

SENATE COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT

March 17, 2005
1:00 P.M.

Hearing Room B
Tapes 41 - 43

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

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

MEASURES/ISSUES HEARD:
 SB 1002 – Public Hearing
 SB 514 – Public Hearing
 SB 554 – Public Hearing
 SB 210 – 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 41, A		
003	Chair Metsger	Calls the committee to order at 1:00 p.m. Opens a public hearing on SB 1002.
<u>SB 1002 – PUBLIC HEARING</u>		
010	Dana Baugher	Legislative Assistant, Senator Schrader's office. Begins testimony in favor of SB 1002. Describes difficulties with a construction contract she engaged in and the less-than-satisfactory work performed.
050	Chair Metsger	Thanks Baugher for her testimony. Clarifies the contract change SB 1002 would make.
060	Sen. Monnes Anderson	Points out that if the amount in repairs was greater than \$2,500, a contract would be required.
063	Baugher	Explains that she did have a document in writing.
070	Sen. B. Starr	Asks if anyone from the Construction Contractor's Board would come forward to testify.
073	Craig Smith	Administrator of the Construction Contractor's Board.
075	Sen. B. Starr	Asks if a person can enter into a verbal contract that would be equally binding to that of a written contract.
083	Smith	Responds and provides written testimony (EXHIBIT A).
095	Sen. B. Starr	Wonders about the dollar amount being advised for a contract requirement.
100	Smith	Notes the chart on page 3 of his testimony. Discusses contract amounts in relation to complaints received.
115	Chair Metsger	Asks if the committee has a consensus on potential action for this bill.
117	Sen. B. Starr	Asks if they have any testimony from the contractor representatives at the capitol.
120	Smith	Expresses concern regarding the void ability provision in the measure. Discusses page 6 of his testimony in relation to contract sanctions.
135	Baugher	Agrees with Smith's statement.
139	Sen. Monnes Anderson	Asks question regarding statement that the board does not endorse or oppose SB 1002, but will consider it at their March 29th meeting.
145	Sen. B. Starr	Asks what the fiscal impact might be on this bill.
150	Smith	Replies that he doesn't expect a fiscal impact on this measure.
160	Chair Metsger	Closes public hearing SB 1002. Opens a public hearing on SB 514 and SB 554.
<u>SB 514 & SB 554 – PUBLIC HEARING</u>		
177	Sen. Jason Atkinson	Represents Senate District 2. Testifies in favor of SB 514 & SB 554.

		Thanks Chair Metsger for allowing this bill to be heard and the great amount of interest of his constituents.
220	Sen. Atkinson	Discusses insurance companies making a great deal of money on small businesses, such as construction contractors. Talks about the huge premium hikes on business owners in his district.
255	Sen. Atkinson	Continues to describe the inflated insurance rates that are driving businesses out of state.
275	Sen. Atkinson	Observes that consumer protection is being used as a barrier for small independent contractors.
325	Sen. Atkinson	Relates the stories of contractors being driven out of business and says these measures provide some relief.
355	Sen. Monnes Anderson	Feels that if they remove liability they are not protecting the consumer.
360	Sen. Atkinson	Clarifies that the current system gives contractors very few choices. Feels the current law is very beneficial for select insurance companies.
387	Sen. Monnes Anderson	Wonders how many claims there have been to cause the costs to increase.
400	Sen. Atkinson	Relates that September 11 th disrupted huge areas of the economy.
415	Dan Leahy	Vice President, Adair Home Corporation. Testifies in favor of SB 514 and SB 554.
TAPE 42, A		
005	Leahy	Continues testimony on SB 514 and SB 554.
040	Leahy	Describes the burden upon consumers to pay for protection through warranties.
075	Leahy	Suggests the ability to compete on a level playing field.
080	Chair Metsger	Outlines the numerous amount of legislation addressing construction contractor's insurance. Observes they are trying to find the best way to address those issues. Talks about the need to protect consumers such as a recent settlement in Sandy, Oregon.
100	Leahy	Replies in regards to the Sandy, Oregon claim. Talks about exclusions in the policies.
105	Chair Metsger	Responds.
115	Sen. Atkinson	Asks that they give the Construction Contractor's Board the ability to see if they can have consumer protection while also lowering the high rates. Observes that state agencies do not feel there is a problem.
127	Leahy	Describes Adair's philosophy that they are in business forever.
155	Sen. Monnes Anderson	Questions previous practices of building in favorable weather. Describes the industry changes that allow year round building. Observes that a builder would probably prefer to build during the dry season. Discusses potential liability issues.
180	Leahy	Responds on the complexity of the question. Asks that contractors are treated on their merit. Feels the system no longer reflects accountability within the industry.
210	Leahy	Continues to testify in reference to current contracting insurance practices and some of the current difficulties.
225	Chair Metsger	Observes similar legislation in previous committees he has served on. Feels there is a need to address cost and liability requirements. Asks Mr. Leahy about personal experience.
250	Leahy	Notes the efforts are transient. Details the difference between liability insurance for an individual and then using insurance as a consumer protection tool. Feels that insurance does not effectively perform their function.
300	Gordon Trauter	Contractor. Submits written testimony in favor of SB 514 (EXHIBIT B). Testifies in favor of SB 514.
330	Trauter	Continues testimony, relating that businesses are already liable even without insurance.
360	Chair Metsger	Asks who would pay the claim to the consumer.
380	Trauter	Explains.
383	Chair Metsger	Asks about posting bonds rather than paying insurance.
385	Trauter	Replies he doesn't know as bonds are purchased through insurance companies.
395	Sen. Atkinson	Comments on the loss of business in his district.

400	Sen. Monnes Anderson	States that she has met others in her district with the same concerns discussed today.
410	Dean Aldrich	Lawyer, Portland, Oregon. Submits written testimony in opposition to SB 514 (EXHIBIT C).
TAPE 41, B		
005	Aldrich	Continues testimony in opposition to SB 514.
040	Aldrich	Describes construction defect claims and problems with water damage.
070	Aldrich	Opines that this measure would not solve the problems being experienced, but would destabilize current insurance protections. Agrees that something needs to be done, but this particular measure isn't the solution.
093	Sen. Atkinson	Comments on testimony. Feels current insurance requirement provide people like Mr. Trauter with nothing.
103	Aldrich	Responds.
117	Chair Metsger	Wonders about Mr. Aldrich's proposal of purchasing bonds.
123	Aldrich	Feels that it would be fine.
135	Craig Smith	Construction Contractor's Board. Submits testimony on SB 514 (EXHIBIT E) and SB 554 (EXHIBIT F). Testifies on SB 514 and SB 554.
170	Chair Metsger	Asks if he has talked with neighboring states that have eliminated this requirement.
180	Smith	Responds he has only talked briefly to his counterparts in other states. Outlines that when Oregon created its insurance requirement laws, premiums were very low.

The following prepared testimony is submitted for the record without public testimony:

	Paul & Renee Haynes	Residents, Sandy, Oregon. Submits written testimony for the record with public testimony (EXHIBIT D).
215	Chair Metsger	Offers that it would be very helpful to hear more from other states on their insurance issues. Closes public hearing on SB 514 and SB 554. Opens a public hearing on SB 210.

SB 210 – PUBLIC HEARING

235	Theresa Van Winkle	Committee Administrator. Describes the provisions of SB 210.
240	Kevin Neely	Department of Justice. Presents written testimony in favor of SB 210 (EXHIBIT G). Presents the committee with proposed -1 amendments to the measure (EXHIBIT H) and testifies in support of them.
270	Neely	Describes the need for motor vehicle repair shops to properly display preferred provider agreements.
310	Neely	Discusses the -1 amendments and the reason for the changes. Relates the feedback over this issue.
343	Chair Metsger	Asks for expansion on tracking data of complaints on this issue.
353	Neely	States they do not know who currently has these agreements. Says it is a major reason for this legislation.
367	Sen. B. Starr	Wonders what other states do in regards to this matter.
377	Neely	Replies that he doesn't know.
385	Sen. Monnes Anderson	Observes it would be easy for an auto shop to put a sign up even if they don't have proper insurance.
397	Leif Hansen	Owner, Leif's Auto Collision Center. Submits written testimony in support of SB 210 as introduced (EXHIBIT I). Opposes the proposed -1 amendments.

TAPE 42, B

005	Hansen	Details the substandard work performed by preferred shops.
045	Hansen	Continues to detail the problems with insurance for preferred auto repair shops.
080	Sen. Monnes Anderson	Asks for clarification on this issue. Wonders what good having a sign in a shop would do.
087	Hansen	Offers it is a good start.
093	Sen. Monnes Anderson	Responds.
100	Sen. Deckert	Considers how much a sign would assist in informing consumers.
107	Hansen	Feels full disclosure is the best policy.
110	Sen. Deckert	Asks for an example.
113	Hansen	References a GEIKO case where an insurance company tried to skirt the law and illegally require a consumer to pay more to get the correct parts

		installed. Notes that these types of claims occur all the time.
130	Sen. Deckert	Asks for a guess on how many cars out of a 100 that he works on have substandard repairs.
135	Hansen	Guesses that 30% to 40% have had prior repairs, and that 90% need to be re-repaired.
147	Sen. Monnes Anderson	Reiterates the benefit of a sign. Seems that there should be more transparency in what insurance companies will cover. Talks about a cap on what insurance companies will pay.
155	Hansen	States that they have a cap. Explains in detail.
177	Sen. Deckert	Offers his concern that the process is transparent to the consumer. Considers an amendment to sign off on repairs.
185	Hansen	Clarifies that the problem is that the insurance company and body shop are working with each other and there is no third party to intervene.
230	Fred Linenko	Owner, Specialty Auto Body. Presents written testimony in favor of SB 210 as drafted (EXHIBIT J). Testifies in favor of SB 210.
275	Linenko	Reiterates the need for consumers to be able to make informed choices.
285	Don Braden	Chief Operating Officer, Kadel's Auto Body. Presents written testimony in favor of SB 210 (EXHIBIT K). Testifies in favor of SB 210.
320	Ron Davies	Consumer, auto repair industry. Presents written testimony in favor of SB 210 (EXHIBIT L).
340	Miguel Ramos	Consumer, auto repair industry. Presents written testimony in favor of SB 210 (EXHIBIT M).
363	Sen. Deckert	Talks about the -1 amendments. Asks if a sign specifying that the shop is a preferred provider for certain insurance companies would give him any useful information.
377	Ramos	Replies it would provide some idea of the nature of the relationship between an insurance company and an auto body shop.
390	Davies	Notes that it would be a start.
397	Sen. Deckert	Offers that they provide clearer language on the signage to make it clear to consumers.
410	Davies	Feels the original language was clearer to the consumer.
420	Shawn Miller	Property Casualty Insurance (PCI). Testifies in opposition to SB 210 in regards to the definition of a "preferred" service provider.
TAPE 43, A		
001	Miller	Continues testimony on SB 210.
030	Sen. Deckert	Proposes "this repair shop has an agreement to provide this insurance company with discounted prices," as possible signage.
035	Miller	Responds.
045	Sen. Deckert	Says that the language needs to be changed so that it is easily understood.
047	Chair Metsger	Makes concluding remarks on this issue. Feels additional considerations need to be made. Closes public hearing on SB 210 and adjourns the committee at 2:59 p.m.

EXHIBIT SUMMARY

- A. **SB 1002, written testimony, Craig Smith, 6 pp**
- B. **SB 514, written testimony, Gordon Trauter, 2 pp**
- C. **SB 514, written testimony, Dean Aldrich, 46 pp**
- D. **SB 514, written testimony, Paul and Renee Haynes, 3 pp**
- E. **SB 514, written testimony, Craig Smith, 45 pp**
- F. **SB 554, written testimony, Craig Smith, 48 pp**
- G. **SB 210, written testimony, Kevin Neely, 1 p**
- H. **SB 210, -1 amendments, Kevin Neely, 1 p**
- I. **SB 210, written testimony, Leif Hansen, 19 pp**
- J. **SB 210, written testimony, Fred Linenko, 2 pp**
- K. **SB 210, written testimony, Don Braden, 1 p**
- L. **SB 210, written testimony, Ron Davies, 1 p**
- M. **SB 210, written testimony, Miguel Ramos, 1 p**

