

SENATE COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT

February 17, 2005
1:00 P.M.

Hearing Room B
Tapes 24 - 26

MEMBERS PRESENT: **Sen. Rick Metsger, Chair**
 Sen. Bruce Starr, Vice-Chair
 Sen. Ryan Deckert
 Sen. Laurie Monnes Anderson

MEMBER EXCUSED: **Sen. Jason Atkinson**

STAFF PRESENT: **Theresa Van Winkle, Committee Administrator**
 James Goulding, Committee Assistant

MEASURES/ISSUES HEARD:
 Informational Meeting – Building Codes Division Overview
 SB 116 – Public Hearing

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
TAPE 24, A		
003	Chair Metsger	Calls the meeting to order at 1:03 p.m. Notes that they have opened as a subcommittee. Opens an informational hearing on building codes division overview.
<u>INFORMATIONAL MEETING – BUILDING CODES DIVISION OVERVIEW</u>		
010	Mark Long	Department of Consumer and Business Services (DCBS), Building Codes Division (BCD) Administrator. Submits and presents his written testimony regarding the operation of the BCD (EXHIBIT A).
040	Long	Talks about the ways they are improving customer service at the department.
085	Chair Metsger	Asks if the BCD has received more demands for inspections. Observes a full committee is now present.
095	Long	Replies that their role is changing. Discusses the changes in responsibility for inspections. Outlines various building issues across the state. Offers an outlook on the role of the division.
110	Sen. Monnes Anderson	Wonders about people complaining about the codes and being able to obtain building permits.
120	Long	Replies that they set the standards of the code so they are the same across the state. Offers that permit issues are handled at the local level.
135	Sen. Monnes Anderson	States that builders in her area have been voicing complaints with the permit process.
140	Long	Voices that they can influence decisions made at the local level, but they cannot directly change them.
160	Sen. B. Starr	Mentions large projects being a “relief valve”. Wonders where the cutoff should be for project size.

167	Long	States that if he recalls correctly, the projects affected would be over 100,000 square feet that are traded sector projects among others.
180	Sen. B. Starr	Recalls the 2003 legislation that moved responsibility for manufactured structures from Department of Motor Vehicles to their division. Asks how the transition is going.
190	Long	Discusses the transfer of titles within the data system is proceeding very smoothly. Relates some of the difficulties involved in reaching the deadlines.
210	Sen. B. Starr	Responds with his interest to keep informed on the progress.
215	Long	States additional transition issues that may require some clean up work. Voices his appreciation for Sen. Starr's continued interest.
220	Chair Metsger	Thanks Mr. Long for his presentation. Closes the informational meeting. Opens a public hearing on SB 116.

SB 116 – PUBLIC HEARING

230	Joel Ario	Administrator, Department of Consumer and Business Services, Insurance Division. Submits written testimony to the committee (EXHIBIT B).
235	Chair Metsger	Takes a moment to comment on Mr. Ario's reputation and expertise in his field.
240	Ario	Thanks Chair Metsger for his comments. Presents his testimony in favor of SB 116.
275	Ario	Notes that this has been a good year for insurance. Discusses some of the negative issues affecting the industry such as medical malpractice suits.
310	Ario	Observes communication problems within the industry and how to address them.
345	Ario	Outlines the setup for a market assistance program. Discusses proposed amendments they are working on.
395	Chair Metsger	Asks if they are the same as the -1 amendments to Senate Bill 116 the committee has received (EXHIBIT C).
410	Ario	Assumes they are the same ones proposed by the department.
420	Theresa Van Winkle	Committee Administrator. Clarifies that the -1 amendments did come from the Insurance Division, and are the ones Mr. Ario was referencing.
430	Ario	Continues testimony in regards to SB 116.
TAPE 25, A 005	Ario	Continues his testimony in favor of SB 116 and the -1 amendments. Urges adoption of the amendments and moving SB 116 to the Senate floor.
025	Sen. Monnes Anderson	Asks for an example of when a joint underwriting association would come into play.
030	Ario	Offers that contractor liability is where this generally occurs. Presents an example of how claims would be dealt with.
045	Sen. Monnes Anderson	Relates the concerns of her constituents. Asks if this would help solve their problems with liability.
050	Ario	Responds that it will solve some problems, but not all.
055	Sen. Monnes Anderson	Asks which entities would be the underwriters.
057	Ario	Replies it would continue to be insurance companies.
070	Sen. Monnes Anderson	Wonders why insurance companies would want to take on this liability.
075	Ario	Responds insurance companies do not desire to take on this liability, but could be required to by the legislature.

080	Chair Metsger	Asks for comparison of the language in SB 116 with other insurance markets.
090	Ario	Compares it to statues involving several other markets such as workers compensation and home owners insurance.
105	Sen. B. Starr	Comments on the difficult relationship between the regulator and the regulated. Questions how valuable their 2004 public hearings were.
125	Ario	Responds that public hearings are very helpful in demonstrating that not all issues are clear cut.
135	Sen. B. Starr	Remarks on their industry workgroups, asks if the insurance industry exhibited any resistance.
140	Ario	Offers that it took longer than he felt it needed to. Relays the conversations that took place.
165	Sen. B. Starr	Wonders about the role of the contractors in the process.
170	Ario	Describes the strong showing of contractors in the public hearings.
180	Sen. B. Starr	Voices his concern over the idea of creation of a Market Assistance Program (MAP) without a public hearing. Wonders why they would forego the public process.
195	Ario	Replies it is a matter of communication and that not all issues require a full public hearing.
215	Sen. B. Starr	Asks about the creation of a Joint Underwriting Association (JUA). Wonders about the State of Oregon being further involved in the insurance business.
235	Ario	Expounds upon the scenario mentioned.
245	Sen. B. Starr	Wonder why they would skip the MAP process before creating a JUA.
250	Ario	Replies they would not skip the MAP step if it had utility in the scenario they were looking at. References the medical malpractice marketplace.
265	Sen. Deckert	Asks why the public hearing requirement is being dropped.
267	Ario	Points out they retain the public hearing requirement for the joint underwriting process. Clarifies that a public hearing isn't always held when they have to move quickly with the MAP process.
273	Sen. Deckert	Feels there is still a place for a public hearing in the creation of a MAP.
275	Ario	Offers they wouldn't oppose it if that were an amendment to the bill.
277	Chair Metsger	Discusses the value of the public hearing.
295	Jack Munro	American Insurance Association. Testifies in opposition to SB 116. Outlines the options before them and problems associated with the process as it is. Feels the existing process is more effective than the changes proposed in the bill.
TAPE 24, B		
005	Munro	Continues testifying in opposition to SB 116.
030	Munro	Details the significant problems the state is setting itself up for.
060	Sam Sorich	Vice President, Property Casualty Insurers Association of America (PCI). Testifies in opposition to SB 116. Offers reasons for opposing SB 116. Notes some of the changes proposed in the -1 amendments are positive.
095	Sorich	Talks about the need for rates to be actuarially sound. Offers that fundamental problems in liability are what need to be addressed.
130	Sen. Monnes Anderson	Comments that insurance companies do not want to insure industries with perceived risk. Observes a problem with

		contractor liability.
150	Sorich	Points out there is a mechanism to address this already.
155	Sen. Monnes Anderson	Feels the mechanism isn't working.
160	Munro	Explains that there is only so much risk relative to the amount of surplus. Predicts that there would be a contraction of the insurance market.
185	Sen. Monnes Anderson	Points out they are spreading the risk.
187	Munro	Replies that if they want to solve this issue they need to address the larger underlying problems.
195	Sen. Deckert	Responds that he agrees with points on both side of the argument. Feels an agreement can be reached. Asks about affordability and rate setting issues.
215	Sorich	Disagrees with his assessment of affordability. Notes that affordability is subjective. Offers that rates are based on the insurance company costs.
235	Sen. Deckert	Asks if there is a situation where they could make a type of insurance available, but at such a high rate that it would not be affordable. Wonders if that would meet the test of availability.
250	Sorich	States that an insurance company cannot simply set any rate they want. Observes they have to set rates based on level of risk.
260	Sen. Deckert	Hypothesizes that if they do not pass SB 116, insurance companies might not have enough incentive to enter into a MAP.
275	Munro	Comments on Mr. Ario's testimony. Observes they have to deal with the administrator on almost a daily basis, and feel their interactions have been helpful. Offers that there is already enough leverage to bring insurance companies to the table.
290	Sen. Deckert	Tries to understand what the insurance companies incentive would be to voluntarily provide coverage to risky markets.
305	Munro	Reiterates there is already sufficient leverage available.
335	Munro	Discusses the complications regarding insurance liability and the legislative attempts to address it.
355	Sen. B. Starr	Asks if there is any opportunity for improvement of the statute.
367	Munro	Observes very few problems with the process itself, only some difficulty learning how to navigate through it.
390	Sen. B. Starr	Notes a number of areas in SB 116 that address subclasses of insurance.
400	Munro	Feels they are targeting the delivery mechanism.
405	Sorich	Discusses the elimination of protection from JUAs imposing losses on other insurance companies. Notes his concern over sending a message to insurance companies that they will be liable for the JUA's losses.
420	Munro	Details the specialty areas in insurance and the risks of requiring companies to cover areas outside of their expertise.
TAPE 25, B		
005	Chair Metsger	Notes that SB 463 will not be heard as they are running low on time. Asks those testifying to summarize their testimony.
020	Janet Arenz	Executive Director, Oregon Alliance for Child Advocacy. Presents written testimony in favor of SB 116 (EXHIBIT D).
050	Arenz	Details recent insurance premium increases among non profit organizations.
095	Chris Bouneff	Trillium Family Services. Testifies in favor of SB 116. Outlines the importance of the bill in assisting insurance consumers.

120	Bouneff	Mentions the importance of affordability and availability in the industry.
140	Chair Metsger	Summarizes Ms. Arenz comments on affordability.
145	Arenz	Reiterates the considerations she has to address.
165	John Powell	Representing State Farm Insurance, Liberty Northwest, and others. Offers testimony against SB 116.
200	Powell	Submits and discusses an article regarding local contractors struggling with insurance rates (EXHIBIT E).
240	Lana Butterfield	Presents written testimony in opposition to SB 116 (EXHIBIT F). Submits written testimony on behalf of Richard Hayes in opposition to SB 116 (EXHIBIT G).
265	Jon Chandler	Oregon Home Builders Association. Testifies in favor of SB 116. Outlines the negative impacts of the insurance rates on home builders.
295	Chandler	Points out the troubles of homebuilders being required by law to have insurance, but being unable to afford it.
345	Steven Kafoury	Oregon Remodeling Association. Testifies in favor of SB 116. Reiterates the issue of affordability.
380	Kafoury	States that high insurance rates can force people out of the industry.
410	Chair Metsger	Remarks that this issue will generate further conversation and questions.
TAPE 26, A		
003	Chair Metsger	Continues his remarks and asks for some additional data.
007	Kafoury	Asks that the committee look at the insurance policies being created.
010	Sen. B. Starr	Remarks on the comments and his frustration that they are running out of time. Discusses his experiences with his contracting insurance being canceled and the rate hike he had to endure to get his insurance back. Observes there are a number of issues to address.
030	Sen. Monnes Anderson	Notes her desire to get the best data possible before making a decision.
035	Sen. Deckert	Expresses his interest in addressing the root causes.
043	Chair Metsger	Notes this issue will be brought up again at another time. Makes additional comments on addressing issues of this nature.
071	Chair Metsger	Closes public hearing on SB 116. Adjourns the committee at 3:02 p.m.

EXHIBIT SUMMARY

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- A. Building Codes Division, Written Testimony, Mark Long, 3 pp**
- B. SB 116, Written Testimony, Joel Ario, 3 pp**
- C. SB 116, -1 Amendments, 1 p**
- D. SB 116, Written Testimony, Janet Arenz, 2 pp**
- E. SB 116, Article, John Powell, 1 p**
- F. SB 116, Written testimony, Lana Butterfield, 3 p**
- G. SB 116, Written testimony of , Lana Butterfield, 1 p**