

D R A F T

SUMMARY

Establishes student loan insurance as class of insurance in Oregon. Instructs Director of Department of Consumer and Business Services to adopt rules to authorize insurers to transact student loan business and to facilitate transaction of student loan insurance. Establishes certain limits on student loan insurance.

Becomes operative January 1, 2018.

Takes effect on 91st day after adjournment sine die.

A BILL FOR AN ACT

1 Relating to student loan insurance; and prescribing an effective date.

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

3 **SECTION 1. Sections 2 to 6 of this 2017 Act are added to and made**
4 **a part of the Insurance Code.**

5 **SECTION 2. “Student loan insurance” means insurance against fi-**
6 **nancial loss by reason of a nonpayment of principal, interest and other**
7 **sums agreed to be paid under the terms of a loan obligation that pro-**
8 **vided funds to or on behalf of a student to help the student meet the**
9 **student’s expenses in attending a post-secondary educational institu-**
10 **tion.**

11 **SECTION 3. (1) All policies and contracts of student loan insurance**
12 **must be written by authorized student loan insurers. Another class**
13 **of insurer may not write any form of student loan insurance.**

14 **(2) The Director of the Department of Consumer and Business Ser-**
15 **vices shall by rule establish procedures by which an insurer may ob-**
16 **tain authorization to transact student loan insurance.**

17 **(3) The department may adopt any other rule to facilitate the**
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NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 transacting of student loan insurance in this state.

2 **SECTION 4.** A student loan insurer shall establish a contingency
3 reserve liability for protecting policyholders against the effect of ad-
4 verse economic cycles according to accounting procedures that the
5 Director of the Department of Consumer and Business Services ap-
6 proves or requires.

7 **SECTION 5.** A student loan insurer may not provide insurance with
8 respect to a student loan obligation that exceeds, solely or in combi-
9 nation with other insurance existing at the time the insurance is
10 written, 90 percent of the outstanding amount of the student loan, or
11 a higher percentage that the Director of the Department of Consumer
12 and Business Services may authorize.

13 **SECTION 6.** Obligations insured by student loan insurance policies
14 issued in conformity with the Insurance Code are legal investments for
15 all trust funds held by any executor, administrator, conservator,
16 trustee or other person or corporation holding trust funds, and also
17 for the funds of banks, banking institutions and trust companies, and
18 must be accepted by this state and the officers and officials of this
19 state as securities constituting any part of any fund or deposit re-
20 quired by law to be made with this state, or any officer or official of
21 this state, by any trust company doing business in this state. All pre-
22 miums that must be paid according to the terms of a student loan
23 insurance policy may be charged to or paid out of the income from the
24 obligations covered by the policy.

25 **SECTION 7.** (1) Sections 2 to 6 of this 2017 Act become operative
26 January 1, 2018.

27 (2) The Director of the Department of Consumer and Business Ser-
28 vices may take any action before the operative date specified in sub-
29 section (1) of this section that is necessary to enable the director to
30 exercise, on and after the operative date specified in subsection (1) of
31 this section, all of the duties, functions and powers conferred on the

1 **director by sections 2 to 6 of this 2017 Act.**

2 **SECTION 8. This 2017 Act takes effect on the 91st day after the date**
3 **on which the 2017 regular session of the Seventy-ninth Legislative**
4 **Assembly adjourns sine die.**

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