

SENATE COMMITTEE ON
TRANSPORTATION AND ECONOMIC DEVELOPMENT

March 10, 2003
8:00 AM

Hearing Room C
Tapes 46-49

MEMBERS PRESENT: **Sen. Rick Metsger, Chair**
 Sen. Bruce Starr, Vice-Chair
 Sen. Ryan Deckert
 Sen. David Nelson

GUEST MEMBER: **Sen. Charlie Ringo**

STAFF PRESENT: **Jim Wiles, Committee Administrator**
 Annastasia Suess, Committee Assistant
 Charlie Cheek, Legislative Counsel
 Greg Chaimov, Legislative Counsel

MEASURE/ISSUES HEARD: **Informational Meeting – Invited Testimony**
 Christopher Davie, SAIF
 Peter Shepherd, Attorney General’s Office

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 46, A		
002	Chair Metsger	Calls the committee to order at 8:03 a.m., and opens an informational meeting.
<u>INFORMATIONAL MEETING</u>		
005	Peter Shepherd	Attorney General’s Office. Begins discussion on the State Accident Insurance Fund (SAIF) corporation. Provides written testimony (EXHIBITS A, B, C) .
100	Shepherd	Continues discussion: <ul style="list-style-type: none">• Oregon Workers Comp history• 81 Million dollar “Transfer Act”• Frohnmeyer versus SAIF• Current litigation: Oregonians for Sound Economic Policy versus SAIF• Current litigation: Artisan Laboratories versus SAIF• Concludes discussion
260	Chair Metsger	Asks about SAIF tax exempt status, and inquires if the status is determined by the Internal revenue services IRS)
270	Shepherd	Comments and defers the question to a SAIF representative.
280	Chair Metsger	Inquires about the public records law.
	Shepherd	Comments.
305	Chair Metsger	Asks about the Artisan laboratory case, and wonders that if there is a legal obligation for the state to return dividends, and if the legislature can change this policy.

315	Shepherd	Responds.
330	Chair Metsger	Inquires about the general belief that SAIF is the insurer of last resort.
340	Shepherd	Defers the question to the SAIF corporation.
380	Chair Metsger	Asks about the public perspective that wonders whether SAIF is a public agency or state agency. Asks how the legislature can determine if SAIF is a state agency or public agency.
390	Shepherd	Suggests the legislature look at the specific powers and functions of SAIF.
405	Sen. Nelson	Inquires about who regulates SAIF.
410	Shepherd	Answers Department of Consumer Business Services.
420	Sen. Nelson	Asks if this differs from other insurance agencies.
TAPE 47, A		
010	Shepherd	States he is unaware, however, will find out and report back to the committee members.
015	Sen. Nelson	Asks if the standard of reserves for SAIF differs from other agencies.
020	Shepherd	Responds.
030	Sen. Nelson	Asks about actuary's standards and asks if SAIF operates under these standards.
035	Shepherd	Defers the question to SAIF.
040	Greg Chaimov	Legislative Counsel. Asks if the department believes that SAIF has a basis for withholding disclosure of records that the legislative assembly may consider necessary to its decision making.
045	Shepherd	Answers.
070	Chaimov	Asks under what circumstances the legislative assembly has authorized SAIF to spend monies from the industrial accident fund to investigate contributions made to members of the legislative assembly.
080	Shepherd	Responds.
090	Chaimov	Asks if the department has considered how to parse the industrial accident fund into monies deposited before and after the Transfer Act.
095	Shepherd	Responds.
115	Charlie Cheek	Legislative Counsel. Asks at what point the funds in the industrial accident fund come under the control of the legislative assembly.
120	Shepherd	Defers the committee to the language of ORS 656.634 Sub 2. States there are a variety of conditions established in the language
125	Cheek	Asks who has the authority to make the decision, the Legislative Assembly or SAIF.
130	Shepherd	Answers SAIF.
150	Sen. Deckert	Asks about the language of ORS 656.634, and if it meets the standards that the Legislative Assembly might take this session.
160	Shepherd	Responds.
170	Sen. Deckert	Asks what the differences are between Surplus funds and Reserve funds.
178	Shepherd	Defers the question to SAIF.
180	Sen. Deckert	Asks if the question has been litigated.
185	Shepherd.	Answers not to his knowledge.
190	Christopher Davie	SAIF corporation. Begins discussion on SAIF corporation, Industrial Acts Fund. Provides written testimony (EXHIBITS D, E).
300	Davie	Continues discussion: <ul style="list-style-type: none"> • State Industrial Act Committee • History of Oregon State contribution of funds to SAIF • SAIF financial history

TAPE 46, B

020	Davie	Continues discussion: <ul style="list-style-type: none"> • Legal Structure • Mission of SAIF corporation • Loss of reserves • Board of Directors of SAIF Corporation • HB 3918 (2001 Legislature) related to Auditing SAIF • Advantages and disadvantages of SAIF corporation • Summary of taxes paid by SAIF • History of SAIF Premiums
TAPE 47, B		
040	Davie	Continues discussion: <ul style="list-style-type: none"> • Summary of SAIF comparison to other insurance companies • External reviews • SAIF Website • Samples of more expensive claims
TAPE 48, A		
050	Davie	Concludes discussion.
060	Vice Chair B. Starr	Asks about division of the premium rates and is it consistent for all policyholders.
070	Davie	Responds that it is not consistent for all policyholders and offers to provide further information.
090	Vice Chair B. Starr	Asks about SAIF's method of doing business via the dividend premium equation, and asks how it compares with the private industry and can the private industry provide similar benefits to their clients.
098	Davie	Responds.
105	Sen. Deckert	Asks if SAIF is currently under reserve they why the reserve has not been recalculated.
118	Davie	States that SAIF is not currently under reserved. States the concern is the Surplus is dropping to a concern level.
120	Sen. Deckert	Restates the question to why the reserves have not been recalculated to ease the concerns of possible future under reserve status.
140	Davie	Responds.
145	Sen. Nelson	Comments on the re-insurance plan structure of Minnesota.
150	Davie	Responds.
165	Sen. Ringo	Inquires about SAIF's political activities and wonders what causes SAIF to investigate campaign contributions.
175	Davie	Answers.
188	Sen. Ringo	Provides an opinion.
190	Davie	Responds.
195	Sen. Ringo	Asks if SAIF provides different rates to different groups.
198	Davie	Responds that SAIF has rate tiers that are filed with the insurance division.
200	Sen. Ringo	Asks if pricing information is available to the public.
210	Davie	States he is unsure of the answer, but states that while the information may not be available to the public, it is available to the insurance division.
215	Sen. Ringo	Inquires how a legislature can find out if SAIF provides special rates to reward their political allies.
220	Davie	Responds.

225	Sen. Ringo	Asks for assurance from SAIF that political favoritism rates are not paid to SAIF supporters.
230	Davie	States that both SAIF and the insurance division can provide this assurance.
260	Sen. Ringo	Asks if SAIF makes payments, or transfer funds in some way to Associated Oregon Industries (AOI).
265	Davie	Responds.
270	Sen. Ringo	Asks for confirmation that new policy holders are not automatically assigned to AOI.
280	Davie	Responds.
285	Sen. Ringo	Asks for an accounting of the history of the relationship with AOI current accounting of funds through AOI.
290	Davie	Offers to provide the information to the committee members.
300	Sen. Ringo	Asks for details about recent termination of SAIF executive, including severance pay.
303	Davie	Offers to return with additional information.
330	Chaimov	Asks what education, skills and experience does a person need to estimate the reserve and surplus that SAIF needs.
340	Davie	Answers and elaborates.
345	Chaimov	Asks if the amount of SAIF's reserve and surplus in which reasonable actuaries can differ.
355	Davie	Responds.
365	Chaimov	Asks what records exist to explain SAIF's decisions to set the level of reserves and surplus.
370	Davie	Answers.
378	Chaimov	Asks who at SAIF determines the satisfactory amounts in reserves and surplus.
385	Davie	States he believes the Board of Directors, guided by SAIF's staff and actuaries.
410	Cheek	Asks about the reserving policy.
415	Davie	Answers.
422	Cheek	Asks how the sums for the reserves are determined.
425	Davie	Responds.
446	Chair Metsger	Asks if the State of Oregon is the largest employer SAIF represents.
450	Davie	Confirms.
460	Chair Metsger	Asks if the dividend policy has changed.
465	Davie	Responds.
TAPE 49, A		
040	Chair Metsger	Asks if the Board of Directors determines the level of reserves is common to the level of surplus.
056	Davie	Responds.
065	Chair Metsger	Asks about risk factors due to large percentage of insurance rates.
070	Davie	Responds.
075	Chair Metsger	Asks if the 2002 report is available to the Legislative Assembly.
080	Davie	Confirms.
085	Sen. Deckert	Asks about previous testimony concerning the 52 million dollar transfer.
090	Davie	Responds.
095	Sen. Deckert	Asks again why the reserves are not recalculated, and what is the process that SAIF undergoes to do so.
100	Davie	Responds.
150	Chair Metsger	Closes informational meeting and adjourns the committee at 10:30 a.m.

EXHIBIT SUMMARY

- A – Informational, written testimony, Peter Shepherd, 10 pp**
- B – Informational, written testimony, Peter Shepherd, 2 pp**
- C – Informational, written testimony, Peter Shepherd, 2 pp**
- D – Informational, written testimony, Christopher Davie, 43 pp**
- E – Informational, written testimony, Christopher Davie, 44 pp**