

REVENUE: Revenue statement issued
FISCAL: Fiscal statement issued

Action:	Do Pass as Amended, Be Printed Engrossed, and Be Referred to the Committee on Ways and Means
Vote:	6 - 0 - 0
Yeas:	Atkinson, Burdick, Edwards, Girod, Starr, Beyer
Nays:	0
Exc.:	0
Prepared By:	Patrick Brennan, Administrator
Meeting Dates:	2/2

WHAT THE MEASURE DOES: Allows the Director of the Department of Consumer and Business Services to authorize captive insurers in the State of Oregon. Outlines standards for captive insurers with regard to formation, licensing, classes of insurance transacted and reporting. Exempts certain documents of captive insurers from disclosure as public records. Adopts tax treatment for captive insurers. Establishes an operative date of July 1, 2012. Declares emergency, effective upon passage.

ISSUES DISCUSSED:

- Background on history of captive insurance
- Fiscal impact of measure
- Comparison of captive insurance to self insurance
- Examples of entities in Oregon currently using captive insurance issued by other states

EFFECT OF COMMITTEE AMENDMENT: Revises definition of “affiliate” and “common ownership and control.” Specifies that for captive insurers to do business in Oregon they must both hold at least one board of directors meeting annually in the state and maintain the principal place of business in the state. Authorizes the Director of the Department of Consumer and Business Services to waive or modify all requirements in section 8(10). Modifies term “commercial risk sharing” to “risk distribution.” Allows Department to modify, by rule, the date of the annual financial report to the Department. Revises section 15 to require captive insurers to comply with sound actuarial principles.

BACKGROUND: A captive insurance company primarily insures the risks of businesses that are related to it through common ownership. For example, a business or group of businesses can form a wholly owned captive insurance company for the purpose of insuring their related companies, paying premiums to the insurer in exchange for insurance coverage. Captive insurance differs from self insurance in that the latter arrangement involves the company itself setting money aside to compensate for potential future losses by paying claims directly. In comparison, a captive insurance company is an entity owned by the insured company.

The concept of captive insurance dates back to the 1950s and a mining operation in Ohio. Vermont was the first state to authorize captive insurance in 1981; there are currently 29 states that authorize some form of captive insurance. Worldwide, approximately 10 percent of commercial insurance premiums are paid to captive insurers. A primary driver of the development of captive insurers has been the expense or lack of availability of certain types of insurance coverage in the commercial market.

Senate Bill 1547 authorizes captive insurers to operate in Oregon, setting standards for captive insurers in terms of formation, licensing, classes of insurance that may be transacted, and reporting requirements.

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