

SENATE COMMITTEE ON BUSINESS, HOUSING AND CONSUMER AFFAIRS

June 7, 1993 Hearing Room 343 3:00 p.m. Tapes 86 - 87

MEMBERS PRESENT: Sen. Bill Dwyer, Chair Sen. Bill Kennemer, Vice-Chair
Sen. Brady Adams Sen. Ron Cease Sen. Karsten Rasmussen

MEMBER EXCUSED:

VISITING MEMBER: Rep. Cynthia Wooten

STAFF PRESENT: Cherie Copeland, Committee Administrator Richard
Day-Reynolds, Committee Administrator Willie Tiffany, Committee
Assistant

MEASURES CONSIDERED: Public Hearing and Possible Work Session: HB
2112-A: Abolishes regulatory programs in Insurance

Code governing motorist service clubs. HB 2024: Revises law relating
to business registry

functions of Secretary of State. HB 2119-A: Increases financial
regulation of insurance

industry under Insurance Code. HB 2036: Allows Director of Department of
Insurance and

Finance to combine accounts in Insurance and Finance Fund relating to
certain banks and trust companies. HB 2034-A: Requires state credit
unions to submit name

of person to be employed as president or general manager to Director of
Insurance and Finance for approval.

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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. [--- Unable To Translate
Graphic ---]

TAPE 86, SIDE A

016 CHAIR DWYER: Calls the meeting to order at 3:07 p.m.

(Tape 86, Side A) HB 2024-A REVISES LAW RELATING TO BUSINESS REGISTRY
FUNCTIONS OF SECRETARY OF STATE - PUBLIC HEARING Witnesses: Jan
Sullivan, Secretary of State's Office

027 JAN SULLIVAN, SECRETARY OF STATE'S OFFICE: Testifies in support
of the bill. Reads from written testimony (EXHIBIT A).

(Tape 86, Side A) HB 2024 - REVISES LAW RELATING TO BUSINESS REGISTRY
FUNCTIONS OF SECRETARY OF STATE - WORK SESSION

083 MOTION: SEN. ADAMS moves HB 2024 to the floor with a Do
Pass recommendation.

VOTE: The motion carries 4-0, Sen. Cease excused. Sen. Adams
will carry.

(Tape 86, Side A) HB 2119A - INCREASES FINANCIAL REGULATION OF
INSURANCE INDUSTRY UNDER INSURANCE CODE - PUBLIC HEARING Witnesses:
Rep. Cynthia Wooten, District 41 Gary Weeks, Oregon Department of
Insurance and Finance Mary Alice Bjork, Oregon Department of
Insurance and

Finance Lewis Littlehales, Oregon Department of Insurance and
Finance Tom Bessonette, Oregon Mutual Insurance

108 REPRESENTATIVE CYNTHIA WOOTEN, DISTRICT 41: Testifies in support
of the bill as a representative from the House Committee on Commerce.
Issues

discussed in the House included concern that too much authority was
being given away.

137 SEN. KENNEMER: Asks question about rule-making by ODIF.

143 REP. WOOTEN: The Committee on Commerce was comfortable with
the rule-making provisions. This will advance economic development
in

Oregon.

184 GARY WEEKS, OREGON DEPARTMENT OF INSURANCE AND FINANCE:
Introduces three other people from ODIF. Gives a brief history, and
testifies in

support of the bill. The bill provides ODIF with the tools to gain
accreditation. We worked for the entire interim to get this bill put
together and gain the support of industry. This is our most important
bill before the body this session.

270 MARY ALICE, OREGON DEPARTMENT OF INSURANCE AND FINANCE:
Testifies in support of the bill. This bill is one of several links
in gaining

accreditation.

284 CHARLIE NICHLOF, OREGON DEPARTMENT OF INSURANCE AND FINANCE:
Testifies in support of the bill.

303 LOUIS LITTLEHALES, OREGON DEPARTMENT OF INSURANCE AND FINANCE:
Author of the bill. Gives an overview of the bill.

339 CHAIR DWYER: Why did you decide to go to five year reviews instead of three year reviews? 342 MARY ALICE: It was policy decision. Most states do five year reviews.

361 CHAIR DWYER: Should we do things because other states do them?

364 WEEKS: No.

CHAIR DWYER: What was the cause of the \$70 million failure?

WEEKS: The failure was because the three companies were breaking the law.

CHAIR DWYER: How is an audit every five years going to help that?

WEEKS: It doesn't say will audit every five years. It says we may audit every five years. We can review every three years if we feel we need to.

TAPE 87, SIDE A

014 LITTLEHALES: Continues overview of the bill.

032 SEN. KENNEMER: This increases the amount surplus required by the director.

042 LITTLEHALES: Yes. We do not currently have that authority. Continues overview of the bill.

061 SEN. KENNEMER: Do we lose any authority under acquisitions and mergers?

064 LITTLEHALES: It does not lessen the authority. Continues overview.

096 SEN. KENNEMER: Are differences in compensation rates covered in here?

103 BJORK: We refer to that as "quoting net," and we discourage that.

117 SEN. KENNEMER: How many companies discriminate between agents?

BJORK: I don't know.

124 LITTLEHALES: Continues overview.

204 SEN. ADAMS: On page 63, lines 10-13 why aren't credit unions included?

216 LITTLEHALES: I don't know.

220 WEEKS: There is a cross-reference that includes credit unions.

227 SEN. ADAMS: As policy issue, why would the state not include credit unions?

WEEKS: That may be in existing language that we didn't go over.

253 TOM BESSONETTE, OREGON MUTUAL INSURANCE CO.: Testifies in support of the bill. Reads a letter into the record (EXHIBIT B).

318 SEN. CEASE: Declares a conflict of interest as policy holder of a Oregon Mutual policy.

(Tape 87, Side A) HB 2119 - INCREASES FINANCIAL REGULATION OF INSURANCE INDUSTRY UNDER INSURANCE CODE - WORK SESSION

330 MOTION: SEN. KENNEMER moves to TABLE the bill.

VOTE: The motion carries 3-2. Voting no: Sen. Cease, Sen.

Rasmussen.

(Tape 87, Side A) HB 2112-A - ABOLISHES REGULATORY PROGRAMS IN INSURANCE CODE GOVERNING MOTORIST SERVICE CLUBS - PUBLIC HEARING Witnesses: Mary Alice Bjork, Oregon Department of Insurance and

Finance Lewis Littlehales, Oregon Department of Insurance and

Finance Micheal Holcomb, Premium Finance Company Owner

355 MARY ALICE BJORK, OREGON DEPARTMENT OF INSURANCE AND FINANCE: Testifies in support of the bill.

TAPE 86, SIDE B

018 SEN. CEASE: What's the basic reason for the bill?

021 BJORK: We were directed by the governor to cut programs.

024 SEN. CEASE: Does that mean licensing doesn't have any merit?

026 BJORK: Licensing only told us who they are.

037 SEN. ADAMS: Why are we deleting air ambulance service on page 2?

041 LEWIS LITTLEHALES, OREGON DEPARTMENT OF INSURANCE AND FINANCE: We wanted to conform with last session's legislation.

049 MICHEAL HOLCOMB, PREMIUM FINANCE COMPANY OWNER: Testifies in support of the bill

061 SEN. KENNEMER: Your concerns have been resolved?

063 HOLCOMB: Yes.

(Tape 86, Side B) HB 2112-A - ABOLISHES REGULATORY PROGRAMS IN INSURANCE CODE GOVERNING MOTORIST SERVICE CLUBS - WORK SESSION

MOTION: SEN KENNEMER moves the bill to the floor with Do Pass recommendation.

VOTE: The motion carries 5-0. Sen Kennemer will carry.

(Tape 86, Side B) HB 2036 - ALLOWS DIRECTOR OF DEPARTMENT OF INSURANCE AND FINANCE TO COMBINE ACCOUNTS IN INSURANCE AND FINANCE FUND RELATING TO CERTAIN BANKS AND TRUST COMPANIES - PUBLIC HEARING Witnesses: Cecil Monroe, Department of Insurance and Finance

080 CECIL MONROE, DEPARTMENT OF INSURANCE AND FINANCE: Testifies in support of the bill. Reads from written testimony (EXHIBIT C).

095 SEN. ADAMS: What is ORS 706.540?

098 MONROE: That's the requirement that the department maintain separate accounts for each individual program.

(Tape 86, Side B) HB 2036 - ALLOWS DIRECTOR OF DEPARTMENT OF INSURANCE AND FINANCE TO COMBINE ACCOUNTS IN INSURANCE AND FINANCE FUND RELATING TO CERTAIN BANKS AND TRUST COMPANIES - WORK SESSION

101 SEN. ADAMS: Declares a potential conflict of interest.

MOTION: SEN. ADAMS moves HB 2036 to the floor with a Do Pass recommendation.

VOTE: The motion carries 5-0. Sen Adams will carry.

(Tape 86, Side B) HB 2034-A - REQUIRES STATE CREDIT UNIONS TO SUBMIT NAME OF PERSON TO BE EMPLOYED AS PRESIDENT OR GENERAL MANAGER TO DIRECTOR OF DEPARTMENT OF INSURANCE AND FINANCE FOR APPROVAL - PUBLIC HEARING Witnesses: Cecil Monroe, Oregon Department of Insurance and Finance Steve Rodeman, Credit Union League

122 CECIL MONROE, OREGON DEPARTMENT OF INSURANCE AND FINANCE: Testifies

in support of the bill. Reads from written testimony (EXHIBIT D).

137 SEN. KENNEMER: Is there a similar federal mechanism?

139 MONROE: Yes, but a it's little different for credit unions.

147 SEN. CEASE: What kind of process do you use to determine the competence of a person?

152 MONROE: We would pattern this after how we treat applications to be chief officer of a bank. We also do a variety of checks.

162 CHAIR DWYER: If you were bankrupt in past you wouldn't be allowed to run a credit union?

167 MONROE: If we decline a person there is a due process to challenge the decision.

170 SEN. RASMUSSEN: The statute says "is insolvent".

174 SEN. KENNEMER: Would you have written standards?

178 MONROE: Yes. We haven't used this power once. We should only get involved if there is a significant change.

202 SEN. KENNEMER: What ways can you be of help?

203 MONROE: They will come to us when they are going to make a change and we'll talk about likely candidates.

212 SEN. ADAMS: I've had a problem with this at federal level, but it does level the playing field for the institutions. I'm only a passive supporter of this bill.

230 MONROE: Let me interject something. I've been on the other side and the abuses are far less than the benefits.

249 SEN. KENNEMER: How would these standards differ from those for a bank?

252 MONROE: These would be very similar. There are philosophical differences between banks and credit unions, but the qualifications of

character would be very similar.

269 SEN. CEASE: Are there two statutes here doing the same thing?

278 MONROE: No. One refers to the other.

281 SEN. CEASE: Why does it say "this approval may be issued without any prior administrative hearing"?

295 MONROE: I'm trying to understand that section. It does not obviate the recourse for due process.

308 SEN. CEASE: Would the interim appointment person be eligible to serve as the director?

312 MONROE: Yes.

315 SEN ADAMS: Declares a potential conflict of interest as a president of a financial institution. Do you have the ability to remove someone who

is already president of an institution?

321 MONROE: Yes. 323 SEN. KENNEMER: How discrete are these evaluations?

328 MONROE: Those are appropriate concerns. That hasn't been a problem in our state.

347 CHAIR DWYER: Money managers aren't intelligent enough to decide who is qualified to lead their organization?

352 MONROE: They are, but they don't always have access to all the information.

368 SEN. ADAMS: Do credit unions have to notify you of a change in management?

374 MONROE: No.

393 SEN. ADAMS: You have the power to remove a manager now?

396 : MONROE: Yes.

401 SEN. KENNEMER: I have a hard time with this bill. You are very effective, but what assurance do we have that the next person in your

place will be as effective?

TAPE 87, SIDE B

013 MONROE: That's true. Any time you deal with human beings there is an element of subjectivity.

024 SEN. KENNEMER: A problem occurred in my area with a credit union and it was handled very well by these boards.

031 SEN. CEASE: I was suspicious too, but through your testimony I'm convinced this bill will be used wisely.

043 SEN. KENNEMER: What would happen now if a credit union contacted you for information on a candidate they were considering?

048 MONROE: There is nothing we could do.

050 SEN. KENNEMER: Would you tell them about any information you had?

052 MONROE: Yes, we have shared information.

064 SEN. KENNEMER: So you can provide information legally?

065 MONROE: I probably can't.

067 SEN. RASMUSSEN: That's the same line of questioning I was going for. It doesn't seem to me that this impacts the situation you're trying to

achieve.

076 MONROE: The value to this legislation is that it forces the credit unions to check in. 083 CHAIR DWYER: If that's the point to this bill, then it's history. Even if I appeal your decision and win I still won't have any chances of

getting the job.

095 MONROE: I have fall back on the long history of this legislation on the bank side and that just simply hasn't been a problem.

101 SEN. KENNEMER: What information would the potential applicant have access to?

105 MONROE: Normal background checks, employment history and credit checks.

130 SEN. KENNEMER: What information does the applicant have?

139 CHAIR DWYER: The bill says none.

143 MONROE: I understand what you are saying, but it's not a very big event. We have too much on the plate to fiddle around with trying to do somebody in.

160 CHAIR DWYER: The executive department has had plenty of time to fool around.

166 STEVE RODEMAN, CREDIT UNION LEAGUE: Testifies in support of the bill. Reads from written testimony (EXHIBIT E).

177 SEN. CEASE: On balance, you're saying the bill has some merit?

180 RODEMAN: Yes, that's right.

186 CHAIR DWYER: Adjourns the committee at 4:22 pm

Submitted by:

Reviewed by:

Willie Tiffany
Administrator

Richard Day-Reynolds Assistant

EXHIBIT LOG:

A - Testimony on HB 2024 - Janet Sullivan - 6 pages B - Testimony on HB 2119 - Tom Bessonette - 3 pages C - Testimony on HB 2036 - Cecil Monroe - 1 page D - Testimony on HB 2034 - Cecil Monroe - 1 page E - Testimony on HB 2034 - Steve Rodeman - 1 page