SB 251
Credit for Reinsurance and Statutory changes for insurance adjuster licensing

DCBS | Consumer and Business Services

Division of Financial Regulation

Background: Credit For Reinsurance

Reinsurance is insurance for insurance companies. It protects against excessive losses.

Credit for reinsurance is an accounting rule. It allows insurers to receive a financial statement "credit" for liabilities transferred to its reinsurer.

Historically:

- Non-U.S. reinsurers had to provide 100 percent collateral for the value of a policy
- U.S. reinsurers do not have to post collateral

SB 251, Credit For Reinsurance

Non-U.S. reinsurers that complete the certification process can post less than 100 percent collateral.

Non-U.S. reinsurers are certified based on several criteria including being domiciled and licensed in a qualified jurisdiction.

- A qualified jurisdiction has:
  - An effective regulatory supervisory system
  - A history of cooperation with U.S. regulators
  - Is one in which U.S. judgments are enforced

SB 251, Reciprocity for Credit For Reinsurance

SB 251 aligns the Oregon credit for reinsurance statute with the federal Nonadmitted and Reinsurance Reform Act

- The act:
  - Promotes uniform application of credit for reinsurance across state lines
  - Says states should regulate the financial solvency of their domestic reinsurers
  - Prohibits states from denying credit for reinsurance if
    - Domiciliary state of an insurer purchasing reinsurance allows for such credit
    - The state is an NAIC-accredited state or has financial solvency requirements similar to NAIC requirements

Why States Maintain Accreditation

Benefits of being accredited

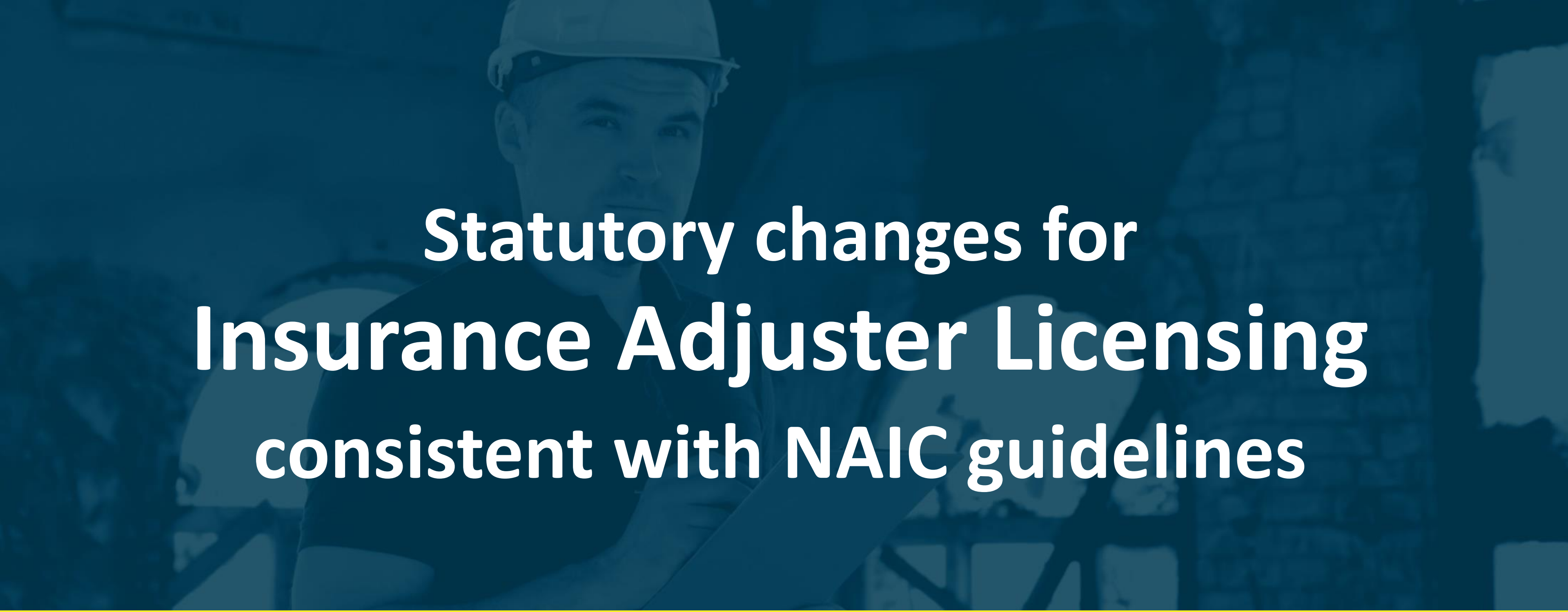
- Provides assurance that minimum standards are met
- Allows reliance on other states for regulating non-domestic business
- Reduces regulatory redundancies

Consequences of not being accredited

- Non-domestic states may no longer be able to accept examination report
- State may lose lead state status in group-wide supervision
- Facing additional regulation, domestic insurers could choose to re-domesticate

Potential Amendment

- Updates to of reinsurance model law under final development
- Consists of one new section
- Proposal: narrow rulemaking authority to adopt new section of model law



Statutory changes for Insurance Adjuster Licensing consistent with NAIC guidelines

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SB 251:

- Achieves uniformity for adjuster licensing
- Separates licensing provisions for insurance adjusters and consultants
- Imposes licensing provisions similar to adjusters upon consultants

Changes for insurance adjusters

- Defines adjuster
- Expands licensing exemptions
- Allows applicants to designate a home state
- Requires adjusters to be 18 or older
- Requires adjusters to complete 24 hours of continuing education every two years

Changes for both insurance adjusters and consultants

- Requires licensees to report a regulatory sanction or criminal charge within 30 days
- Authorizes disciplinary action for non-payment of child support or state income taxes
- Authorizes DCBS Director to:
  - Recognize licensing examinations by other entities
  - Contract with others on administrative licensing tasks
  - Complete investigations due to license expiration and voluntary surrender

Changes to consider

- Requires a business entity to employ a licensed insurance consultant to manage its office
- Adjuster licensing statutes are added to
  - Health care service contractors' provisions
  - Multiple Employer Welfare Arrangement provisions applicable to trusts