

Winter 2020

COMMON GROUND



DCBS | Consumer and
Business Services

Division of Financial Regulation



Working together to help Oregonians fulfill their financial goals

Administrator's Avenue

Everyone loves a good story



Stories ignite our emotions, provide common bonds, and help us form perceptions about the world. Stories entertain, teach, and inspire action.

Recently, we had the honor of hosting our first public hearing on

prescription drug prices. We asked Oregonians to share their stories to help us better understand the effect rising prescription drug costs have on their lives.

The stories we received were heartbreaking, emotional, and insightful. These stories were essential for finalizing the program's [first report](#) to the Legislature about prescription drug prices in Oregon. The data in the report was provided by health insurance companies and prescription drug manufacturers. The data taught us a lot, and the consumer stories confirmed exactly why this program matters for our families, friends, and neighbors.

This edition of Common Ground also tells a story. It tells the story of how the Oregon Division of

Financial Regulation works with our regulated partners to provide Oregonians access to the products, services, and information they need to build the future they desire.

I encourage you to read each article and learn more about the ways the division is here to help both consumers and businesses. In this issue, you will find stories about the Governor's Wildfire Council, steps to help small businesses avoid cyberattacks, information on new regulations for pawnbrokers, facts about Oregon's promising captive insurance market, and much more.

As always, thank you for your collaboration and commitment to enhance the lives of all Oregonians. I look forward to working with you in the new year.

Welcome to Common Ground.



Andrew Stolfi
Oregon Division of Financial Regulation
Administrator

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Stories and stats from Oregon's first prescription drug price transparency public hearing



Oregon's Prescription Drug Price Transparency Program is the first in the United States to gather and publicly disclose comprehensive data about prescription drugs.

Even before the inaugural public hearing on Nov. 19, 2019, Oregonians were sharing stories of how the cost of drugs affects their lives.

Insurance Commissioner Andrew Stolfi read from personal stories shared by Oregonians at the start of the hearing held at the state capitol in Salem.

The first story came from a nurse who helps patients with diabetes:

"I often found my patients would simply go without their diabetes medications because they could not afford them. We had a pharmacy at our safety net clinic that could provide lower cost medications, but even with our lower prices, many patients could not afford insulin and other diabetes medications."

Stolfi also shared a heartbreaking story from an Oregonian who cannot retire because of the cost of prescriptions:

"My spouse needs to take Eliquis, 5 milligrams, twice-a-day. A 90-day supply costs \$1,343. Again, why so much? My spouse has nine different prescriptions that have to be taken. Another costs \$400 for a 30-day supply. My spouse is retired, and Social Security is only \$1,200 a month. I continue to work to receive insurance benefits to cover those drug costs. I cannot retire until my spouse dies; I can't afford to."

These stories strike at why the Prescription Drug Price Transparency Program was enacted during the 2018 legislative session. The program focuses on creating transparency about price and cost information from drug manufacturers, sharing information from health insurance companies on how prescription drugs drive insurance costs, and providing consumers with a way to report prescription drug price increases.

Public hearings are one way to both share and gather information.

"Our goal is to provide an outlet for individuals to



share their personal stories regarding prescription drugs and how rising prices have affected their lives,” said Cassie Soucy, Prescription Drug Price Transparency Program coordinator. “We are responsible for sharing those stories and the data behind them with legislators.”

Some findings shared at the public hearing included:

- U.S. prices are typically five times more than the highest price globally for prescription drugs reported to the program. For example, the median price for cardiovascular drugs reported to the program was \$580, while the majority of prices in other countries ranged from \$5 to \$164.
- Most of the annual price increases reported to the program range from the reporting minimum of 10 percent to approximately 20 percent. Manufacturers attribute these increases to rebates, the use of co-pay assistance programs, obligations to shareholders, research and development costs, and other related factors.
- Humira, a drug used to treat Rheumatoid Arthritis, was reported as the most costly drug,

costing insurance companies approximately \$220 million to fill claims for about 6,000 Oregonians in 2018. Hydrocodone-Acetaminophen, a pain reliever, was the most prescribed drug with over 325,000 Oregonians filing claims at a total cost of \$8.6 million.

There was a full room at the hearing in Salem, and Oregonians were able to attend satellite locations in Astoria, Medford, and Pendleton. These locations offered a live stream and accepted public comment from those in attendance. A live stream of the event was also available on the Oregon Legislature website.

“The personal stories we have received and the data we have collected create a strong narrative that represents the struggles of many Oregonians,” said Stolfi. “We look forward to sharing this narrative with the Oregon Legislature and seeing the policy changes that come from it.”

Oregon legislators moderating the hearing were Sen. Elizabeth Steiner Hayward from Senate District 17, Rep. Ron Noble from House District 24, and Rep. Rob Nosse from House District 42.

Information on Oregon’s Prescription Drug Price Transparency program is [available online](#). The website includes a recording of the hearing, presentation materials, and a way for Oregonians to share their experience with prescription drug prices.



Never too small to be a cyber-breach target

Recently, the North American Securities Administrators Association hosted a Fintech and Cybersecurity Symposium. The live-stream event included a cybersecurity and data breach panel focused on small businesses and how regulators help them comply with data security requirements.

The panel's message was clear, small businesses are targets for cyber attackers and at risk of a breach if they do not pay attention.

Most cyberattacks are crimes of opportunity. Phishing and ransomware attacks can be targeted at an almost unlimited number of businesses and individuals – it takes only one “bite” for the attacker to profit. Small companies cannot afford to assume they will not be hit even if they are not specifically targeted.

Generally, data protection laws require small businesses to have “administrative, technical, and physical safeguards appropriate for their size and complexity,” (ORS 646A.622). Most hacks are related to people giving away passwords, using a default password, and patch vulnerabilities.

Small businesses may not have dedicated IT or cybersecurity staff, but they can change their tech's factory default passwords. Virtual private networks (VPNs) are widely available and can help protect customer data. Making sure your computer software is up to date is an easy step to protect your business, so is performing due diligence on data storage

companies to determine what they are doing to protect data. Just because you are using a third-party provider for storage does not make your data security their problem. You never want to tell customers you cannot access their financial account because of a cyberattack.

The panel also warned about the risks of devices such as Siri and Alexa. It is important to remember the devices around us quietly collect data all the time; this is especially true for home offices. These devices are not secure.

Small businesses should think twice about discussing account numbers or Social Security numbers in front of Siri, Alexa, and Google Home. Even something as simple as a client connecting to your Wi-Fi can be a problem if they are carrying malware.

The cyber security panel was a good reminder that small businesses should not buy into the myth they are not in danger of a cyberattack. All businesses have a responsibility to protect their customers' data. Everyone has things they can do to protect themselves and their data (by not giving out passwords, and using encryption and VPNs). It does involve due diligence, but that is far better than the alternative.

For more coverage of the NASAA Fintech and Cyber Security Symposium, visit [Jim Hamilton's World of Securities Regulation Blog](#).

For more tips on cybersecurity, visit the [Protect your finances](#) section of our website.



Platinum Trading fined \$40,000 for Bitcoin investment scheme

The division issued a \$40,000 fine against New York-based Platinum Trading Company for running a cryptocurrency investment scheme.

Platinum Trading offered investments in Bitcoin and recruited people to participate in its investment network as promoters. The promoters were asked to either find new customers or help existing customers invest in one of the available plans.

Promoters arranged the purchase of Bitcoin and assigned it to Platinum. Both the investor and promoter believed the money was being placed into a designated account for the investor when it was actually being held in a digital wallet for Platinum.

The division received complaints of alleged fraud in May 2018. The investigation revealed at least 25 people across the United States invested more than \$455,000 into this scheme. Two Oregonians lost approximately \$5,000.

The division issued a \$40,000 penalty for violations of Oregon securities laws, including securities fraud. It also took enforcement action against one promoter that facilitated the transfer of Bitcoin to Platinum.

“Unfortunately, fraud schemes like this are everywhere, as criminals continue to look for new ways to steal your money,” said Andrew Stolfi,

division administrator. “Cryptocurrencies are popular investment schemes because they have limited government regulation, are easy to set up, and the transfer of money is difficult to trace.”

The division encourages consumers to do their homework before making any investment. For consumers considering investing in cryptocurrency, follow these tips:

- Do not spend money you need. Cryptocurrency is not a stable asset and can experience sharp increases and decreases in value.
- Treat cryptocurrency like a nonliquid investment – one that cannot be easily converted to cash – such as oil or gold. It does not have a tangible value and does not pay interest or dividends.
- Use a [licensed money transmitter](#) to exchange cryptocurrency.

Visit dfr.oregon.gov/financial/investments for more information and tips to share with consumers about investing.

Visit [Suspected financial exploitation](#) to report possible fraud of a vulnerable person.

For up-to-date news about the division’s enforcement efforts, check out the latest edition of [Taking Action](#).



Pawnbrokers – new rules and guidelines for pledge loans

Starting Jan. 1, 2020, licensed pawnbrokers can use an off-site location for storing a large pledge item if the customer agrees. House Bill 2463 from the 2019 legislative session amends Oregon Revised Statute chapter 726. Oregon Administrative Rule 441-740-0029 has been adopted to clarify the requirements for using off-site storage.

A licensed pawnbroker must notify the division at least 30 days before storing pledged items at a location other than its storefront. Updated forms to notify the division of any changes can be found on its [applications, forms, and reports page](#).

Under the new rules, items in off-site storage cannot be more than 10 percent of all pledged items at the time of the pledge loan. The law changed to allow licensed pawnbrokers to be more responsive when someone wants to pawn a large item.

Pawnbrokers are expected to keep most pledged items at their place of business and only a few items should be stored off site. Here are examples of the 10 percent off-site limitation:

Example 1: Melody has a business buying and selling used goods. She recently got a pawnbroker license and has an off-site storage for large items. Melody has made a pledge loan for six items and someone has requested a pledge loan for a boat. She cannot store it at her business and would have more than 10 percent of pledged items off site if she accepted it. Therefore, she cannot make the pledge loan. Melody

must wait until she has at least 10 pledged items in her possession before she can store one pledged item off site.

Example 2: George is a licensed pawnbroker and has an off-site storage for large items. He has made pledge loans for 200 items and he has 19 of those in off-site storage. Later pledgors redeem 15 of the on-site pledged items and George does not make any new pledge loans. Even though the percentage stored off site is now more than 10 percent ($19 \text{ of } 185 = 10.2\%$), he is allowed to keep those 19 items in off-site storage and renew their loans, because he had enough pledge items when the loans were made. George cannot make any pledge loans to store additional items off-site until his off-site percentage is at or less than 10 percent of the total number of pledged items.

As part of the department's rulemaking, OAR 441-740-0010 was amended to change the due date for future license renewals. Upcoming license renewals will be good through January 2021. The change was made to coordinate license renewals and the annual report.

Also, House Bill 2089 amended ORS chapter 725A. It clarified that payday and title lenders must wait seven days after one loan is paid off before issuing another loan to the same person. The result is that a payday or title lender can make only one loan at a time to a person. The new law is designed to help consumers avoid a spiral of debt.

The division has been asked if these restrictions apply to licensed pawnbrokers who offer pledge loans.

They do not.

A pledge loan is for a pledge item, or group of items, given as collateral and does not involve multiple loans at the same time for the same pledge item. Licensed pawnbrokers are permitted to enter into multiple pledge loans at the same time for different items with the same person.

Review [ORS chapter 726](#) and [OAR chapter 441, division 740](#), for more information about pawnbroker requirements.

The Oregon captive advantage is growing



This article originally appeared on [Captive.com](https://www.captive.com), written by Jerry Geisel.

While Oregon is a relatively small captive domicile, the state has enjoyed significant captive growth over the last few years.

At the end of 2018, Oregon had 17 captive insurance companies, which is more than double compared to 2014, when the state had just 8 captives.

Oregon's captive premium volume has risen even more significantly. In 2018, for example, Oregon captives generated nearly \$749 million in gross written premiums, which is well over four times more than in 2014, when the state's captive insurers reported just

under \$170 million in gross written premiums.

An important factor in Oregon's captive growth has been the responsive staff at the Oregon Division of Financial Regulation, captive experts say.

"There is a very friendly and responsive staff," said Robert Kabacy, a partner with the law firm Kell, Alterman & Runstein LLP in Portland, Oregon.

"The regulators have been just wonderful to deal with. While they are strict, they also are accessible and very responsive when clients have questions," said Keith Langlands, a managing member of Synergy Captive Strategies LLC in Las Vegas, Nevada.

Oregon insurance officials say they make it a point to be accessible.

"We have a business-friendly environment. We are easy to work with and are flexible. Our staff is very experienced," said Ryan Keeling, senior financial analyst with Oregon's Division of Financial Regulation in Salem, Oregon.

At the same time, Mr. Keeling notes, Oregon has a very attractive captive statute. For example, unlike many captive domiciles in other states, Oregon does not impose premium taxes on captives.

"We have no premium taxes," Mr. Keeling said.

To be sure, captives are assessed fees, but those fees are modest. For example, new captives have to pay a one-time \$5,000 licensing fee, which also covers the annual certificate of authority renewal fee for a captive's first year.

Another requirement that captives have to meet includes, in the case of single-parent captives, maintaining a minimum of \$250,000 in capital and surplus, while association captives must have at least \$750,000 in capital and surplus.

Oregon's captive statute, which was passed in 2012, also requires a captive insurance company's board of directors to hold one annual meeting in the state.

In addition, captives have to file—no later than March 1—annual financial reports, while the Oregon Division of Financial Regulation examines all captives at least once every 3 years.

Oregon captives can write all lines of coverage except workers compensation, life, health, or any personal property or personal line of insurance.

Looking ahead, Mr. Keeling predicts "slow but steady growth" in the number of Oregon captives.

For more information about Oregon's captive domicile contact: [Dennis Ault](#)

Captives' Gross Written Premiums Oregon

Year	Premium volume
2018	\$748.9 million
2017	\$818.5 million
2016	\$733.3 million
2015	\$691.7 million
2014	\$169.5 million

Total Captive Count* Oregon

Year	Captives
2018	17
2017	13
2016	9
2015	8
2014	8

*Only includes active captives and excludes cell captives, which are not authorized in Oregon.

Governor's Council on Wildfire Response issues report



The Governor's Council on Wildfire Response issued a 109-page report recommending \$4 billion in investments needed to mitigate Oregon's growing wildfire risk. Oregon Gov. Kate Brown directed the council to review Oregon's current model for wildfire prevention, preparedness, and response.

Division of Financial Regulation Administrator Andrew Stolfi served on the council by providing insights and recommendations regarding the insurance industry.

The council identified the need for comprehensive change and recommended three overarching goals:

1. Create fire-adapted communities
2. Restore and maintain resilient landscapes
3. Respond safely and effectively to wildfire

Creating fire-adapted communities includes the improvement of structural resiliency to wildfire, enhancement of defensible space surrounding structures, and ensuring adequate access and egress in a wildfire. The council also recommended that the state ensure its electrical utilities implement best practice risk mitigation strategies to reduce human-caused ignitions.

Emergency response, disaster recovery, and health

systems must modernize to fully consider wildfire risks, particularly to Oregon's most vulnerable communities. To restore and maintain resilient landscapes, the council recommended the state actively manage its forests and rangelands and prioritize thinning, prescribed burns, and fuel removal on 5.6 million acres of Oregon's highest-risk natural systems.

The costs of such treatments are significant, estimated at \$4 billion over 20 years. Studies suggest the comprehensive costs of wildfire damage are 11 times greater than the immediate costs of firefighting.

Firefighting costs exceed \$500 million during high fire seasons, and comprehensive costs to Oregonians total several billion dollars for a single year. Over a 20-year time span, comprehensive costs to Oregonians can easily total tens of billions of dollars.

By investing in restoration treatments, Oregon may avoid these costs while creating green jobs in rural Oregon.

BULLETINS

Bulletins, notices, and resources

Changes to wrecked vehicles and plate transfers effective Jan. 1, 2020

Beginning Jan. 1, Oregon law allows license plates and registration to be retained or transferred if a vehicle has been wrecked and certain criteria are met. The new law:

- Allows customers to retain their plate and registration on a wrecked vehicle with a branded title, even if the plates are not from current issue.
- Allows customers to transfer the plate and registration from a totaled or substantially altered vehicle.

The law separates “totaled” and “substantially altered” from “wrecked, dismantled, and disassembled” for retiring or canceling registration.

Wrecked, Dismantled, and Disassembled

Current requirements for retitling wrecked, dismantled, or disassembled vehicles still apply:

- If a vehicle is wrecked, dismantled, or disassembled, the title and registration is canceled and plates cannot be retained on the vehicle or transferred.
- If a vehicle with a wrecked, dismantled, or disassembled indicator is titled and registered as an assembled vehicle, a reconstructed vehicle, or a replica, new plates and registration must be issued.

Totaled or Substantially Altered

If a vehicle is totaled or substantially altered, or the vehicle is a recovered theft, the plates and registration may:

- Be transferred, according to current plate transfer laws
- Remain on the vehicle, as long as a salvage title has not been issued

When Driver and Motor Vehicles receives Form 735-6017, Notice of Vehicle to be Dismantled, and the “substantially altered” box is checked, registration will not be retired or canceled. Plates and existing registration will remain on the vehicle or may be transferred according to current plate transfer laws.

DMV will place a Substantially Altered indicator on the vehicle record.

If the “substantially altered” box is not checked on Form 735-6017, registration is canceled and may not be used again on any vehicle.

When DMV receives Form 735-270, Dismantler’s Vehicle Notice to DMV, and the “substantially altered” box is checked, registration will not be retired or canceled. Plates and existing registration will remain on the vehicle or may be transferred according to current plate transfer laws.

If the “substantially altered” box is not checked on Form 735-270, the registration is canceled.

BULLETINS

When DMV receives notice that a vehicle has been totaled, a Totaled Without Ownership Doc or Totaled With Ownership Doc indicator is placed on the vehicle record. Currently, the indicator cancels the registration and title.

Starting Jan. 1, the registration will not be canceled. The record will retain the current registration status and the plate and registration may be retained on the vehicle or transferred to another vehicle according to current plate transfer laws.

DMV related questions may be directed to 503-945-5000 or 503-299-9999 (Portland Metro area), or visit Oregondmv.com.

Producers of Nonadmitted Wet Marine & Transportation Insurance

In 2019, the Oregon legislature passed House Bill 2787, which takes effect Jan. 1, 2020. This bill imposes a tax of three-fourths of one percent (0.0075) of the gross premium amounts on all nonadmitted Wet Marine & Transportation insurance policies that the insurance producer places with unauthorized or nonadmitted insurers if the insured's home state is Oregon.

The tax applies to policies issued or renewed starting Jan. 1. It is the responsibility of the insurance producer to collect, file, and pay the tax within 90 days of the effective date of the policy or premium bearing endorsement. The filing and payment of the tax must be done through the Oregon Surplus Line

Association. More information is available on at <http://www.oregonsla.org/>.

The Surplus Line Association has the authority to charge a service charge for each policy or premium bearing endorsement filed. Details related to the service charge are available on website.

Details relating to the law can be found in the text of the [enrolled bill](#).

Resources from the division:

[In your language: resources for consumers](#)

[Oregon Prescription Drug Price Transparency Program inaugural report](#)

[Taking Action: Quarterly enforcement summaries](#)

[Common Ground newsletter](#)

