DEPARTMENT OF CONSUMER & BUSINESS SERVICES

**Department of Consumer and Business Services**
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# Insurance Holding Company
# HB 2241

**Background:** The Insurance Division of the Department of Consumer and Business Services regulates insurance holding companies and their affiliated companies. The financial crisis of 2008 prompted regulators to evaluate their authority in this area, and the National Association of Insurance Commissioners (NAIC) recently recommended that states strengthen their oversight to protect consumers from insolvencies involving transactions between holding companies and affiliates.

The safeguards include participation in supervisory colleges and regulating enterprise risk. A supervisory college allows state regulators from the United States and regulators from other countries to oversee international companies as a group rather than as individual legal entities.

Enterprise risk is any activity, event, or series of events, involving one or more affiliates of an insurer that threatens the financial condition of the insurer or its insurance holding company.

**Concept:** This bill amends Oregon law related to insurance holding companies and transactions within affiliated companies to allow better regulatory oversight of these entities. This bill incorporates the changes to the NAIC model law into Oregon's existing laws. The changes include the following:

1. Authority for the director either to examine any affiliate within the insurance holding company system, or to examine the entire insurance holding company system on a consolidated basis.
2. A requirement that an entity that intends to acquire or divest a controlling interest in a domestic insurer first notify the director;
3. A requirement that the insurance holding company system file an acknowledgement that the system will provide information to the director as needed to evaluate a risk that is likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system;
4. A requirement to file a statement that the insurer's board of directors oversees corporate governance and internal controls, and that the insurer's officers or senior management have approved, implemented, and maintain and monitor corporate governance and internal control procedures;
5. A requirement that the ultimate controlling person of every insurer file a statement to identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer. This is known as an enterprise risk report.
6. Authority for the director to convene or participate in a supervisory college.

The NAIC has included these changes in the NAIC accreditation standards. Oregon must adopt the changes to maintain its accreditation. Accreditation allows for interstate cooperation and reduces regulatory redundancies. States rely on accredited state insurance departments to monitor the financial solvency of companies that are domiciled in their state but operate in multiple states.

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