

## SENATE COMMITTEE ON BUSINESS AND LABOR

February 26, 2003  
1:00 p.m.

Hearing Room C  
Tapes 20-21

**MEMBERS PRESENT:**     **Sen. David Nelson, Chair**  
                                  **Sen. Vicki Walker, Vice-Chair**  
                                  **Sen. Roger Beyer**  
                                  **Sen. Rick Metsger**

**STAFF PRESENT:**       **Dennis Dotson, Committee Administrator**  
                                  **Romy Dye, Committee Assistant**

**MEASURE/ISSUES HEARD:**     **Informational Meeting**  
                                  Possible Solution to Self-Insurance Dilemma

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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.

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<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 20, A</b>		
005	Chair Nelson	Calls the committee to order at 1:07 PM. Opens an informational meeting on potential solutions to self-insurance.
006	Rob Douglas	Oregon Self-Insurer's Association (OSIA). Provides introduction to meeting.
010	Jay Benavav	Director, Workers' Compensation Reinsurance Association (WCRA). Discusses background of Minnesota reinsurance experience. Submits written material ( <b>EXHIBITS A, B</b> ).
058	Benavav	Discusses start-up and highlights.
104	Sen. Metsger	Asks whether \$3.1 billion is for the long run.
106	Benavav	Responds positively.
110	Sen. Walker	Asks where money for investments put.
112	Benavav	Responds money invested many of the same ways commercial re-insurer or insurance company would.
115	Sen. Walker	Asks whether investments have gone down and fund impacted negatively.
117	Benavav	Responds absolutely.
125	Benavav	Discusses rates.
150	Sen. Beyer	Asks about private insurance rates. .
153	Benavav	Responds information is on handout; elaborates.
221	Benavav	Discusses investment returns.
256	Sen. Metsger	Asks what the formula is for distribution.
260	Benavav	Responds easy to figure out but more complicated with employers and insurers.
278	Sen. Metsger	Asks what the formula for distribution is.
282	Benavav	Responds there is a complicated formula.
283	Sen. Metsger	Asks if the formula is based on premium or expended.
285	Benavav	Responds self-insurer's are easy to figure out and more complicated with employers and insurers.
287	Sen. Metsger	Asks whether formula based on equitably based distribution.
289	Benavav	Responds everyone gets their proportion.
290	Chair Nelson	Asks if there has been distribution since 2001.

295	Benavav	Responds there has not been distribution since around 1993; elaborates.
311	Chair Nelson	Asks if reserve had to be touched to cover this year.
312	Benavav	Responds all claims are fully funded with over \$900 million available.
320	Benavav	Discusses operations.
335	Chair Nelson	Asks if taxes put in expenses.
336	Benavav	Responds there are not taxes and will check to see what is included in the figure for sure. Discusses price comparison with private insurance and total cost.
392	Benavav	Discusses benefits to Oregon.
423	Benavav	Discusses premium and reported claim experience.
<b>TAPE 21, A</b>		
012	Chair Nelson	Asks about dropping premiums.
014	Benavav	Responds retention limits changed.
018	Sen. Walker	Asks if that is the same time period insurance carriers switched.
021	Benavav	Responds negatively. Discusses tables further.
091	Sen. Walker	Asks question about seeing an increase in business investment, economic, and job growth.
096	Benavav	Responds positively.
133	Benavav	Elaborates on Minnesota's success.
147	Chair Nelson	Comments about different rates and asks how the state would use premium money for starting up.
156	Benavav	Responds regarding collecting premiums.
170	Chair Nelson	Asks about premium payments.
172	Benavav	Responds premium based on retention limits someone is at.
174	Chair Nelson	Asks about current huge premium increase.
175	Benavav	Responds can start collecting some percentage of what premium would be but does not take too much to start up.
198	Chair Nelson	Asks about not being able to cover caseloads and whether members are assessed more money.
201	Benavav	Responds assessments are allowed if shortfall; elaborates.
250	Sen. Walker	Asks how workers feel about the program.
256	Benavav	Responds workers are appreciative of program.
286	Sen. Walker	Asks about taking four years in the past to pay on the first claim.
293	Benavav	Clarifies it takes four years for retention limit to be reached.
331	Sen. Beyer	Asks about reserves on handouts.
337	Benavav	Explains different reserves groups.
356	Sen. Beyer	Asks what premium is based on.
360	Benavav	Responds based on written premium in Minnesota.
376	Sen. Beyer	Asks what workers' compensation system in Minnesota looks like.
382	Benavav	Responds benefit structure compares to Oregon and Minnesota allows self-insurers, private coverage and state funds.
409	Sen. Metsger	Asks whether insurers required to use the workers' compensation insurance for re-insurance purposes.
418	Benavav	Responds they are required to buy re-insurance from WCRA.
422	Sen. Metsger	Asks what determines how much reinsurance to buy.
435	Benavav	Responds every self-insurer is required to have re-insurance; elaborates.
<b>TAPE 20, B</b>		
005	Sen. Metsger	Asks about breakdown in state fund and self-insured.
006	Benavav	Responds state fund is 20-25 % and \$1 billion premiums written for insurance.

012	Sen. Metsger	Asks if the state fund affected working capital for basic workers' compensation experience.
021	Benavav	Responds yes it has a positive effect; elaborates.
050	Sen. Metsger	Comments if access to reasonably priced re-insurance but decided to not go with that then need to retain more capital.
058	Benavav	Agrees.
066	Chair Nelson	Asks about oversight being legislature and private insurance company having an insurance commissioner.
070	Benavav	Responds it is everyone; elaborates.
097	Chair Nelson	Asks about keeping certain amount in reserves.
098	Benavav	Responds enough has to be kept to pay future claims; elaborates.
137	Brad Kading	Re-Insurance Association of America. Discusses the WCRA versus a competitive market. Submits written material <b>(EXHIBITS C, D)</b> .
179	Cosgrove	Clarifies percentage in returns.
188	Kading	Continues discussion.
239	Kading	Discusses inequitable cross subsidies.
268	Kading	Discusses inconsistent with three way system.
287	Kading	Discusses the power to tax.
313	Sen. Beyer	Comments WCRA has 6 % assets in stock and asks how much for private insurances.
316	Kading	Responds between 10% and 25%.
321	Kading	Discusses restricting Oregon employers, etc.
404	Sen. Beyer	Asks if there are any Oregon only re-insurance companies.
414	Cosgrove	Responds there are competitors in the market that are Oregon only to meet the needs of the market..
426	Sen. Beyer	Asks what the names of the companies are.
427	Cosgrove	Responds that he will get that information.
433	Sen. Beyer	Asks whether self-insurers in Oregon are required to re-insure their liabilities.
438	Cosgrove	Responds that is correct.
<b>Tape 21, B</b>		
005	Sen. Walker	Asks what standard to pay claims in Oregon is.
006	Kading	Responds catastrophe loss is paid quickly once reported and claims reported, maturing and developing, have standards but unsure what it is.
009	Sen. Walker	Comments on receiving complaints in the workers' compensation system who go on with no payment and need to survive.
011	Kading	Elaborates on payments.
020	Sen. Walker	Asks why people are unhappy with the system.
029	Kading	Responds they have no choice in Minnesota.
041	Chair Nelson	Asks about reserve situation and unfunded liability.
043	Kading	Responds there is a generous discount rate and \$600 million unfunded liability that will eventually develop within reinsurance monopoly.
052	Cosgrove	Adds comment regarding unfunded layer.
055	Kading	Continues discussion.
087	Sen. Walker	Asks about Benavav's statement on insurers who made money in the 90's why hasn't it been turned over to policyholders.
091	Cosgrove	Responds private insurance markets in the 90's reduced rates significantly and gains in the investment side there were rate reductions.
104	Kading	Adds comment on significant price war in insurance and re-

		insurance from 1995 through 2000.
127	Sen. Metsger	Asks about some being unable to get re-insurance in some businesses in private and competitive market.
137	Kading	Responds re-insurance market capacity is abundant and plentiful.
149	Sen. Metsger	Asks what response would be in terms of monopoly issue with competitive market.
157	Kading	Responds welcome all competitors to play by the same rules.
164	Sen. Metsger	Clarifies question.
167	Kading	Responds looking for level playing field in terms of competitors.
177	Benavav	Comments on need to see what is best for Oregon employers and employees.
249	Sen. Metsger	Asks question about private worker's compensation insurance market for having re-insurance opportunity for WCRA for their own portfolio.
258	Benavav	Answers it is generally positive.
The following prepared testimony is submitted for the record without public testimony.		
	Laurence Koll	Submits written testimony ( <b>EXHIBIT E</b> )
	Don Gerdesmeier	Submits written testimony ( <b>EXHIBIT F</b> )
	Wayne Simoneau	Submits written testimony ( <b>EXHIBIT G</b> )
	Peggy Anet	Submits written testimony ( <b>EXHIBIT H</b> )
285	Chair Nelson	Closes informational meeting and adjourns the meeting at 2:55 PM.

## **EXHIBIT SUMMARY**

**A – Informational, Minnesota reinsurance packet, Jay Benavav, 11 pp**

**B – Informational, WCRA tables, Jay Benavav, 20 pp**

**C – Informational, Oregon WCRA information packet, Brad Kading, 8 pp**

**D – Informational, prepared testimony, Brad Kading, 1 pp**

**E – Informational, written testimony, Laurence Koll, 1 pp**

**F – Informational, written testimony, Don Gerdesmeier, 1 pp**

**G – Informational, written testimony, Wayne Simoneau, 2 pp**

**H – Informational, prepared testimony, Peggy Anet, 1 pp**