

SENATE COMMITTEE ON
TRANSPORTATION AND ECONOMIC DEVELOPMENT

March 26, 2003
8:00 AM

Hearing Room C
Tapes 69-72

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

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

MEASURE/ISSUES HEARD: Informational Hearing – Invited Testimony – SAIF Corporation

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 69, A		
002	Chair Metsger	Calls the committee to order at 8:04 a.m. and opens an informational hearing.
<u>INFORMATIONAL HEARING</u>		
005	Charlie Cheek	Legislative Counsel. Asks about the role SAIF has played in the recent past to maintain the comparatively lower rates in Oregon's compensation market.
015	Joel Ario	Insurance Administrator, Department of Consumer Business Services (DCBS). Provides detailed information on pure premium's and the carrier's low cost multipliers.
110	Cheek	Asks for comment on the testimony by SAIF's executive director that 'Oregon's Workers Comp market was one of the most regulated markets in the country'.
115	Ario	Provides an opinion. Defers the question to John Shilts.
120	John Shilts	Administrator, Workers Compensation Division (DCBS). States that DCBS has a large regulatory presence in Oregon.
135	Cheek	Asks what Oregon does differently than other states which might be account for such a large presence.
140	Shilts	States that there are three major areas Oregon does differently: <ul style="list-style-type: none">• Workers Benefit Fund• Large Administrative Dispute resolution• Return to Work programs
180	Cheek	Asks what the insurance division feels about the idea of the mutualization of SAIF and what will have to be accomplished to do this.
190	Shilts	States that it would take a long period of time and work to accomplish.
205	Ario	Comments on the key issue would be what would happen to the

		current surplus of SAIF should the decision be to mutualize SAIF.
218	John DiLorenzo	Attorney, Davis Wright Tremaine, LLP. Testifies on behalf of Oregonians for Sound Economic Policy, Inc (OSEP). Reads written testimony (EXHIBIT A).
TAPE 70, A		
050	DiLorenzo	Continues testimony.
120	Sen. Deckert	Asks that in terms of SB 469's proposal to split the surplus, how the surplus can be the State's money.
125	DiLorenzo	States that any moneys beyond the actuary belong to the policyholders. States that SB 469 is an attempt to compromise between the state and policyholders.
150	Sen. Deckert	Asks for clarification on SB 469.
155	DiLorenzo	Direction to the AG' to offer a settlement to the class action plaintiff's. States the settlement would first have to be accepted by the courts.
160	Sen. Nelson	Asks for clarification on the profitability status of OSEP.
165	DiLorenzo	States that the corporation is non-profit.
170	Sen. Nelson	Asks if the corporation would be willing to provide articles of appropriation.
173	DiLorenzo	Confirms.
175	Sen. Nelson	Asks who the members of the board are.
180	DiLorenzo	States the membership of the board is available to the public.
185	Sen. Nelson	Asks if members of the Liberty corporation are members of the board.
190	DiLorenzo	States he does not believe so at this time. Offers to provide the information to the committee.
200	Sen. Nelson	Asks if any of the members are lobbyists that have been employed by Liberty or SAIF in the past.
270	Sen. Nelson	States that the public opinion seems to be in favor of SAIF corporation.
280	DiLorenzo	States that he concedes that many of SAIF programs are good, necessary programs for many people.
300	Sen. Nelson	Asks if it is the activities of SAIF are the issue or are the benefits that SAIF has provided to Oregon citizens.
315	DiLorenzo	States the concern is how SAIF is being run.
317	Sen. Nelson	Asks about general funds.
320	DiLorenzo	States many state agencies are not run on general funds.
322	Sen. Nelson	Asks about the statute.
330	DiLorenzo	Responds.
340	Sen. Nelson	Asks about the good things that SAIF has provided.
350	DiLorenzo	States that SAIF has done many good things; however, the good do not necessarily outweigh the bad or counter the bad practices SAIF performs.
390	Sen. Nelson	Asks about the testimony that stated SAIF could not be sued in Federal Court.
400	DiLorenzo	States that SAIF will avail itself of every advantage of being a state agency whenever it can and yet keep open the opportunity to act like a business whenever it wishes.

TAPE 69, B

005	Sen. Deckert	Asks about the political nature of SAIF and the issue being discussed.
020	DiLorenzo	Comments and elaborates.
036	Sen. Deckert	Mentions that SAIF is a unique organization (refers to this as a Hybrid organization) operating under a mission given by the Legislature.
040	DiLorenzo	Responds.
050	Greg Chaimov	Legislative Counsel. Asks which branch of government decides whether SAIF has excess surplus and if so, who receives the excess.
053	DiLorenzo	States that the question has yet to be resolved. States that SAIF would feel that only SAIF could determine whether it had excess surplus, and that there are others who feel it is a legislative determination.
060	Cheek	Asks for clarification that Mr. DiLorenzo believes SAIF is a state agency.
065	DiLorenzo	States that SAIF has declared itself a state agency, and in various court proceedings the court has concluded that SAIF is a state agency.
070	Cheek	Asks if SAIF is a state agency, why any excess surplus would be beyond the authority of the legislature to direct its disposition as provided in ORS 656.634.
075	DiLorenzo	States that it is not the position. States that any surplus post 1982, the state has the right to appropriate the funds.
090	Cheek	Asks for clarification that the legislature should do this on a biennial basis.
	DiLorenzo	States the legislature could do this whenever it deemed it appropriate provided the Governor concurred.
101	Cheek	Asks if the legislature did not do this regularly, the monies could then be returned to the policyholders.
112	Steve Telfer	Oregon Legislative counsel, Alliance of American Insurers. Provides a brief summary of the three panelists to testify.
133	Ann Nelson	Executive Vice President, Employers Insurance Company of Nevada. Begins discussion on the history of Nevada's State Industrial Insurance Funds.
260	Doug Dirks	President and CEO of Employers Insurance Company of Nevada. Begins discussion on the legislative process to privatize the state insurance fund. <ul style="list-style-type: none">• Loss portfolio transfer (Safety net)• Obtain a private letter ruling (no tax liability)• Qualifying examination• Form a new mutual insurance company
350	Dirks	Continues discussion on the formation of the company <ul style="list-style-type: none">• Transfer the liabilities and funds• Current company practices• History of company premium rates• History of Nevada's market place

TAPE 70, B

055	Dirks	Concludes testimony.
060	Mark Hogle	Executive Vice President and COO, Accident Fund Companies of Michigan. Begins discussion on Michigan's accident fund. <ul style="list-style-type: none">• History of Michigan's state accident fund• Process of due diligence• Results of privatization• Maintaining policy holders• Board Members• Michigan's rainy day fund
200	Sen. Nelson	Asks about the 2 billion unfunded liabilities in Nevada whereas Oregon has a 500 million dollar surplus. Asks the difference between Nevada and Oregon as most Oregonians are happy with SAIF corporation.
210	Dirks	Responds on the history of the revamped insurance company in Nevada.
240	Hogle	States that in Michigan there was a large surplus at the time of the sale, and the customers were happy, but unaware of the actual lack of dollars available.
250	Sen. Nelson	Asks what the Michigan premium cost ranking is.
252	Hogle	States right in the middle.
255	Sen. Nelson	States Oregon is ranked at 35 th in lowest premium as opposed to ranking 5 th a short time ago.
260	Hogle	States that the ranking is pure premium, which is based on dividing premium by losses. Comments a doubt that any group of experts would testify having state fund contributed to that. States other dynamics caused decrease in rates across the United States.
280	Sen. Nelson	Asks for the population of Michigan.
285	Hogle	Offers to provide this information to the members following the hearing.
290	Sen. Deckert	Asks for clarification on the testimony.
292	Hogle	Continues
310	Sen. Deckert	Asks what are the chief criticisms in the last five years of the new systems in Michigan and Nevada.
330	Hogle	Responds.
380	Dirks	States from the Nevada standpoint, there was some dislocation.
405	Ann Nelson	Comments on the current Nevada legislature.

TAPE 71, A

010	Sen. Deckert	Asks what the rationale Michigan courts used to determine their fund was a state agency.
020	Hogle	Offers to provide the information from Michigan state to the committee.
025	Vice Chair B. Starr	Asks about Oregon's current competition market and how privatization would affect policyholders and rates in Oregon.
035	Hogle	Responds and elaborates.
080	Dirks	Comments on Nevada's policy on branching out in jurisdictions.

092	Vice Chair B. Starr	Comments on both Michigan and Nevada's executive push into privatization.
102	Hogle	Responds.
122	Cheek	Asks if there is an assigned risk pool in Nevada.
125	Dirks	States yes.
130	Cheek	Is it a voluntary
135	Dirks	States there are two carriers.
140	Chair Metsger	Asks for comment on telephone conversations from Michigan leaders regarding the changes resulting from Michigan's privatization.
160	Hogle	Comments on testimony.
170	Chair Metsger	Closes the informational hearing and adjourns the committee at 10:05 a.m.

EXHIBIT SUMMARY

A – Informational, written testimony, John DiLorenzo, 56 pp