

HOUSE COMMITTEE ON
COMMERCE SUB-COMMITTEE ON BUSINESS

Hearing Room
Tapes - 7

MEMBERS PRESENT:

REP. LYNN LUNDQUIST, Chair
REP. TONY FEDERICI, Vice-Chair
REP. ELDON JOHNSON
REP. LYNN SNODGRASS
REP. LARRY WELLS

MEMBER EXCUSED:

STAFF PRESENT:

DANIEL JARMAN, Committee Administrator
JODIE HALL, Committee Assistant

MEASURES HEARD:

WORK SESSION:

HB 2034
HB 2035

PUBLIC HEARING:

HB 2218

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 , A

000 CHAIR LUNDQUIST OPENS MEETING AT 1:30 PM.

004 Opens WORK SESSION on HB 2034

WITNESSES:

Lewis Littlehales, Program Executive, Insurance Division, Department of Consumer and Business Services (DCBS)
Charles Nicoloff, Deputy Administrator, Insurance Division, DCBS

025 REP. WELLS: Raises questions concerning Section 15.

038 LEWIS LITTLEHALES, Program Executive, Insurance Division, Department of Consumer and Business Services: Effective date is 90 days at the end of session. Section 15 allows DCBS to put the administrative aspects into place before the operative date so that DCBS can be "off and running" as of

March 1.

058 -in response to Rep. Wells concerning Section 4: authorizes the director to request biographical information as the director sees necessary.

070 CHAIR LUNDQUIST: Inquires to Rep. Wells to see if his questions have been answered.

089 REP. WELLS: Still has questions concerning Section 2, Line 2.

091 CHARLES NICOLOFF, Deputy Administrator, Insurance Division, Department of Consumer and Business Services: Attempts to answer the concerns of Rep.

Wells.

110 MOTION: REP. FEDERICI: Moves to send HB 2034 AS AMENDED to the full Commerce Committee.

115 VOTE: In a roll call vote, all members present vote AYE.

118 CHAIR LUNDQUIST: Assigns REP. FEDERICI to carry HB 2034 as amended to the full Committee on Commerce.

125 Closes WORK SESSION on HB 2034.

128 Opens WORK SESSION on HB 2035.

WITNESSES:

Lewis Littlehales, Program Executive, Insurance Division, Department of Consumer and Business Services (DCBS)
Charles Nicoloff, Deputy Administrator, Insurance Division, DCBS
Tom Erwin, Oregon Insurance Consumer Advocate, DCBS
Keith Burns, American Council of Life Insurance
John Mangan, Standard Insurance Company
Mary Alice Bjork, Administrator, Insurance Division, DCBS

162 CHAIR LUNDQUIST: Define life threatening or catastrophic making reference to a time period.

206 LEWIS LITTLEHALES, Program Executive, Insurance Division, Department of Consumer and Business Services: Payments might be made when a persons life

expectancy may not be limited. This is different than accelerated life benefits. May be necessary to define catastrophic and life threatening by rule.

248 -continues dialogue with Chair Lundquist.

256 CHAIR LUNDQUIST: Feels it is open ended.

264 REP. WELLS: Believes this activity with or without licenses. Issue is trying to protect the consumer from unscrupulous people who may take advantage of the policy holder. Poses two questions. Why do people sell their policy? Can people borrow against their life insurance policy?

295 CHARLES NICOLOFF, Deputy Administrator, Insurance Division, Department of Consumer and Business Services: Answers Rep. Wells questions.

318 REP. WELLS: Activity is currently happening. Does the committee want to begin regulating these actions? Where does the \$400 license fee come from?

330 NICOLOFF: Is not sure where the amount came from, gives a point of

reference.

351 LITTLEHALES: \$400 necessary to defray costs of investigation.
Describes definition of an intermediary (connects policy holder with the
provider).

-in response to Rep. Wells, one person can be a provider once a year, refer
to Section 3, subsection C, line 4.

400 REP. SNODGRASS: Could current insurers offer accelerated benefits now?
Even if we don't have this legislation, the current insurers could change
policies to accelerated benefits now, correct?

443 NICOLOFF: Yes, but this bill is to take care of existing policies we
cannot modify today.

452 LITTLEHALES: This deals with an ongoing need not just a one time
specific need.

- in response to Rep. Snodgrass, if a person is transacting insurance, it
would have to be an insurance company doing it, there is no one now who is
offering this service legally.

TAPE 6, SIDE A

052 LITTLEHALES: In response to Chair Lundquist: DCBS has had requests for
viatical settlements.

056 REP. SNODGRASS: Sees business as already capable of doing this service.

Sees HB 2035 as expanding government because we are asking DCBS to
regulate.

066 TOM ERWIN, Oregon Insurance Consumer Advocate, Department of Consumer
and Business Services: Approximately 70% insurance companies can offer
accelerated benefits. Currently it is illegal for others to enter the
market to buy life insurance policies. Has had inquiries concerning
offering this product, trying to offer a new product without fraud.

097 CHAIR LUNDQUIST: This is talking about doing something financially
while facing death. Wants to be sure the committee members understand what
they are doing. Could you read the schedule for the discount rate?

114 LEWIS LITTLEHALES: If less than 6 months = 80%, 6 to less than 12 =
70%, 12 to less than 18 months = 65%, 18 to less than 24 = 60%, and 24 or
more = 50%.

130 CHAIR LUNDQUIST: A lot of risk for the person making the loan or the
money to settle. Wants to get an idea of what the financial impact for the
person doing it.

140 REP. WELLS: What in the past has made this illegal? What has kept
individuals not in the insurance industry from doing this?

144 MANGEN: Relatively new practice.

150 REP. WELLS: Discusses his understanding of what can happen now.

171 CHAIR LUNDQUIST: As the bill is written now doctors can participate?
Physicians are not mentioned in the bill.

176 LITTLEHALES: Efforts in model act to try to create a distance between

doctors and policy holder. Prohibition in draft of the model rule from allowing a provider or intermediary from paying a finders fee or other compensation to the policy holder's attorney or financial adviser.

Amounts are recommended, you don't have to buy the entire package. (Referring to model regulations which are not part of the bill.)

211 REP. WELLS: Directed to the Consumer Advocate, Tom Erwin: Do you feel this is a necessary bill?

213 ERWIN: Yes, will not create a tremendous demand, but there are enough consumers who would like to use this service. It will not create a huge area of new regulation. It is a good consumer minded bill.

230 REP. WELLS: Must the policy holder be facing death within a specific time frame?

234 LUNDQUIST: Calls for life threatening or catastrophic. Page 1, line 15.

241 CHAIR LUNDQUIST: Time is unknown.
-directs question to Tom Erwin, is the HIV population the driving force behind this legislation?

265 ERWIN: Yes, the HIV population nationally is the driving force. Policy holder must be of a sound mind.

305 -in response to Rep. Federici, this is most likely to be used for hospice care. Hospice care providers must also comply with qualifications to become a viatical settlement provider.

356 -reads from Section 5 discussing provisions to enter the business.

364 REP. FEDERICI: What is the business for which the license is provided? A bank, an insurance agent?

386 LITTLEHALES: Must make sure the person is qualified to be a provider.

406 REP. FEDERICI: What are the qualifications to be a provider? Is this settlement provided in cash or is it provided in non-tangible funds.

438 LITTLEHALES: Must be paid in a lump sum. Must be a cash sum. Payments could be made increments if it is an annuity from an insurer.

TAPE 5, SIDE B

005 CHAIR LUNDQUIST: Voices his concerns over HB 2035.

026 KEITH BURNS, American Council of Life Insurance: Briefs committee on American Council of Life Insurance. This bill is to protect the consumer from fraudulent cases.

083 JOHN MANGAN, Standard Insurance Company: 1991 Standard supported initial labeling legislation offering accelerated death benefits. Have had requests from people in Oregon to pay hospital bills, hospice care, and other applications as necessary.

107 -is a market for viatical settlement provision as this bill provides. Regulates standard amount for all insurance agencies.

-if one half is taken now, the other half will go to the beneficiaries.
-in response to Chair Lundquist, does happen very often that a person invokes accelerated benefits.

143 -to answer Chair Lundquist: what determines if a person can receive these accelerated death benefits? Statutes very clear for accelerated benefits, physicians must certify the person has 12 months or less to live.

Under this bill, catastrophic and life threatening less predictable.
169 -in response to Rep. Wells: there is a provision that if a person
invokes the benefit early, there is a one time charge.
193 -in response to Rep. Wells: a loan may be used for collateral, defined
as a collateral assignment.
219 -in response to Rep. Snodgrass, would you suggest a sunset? Would
suggest tracking the number of transactions, who it is benefiting.
238 -in response to additional concerns of Rep. Snodgrass concerning
provisions to protect from fraudulent activity: life insurance companies
are sufficiently regulated, additional response from Mary Alice Bjork.

266 MARY ALICE BJORK, Administrator, Department of Consumer and Business
Services: There is a part of the legislation required to give DCBS and
idea of what is going on. In the regulations; doctors, attorneys, and
those who have access to information cannot receive finders' fees for those

who have access to this money.

317 -at the discretion of DCBS to license viatical settlements. The members
of the proposed company must give DCBS a business plan.

327 REP. FEDERICI: Section 5 answers that question.

354 BURNS: Abuses are always possible. Better than what we have now.

397 CHAIR LUNDQUIST: Directed to John: Are accelerated death benefits
adequate for consumers? Does it not go far enough, or must we go further?

405 MANGAN: Is dependent on the policy and the amount of their expenses.

TAPE 6, SIDE B

005 MANGAN: Continues answering Chair Lundquist's inquiry.

TAPE 7, SIDE A

005 MANGAN: Would look at ways to improve the benefit to meet the needs of
our policy holders.

007 BJORK: In response to Rep. Federici: have had inquiries in the last 4
years. Word has gotten out that this is illegal.

018 CLOSSES WORK SESSION ON HB 2035

022 OPEN PUBLIC HEARING ON HB 2218

WITNESSES:

Tom Wrosch, Secretary of State Corporate Division
Morella Larsen, Commissioner, Real Estate Agency
Stan F. Mayfield, Manager, Special Programs, Real Estate Agency

033 TOM WROSCH, Secretary of State Corporate Division: Introduction of HB
2218 utilizing Exhibit A.

069 -amends 1989 Condominium Act.
-answers inquiries of Rep. Wells.

073 REP WELLS: How do you enforce the law?

082 ERWIN: In response to Rep. Federici, aware and fine with Agency
amendments. Intend to have a smooth transfer of this program.

091 MORELLA LARSEN, Commissioner, Real Estate Agency: Brief description of
Real Estate Agency. Regulatory consumer protection agency. Prepared to

accept responsibility for this legislation.

115 STAN F. MAYFIELD, Manager, Special Programs, Real Estate Agency: Adds
to Larson's description. Refers to Exhibit B.
-Sections 2, 3, and 15 meant to broaden the scope of the 1989 legislation.

Is a necessary amendment that will correct an oversight of the Agency and
the Corporate Division.

182 -continues with description. On average 15-20 condominium's unit owners'
associations update their files.

192 -in response to Rep. Snodgrass's inquiry concerning page 11, Section
13, bold print: this says if you are going to force a lien in court, you
must do a filing with the Real Estate Agency.

215 -in response to Rep. Wells: history of this legislation is given. The
only thing that will change will probably increase the number of filings,
it will not change the filing requirements for new condominiums.

255 CHAIR LUNDQUIST: Who uses these filings?

265 MAYFIELD: Provides a place for people to find information on
condominium associations so if you have a problem, you have someone to
contact.

285 CLOSING PUBLIC HEARING ON HB 2218

290 ADJOURNS THE MEETING AT 3:20.

Submitted by, Reviewed by,

JODIE HALL DANIEL JARMAN
Committee Assistant Committee Administrator

EXHIBIT SUMMARY:

A - TESTIMONY, HB 2218 - Tom Wrosch - 4 pages

B - AMENDMENT TO HB 2218 - Stan Mayfield, Manager, Special Programs, Real
Estate Agency - 2 Pages