

OREGON INSURANCE DIVISION BULLETIN INS 2015-2

TO: All Life and Health Insurers and Other Interested Persons

DATE: December 3, 2015

SUBJECT: Life Discretionary Groups

I. Introduction

A. Purpose of Bulletin

The purpose of this bulletin is to clarify the division's position regarding approval of life discretionary groups under ORS 743.360.

The specific statutes related to life discretionary groups are: ORS 742.003 and 743.360.

B. Short Answer

The division will approve for issuance of life insurance a group that meets the requirements of ORS 743.360. Approval of a discretionary group for purposes of life insurance can not be automatically construed to approve the group for purposes of issuance of a health insurance product. An insurer must obtain separate approval of the group as a discretionary group for health insurance.

C. Applicable Statutory Provisions

Insurers are required to file for approval association, trusts and discretionary groups in accordance with ORS 742.003. ORS 743.360 provides the division authority to approve alternative groups, known as discretionary groups, for the purpose of issuance of life insurance.

D. Background

A number of years ago, the division determined that it would no longer approve discretionary groups for health insurance unless the group meets a rigorous public purpose test. The division also eliminated the possibility that a group could become an approved discretionary group for health insurance solely on the basis that the group was approved as a life discretionary group. The end result has been that neither life nor health discretionary groups have been approved by the division since the policy change. The division has been asked to revisit the issue as it relates to life discretionary groups as the prohibition has resulted in some groups not being able to obtain any life insurance. This includes groups such as firefighters and others engaged in hazardous occupations that benefit the public.

D. Discussion

Insurers are required to file for approval association, trusts, and discretionary groups in accordance with ORS 742.003. ORS 743.360 governs life discretionary groups and grants the division authority to approve these alternative groups that are not associations as described in ORS 743.351 or trusts as described in ORS 743.354. ORS 743.360 also sets forth the requirements for approval of life discretionary groups. In order to approve the issuance of a life policy to a life discretionary group, the director must find that issuance of the policy is in the best interest of the public, that issuance of the policy will result in economies of acquisition or administration and that the benefits are reasonable in relation to the premiums charged.

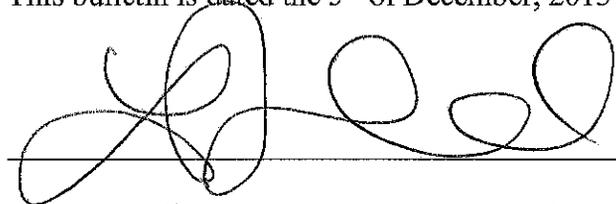
Insurers seeking approval of life discretionary groups should complete the appropriate Oregon Insurance Division Rates and Forms filing requirements. Those requirements can be found at: <http://www.oregon.gov/DCBS/insurance/insurers/rates-forms/filing/Pages/associations-trusts/grp-life-annuity-assoc-trust-discret.aspx> . The division will consider each life discretionary group submitted for approval using the guidelines found in ORS 743.360. Discretionary groups that do not meet the requirements found in ORS 743.360 will not be approved.

Granting approval for life discretionary groups under ORS 743.360 does not grant approval for health products to be sold to that group under ORS 731.098. If a group approved as a life discretionary group wishes to also be allowed issuance of health insurance product as a discretionary group, the group must obtain separate approval as a health discretionary group under ORS 743.522.

Effective Date

This bulletin shall take effect immediately.

This bulletin is dated the 3rd of December, 2015 at Salem, Oregon.

A handwritten signature in black ink, consisting of a large, stylized initial 'L' followed by several loops and a horizontal line extending to the right.

Laura N. Cali, Oregon Insurance Commissioner