HB 2453 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist
Meeting Dates: 2/1, 4/20

WHAT THE MEASURE DOES:

Extends sunset from January 1, 2022 to January 1, 2028, of tax credit against corporate income taxes for certain assessments paid to the Oregon Life and Health Insurance Guaranty Association.

ISSUES DISCUSSED:

- Other instances of similar policies where cost of an insolvency is shifted to the state
- Federal Deposit Insurance Corporation is an example of a federal policy where cost shift exists
- Potential of using other policies to cover potential costs resulting from an insolvency
- Infrequency in use of credit
- Potential near term use due to recent insurance insolvency
- Existence of guaranty associations in other states
- Potential causes of insurance insolvency
- Oregon insurance regulation
- Potential impact of California wildfires on insurers, potential to lead to insolvency
- Potential risks posed to insurers by climate change and related behaviors of insurers to such perceived risks.

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Oregon Life & Health Insurance Guaranty Association (OLHIGA) was established in 1975 and is composed of all insurers licensed to sell life insurance, accident and health insurance, and individual annuities in Oregon. Membership is mandatory. In the event an insurer becomes insolvent, the Association pays claims to the policy beneficiaries. The cost of such claims is recouped by a matching assessment paid by each participating insurer. The insurers are then allowed to claim an annual corporate income tax credit that is equal to 20 percent of the assessment. The credit may be claimed for five years so that the entire assessment is covered.