

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action: Do Pass
Vote: 4 - 1 - 0
Yeas: George, Monnes Anderson, Prozanski, Shields
Nays: Baertschiger
Exc.: 0
Prepared By: Channa Newell, Administrator
Meeting Dates: 5/8, 5/31

WHAT THE MEASURE DOES: Requires notice of acquisition of insurer be given to Director of Department of Consumer and Business Services (Director) in certain circumstances. Allows Director to issue cease and desist order or deny application if acquisition substantially diminishes competition or tends to create monopoly. Allows Director to share information on acquisition of insurer in certain circumstances. Requires person divesting control of insurer to confidentially notify Director. Requires insurance holding company file annual enterprise risk report. Allows Director to establish or participate in supervisory college for certain domestic insurers. Allows Director to request financial statements of insurance holding company, including statements of affiliates, in required registration statement. Specifies composition of domestic insurer's board of director and committees to include at least one-third directors and members who are not officers, employees, or beneficial owners with controlling interest in insurer. Establishes penalties for violating provisions of measure. Becomes operative January 2, 2014. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Current structure for regulation of acquisitions and mergers of insurance companies
- Effects of 2008 financial crisis
- Situation where parent company may be sound but affiliate causes financial collapse
- National Association of Insurance Commissioners model law proposed in measure
- Concern for effect of criminal penalties in measure
- Insurers' desire for consistency across jurisdictions

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Department of Consumer and Business Services' Insurance Division licenses and monitors insurance companies in Oregon. The Division has maintained accreditation with the National Association of Insurance Commissioners (NAIC) since 1993. Proponents assert that nationally developed standards contained in House Bill 2241 will allow the state to maintain accreditation with the NAIC. Accreditation allows the Insurance Division to rely upon the work of other accredited state insurance departments because each accredited state uses the same processes and standards to ensure financial solvency that meet uniform country-wide standards. Proponents assert the measure will encourage regulator cooperation and communication, increase oversight of corporate governance, and increase oversight and regulation of insurance company acquisition and mergers.

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