

# D R A F T

## SUMMARY

Permits Director of Department of Consumer and Business Services to exempt association with membership composed of current or former members of Armed Forces of United States from operation of Insurance Code and to require association to submit certain information to director.

### A BILL FOR AN ACT

Relating to exemptions from the operation of the Insurance Code for certain associations; amending ORS 748.601.

**Be It Enacted by the People of the State of Oregon:**

**SECTION 1.** ORS 748.601 is amended to read:

748.601. (1) Except as provided in subsection (2) of this section, [*nothing contained in*] this chapter [*shall be so construed as to*] **does not** affect or apply to:

(a) Grand or subordinate lodges of orders, societies or associations [*doing*] **that do** business in this state **and** that provide benefits exclusively through local or subordinate lodges;

(b) Orders, societies or associations that admit to membership only persons **that are** engaged in one or more crafts or hazardous occupations, in the same or similar lines of business, insuring only [*their own*] **the** members **of the orders, societies or associations** and [*their*] **the** families **of the members**, and [*the ladies'*] **any** societies [*or ladies' auxiliaries*] **that are auxiliary** to [*such*] **the** orders, societies or associations;

(c) Domestic societies that limit [*their*] membership to employees of a particular city or town, designated firm, business house or corporation **and** that provide for a death benefit of not more than \$400 or disability benefits

1 of not more than \$350 to any person in any one year[, *or both*]; [or]

2 (d) Domestic societies or associations [of] **with** a purely religious, chari-  
3 table or benevolent [*description,*] **purpose** that provide for a death benefit  
4 of not more than \$400 or for disability benefits of not more than \$350 to any  
5 one person in any one year[, *or both.*]; **or**

6 (e) **An association, including but not limited to a fraternal benefit**  
7 **society, that was organized before 1880, the members of which are or**  
8 **were members of the Armed Forces of the United States, and that has**  
9 **as a principal purpose providing insurance and other benefits to the**  
10 **association's members and the dependents and beneficiaries of the**  
11 **association's members.**

12 (2)(a) [No] **A** society or association described in subsection (1)(c) or (d)  
13 of this section that provides for death or disability benefits for which benefit  
14 certificates are issued **is not exempt from and shall comply with the**  
15 **provisions of this chapter.**[, *and no*]

16 (b) **A** society or association [*included*] **described** in subsection (1)(d) of  
17 this section that has more than 1,000 members[, *shall be exempted*] **is not**  
18 **exempt from and shall comply with** the provisions of this chapter. [*Any*  
19 *society or association described in this subsection shall comply with all re-*  
20 *quirements of this chapter.*]

21 (3) [No] **Except for an order, society or association that is described**  
22 **in subsection (1)(b) of this section, an** order, society or association that,  
23 by the provisions of this section, is exempt from the requirements of this  
24 chapter[, *except an order, society or association described in subsection (1)(b)*  
25 *of this section, shall*] **may not** give or allow, or promise to give or allow, to  
26 any person any compensation for procuring new members.

27 (4) Every society that provides for benefits in case of death or disability  
28 [*resulting*] **that results** solely from accident, and that does not obligate [*it-*  
29 *self*] **the society** to pay natural death or sick benefits, [*shall have*] **has** all  
30 of the privileges and [*be*] **is** subject to all the applicable provisions and reg-  
31 ulations of this chapter, except that the provisions relating to medical ex-

1 amination, valuations of benefit certificates and incontestability[, *shall*] **do**  
2 not apply to the society.

3 (5) The Director of the Department of Consumer and Business Services  
4 may require from any society or association, by examination or otherwise,  
5 any information [*enabling the commissioner*] **that enables the director** to  
6 determine whether the society or association is exempt from the provisions  
7 of this chapter.

8 (6) **An association that seeks the exemption set forth in subsection**  
9 **(1)(e) of this section shall prove to the director's satisfaction that the**  
10 **association is exempt from federal taxation under section 501(c) of the**  
11 **Internal Revenue Code. An association to which the director grants**  
12 **an exemption is subject to the following provisions:**

13 (a) **On or before June 1 of each calendar year, the association shall**  
14 **file with the director a true and complete statement of the**  
15 **association's financial condition, transactions and business affairs for**  
16 **the preceding calendar year that is audited by an independent certified**  
17 **public accountant and accompanied by an actuarial opinion, as pro-**  
18 **vided in ORS 733.304. For purposes of this paragraph, the director**  
19 **accepts and approves the statement and the opinion unless the direc-**  
20 **tor issues an order to disapprove the statement or opinion within 30**  
21 **days after the association submits the statement and opinion.**

22 (b) **The director may require the association to file a financial**  
23 **statement each quarter or at other intervals the director specifies in**  
24 **response to factors or trends that affect insurers that transact a par-**  
25 **ticular class or classes of insurance or because of changes in the**  
26 **management or financial condition of the association.**

27 (c) **The director may order the association to increase the**  
28 **association's capital or surplus to amounts the director deems suffi-**  
29 **cient to meet the association's liabilities, if the director has reason to**  
30 **believe that the association does not have sufficient capital or surplus**  
31 **based on eligible assets in accordance with ORS chapter 733. The di-**

1 **rector may order an association to cease and desist from assuming any**  
2 **additional liabilities in this state until the association complies with**  
3 **the director's order to increase the association's capital or surplus.**

4 **(d) The association shall include with each life insurance policy or**  
5 **annuity that the association issues a notice in bold type or otherwise**  
6 **clear and conspicuous writing a notice that reads:**

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10 **This policy is issued by an association that does not have a certif-**  
11 **icate of authority from the insurance division of the Department of**  
12 **Consumer and Business Services. If the association that issued this**  
13 **policy becomes insolvent, members or claimants under this policy are**  
14 **not eligible for insurance guaranty fund protection under Oregon law**  
15 **(ORS 734.550).**

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19 **[(6)] (7) Societies [exempted] and associations that are exempt** under  
20 **the provisions of this section are also exempt from all other provisions of the**  
21 **insurance laws of this state, except as provided in ORS 731.042.**

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