event the insurance exchange
27 does not maintain funds for the protection of all insurance exchange policyholders, each individual
28 syndicate shall meet the minimum capital and surplus requirements of subparagraph (A) of this
29 paragraph.

30 “(E) Is [*on the most current list of alien insurers approved by*] **listed on the NAIC Quarterly**
31 **Listing of Alien Insurers maintained by** the National Association of Insurance Commissioners and
32 meets additional requirements regarding the use of the list established by rule of the director.

33 “(c) Unless qualified under paragraph (b)(E) of this subsection, provided to the director no more
34 than six months after the close of the period reported upon a certified copy of its current annual
35 statement that is:

36 “(A) Filed with and approved by the regulatory authority in the domicile of the nonadmitted
37 insurer;

38 “(B) Certified by an accounting or auditing firm licensed in the jurisdiction of the insurer's
39 domicile; or

40 “(C) In the case of an insurance exchange, an aggregate combined statement of all underwriting
41 syndicates operating during the period reported.

42 “(2) When a nonresident surplus lines licensee [*or nonresident surplus lines insurance producer*
43 *who is not licensed to transact surplus lines insurance in this state*] places surplus lines insurance
44 outside this state that covers [*a risk with exposures both in this state and outside this state*] **an**
45 **Oregon home state risk**, the licensee or insurance producer is [*not*] subject to the requirements

1 of subsection (1) of this section. *[if the nonadmitted insurer with which the coverage is placed:]*

2 “[(a) Meets the requirements for nonadmitted placement of insurance in the state in which the in-
3 surance is placed; or]

4 “[(b) Is an authorized or admitted insurer in the state in which the insurance is placed.]

5 “**SECTION 11.** ORS 735.425 is amended to read:

6 “735.425. (1) Within 90 days after the placing of any surplus lines insurance in this state **on an**
7 **Oregon home state risk**, each surplus lines licensee shall file with the Director of the Department
8 of Consumer and Business Services:

9 “(a) A statement signed by the licensee regarding the insurance, which shall be kept confidential
10 as provided in ORS 705.137, including the following:

11 “(A) The name and address of the insured;

12 “(B) The identity of the insurer or insurers;

13 “(C) A description of the subject and location of the risk;

14 “(D) The amount of premium charged for the insurance; and

15 “(E) Such other pertinent information as the director may reasonably require.

16 “(b) A statement on a standardized form furnished by the director, as to the diligent efforts by
17 the producing insurance producer to place the coverage with admitted insurers and the results
18 thereof. The statement shall be signed by the producing insurance producer and shall affirm that the
19 insured was expressly advised prior to placement of the insurance that:

20 “(A) The surplus lines insurer with whom the insurance was to be placed is not licensed in this
21 state and is not subject to its supervision; and

22 “(B) In the event of the insolvency of the surplus lines insurer, losses will not be paid by the
23 state insurance guaranty fund.

24 “**(2) A surplus lines licensee placing nonadmitted insurance in this state for an exempt**
25 **commercial purchaser satisfies the requirements of subsection (1)(b) of this section if the**
26 **surplus lines licensee provides proof of compliance with ORS 735.410 (2).**

27 “[2] **(3)** The director may direct that filings required under subsection (1) of this section be
28 made to the Surplus Line Association of Oregon. The director may also require that such filings be
29 made electronically but may exempt a licensee from the requirement for good cause shown.

30 “[3] **(4)** A nonresident surplus lines licensee **who places a surplus lines policy on an Oregon**
31 **home state risk shall satisfy the requirements in ORS 735.410 and the filing requirements in**
32 **subsections (1) and (2) of this section.** *[or nonresident producing insurance producer not licensed*
33 *to transact surplus lines insurance in this state who places a surplus lines policy on a risk with ex-*
34 *posures located both in this state and outside this state shall satisfy filing requirements established by*
35 *the director by rule. The director shall ensure that the rules facilitate interstate regulation of surplus*
36 *lines insurance transactions.]*

37 “[4] **(5)** Facsimile signatures and electronic signatures subject to ORS 84.001 to 84.061 are ac-
38 ceptable and have the same force as original signatures.

39 “**SECTION 12.** ORS 735.430 is amended to read:

40 “735.430. (1) The Surplus Line Association of Oregon shall be the advisory organization of sur-
41 plus lines licensees to:

42 “(a) Facilitate and encourage compliance by resident and nonresident surplus lines licensees
43 with the laws of this state and the rules of the Director of the Department of Consumer and Busi-
44 ness Services relative to surplus lines insurance;

45 “(b) Provide means for the examination, which shall remain confidential as provided in ORS

1 705.137, of all surplus lines coverage written by resident and nonresident surplus lines licensees to
2 determine whether the coverages comply with the Oregon Surplus Lines Law;

3 “(c) Communicate with organizations of admitted insurers with respect to the proper use of the
4 surplus lines market;

5 “(d) Receive and disseminate to resident and nonresident surplus lines licensees information
6 relative to surplus lines coverages; and

7 “(e) **At the request of the director**, receive and collect on behalf of the state and remit to the
8 state premium receipts [tax] **taxes** for surplus lines insurance **pursuant to ORS 735.470 or section**
9 **5 of this 2011 Act.**

10 “(2) The Surplus Line Association of Oregon shall file with the director:

11 “(a) A copy of its constitution, articles of agreement or association or certificate of incorpo-
12 ration;

13 “(b) A copy of its bylaws and rules governing its activities;

14 “(c) A current list of members;

15 “(d) The name and address of a resident of this state upon whom notices or orders of the di-
16 rector or processes issued at the direction of the director may be served;

17 “(e) An agreement that the director may examine the Surplus Line Association of Oregon in
18 accordance with the provisions of this section; and

19 “(f) A schedule of fees and charges.

20 “(3) The director may make or cause to be made an examination of the Surplus Line Association
21 of Oregon. The reasonable cost of any such examination shall be paid by the association upon
22 presentation to it by the director of a detailed account of each cost. The officers, managers, agents
23 and employees of the association may be examined at any time, under oath, and shall exhibit all
24 books, records, accounts, documents or agreements governing its method of operation. The director
25 shall furnish two copies of the examination report to the association and shall notify the association
26 that it may, within 20 days thereof, request a hearing on the report or on any facts or recommen-
27 dations therein. If the director finds the association or any member thereof to be in violation of ORS
28 735.400 to 735.495, the director may issue an order requiring the discontinuance of such violation.

29 “(4)(a) The Surplus Line Association of Oregon may charge resident and nonresident surplus
30 lines licensees and nonresident producing insurance producers a fee for reviewing surplus lines
31 policies and for collecting, on behalf of the state, taxes imposed under ORS 735.470.

32 “(b) **The association may charge insureds a fee for collecting, on behalf of the state, re-**
33 **ports required and taxes imposed under section 5 of this 2011 Act.**

34 “(c) The association shall adopt bylaws implementing **paragraphs (a) and (b) of this subsection.**

35 “**SECTION 13.** ORS 735.435 is amended to read:

36 “735.435. (1) Upon placing surplus lines insurance **on an Oregon home state risk**, the surplus
37 lines licensee shall promptly deliver to the insured or the producing insurance producer the policy,
38 or if such policy is not then available, a certificate as described in subsection (4) of this section,
39 cover note or binder. The certificate, as described in subsection (4) of this section, cover note or
40 binder shall be executed by the surplus lines licensee and shall show the description and location
41 of the subject of the insurance, coverages including any material limitations other than those in
42 standard forms, a general description of the coverages of the insurance, the premium and rate
43 charged and taxes to be collected from the insured, and the name and address of the insured and
44 surplus lines insurer or insurers and proportion of the entire risk assumed by each, and the name
45 of the surplus lines licensee and the licensee’s license number.

1 “(2) [No] A surplus lines licensee [shall] **may not** issue or deliver any insurance policy or cer-
2 tificate of insurance or represent that insurance will be or has been written by any eligible surplus
3 lines insurer, unless the licensee has authority from the insurer to cause the risk to be insured, or
4 has received information from the insurer in the regular course of business that such insurance has
5 been granted.

6 “(3) If, after delivery of an insurance policy or certificate of insurance, there is any change in
7 the identity of the insurers, or the proportion of the risk assumed by any insurer, or any other ma-
8 terial change in coverage as stated in the surplus lines licensee’s original insurance policy, or in
9 any other material as to the insurance coverage, the surplus lines licensee shall promptly issue and
10 deliver to the insured or the original producing insurance producer an appropriate substitute for,
11 or indorsement of the original document, accurately showing the current status of the coverage and
12 the insurers responsible thereunder.

13 “(4) As soon as reasonably possible after the placement of any such insurance the surplus lines
14 licensee shall deliver a copy of the policy or, if not available, a certificate of insurance to the in-
15 sured or producing insurance producer to replace an insurance policy or certificate of insurance
16 theretofore issued. Each certificate or policy of insurance shall contain or have attached thereto
17 a complete record of all policy insuring agreements, conditions, exclusions, clauses, indorsements
18 or any other material facts that would regularly be included in the policy.

19 “(5) Any surplus lines licensee who fails to comply with the requirements of this section shall
20 be subject to the penalties provided **in ORS 731.988**.

21 “(6) Each insurance policy or certificate of insurance negotiated, placed or procured under the
22 provisions of ORS 735.400 to 735.495 by the surplus lines licensee shall bear the name of the licensee
23 and the following legend in bold type: ‘This insurance was procured and developed under the Oregon
24 surplus lines laws. It is NOT covered by the provisions of ORS 734.510 to 734.710 relating to the
25 Oregon Insurance Guaranty Association. If the insurer issuing this insurance becomes insolvent, the
26 Oregon Insurance Guaranty Association has no obligation to pay claims under this insurance.’

27 “(7) The Director of the Department of Consumer and Business Services by rule may establish
28 requirements relating to insurance policies and certificates of insurance and other applicable re-
29 quirements governing placement of insurance by a nonresident surplus lines licensee outside this
30 state that covers *[a risk with exposures located both in this state and outside this state]* **an Oregon**
31 **home state risk**.

32 “**SECTION 14.** ORS 735.450 is amended to read:

33 “735.450. *[(1)]* A person *[shall]* **may not** procure any contract of surplus lines insurance with any
34 nonadmitted insurer **for an Oregon home state risk** unless the person is licensed under ORS
35 chapter 744 to transact surplus lines insurance. A person may obtain a license to transact surplus
36 lines insurance only if the person is licensed as an insurance producer under ORS chapter 744 to
37 transact property and casualty insurance.

38 “[*(2)* *The prohibition in subsection (1) of this section does not apply to a nonresident surplus lines*
39 *licensee or to a nonresident surplus lines insurance producer who is not a licensee in this state if:]*

40 “[*(a)* *The insurance contract covers a risk with exposures both in this state and outside this*
41 *state;*]

42 “[*(b)* *Procurement of the insurance contract described in paragraph (a) of this subsection did not*
43 *occur in this state; and]*

44 “[*(c)* *The licensee or insurance producer is licensed to transact surplus lines insurance in the state*
45 *in which the insurance contract described in paragraph (a) of this subsection was procured.]*

1 “**SECTION 15.** ORS 735.455 is amended to read:

2 “735.455. (1) A surplus lines licensee may originate surplus lines insurance **on an Oregon home**
3 **state risk** or accept such insurance from any other insurance producer duly licensed as to the kinds
4 of insurance involved **on an Oregon home state risk**, and the surplus lines licensee may compen-
5 sate the insurance producer therefor.

6 “(2) A surplus lines licensee may charge a producing insurance producer a fee or a combination
7 of a fee and a commission when transacting surplus lines for the producing insurance producer if
8 the surplus lines licensee has a written agreement with the producing insurance producer prior to
9 the binding or issuance of a surplus lines insurance policy. When a surplus lines licensee transacts
10 surplus lines insurance directly for a prospective insured, the surplus lines licensee may charge the
11 prospective insured a fee or a combination of a fee and a commission if the surplus lines licensee
12 has a written agreement with the prospective insured prior to the binding or issuance of a surplus
13 lines insurance policy.

14 “(3) A producing insurance producer may charge a fee to a prospective insured when the
15 producing insurance producer pays a fee or a combination of a fee and a commission to a surplus
16 lines licensee under subsection (2) of this section if the producing insurance producer has a written
17 agreement with the prospective insured prior to the binding or issuance of the surplus lines insur-
18 ance policy. The fee may not exceed the amount of compensation paid by the producing insurance
19 producer to the surplus lines licensee.

20 “(4) For the purpose of determining the charge under subsection (2) of this section, the produc-
21 ing insurance producer and the surplus lines licensee may agree to any allocation of the fee that
22 the producing insurance producer charges the prospective insured under this section.

23 “(5) The fee or the fee and commission charged by a surplus lines licensee under subsection (2)
24 of this section must be commensurate with the services provided by the surplus lines licensee. The
25 Director of the Department of Consumer and Business Services may establish by rule minimum
26 conditions for written agreements entered into under this section. An insurer or insurance producer
27 who enters into a written agreement as provided in this section is not in violation of ORS 746.035
28 or 746.045.

29 “**SECTION 16.** ORS 735.460 is amended to read:

30 “735.460. (1) Each surplus lines licensee shall keep a full and true record of each surplus lines
31 insurance contract placed **on an Oregon home state risk** by or through the licensee [*on each risk*
32 *resident in this state*] as required by ORS 744.068, including a copy of the policy, certificate, cover
33 note or other evidence of insurance showing any of the following items that are applicable:

34 “(a) Amount of the insurance and perils insured;

35 “(b) Brief description of the property insured and its location;

36 “(c) Gross premium charged;

37 “(d) Any return premium paid;

38 “(e) Rate of premium charged upon the several items of property;

39 “(f) Effective date of the contract and the terms thereof;

40 “(g) Name and address of the insured;

41 “(h) Name and address of the insurer;

42 “(i) Amount of tax and other sums to be collected from the insured; and

43 “(j) Identity of the producing insurance producer, any confirming correspondence from the
44 insurer or its representative and the application.

45 “(2) The record of each contract shall be kept open at all reasonable times to examination by

1 the Director of the Department of Consumer and Business Services without notice for a period not
2 less than five years following termination of the contract.

3 “**SECTION 17.** ORS 735.465 is amended to read:

4 “735.465. (1) On or before the end of each month, each surplus lines licensee shall file with the
5 Director of the Department of Consumer and Business Services, as prescribed by the director, a
6 verified report of all surplus lines insurance transacted on *[risks resident in this state]* **Oregon home**
7 **state risks** during the preceding 90 days. The report need not show transacted surplus lines insur-
8 ance that was reported in an earlier report. The report shall show:

9 “(a) Aggregate gross premiums written;

10 “(b) Aggregate return premiums; and

11 “(c) Amount of aggregate tax.

12 “(2) The director may direct that reports required under subsection (1) of this section be made
13 to the Surplus Line Association of Oregon and that the Surplus Line Association of Oregon file a
14 combined report thereof with the director. The director may also require that reports required under
15 subsection (1) of this section be made electronically but may exempt a licensee from the requirement
16 for good cause shown.

17 “(3) For the purpose of collecting taxes on insurance covering *[the]* **Oregon home state** *[portion*
18 *of]* risks when the insurance is placed outside this state *[and covers a risk with exposures located*
19 *both in this state and outside this state]*, the director may establish by rule requirements for filing
20 reports on surplus lines insurance transacted outside this state on **Oregon home state** risks *[with*
21 *exposures located both in this state and outside this state]*.

22 “**SECTION 18.** ORS 735.485 is amended to read:

23 “735.485. (1) A surplus lines insurer may be sued upon any cause of action arising in this state
24 under any surplus lines insurance contract **on an Oregon home state risk** made by it or evidence
25 of insurance issued or delivered by the surplus lines licensee pursuant to the procedure provided in
26 ORS 735.490. Any surplus lines policy issued by the surplus lines licensee shall contain a provision
27 stating the substance of this section and designating the person to whom process shall be delivered.

28 “(2) Each surplus lines insurer assuming surplus lines insurance shall be considered thereby to
29 have subjected itself to ORS 735.400 to 735.495.

30 “(3) The remedies provided in this section are in addition to any other methods provided by law
31 for service of process upon insurers.

32 “[*(4) A surplus lines insurance contract covering risks with exposures both in this state and outside*
33 *this state that is placed outside this state by a nonresident surplus lines licensee, and the surplus lines*
34 *insurer of the contract, are not subject to the provisions of subsection (2) of this section or ORS*
35 *735.490:]*

36 “[*(a) If the nonresident surplus lines licensee is currently licensed as an insurance producer au-*
37 *thorized to transact surplus lines insurance contracts in the state in which the surplus lines insurance*
38 *contract is placed and is in good standing in that state; and]*

39 “[*(b) If the surplus lines insurance contract complies with all of the requirements for placement of*
40 *nonadmitted insurance in the state in which the surplus lines insurance contract is placed.]*

41 “[*(5)*] (4) When a nonresident surplus lines insurance producer *[who is not a surplus lines*
42 *licensee in this state]* transacts outside this state a surplus lines insurance contract covering *[risks*
43 *with exposures both in this state and outside this state]* **an Oregon home state risk**, the producer
44 and the surplus lines insurer of the contract are subject to this section and to ORS 735.490 or to
45 rules adopted by the director in lieu thereof. *[unless:]*

1 “(a) *The producer is currently licensed to transact surplus lines policies in the state in which the*
2 *surplus lines insurance contract is placed and is in good standing in that state; and]*

3 “(b) *The surplus lines insurance contract complies with all of the requirements for placement of*
4 *nonadmitted insurance in the state in which the surplus lines insurance contract is placed.]*

5 “**SECTION 19.** ORS 735.490 is amended to read:

6 “735.490. (1) An insurer transacting insurance **on an Oregon home state risk** under the pro-
7 visions of ORS 735.400 to 735.495 may be sued upon any cause of action, arising under any policy
8 of insurance so issued and delivered by it, in the courts for the county where the insurance producer
9 who registered or delivered the policy resides or transacts business, by the service of summons and
10 complaint made upon the insurance producer for the insurer.

11 “(2) Any insurance producer served with summons and complaint in any such cause shall
12 forthwith mail the summons and complaint, or a true and complete copy thereof, by registered or
13 certified mail with proper postage affixed and properly addressed, to the insurer being sued.

14 “(3) The insurer shall have 40 days from the date of the service of the summons and complaint
15 upon the insurance producer in which to plead, answer or defend any such cause.

16 “(4) Upon service of summons and complaint upon the insurance producer for the insurer, the
17 court in which the action is begun shall be deemed to have duly acquired personal jurisdiction of
18 the defendant insurer so served.

19 “(5) An insurer and policyholder may agree to waive the provisions of subsections (1) to (4) of
20 this section governing service and venue with respect to a surplus lines insurance contract for
21 commercial property and casualty risk if the waiver is specifically referred to in the contract or in
22 an indorsement attached to the contract.

23 “**SECTION 20.** ORS 731.144 is amended to read:

24 “731.144. ‘Surplus lines insurance’ means any insurance **on an Oregon home state risk** [*in this*
25 *state of risks resident, located or to be performed in this state*], permitted to be placed through a
26 surplus lines licensee with a nonadmitted insurer eligible to accept such insurance, other than re-
27 insurance, wet marine and transportation insurance, independently procured insurance, [*and*] life
28 **insurance** and health insurance and annuities. **For purposes of this section, ‘home state’ has**
29 **the meaning given that term in ORS 735.405.”**