

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

Before the Director of the
Department of Consumer and Business Services

In the Matter of Amending OAR)	SUMMARY OF TESTIMONY
836-071-0108 and Adopting)	AND HEARING OFFICER'S
OAR 836-071-0450)	RECOMMENDATION

Procedures Followed

On April 15, 2016 the Director of the Department of Consumer and Business Services (DCBS) filed with the Secretary of State a Notice of Proposed Rulemaking Hearing (Notice), giving notice that DCBS proposed to adopt rules to amend producer limited class insurance licensing rules as directed by Oregon Enrolled Senate Bill 715 (2015 Legislative Session) (SB715) to implement statutory requirements for permitting a limited travel insurance producer to distribute travel products through travel insurance retailers when specific conditions protecting consumers are met.

The Notice announced that a rulemaking hearing would be held on June 7, 2016, and that interested persons could submit comments through June 20, 2016. The Notice was filed with the Statement of Need and Fiscal Impact required by ORS 183.335(2) (a) (E). A copy of the Notice was published in the Secretary of State's Oregon Bulletin of May 2016. Copies of the Statement of Need and Fiscal Impact and the Notice of Proposed Rulemaking were delivered or mailed or otherwise distributed to insurance producers, insurers, consumers, persons on the Division of Financial Regulation mailing list established under the Administrative Procedures Act, members of the Legislative Assembly to whom notice is required to be given, members of the press and other interested persons. Copies were also made available to interested persons through the Division's e-notify system and were posted on the Division's web site.

The rulemaking is necessary to clarify requirements that limited travel insurance producers must follow in order to disseminate travel insurance through a travel insurance retailer. The proposed rules amend the existing limited license provisions related to trip travel insurance language, because SB 715 made those provisions obsolete. The proposed rules refer to the new rule, now proposed to be codified in OAR 836-071-0450. This new rule outlines the requirements for limited travel insurance producers and travel retailers.

As part of the agency's directive to gather as much public input as possible under ORS 183.333, the advisory committee also reviewed the proposed rule and the proposed fiscal impact statement for the rule. The advisory committee concluded that the proposed rule would only pose a minimal fiscal impact on certain parties. As the substantive changes to travel insurance producer licensing occurred primarily through the enactment of the statute, the advisory committee concurred that the rules do not independently create any new fiscal impacts for travel retailers, insurance producers, or the general public.

Testimony Received and Hearing Officer Recommendation

The hearing was held as scheduled. No members of the public attended the hearing. However, the department received multiple written comments on the proposed rules during the comment period.

DCBS received joint comments from three members of the rulemaking advisory committee: John Fielding, Counsel to the United States Travel Insurance Association; Angela Gleason, Counsel to the American Insurance Association; and Matt Canedy, State Government Affairs Officer with AIG. In addition, committee member Patrick O'Conner II from Frost Brown Todd LLC provided comment.

Mr. Fielding, Ms. Gleason, Mr. Canedy and Mr. O'Conner requested that DCBS reconsider the requirement for fingerprints and background checks under OAR 836-071-0450(1) (B). They asserted that similar provisions in other states do not require out of state officers and directors of limited travel insurance producers obtain fingerprints and background checks.

The hearing officer recommends that DCBS adopt OAR 836-071-0450(1) (B) as proposed. Oregon statute differs from the model act passed in a number of states. The Oregon statute does not grant to the Director of DCBS discretion to exempt out of state directors and officers from the fingerprinting and background check requirements.

Mr. O'Conner provided comment on other states registry update requirements and Mr. Fielding, Ms. Gleason and Mr. Canedy commented on the requirement which proposed that the register of travel retailer information be updated on a monthly basis. Commenters stated that updating the register on a monthly basis would be too burdensome for limited travel insurance producers. DCBS considered these comments and the hearing officer recommends that the final rule be amended to require that the register of travel retailer information be updated on an annual basis. Annual updates should strike the appropriate balance of ensuring the register remain accurate and while reducing burden on limited travel insurance producer.

Mr. Fielding, Ms. Gleason and Mr. Canedy requested reconsideration of an annual training requirement for travel retail employees. This was discussed and the requirement remains in the rule. We feel that at least annually new materials and products would be introduced that would offer the opportunity to update training.

Mr. Fielding, Ms. Gleason and Mr. Canedy objected to the proposed requirement that limited lines travel producers submit brochures and marketing materials to DCBS upon request. The hearing officer recommends that the final rule be adopted without this provision. Under ORS 742.009, DCBS may require advertising, marketing, or combined application/certificates of insurance documents must be filed by the insurer as a part of the form filing process. The hearing officer recommends removing this provision in the final rule in order to avoid duplicative regulatory requirements.

The rulemaking was reviewed again for its economic effect on businesses, including small businesses, and there is no need for further change. The rulemaking is within the Director's rulemaking authority, and applicable rulemaking procedures were complied with.

Signed this 29th day of June 2016.

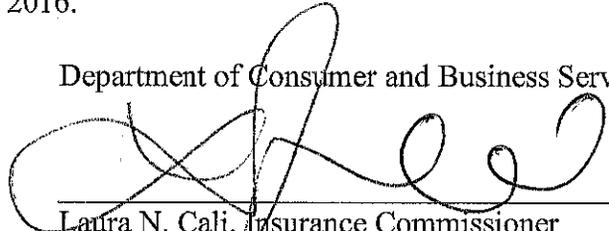
Department of Consumer and Business Services

Cece Newell, Hearing Officer

This Summary and Recommendation are reviewed and adopted.

Signed this 30 day of June 2016.

Department of Consumer and Business Services

A handwritten signature in black ink, appearing to read 'Laura N. Cali', is written over a horizontal line. The signature is stylized and cursive.

Laura N. Cali, Insurance Commissioner
Administrator, Division of Financial Regulation