

Senate Bill 831

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: Makes changes to this state's insurance laws to update rules that make sure that insurers have enough money to keep going. (Flesch Readability Score: 65.7).

Requires the person that has ultimate control over an insurer to file a group capital calculation with the chief insurance regulatory official of the state that the Director of the Department of Consumer and Business Services determines is the lead state for the insurance holding company system of which the insurer is a part. Unless exempted from the requirement to file the group capital calculation, the person must file a group capital calculation made in accordance with standards that the National Association of Insurance Commissioners adopts.

Requires insurers that meet one or more scope criteria during a given data year to conduct and report the results of a liquidity stress test in accordance with a framework adopted by the National Association of Insurance Commissioners. Specifies scope criteria for determining which insurers are subject to the requirement.

Requires a deposit or bond from an insurer that the director determines is in a hazardous financial condition or a condition that would be grounds for supervision, conservation or delinquency proceedings. Gives the director discretion to determine the amount of the deposit or bond and the contract or contracts to which the deposit or bond applies.

Subjects affiliates to the jurisdiction and authority of a supervisor, conservator, rehabilitator or liquidator appointed for an insurer for the purpose of interpreting, enforcing and overseeing the affiliate's obligations under a contract or agreement to perform services for the insurer.

Takes effect on the 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to insurance accreditation; creating new provisions; amending ORS 732.548, 732.553, 732.569
3 and 732.574; and prescribing an effective date.

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

5 **SECTION 1.** ORS 732.548 is amended to read:

6 732.548. As used in ORS 732.517 to 732.596:

7 (1) "Affiliate" means a person that directly or indirectly, through one or more intermediaries,
8 controls, is controlled by, or is under common control with, another person.

9 (2) "Control" means possessing the direct or indirect power to manage a person or set the
10 person's policies, whether by owning voting securities, by contract other than a commercial contract
11 for goods or nonmanagement services, or otherwise, unless the power is the result of an official
12 position or corporate office the person holds.

13 (3) "Enterprise risk" means an activity, circumstance, event or series of events that involve one
14 or more of an insurer's affiliates and that, if not remedied promptly, are likely to have an adverse
15 material effect on the insurer's or the insurance holding company system's financial condition or
16 liquidity, including but not limited to an activity, circumstance, event or series of events that would
17 cause the insurer's risk-based capital to fall into company action level or cause the Director of the
18 Department of Consumer and Business Services to determine under ORS 731.385 that the insurer is
19 in hazardous financial condition.

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 (4) "Group-wide supervisor" means a regulatory official that has the authority to conduct and
2 coordinate supervisory activities for an internationally active insurance group under ORS 732.594.

3 (5) "Insurance holding company system" means two or more affiliated persons, one or more of
4 which is an insurer, and includes a financial holding company as described in section 103 of the
5 federal Gramm-Leach-Bliley Act (P.L. 106-102).

6 (6) "Insurer" has the meaning given that term in ORS 731.106 but does not include an agency,
7 authority or instrumentality of the United States, the Commonwealth of Puerto Rico, another state
8 or a political subdivision of another state.

9 (7) "Internationally active insurance group" means an insurance holding company system that
10 includes an insurer that is registered under ORS 732.551 and that:

11 (a) Writes premiums in three or more countries;

12 (b) Writes 10 percent or more of the insurance holding company system's total gross written
13 premiums outside the United States; and

14 (c) Has \$50 billion or more of total assets, or \$10 billion or more of total gross written premi-
15 ums, based on a three-year rolling average.

16 (8) "**NAIC group capital calculation**" means a calculation made in accordance with in-
17 structions that the director adopts by rule based on, or with reference to, instructions that
18 the National Association of Insurance Commissioners publishes for the purpose of specifying
19 the method of calculation.

20 (9) "**NAIC liquidity stress test framework**" means a method for testing an insurer's
21 liquidity that the director adopts by rule based on, or with reference to, a method or methods
22 the National Association of Insurance Commissioners describes in a publication by the as-
23 sociation that includes instructions and reporting templates and that identifies scope criteria
24 that apply to a specific data year.

25 [(8)(a)] (10)(a) "Person" means an individual, corporation, limited liability company, partnership,
26 association, joint stock company, trust or unincorporated organization, or an entity or combination
27 of entities similar to the entities described in this paragraph.

28 (b) "Person" does not include:

29 (A) A joint venture partnership that is engaged exclusively in owning, managing, leasing or de-
30 veloping real or tangible personal property; or

31 (B) For the purposes of ORS 732.518, 732.521, 732.523, 732.526 and 732.528, a securities broker
32 that holds, in the usual and customary broker's function, less than 20 percent of the voting securi-
33 ties of an insurer or of any person that controls an insurer.

34 (11) "**Scope criteria**" means bases and minimum magnitudes of exposure under which a
35 preliminary list of insurers may be designated for inclusion in the NAIC liquidity stress test
36 framework for a specific data year.

37 [(9)] (12) "Security holder" means a person that owns a security of another person, including a
38 security denominated as common stock, preferred stock or a debt obligation and any instrument that
39 is convertible into or that is evidence of the right to acquire the security of another person.

40 [(10)] (13) "Subsidiary" means an affiliate that a person controls directly or indirectly through
41 one or more intermediaries.

42 [(11)] (14) "Voting security" means a security that entitles the owner or holder of the security
43 to vote at a meeting of shareholders, including a security that is convertible into a voting security
44 or that is evidence of a right to acquire a voting security.

45 **SECTION 2.** ORS 732.553 is amended to read:

1 732.553. (1) **Except as provided in subsection (2) of this section**, information that is not ma-
 2 terial for the purposes of registration under ORS 732.517 to 732.596 need not be disclosed on the
 3 registration statement filed pursuant to ORS 732.552. Unless the Director of the Department of
 4 Consumer and Business Services by rule or order provides otherwise, sales, purchases, exchanges,
 5 loans or extensions of credit, investments or guarantees involving one-half of one percent or less
 6 of an insurer's admitted assets as of the December 31 next preceding the date of the registration
 7 statement or amendment [*shall not be deemed*] **are not** material for purposes of registration under
 8 ORS 732.517 to 732.596.

9 (2) **Information that is not material for the purposes described in subsection (1) of this**
 10 **section might be material and might be subject to disclosure for the purposes of an NAIC**
 11 **group capital calculation or a test in accordance with the NAIC liquidity stress test frame-**
 12 **work on the registration statement, or otherwise, as the director provides by rule or order.**

13 **SECTION 3.** ORS 732.569 is amended to read:

14 732.569. (1) Every insurer that must register with the Director of the Department of Consumer
 15 and Business Services under ORS 732.551 shall file an enterprise risk report each year. The enter-
 16 prise risk report must identify, to the best of the insurer's knowledge and belief, the material risks
 17 within the insurance holding company system of which the insurer is a part that could pose enter-
 18 prise risk to the insurer. The insurer shall file the enterprise risk report with the chief insurance
 19 regulatory official in the state that the director determines is the lead state for the insurance
 20 holding company system of which the insurer is a part. The director shall make the determination
 21 in accordance with procedures the director adopts by rule after considering procedures set forth in
 22 a Financial Analysis Handbook that the National Association of Insurance Commissioners has
 23 adopted.

24 (2)(a) **Except as provided in paragraph (b) of this subsection, and under the direction of**
 25 **the chief insurance regulatory official described in subsection (1) of this section, the person**
 26 **that has ultimate control of an insurer that is subject to registration under ORS 732.551 each**
 27 **year shall file an NAIC group capital calculation with the chief insurance regulatory official,**
 28 **together with the registration. The chief insurance regulatory official may permit a person**
 29 **other than the person that has ultimate control of the insurer to file the NAIC group capital**
 30 **calculation.**

31 (b) **An insurance holding company system need not file an NAIC group capital calculation**
 32 **with the chief insurance regulatory official if the insurance holding company system:**

33 (A) **Has within the insurance holding company system only one insurer that writes in-**
 34 **surance only with the insurer's domestic state and does not assume business from any other**
 35 **insurer;**

36 (B) **Must perform a group capital calculation specified by the United States Federal Re-**
 37 **serve Board, except that the insurance holding company system must file an NAIC group**
 38 **capital calculation with the chief insurance regulatory official if the board refuses a request**
 39 **for the group capital calculation under the terms of an information sharing agreement in**
 40 **effect at the time of the chief insurance regulatory official's request;**

41 (C) **Has a group-wide supervisor that is located outside the United States but within a**
 42 **reciprocal jurisdiction described in ORS 731.520 that recognizes the regulatory approach of**
 43 **this state toward group supervision and group capital; or**

44 (D) **Provides to the lead state, directly or indirectly through the group-wide supervisor,**
 45 **information that the group-wide supervisor:**

1 (i) Determines will meet the requirements for accreditation under the National Associ-
2 ation of Insurance Commissioners' financial standards and accreditation program and is
3 sufficient to allow the lead state to comply with the group supervision approach detailed in
4 a Financial Analysis Handbook that the National Association of Insurance Commissioners
5 has adopted; and

6 (ii) Recognizes and accepts, in accordance with criteria the director specifies by rule or
7 order, as the worldwide group capital assessment for United States insurance groups that
8 operate within the group-wide supervisor's jurisdiction, if the group-wide supervisor is lo-
9 cated outside the United States and not in a reciprocal jurisdiction as described in ORS
10 731.520.

11 (3) Notwithstanding the provisions of subsection (2)(b)(C) and (D) of this section, the
12 chief insurance regulatory official described in subsection (1) of this section shall require an
13 insurance holding company system that is based outside the United States to provide an
14 NAIC group capital calculation for the insurance holding company system's operations within
15 the United States if the chief insurance regulatory official determines, after consultation
16 with other supervisors or officials, that having the NAIC group capital calculation is neces-
17 sary for the purposes of prudential oversight and monitoring the solvency of the insurance
18 holding company system or for ensuring the competitiveness of the insurance marketplace.

19 (4) Notwithstanding the provisions of subsection (2)(b) of this section, the chief insurance
20 regulatory official described in subsection (1) of this section may exempt a person that has
21 ultimate control of an insurer from the requirement to file an NAIC group capital calculation
22 or may accept a limited group capital calculation or report in accordance with criteria the
23 chief insurance regulatory official specifies by rule or order.

24 (5) If the chief insurance regulatory official described in subsection (1) of this section
25 determines that an insurance holding company system no longer qualifies for an exemption
26 from the requirement to file an NAIC group capital calculation, the insurance holding com-
27 pany system shall file the NAIC group capital calculation as provided in subsection (2)(a) of
28 this section unless the chief insurance regulatory official extends the time for filing for
29 reasonable grounds shown.

30 (6) The person that has ultimate control of an insurer that is subject to registration
31 under ORS 732.551 and that during any data year meets the scope criteria for the NAIC
32 liquidity stress test framework shall, concurrently with registration, conduct for that data
33 year a test in accordance with the NAIC liquidity stress test framework and file the results
34 of the test with the chief insurance regulatory official described in subsection (1) of this
35 section.

36 (7)(a) The NAIC liquidity stress test framework must:

37 (A) Include scope criteria that apply to a specific data year;

38 (B) Be reviewed at least once each year by the National Association of Insurance
39 Commissioners' financial stability task force, or a successor; and

40 (C) Provide instructions and reporting templates for a specific data year that, together
41 with any determinations by the chief insurance regulatory official in consultation with the
42 financial stability task force or a successor, specify the requirements for performing and
43 filing the results of a test for that data year.

44 (b) A change to the NAIC liquidity stress test framework or to the data year to which
45 the scope criteria apply is effective on January 1 of the year following the year in which the

1 **change occurs.**

2 **(8)(a) For the purposes of the requirements described in subsection (6) of this section:**

3 **(A) An insurer meets the scope criteria for a data year if the insurer meets at least one**
 4 **criterion of the scope criteria, except that the chief insurance regulatory official described**
 5 **in subsection (1) of this section, in consultation with the financial stability task force or a**
 6 **successor, may determine that the insurer need not conduct the test or file the results of**
 7 **the test.**

8 **(B) An insurer shall perform a test and file the results of the test in accordance with the**
 9 **instructions and templates included within the NAIC liquidity stress test framework for the**
 10 **applicable data year.**

11 **(b) An insurer need not conduct a test or file the results of the test if the insurer does**
 12 **not meet any of the scope criteria for a data year, except that the chief insurance regulatory**
 13 **official, in consultation with the financial stability task force or a successor, may require the**
 14 **insurer to conduct the test and file the results of the test despite not meeting the scope**
 15 **criteria for the data year.**

16 **SECTION 4.** ORS 732.574 is amended to read:

17 732.574. (1) A transaction within an insurance holding company system to which an insurer
 18 subject to registration is a party is subject to the following standards:

19 (a) The terms must be fair and reasonable.

20 (b) Charges or fees for services performed must be reasonable.

21 (c) Expenses incurred and payment received must be allocated to the insurer in conformity with
 22 customary insurance accounting practices that are consistently applied.

23 (d) The books, accounts and records of each party to the transaction must be maintained so as
 24 to disclose clearly and accurately the nature and details of the transaction, including accounting
 25 information that is necessary to support the reasonableness of the charges or fees to the respective
 26 parties.

27 (e) The combined capital and surplus of the insurer following any transaction with an affiliate
 28 or any shareholder dividend must be reasonable in relation to the insurer's outstanding liabilities
 29 and adequate to the insurer's financial needs.

30 (f) Agreements for cost-sharing services and management must include provisions that the Di-
 31 rector of the Department of Consumer and Business Services requires by rule.

32 (2)(a) A domestic insurer and any person in the domestic insurer's insurance holding company
 33 system may enter into a transaction described in this subsection, including an amendment to or
 34 modification of an affiliate agreement that is subject to standards set forth in this section, only if:

35 (A) The domestic insurer has notified the director of the domestic insurer's intention to enter
 36 into the transaction in writing and not later than the 30th day before the transaction, or within a
 37 shorter period the director allows; and

38 (B) The director does not disapprove the transaction within the period.

39 (b) A notice for a transaction that is an amendment to or modification of an affiliate agreement
 40 that was previously filed must include a statement of reasons for the change and an estimate of the
 41 financial impact the change would have on the domestic insurer. An insurer shall notify the director
 42 informally within 30 days after a previously filed agreement has terminated, and the director, after
 43 receiving the notice, shall determine the type of filing the insurer must submit, if any.

44 (c) This subsection does not authorize or permit any transaction that, in the case of an insurer
 45 that is not a member of the same insurance holding company system, would be otherwise contrary

1 to law.

2 (d) This subsection applies to the following transactions:

3 (A) Sales, purchases, exchanges, loans or extensions of credit, guarantees or investments, if the
4 transactions equal or exceed the following:

5 (i) With respect to insurers that are not authorized to transact life insurance, the lesser of three
6 percent of the insurer's allowed assets or 25 percent of the insurer's combined capital and surplus,
7 each as of the 31st day of December immediately preceding.

8 (ii) With respect to insurers that are authorized to transact life insurance, three percent of the
9 insurer's allowed assets, as of the 31st day of December immediately preceding.

10 (B) Loans or extensions of credit to any person that is not an affiliate, if the insurer makes the
11 loans or extensions of credit with the agreement or understanding that the proceeds of the trans-
12 actions, in whole or in substantial part, are to be used to make loans or extensions of credit to, to
13 purchase assets of, or to make investments in any affiliate of the insurer that is making the loans
14 or extending the credit. This subparagraph applies to transactions that equal or exceed the follow-
15 ing:

16 (i) With respect to insurers that are not authorized to transact life insurance, the lesser of three
17 percent of the insurer's allowed assets or 25 percent of the insurer's combined capital and surplus,
18 each as of the 31st day of December immediately preceding.

19 (ii) With respect to insurers that are authorized to transact life insurance, three percent of the
20 insurer's allowed assets, as of the 31st day of December immediately preceding.

21 (C) Reinsurance agreements or modifications to reinsurance agreements, reinsurance pooling
22 agreements and agreements in which the reinsurance premium or a change in the insurer's liabil-
23 ities, the projected reinsurance premium or a projected change in the insurer's liabilities in any of
24 the next three years equals or exceeds five percent of the insurer's combined capital and surplus,
25 as of the 31st day of December immediately preceding, including agreements that may require as
26 consideration the transfer of assets from an insurer to a nonaffiliate if an agreement or under-
27 standing exists between the insurer and nonaffiliate that any portion of the assets will be trans-
28 ferred to one or more affiliates of the insurer.

29 (D) All management agreements, service contracts, tax allocation agreements, guarantees and
30 all cost-sharing arrangements.

31 (E) A guarantee that a domestic insurer makes if the guarantee is not quantifiable as to amount.
32 If the guarantee is quantifiable as to amount, the domestic insurer is not required to notify the di-
33 rector under this section unless the guarantee exceeds the lesser of one-half of one percent of the
34 insurer's admitted assets or 10 percent of surplus with respect to policyholders as of the 31st day
35 of December immediately preceding.

36 (F) Direct or indirect acquisitions or investments in a person that controls the insurer or in an
37 affiliate of the insurer, the amount of which, together with the insurer's existing acquisitions or in-
38 vestments in the person or affiliate, exceeds two and one-half percent of the insurer's surplus to
39 policyholders. An insurer that acquires or invests directly or indirectly in a subsidiary, or in an
40 insurance affiliate that is not a subsidiary, is not required to notify the director under this section
41 if the insurer makes the acquisition or the investment otherwise in accordance with ORS 732.517 to
42 732.596.

43 (G) Any material transactions specified by rule that the director determines may adversely af-
44 fect the interests of the insurer's policyholders.

45 (3) A domestic insurer may not enter into one or more transactions during any 12-month period

1 that are part of a plan or series of like transactions with persons that are within the insurance
2 holding company system if the purpose of the separate transactions is to avoid the statutory
3 threshold amount and thus avoid the review that would occur otherwise.

4 (4) In reviewing a transaction in accordance with subsection (2) of this section, the director
5 shall consider whether the transaction complies with the standards set forth in subsection (1) of this
6 section and whether the transaction may adversely affect the interests of policyholders.

7 (5) A domestic insurer shall notify the director not later than the 30th day after any investment
8 the domestic insurer makes in any one corporation if the total investment the insurance holding
9 company system makes in the corporation exceeds 10 percent of the corporation's voting securities.

10 **(6)(a) If the director determines that the continued operation of an authorized insurer**
11 **is hazardous to the insurer's policyholders or to the insurance-buying public generally or**
12 **that the insurer is in a condition that is grounds for supervision, conservation or a delin-**
13 **quency proceeding, in addition to the actions the director may order under ORS 731.385, the**
14 **director may require the insurer, for the insurer's protection, to secure and maintain with**
15 **the director the insurer's choice of a deposit or a bond for the duration of the hazard or**
16 **condition or the duration of a specific contract or agreement. The director may, at the**
17 **director's sole discretion, determine the amount of the deposit or bond, which may not ex-**
18 **ceed the value during any one year of each contract or agreement for which the director**
19 **requires a deposit or bond. The director may require the deposit or bond for a single con-**
20 **tract, for more than one contract or for any or all contracts with a specific party.**

21 **(b) In determining whether to require a deposit or bond, the director shall consider how**
22 **the requirement will affect the insurer's ability to perform a contract or agreement subject**
23 **to, or affected by, the requirement for the deposit or bond and the ability of parties to the**
24 **contract or agreement other than the insurer to perform the other parties' duties under the**
25 **contract or agreement.**

26 **(7)(a) All records and data of an insurer that an affiliate holds remain the property of the**
27 **insurer and must be subject to the insurer's control, be identifiable, and be segregated or**
28 **readily capable of segregation from the data and records of all other persons, all at no addi-**
29 **tional cost to the insurer. Records and data subject to the requirements of this subsection**
30 **include, but are not limited to, claims and claim files, policyholder lists, application files,**
31 **litigation files, premium records, rate books, underwriting manuals, personnel records, fi-**
32 **nancial records or similar records and all other data or records that are otherwise the**
33 **insurer's property, in whatever form embodied or maintained.**

34 **(b) At an insurer's request, an affiliate that holds an insurer's data and records shall**
35 **provide to a receiver a complete set of the data and records, however embodied or main-**
36 **tained, that pertain to the insurer's business and shall provide access, by assumption of any**
37 **applicable licenses or agreements or by other lawful means, to all operating systems and**
38 **software on which the data or records are maintained or that is necessary to view, retrieve,**
39 **process, store, print, export or otherwise use the data and records. The affiliate shall oth-**
40 **erwise restrict or discontinue the affiliate's own use of the data and records if the affiliate**
41 **is not operating the insurer's business.**

42 **(c) An affiliate shall provide evidence of satisfaction or a waiver of a lien or encumbrance**
43 **if necessary to give a receiver access to data or records stored in a location that is subject**
44 **to the lien or encumbrance because of the insurer's default under a lease or other agree-**
45 **ment.**

1 (d) Premiums or other funds of an insurer that an affiliate collects or holds remain the
2 exclusive property of, and are subject to the control of, the insurer. Any right of offset that
3 arises because an insurer is placed into receivership is subject to ORS 37.020 to 37.410.

4 (8)(a) An affiliate that is a party with a domestic insurer to a contract or agreement that
5 is described in subsection (2)(d) of this section is subject to the jurisdiction of supervision,
6 seizure, conservator, rehabilitator or liquidator proceedings against the insurer and to the
7 authority of a supervisor, conservator, rehabilitator or liquidator appointed under ORS 37.020
8 to 37.410 for the purpose of interpreting, enforcing and overseeing the affiliate's obligations
9 under the contract or agreement to perform services for the insurer that are:

10 (A) An integral part of the insurer's operations including, but not limited to, manage-
11 ment, administration, accounting, data processing, marketing, underwriting, claims handling,
12 investment or any other similar functions; or

13 (B) Essential to the insurer's ability to perform the insurer's obligations under insurance
14 policies.

15 (b) The director may require that a contract or agreement described in subsection (2)(d)
16 of this section for the performance of functions described in paragraph (a)(A) and (B) of this
17 subsection provides that the affiliate consents to the jurisdiction and authority described in
18 paragraph (a) of this subsection.

19 **SECTION 5.** The amendments to ORS 732.548, 732.553, 732.569 and 732.574 by sections 1
20 to 4 of this 2025 Act apply to contracts or agreements into which an insurer enters or renews
21 on or after the operative date specified in section 6 of this 2025 Act.

22 **SECTION 6.** (1) The amendments to ORS 732.548, 732.553, 732.569 and 732.574 by sections
23 1 to 4 of this 2025 Act become operative on January 1, 2026.

24 (2) The Director of the Department of Consumer and Business Services may adopt rules
25 and take any other action before the operative date specified in subsection (1) of this section
26 that is necessary to enable the director, on and after the operative date specified in sub-
27 section (1) of this section, to undertake and exercise all of the duties, powers and functions
28 conferred on the director by the amendments to ORS 732.548, 732.553, 732.569 and 732.574 by
29 sections 1 to 4 of this 2025 Act.

30 **SECTION 7.** This 2025 Act takes effect on the 91st day after the date on which the 2025
31 regular session of the Eighty-third Legislative Assembly adjourns sine die.

32