

HOUSE COMMITTEE ON
COMMERCE SUB-COMMITTEE ON BUSINESS

Hearing Room
Tapes 1-2

MEMBERS PRESENT:
REP. LYNN LUNDQUIST, Chair
REP. TONY FEDERICI, Vice-Chair
REP. LARRY WELLS
REP. LYNN SNODGRASS

MEMBER EXCUSED:

STAFF PRESENT:
DANIEL JARMAN, Committee Administrator
JODIE HALL, Committee Assistant

MEASURES HEARD: Informational Meeting:
 Overview of the Department of Consumer and Business Services
 Kerry Barnett, Director

(DC

Brief Overview of the National Association of Insurance Commissioners
Standards (NAIC)
 Mary Alice Bjork, Director of the Insurance Div., DCBS
 Terry J Meagher, Chief Examiner, Insurance Div., DCBS
 Lewis Littlehales, Program Executive, Insurance Div., DCBS

Public Hearing:
HB 2033

These minutes contain materials which paraphrase and/or summarize
statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings,
please refer to the tapes.

TAPE 1,A

003 CHAIR LUNDQUIST: Calls meeting to order at 1:30 PM.
 - Reviews his expectations of the Committee.

035 KERRY BARNETT, Director, Department of Consumer and Business Services:

Introduces Exhibit A.

060 BARNETT: In response to Representative Federicic, waiting to receive
notice on a nominee for the open position with the Building Codes Division.

 -the position with the Office of Minority Women and Emerging Small
Businesses is appointed by the Governor, a part of the Governor's staff.
 -reviews final three pages of packet indicating benchmarks DCBS focuses on.
 - DCBS 1995 Legislative Agenda, 4 Sections: Consumer Protection, Worker
Health and Safety, Government Reform and Regulatory Relief, and Technical
and Other Minor Revisions.
124 -reviews Exhibit A: Organization Chart, comprised of nine divisions.
Been in this format for eighteen months. Reviews four benefits of this
format.
 -DCBS has three primary customers; consumers, workers and businesses.
 -as a regulatory agency, two fundamental goals. 1. to protect consumers
and workers and 2. to allow businesses to compete and prosper with the
least government intrusion. Reflects Mission Statement.
 -reviews nine goals of DCBS.
191 -overview of DCBS budget and funding sources. NOT funded by General fund
dollars. NO fee increases contained in proposed budget.
 -Governor's recommended operating budget for DCBS \$134 million, 1106 staff

positions. Slight budget increase mostly in two areas; 1. a computer
project, 2. building codes division.

 -description of DCBS reserves.
 -description of operating budget.
250 -in response to Representative Federicic: Reserves are not part of the
operating budget. And DCBS and the Bureau of Labor and Industry are two
separate divisions.
 - in response to Representative Wells: Yes, Rocky King still administers
the Small Employer Insurance Plan. He has two positions, one in DCBS the
other outside DCBS.

338 REP. FEDERICI: Incident rate of occupational injury of as much as 11
workers per 100?

345 BARNETT: Yes. Includes all claims throughout the year. Most claims
relatively minor. Seen a decrease in major claims. Fatalities decreased
approximately 30%. Success based on work OSEA has done. One of strongest
OSEA in the country.

370 -description of three responsibilities of OSEA.
-Mary Alice Bjork will describe in more detail the insurance division.
400 -describes three key issues related to insurance: 24 hour coverage,
health Insurance reform and premium tax litigation.
447 -continues with description of three key issues related to insurance.
480 -description of Building Codes Division. Briefly reviews SB 35.
544 -description of four major roles of the Finance and Corporate Securities
Division.
-brief description of the investor protection program.
-brief description of three pieces of legislation that may come before the
committee; SB 41, SB 42 and SB 43.
605 -other major area DCBS involved in is workers compensation. (End of
presentation.)

TAPE 2, SIDE A

025 BARNETT: In response to Representative Federici: the Building Codes
Division and the Construction Contractors Board are separate but equal and
work together on a variety of issues. --the State Accident and Industrial
Fund (SAIF) is regulated the same as most other compensation carriers.

064 MARY ALICE BJORK, Director of the Insurance Division, Department of
Consumer and Business Services: Introduction of Exhibit B, overview of
National Association of Insurance Commissioners (NAIC).
-overview of Financial Accreditation Program. Pertinent to HB 2033.

108 OPENS PUBLIC HEARING ON HB 2033.

WITNESSES:

Mary Alice Bjork, Administrator Insurance Division, DCBS
Lewis Littlehales, Program Executive, Insurance Division, DCBS
Terry Meagher, Chief Examiner, Insurance Division, DCBS
Gail Ryder, Oregon Newspapers
Al Thompson, Standard Insurance Company
Bruce Bishop, Kaiser Permanente
Cindy Ziel, PACC Health Plans
Brian Boe, National Association of Independent Insurers
Keith Burns, American Council of Life Insurers

110 MARY ALICE BJORK, Administrator Insurance Division, Department of
Consumer and Business Services: Introductions of Lewis Littlehales and Terry

Meagher. Begins review of Exhibit B: Accreditation Program.
-three elements to the program: 1. Laws and Regulations. 2. Regulatory
Practice and procedure. 3. Organizational and Personnel Practices.
-reviews importance of accreditation for the state.

180 -HB 2033 strengthens standards for regulation. Updates and maintains
accreditation by adding additional parts to statutes giving DCBS the
authority to regulate within Oregon.
188 -met with the Insurance Industry in October and with American Council of

Life Insurers in November to discuss HB 2033. Made some changes as a
result of this meeting.
- in response to Representative Wells: Yes there is one Amendment.
(Exhibit F)

215 LEWIS LITTLEHALES, Program Executive, Insurance Division, Department of
Consumer and Business Services: Reviews section by section summary of HB
2033, Exhibit C.
- referring to Exhibit C, clarifies Section 1 for Representative Wells.

266 Committee Discussion to clarify Section 1.

270 LITTLEHALES Continues with Exhibit C, Section 3, 4, 5, 5a.

TAPE 1, SIDE B

023 LITTLEHALES: Continues with Exhibit C, Section 5a, 6, 7, 7, 9, 10.

052 REP. WELLS: How does the insurance industry feel about this bill?

055 BJORK: We worked with the insurance industry, unaware of opposition as
of Friday.

081 CHAIR LUNDQUIST: Proceeds with duration of hearing. Introduction of
Gail Ryder. May want to bring DCBS back to clarify any questions.

086 GAIL RYDER Oregon Newspapers: Reviews questions she has concerning HB
2033 as it relates to the confidentiality of public records.
-introduces Exhibit D, reviews reasons for testifying on HB 2033.
-three questions directed to DCBS stated at the end of Exhibit D.

125 AL THOMPSON, Standard Insurance Company: SUPPORT HB 2033.

133 BRUCE BISHOP, Kaiser Permanente: Has concerns about HB 2033. Refers to

ORS Chapter 750.
-referring to Section 9 of HB 2033. Line 11, Section 3. Asks Committee to

look carefully at the specific language to understand what authority HB
2033 would grant DCBS.

189 -concerned about Section 3, Line 23, referring to requirements of
agencies on HMO's and Health Care Service Contractors.
-concerns are 1. Applicability of provisions to HMO's and Health Care
Service Contractors 2. broad range of authority granted where more
legislative guidance might be appropriate.

197 REP. WELLS: You don't have any concerns with Section 1?

208 BISHOP: Yes, that is correct. Concerned with amendments in Section 9 that apply Section 3 to HMO's and Health Care Service Contractors.

216 REP. SNODGRASS: Did you take this concern to the agency?

223 BISHOP: In October we raised a question concerning Section 9 and DCBS took their position. Here to express concerns about HB 2033.

225 CHAIR LUNDQUIST: Do you have any specifics you would recommend?

235 BISHOP: Concerned about the ability for an agency to create their own guidelines and would like more legislative guidelines.

230 CHAIR LUNDQUIST: We need the industry to keep us aware of their concerns.

234 REP. WELLS: Concerned with Section 3? Concerned with confidentiality issues?

246 BISHOP: No, not with the concerns you have stated. We are concerned that this may authorize requirements by rule that are in addition to the authorities the department has under current law.

267 CINDY ZIEL, Martin Assoc., representing PACC Health Plans: Presents Exhibit E. Has the same objections Kaiser Permanente has.
 -has a problem with the discrepancy between Section 1 and Section 9.
 -because of the reference in Section 9, we are being required to file forms previously not filed.

307 -has no problem with disclosure if Section 9 is deleted. Has a proposed amendment. Refer to Exhibit F, Page 3.

312 BRYAN BOE, National Association of Independent Insurers: SUPPORT HB 2033. Sees state regulation as important to his agency.

330 KEITH BURNS, American Council of Life Insurance (ACLI): SUPPORT HB 2033.

339 CHAIR LUNDQUIST: Invites DCBS to comment on the testimony presented.

346 BJORK: DCBS response to public testimony. HMO's concerns not new to DCBS. Wants Littlehales to comment on testimony made by PACC.

361 LITTLEHALES: Applied HB 2033 to Health Care Service Contractors because it is good regulation, giving DCBS a chance to look ahead at possible transactions that might get a company in trouble.

381 BJORK: Don't intend to adopt rules that conflict with model rules.

396 LITTLEHALES: Referring to statement of BISHOP, ORS 731.058 does apply to Health Care Service Contractors.
 -clarifies definition of material acquisition on request of Representative Snodgrass.

423 REP. SNODGRASS: DCBS will review whether HMO's must report something in the future?

426 LITTLEHALES: These are reports, to give us early warnings.

538 MEAGHER: This will give the insurance commissioner the authority to discuss with companies, who he believes are getting into speculative or hazardous investments and could face insolvency. HB 2033 will only require disclosure of such plans for investments for review. Referring to ORS 731.385.

449 LITTLEHALES: Reads chapter 731.385.
 -responds to Representative Wells inquiry concerning applications of HB 2033 to HMO's and Health Care Service Contractors.

TAPE 2, SIDE B

041 MEAGHER: Describes differences between insurance companies and HMO's/Health Care Service Organizations.

067 LITTLEHALES: Draws distinction between insurers and Health Care Service Contractors.

085 CHAIR LUNDQUIST: Will be attempting to limit the meeting time to 2 hours.

100 BJORK: Clarifies questions of Gail Ryder, Exhibit D. on confidentiality. Question Number 1.

119 MEAGHER: Adds additional response to question 1.

126 BJORK: Replies to question 2.

138 MEAGHER: Replies to question 3.

156 REP. WELLS: Sees a difference between HMO's and Insurance Companies.

166 BJORK: Agrees with Rep. Wells yet adds comments.

174 MEAGHER: Adds to comments using an example of a company that went insolvent in 1989.

CLOSING OF PUBLIC HEARING ON HB 2033

185 CHAIR LUNDQUIST ADJOURNS MEETING AT 3:37 PM.

Submitted by, Reviewed by,

JODIE HALL DANIEL JARMAN
Committee Assistant Committee Administrator

EXHIBIT SUMMARY:

A - Department of Consumer and Business Services - Kerry Barnett - 5 pages

B - National Association of Insurance Commissioners - Mary Alice Bjork - 8
pages

C - Accreditation Bill, HB 2033, Summary of Sections - Mary Alice Bjork - 1
page

D - Oregon Newspapers: Testimony on HB 2033 - Gail Ryder - 1 page

E - PACC Health Plans - Cindy Ziel - 6 pages

F - Amendments to HB 2033 - Staff - 2 pages