

HOUSE COMMITTEE ON
BUSINESS, LABOR, AND CONSUMER AFFAIRS

February 16, 2005 Hearing Room B

8:30 A.M. Tapes 30 - 31

Corrected 09/27/05

MEMBERS PRESENT: Rep. Alan Brown, Chair

Rep. Sal Esquivel, Vice-Chair

Rep. Mike Schaufler, Vice-Chair

Rep. George Gilman

Rep. Paul Holvey

Rep. Derrick Kitts

Rep. Chip Shields

STAFF PRESENT: Janet Adkins, Committee Administrator

Katie Howard, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2160 – Work Session

HB 2369 – Public Hearing

HB 2428 – Public Hearing

Introduction of Committee Bill – Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 30, A

003	Chair Brown	Calls the meeting to order at 8:37 a.m. Opens a work session on HB 2160.
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HB 2160 – WORK SESSION

010	Rep. Holvey	MOTION: Moves to SUSPEND the rules for the purpose of reconsidering the committee vote on HB 2160.
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015	Chair Brown	Explains that he brought HB 2160 back to the committee so that the committee could be part of a discussion between Rep. Richardson and the Insurance Division.
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	Chair Brown	Hearing no objection, declares the motion CARRIED.
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020	Rep. Holvey	MOTION: Moves to RECONSIDER the vote by which moves HB 2160 to the floor with a DO PASS AS AMENDED recommendation.
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	Chair Brown	Hearing no objection, declares the motion CARRIED.
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027	Janet Adkins	Committee Administrator. Explains HB 2160. Submits and explains memorandum on behalf of the Insurance Division (EXHIBIT B).
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046	Rep. Dennis Richardson	House District 4. Talks about HB 2160 page three, line five, and reads from the page. Explains that the bill would give an insurance company the right to terminate a policy if the beneficiary has borrowed on the policy. Speaks in opposition to this section of HB 2160, because it does not help the consumer. References the memorandum from the Insurance Division (EXHIBIT B) and says that there is no discussion about the effect HB 2160 would have on pure endowment policies. States that the bill deals with both annuities and endowment policies.
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094	Rep. Richardson	Refers to the last sentence of HB 2160 and explains that the line deletes ORS 731.272. Submits ORS 731.272 (EXHIBIT A). Discusses how this section helps create clear, complete disclosure on the part of the Insurance Division. Speaks in opposition to HB 2160 repealing ORS 731.272. Says that the Director's Annual Report is not
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on the website and the memorandum makes it unclear when it will be on the website **(EXHIBIT B)**. Asserts that he does not believe that having the information on the website creates accountability.

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| 154 | Joe Ario | Administrator, Insurance Division, Department of Business and Consumer Services. Discusses the annuity and endowment provision. Says that the loan provisions in policies are not the primary reason for the policies. Emphasizes that HB 2160, including the section on annuities and endowments, was written to reflect current practices within the insurance industry. Asserts that changing this section of HB 2160 would lead to fewer options and higher prices for customers. Speaks to the memorandum (EXHIBIT B) saying that the Insurance Division was in the process of putting the Director's Annual Report on the internet at the time the memorandum was written. States that the Director's Report is now on the internet. Talks about the website and the information that is posted there. Explains how it makes the process more efficient. Says that the last time the report was printed 40 people received it and no one objected to having it on the internet. |
| 213 | Rep. Schaufler | Says that Rep. Richardson made a very good case. Asks who gets the reports and why there are so few people who receive it. |
| 223 | Ario | Explains that many constituents prefer to get the reports on the website and says that people who request them can always get hardcopies. Says that the process of having it on the website is cheaper. Reiterates that constituents prefer to have the Director's Annual Report on the internet. |
| 240 | Rep. Schaufler | Asks who the specific constituents are. |
| 243 | Ario | Says that he can get the information for the committee and explains that he believes it is the people in the insurance industry that get the reports. |
| 251 | Chair Brown | Reiterates that the consumer does not get the report. |
| 254 | Ario | Says that the people who want the reports are insurance agencies and the agencies use it to look at what their competitors are doing in the marketplace. |
| 261 | Rep. Shields | Says that it is important for consumers to know where the information is on the website. Expresses concerns about previous vote on HB 2160. |

273	Ario	Agrees with Rep. Shields about displaying it on the internet and the format.
283	Rep. Holvey	Asks if any other statutes require them to post the Director's Annual Report on the website.
287	Ario	States that no requirements exist in statutes to post the information. Says that he is open to an amendment requiring the posting of the information.
301	Rep. Holvey	Reiterates that the Insurance Division would not be opposed to a mandate or statute requiring the Director's Annual Report to be provided to the public on the internet and in hardcopy if so requested.
304	Ario	Says that sometimes insurance agents want hundreds of packets for educational purposes. Admits that the materials are not provided under these circumstances but that requested materials are always provided for the consumer.
316	Chair Brown	Closes the work session on HB 2160. Recesses the committee at 8:55 a.m.
322	Chair Brown	Reconvenes meeting at 8:59 a.m. Opens the public hearing on HB 2369.

HB 2369 – PUBLIC HEARING

329	Rep. Gordon Andersen	House District Three. Speaks in support of HB 2369. Discusses that there is a need for licensing of people who install sprinkler systems in the field of fire prevention.
370	Rep. Andersen	Wants to stimulate training and education through discussion of HB 2369. States that an opportunity exists for fitters to be educated in many different areas. Speaks in support of HB 2428.
408	Janet Adkins	Committee Administrator. Explains HB 2396.

TAPE 31, A

001	Adkins	Continues to explain HB 2369.
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018	Amanda Rich	Western Advocates. Submits informational packet, which includes the written testimony of Jeff Larson in support of HB 2428, written testimony, Analysis of 1999-2004 Data for Reported Fires with Sprinkler Systems, State Licensing and Certification Requirements and testifies in support of HB 2369 (EXHIBIT C). Elaborates on the history and current status of the workgroup that put HB 2369 together. Summarizes informational packet and states the problems that occur within the Sprinkler System Industry (EXHIBIT C, Page 2).
044	Rich	Explains that it is important that sprinkler systems work as dependence on them increases. Talks about the statistics on fire sprinklers (EXHIBIT C, Page 2). Notes that there were 2,000 fires between 1999 and 2004 and about ten percent of sprinkler systems did not work in these situations. Discusses that sprinkler systems fail due to human error. Notes that no specific requirements exist specifically in regards to the installation of sprinkler systems.
090	Rich	Mentions the incidences (EXHIBIT C, Page 2) where sprinkler systems did not work. Explains the workgroup process (EXHIBIT C, Page 4). Says that everyone in the workgroup agrees that there is a problem.
112	Rep. Schaufler	States that he wants functioning sprinkler systems in public buildings. Expresses concern about the exemption idea, in part because it exempts the very people that brought the bill to the legislature.
132	Rep. Esquivel	Shares concern that the real problem is not being talked about. Wants to know who inspected these buildings where the sprinkler systems did not work. Asks why we have not addressed the issues of inspection.
150	Rich	Says that they are trying to address the issues of expertise in the area of fire sprinkler systems and the subsequent inspection of those systems. Points out that as the law stands today the fire marshals' inspections do not happen until the very end of the construction process and says that a fire marshal did find the Rex Putnam High School problem. Questions whether having an inspection at the end of the construction is the best time for the fire sprinkler systems to be examined. Adds that inspections will not solve the entire fire sprinkler system problem and would like to get good products in at the beginning of the process.
177	Ken Armstrong	

Oregon Fire Chiefs Association, Oregon Volunteer Fire Fighters and Tualatin Fire and Rescue. Talks about the issues surrounding the installation and maintenance of fire sprinkler systems. Says that the concerns that are being raised by the committee are being addressed in the workgroup.

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| 203 | Shawn Miller | Associated Builders and Contractors. Gives testimony on both HB 2369 and HB 2428. Points out that they are supportive of higher standards for fire sprinkler systems. Speaks in support of HB 2428. Addresses HB 2369 and wants to work out higher standards for the contractor. Emphasizes that the responsibility lies with the contractor to make sure it is a working fire sprinkler system. Wants higher standards for contractors and inspectors. |
| 250 | David Taylor | Member, Board of Engineering Examiners (BEE). Submits memorandum from Kathleen Dahlin (EXHIBIT D) on the subject of the practice of engineering and design in fire protection. References page one of HB 2369 paragraph 2A and says he would like to see the wording about the planning and design of the sprinkler systems struck from the bill. |
| 279 | Rep. Schaufler | Agrees that being a contractor does not give a person the qualifications necessary to be an engineer. |
| 283 | Taylor | Says that the language allows the engineering process to be bypassed. Talks about the need for post-inspection of installation. Explains that if the post-inspection process finds that the fire sprinkler system does not have adequate carrying capability then they have to go back in and redo the work. Explains that HB 2369 as written bypasses the engineers' designs. |
| 330 | Taylor | Talks about the engineer exemption and ORS 672.090. Wants the exemption to include ORS 672.002 through ORS 672.092. |
| 380 | Taylor | Comments that the Madras problem comes under competency and level of care. States how the BEE would handle the case. Says that there are some controls that BEE would like to continue to have in terms of inspection. |

TAPE 30, B

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| 001 | Taylor | Remarks that the authorities should have the jurisdiction laid out in the national fire protection codes. Says that the inspectors can be held responsible for any of the inadequacies. States that is why they want |
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to remove the design and planning of the sprinkler systems from HB 2369.

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| 021 | Rep. Schaufler | Asks if engineer's liability insurance has gone up. |
| 023 | Taylor | States that it has. Asserts that insurance and rating agencies want the best systems in their buildings and believes that they support proper engineering design. References the definition of engineering (EXHIBIT D) . |
| 059 | Kenneth D. Fuglee | Oregon Fire Protection Engineer, Portland. Submits and reads from written testimony noting HB 2369's conflicts with the Society of Fire Protection Engineers white paper and offers suggestions on the minimum levels of certification for the design of fire sprinkler systems (EXHIBIT E) . Talks about the history of the engineers' involvement in the process of inspection. Says that installers of fire sprinkler systems are almost being given the right to design the system. Wants the BEE, the State Fire Marshals, and the State Building Codes Division to be involved in the workgroup. |
| 104 | Chair Brown | Closes the public hearing on HB 2369 and opens the public hearing on HB 2428 |

HB 2428 – PUBLIC HEARING

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| 110 | Amanda Rich | Western Advocates. Submits informational packet, which includes written testimony of Jeff Larson in support of HB 2428, written testimony, Analysis of 1999-2004 Data for Reported Fires with Sprinkler Systems, State Licensing and Certification Requirements and testifies in support of HB 2428 (EXHIBIT H) . Says that her testimony is basically the same as her last testimony. States that licensing the individuals who do the installation is important. Addresses the issue brought up by the engineers and talks about the list of workgroup members (EXHIBIT H, Page 4) . Says that the design issue is addressed with an amendment for HB 2369. |
| 152 | David Taylor | Citizen, Portland and Member, Board of Engineering Examiners (BEE). States as a citizen that HB 2428 seems to be a union bill. Wonders how the bill would affect people who do not have access to the union apprenticeship program for fitter certification. Says that they should be certified as a sprinkler system fitter and believes that it would open it up to more people. |
| 177 | Darren Parsons | |

Union Business Representative, Road Sprinkler Fitters UA Local Union No. 669. Talks about the apprenticeship programs. Says that there is a need for the minimal level of competency.

- 208 Rep. Schaufler Asks if someone in the far reaches of the state can currently do correspondence work to get the level of competency that HB 2428 would require.
- 210 Parsons Says that Rep. Schaufler is correct.
- 212 Chair Brown Closes the public hearing on HB 2428 and opens the work session for the introduction of committee measures.

INTRODUCTION OF COMMITTEE BILLS – WORK SESSION

- 219 Janet Adkins Introduces LC 2435 (**EXHIBIT F**).
- 227 Rep. Kitts **MOTION: Moves LC 2435 BE INTRODUCED as a committee bill.**
- 232 Rep. Gilman States that he will not object to it being a committee bill, but says that he does not support LC 2435.

VOTE: 7-0-0

Chair Brown Hearing no objection, declares the motion CARRIED.

- 235 Janet Adkins Committee Administrator. Submits letter in support of HB 2076 on behalf of Dennis Schad, Member of the Construction Contractors Board (**EXHIBIT G**). Mentions meeting in Portland, Oregon.
- 263 Chair Brown Closes the work session on the introduction of committee bills. Adjourns the meeting at 9:54 a.m.

EXHIBIT SUMMARY

- A. **HB 2160, ORS 731.272, Rep. Dennis Richardson, 1 p**
- B. **HB 2160, memorandum on behalf of the Insurance Division, staff, 3 pp**
- C. **HB 2369, informational packet, Amanda Rich, 12 pp**
- D. **HB 2369, memorandum on behalf of Kathleen Dahlin, David Taylor, 2 pp**
- E. **HB 2369. written testimony, Kenneth Fuglee, 4 pp**
- F. **Introductions, LC 2435, staff, 9 pp**
- G. **HB 2076, written testimony of Dennis Schad, staff, 2 pp**
- H. **HB 2428, informational packet, Amanda Rich, 12 pp**