

SENATE COMMITTEE ON
TRANSPORTATION AND ECONOMIC DEVELOPMENT

March 12, 2003
8:00 AM

Hearing Room C
Tapes 52-53

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

STAFF PRESENT: **Jim Wiles, Committee Administrator**
 Annastasia Suess, Committee Assistant

MEASURE/ISSUES HEARD: Invited Testimony – SAIF

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 52, A		
002	Chair Metsger	Calls the committee to order at 8:04 a.m. and opens an informational hearing.
INFORMATIONAL MEETING		
005	Bill Conerly	Economist, Conerly Consulting. Begins discussion on SAIF corporation. Provides written testimony (EXHIBIT A).
100	Conerly	Continues discussion: <ul style="list-style-type: none">• Market comparisons• Risk profiles• State comparisons• SAIF reserves and surplus
TAPE 53, A		
010	Conerly	Continues discussion: <ul style="list-style-type: none">• Suggestions for the future of SAIF• Concludes discussion
075	Chair Metsger	Inquires about the SAIF issue of lowering premiums outlined on page 9 of the written testimony.
089	Conerly	Responds.
105	Chair Metsger	Asks for a viewpoint of SAIF providing the capitol for the use of economic development.
120	Conerly	Responds.
125	Vice Chair B. Starr	Inquires about the corporate welfare portion of the report and asks how SAIF as a state agency picks winner and losers.
140	Conerly	States he believes SAIF picks and chooses whomever they wish to insure.
155	Vice Chair B. Starr	Inquires if SAIF were a private corporation, would the manner in which SAIF does business be altered and would they be liable to income tax..
160	Conerly	States he believes yes the business practice would change, and that SAIF would have to pay a corporate income tax.
200	Sen. Deckert	Asks about the recommendation to sell SAIF.

212	Conerly	Responds.
230	Sen. Deckert	Asks why SAIF's growth is negative.
235	Conerly	Answers.
255	Sen. Nelson	Asks which study was referred to in testimony.
260	Conerly	Answers.
265	Sen. Nelson	Inquires about reserve estimating.
270	Conerly	Responds that reserve estimating is not reliable.
300	Sen. Nelson	Inquires about the risk based standard used by national insurance companies.
320	Conerly	Responds.
350	Sen. Nelson	Asks for the preferred standard.
355	Conerly	Responds and elaborates.
400	Sen. Nelson	Inquires about increasing the market competition, when there is over 60 competition insurers that insure over a million dollars.
TAPE 52, B		
020	Conerly	Responds and elaborates on numbers of businesses.
030	Sen. Nelson	Asks if Cascade Policy Institute truly is insured by SAIF.
035	Conerly	Confirms.
040	Sen. Deckert	Asks if the use of one time use of funds is advantageous to Oregonians.
045	Conerly	Provides an opinion.
080	Greg Chaimov	Legislative Counsel. Inquires about the recent dropping of SAIF's ratings.
085	Conerly	Responds.
090	Chaimov	Asks if there is a way to insure that money's from the industrial accident funds would only come before 1982 funds.
100	Conerly	Comments.
115	Charlie Cheek	Legislative counsel. Inquires about the condition of Oregon in the early 80's, and asks for an estimate of how many competing insurers are private organizations.
130	Conerly	Responds and elaborates.
140	Cheek	Asks how the risk factors of insurance will be impacted by the sale of SAIF.
150	Conerly	Provides and opinion.
170	Cheek	Asks for the difference for a one time fund from the sale of SAIF, versus the idea of annual assistance to the legislature with monies set aside for economic development.
195	Cathy Pollino	Director of Audits Division, Secretary of the States office. Summarizes the 2002 Audit of SAIF.
200	Nancy Young	Audit Administrator, Secretary of the States office. Begins discussion on the auditing reports of SAIF, and provides written testimony (EXHIBIT B) .
230	Young	Continues discussion: <ul style="list-style-type: none"> • Statutory accounting of SAIF December 2001 • Financial Position of SAIF December 2001 • Actuarial reviews • Financial viability review of SAIF December 2001 • Concludes discussion
290	Chair Metsger	Inquires about statutory accounting.
300	Young	Responds and elaborates.
305	Chair Metsger	Inquires about reserve differences.
325	Young	Responds.

345	Sen. Nelson	Asks what the definition is of non-admitted assets.
350	Young	Responds.
375	Joel Ario	Insurance Administrator, Department of Consumer and Business Services (DCBS). Begins discussion on the financial regulation of SAIF and provides written testimony (EXHIBIT C).
TAPE 53, B		
020	Ario	Continues discussion: <ul style="list-style-type: none"> • Rate and form review • Market regulation • Other oversight • Concludes discussion
105	Chair Metsger	Inquires about the market share increase for SAIF and asks for confirmation of numbers of competing business provided in earlier testimony.
115	Ario	Responds and elaborates.
125	Chair Metsger	Inquires about the ORS stature of withholding information.
130	Ario	Answers.
140	Chair Metsger	Inquires about permanent disability claims (PDD) and asks why the trend in decreases PDD's.
170	Ario	Answers.
180	Chair Metsger	Inquires about workers benefits, and what SAIF's denial rate is over a five year period.
200	Ario	Comments and offers to provide an answer at a later date.
215	Vice Chair B. Starr	Asks if SAIF pricing strategy information available to DCBS.
225	Ario	Responds.
240	Vice Chair B. Starr	Asks if it is legal for SAIF to offer some business lower rates than others.
245	Ario	Comments and elaborates.
255	Vice Chair B. Starr	Asks for definition of less than zero or lower than cost.
260	Ario	Answers.
275	Sen. Nelson	Inquires about policy holders claims handling.
285	Ario	Offers to provide statistics to committee members.
300	Sen. Nelson	Inquires about the ratio of policy holders in Oregon and if SAIF has more than their fair share.
310	Ario	Responds that he believes SAIF has approximately 38% of the market.
335	Chair Metsger	Closes the informational hearing and adjourns the committee at 9:47 a.m.

EXHIBIT SUMMARY

A – Informational, written testimony, Bill Conerly, 43 pp

B – Informational, written testimony, Nancy Young, 1 p

C – Informational, written testimony, Joel Ario, 2 pp