

NOTICE OF PROPOSED RULEMAKING

STATEMENT OF NEED AND FISCAL IMPACT

Filing caption: Relating to credit for reinsurance for insurance ceded to assuming insurers in reciprocal jurisdictions.

Public comment deadline: TBD

Effective Date: TBD

HEARING

Date:	TBD	Labor & Industries Building
Time:	TBD	350 Winter St. NE
Officer:	Van Pounds	Room
Location:	Conference call only – TBD	Salem, OR 97301

NEED FOR RULE(S)

Provide background on why the rule is needed, including a short summary of the rulemaking authority and statutes implemented. Provide a summary of what the rule does. Describe the involvement of the RAC, including the types of stakeholders that were invited to and did participate. Specify if any of the stakeholders were small businesses.

Under ORS 731.574, there is an expectation that DCBS will obtain and maintain accreditation by the NAIC. Such accreditation is critical for ensuring the stability and competitiveness of the insurance market in Oregon. Accreditation provides assurance that minimum standards are met, allows states to rely upon one another for regulation of non-domestic business and reduces regulatory redundancies for insurers and for states.

In June 2019, the NAIC revised its Credit for Reinsurance Model Regulation #786 to implement the reinsurance collateral provisions of the Covered Agreements. The Covered Agreements were negotiated by the federal government under the authority of the Dodd-Frank Act. Such Agreements, between the U.S. and the European Union and the United Kingdom, eliminate certain non-U.S. insurer collateral requirements provided certain regulatory criteria are met.

States are required to adopt the Covered Agreement provisions of NAIC Model Regulation #786 by September 1, 2022. Failure to adopt such provisions will result in loss of NAIC accreditation and federal preemption of state regulatory authority.

DOCUMENTS RELIED UPON, AND WHERE THEY ARE AVAILABLE:

Draft rules are available from Karen Winkel, Rules Coordinator, Division of Financial Regulation located at 350 Winter St. NE, Salem, OR 97301 and are available on the division's website:

<https://dfr.oregon.gov/laws-rules/Pages/proposed-rules.aspx>.

A copy of NAIC Credit for Reinsurance Model Regulation #786 is accessible online at: [MDL-786 \(naic.org\)](http://naic.org).

FISCAL AND ECONOMIC IMPACT:

Based on information available to DCBS, briefly discuss the cost of compliance for businesses, generally. State whether there are compliance costs for small businesses (independently owned and operated with fewer than 50 employees).

The revisions to NAIC Model Regulation #786, which are being adopted through this rulemaking, eliminate reinsurance collateral requirements for reinsurers that have their head office or are domiciled in certain "Reciprocal Jurisdictions."

COST OF COMPLIANCE FOR SMALL BUSINESSES

(1) Identify any state agencies, units of local government, and members of the public (including specific interest groups) likely to be economically affected by the rulemaking.

This rulemaking will not impact state agencies, units of local government or the public.

(2)(a) Estimate the number and type of small businesses subject to the rule(s).

This rulemaking only affects insurers, none of which meet the definition of small business in Oregon.

(2)(b) Describe the expected reporting, recordkeeping and administrative activities and cost required to comply with the rule(s).

This rulemaking should have minimal impact upon reporting, recordkeeping and other administrative activities required for compliance, including costs of professional services.

(2)(c) Estimate the cost of professional services, equipment supplies, labor and increased administration required to comply with the rule(s).

None noted.

How were small businesses involved in the development of the rule?

Representatives of small business were invited to participate in the public rulemaking advisory committee process.

Was an administrative rule advisory committee consulted?

Yes.

RULE NUMBER AND SUMMARY

List each rule number and a short summary of what the rule does.

AMEND: OAR 836-012-0046

RULE SUMMARY: Amends in a manner consistent with June 2019 revisions to Section 8 of the NAIC Credit for Reinsurance Model Regulation #786.

ADOPT: OAR 836-012-XXXX

RULE SUMMARY: Adopts the provisions of Section 9 (i.e., the Covered Agreement provisions) of the National Association of Insurance Commissioners (NAIC) Credit for Reinsurance Model Regulation #786, relating to the allowance of credit for reinsurance for insurance ceded by domestic insurers to assuming insurers in reciprocal jurisdictions.

STATUTORY REFERENCE

STATUTORY/OTHER AUTHORITY: ORS 731.244, 731.508 – 731.514, & Or Laws 2021, ch. 204, § 2.

STATUTES/OTHER IMPLEMENTED: ORS 731.508 – 731.514 & Or Laws 2021, ch. 204, § 2.

Andrew R. Stolfi, Insurance Commissioner

Signature

Printed name

Date

LEGISLATOR NOTICE

If the rulemaking results from legislation passed within two years of this notice of proposed rulemaking, the agency must give notice to: 1) the legislator(s) who introduced the bill; and 2) the chair or co-chairs of all committees that reported the bill out. (Does not include referrals to other committees).

If the rule does not result from legislation within the last two years, notice shall be given to the chair or co-chairs of any interim or session committee with authority over the subject matter of the rule. If notice cannot be given to these individuals, notice shall be given to the Speaker of the House and the President of the Senate.

Name	Committee or Title	Email
Rep. Holvey	Chair Business and Labor	Rep.PaulHolvey@oregonlegislature.gov
Sen. Riley	Chair Labor and Business	sen.chuckriley@oregonlegislature.gov

RULEMAKING ADVISORY COMMITTEE

Name	Organization	Email
Charlie Fisher	OSPIRG	cfisher@ospirg.org
Dan Schelp	NAIC	dschelp@naic.org
Denise Ruggiero	Farmers Insurance	denise.ruggiero@farmersinsurance.com
Dennis Burke	Reinsurance Association of America	burke@reinsurance.org
Holly Weatherford	NAIC	hweatherford@naic.org
Iris Hodge	Main Street Alliance	iris@mainstreetalliance.org
John Mangan	ACLI	johnmangan@acli.com
Melanie Smith	Liberty Mutual	melanie.smith@libertymutual.com
Paloma Sparks	Oregon Business Industry OBI	palomasparks@oregonbusinessindustry.com
Ryan Chieffo	Standard	Ryan.Chieffo@standard.com
Sheela Tallman	UnitedHealth Group	sheela_tallman@uhg.com