

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.

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

June 3, 1991  
A.M.

Hearing Room F 8:00  
Tapes 88 - 89

MEMBERS PRESENT: Rep. John Schoon, Chair Rep. Hedy L. Rijken,  
Vice-Chair Rep. Jerry Barnes Rep. Lisa Naito Rep. Carolyn Oakley Rep.  
Beverly Stein Rep. Greg Walden

STAFF PRESENT: Terry Connolly, Committee Administrator Annetta  
Mullins, Committee Assistant

MEASURES CONSIDERED: SB 874 PH SB 948 WS SB 1187 WS SB  
666 PH & WS SB 382 PH & WS SB 429 WS SB 634 PH & WS SB 863 PH & WS SB  
373 PH & WS HB 3582 PH

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TAPE 88, SIDE A

010 CHAIR SCHOON calls the meeting to order at 8:10 a.m. and opens the public hearing on SB 874 A-Eng.

(See also Tape 88, Side B at 220) SB 874 A-ENG. - ALLOWS DIRECTOR OF DEPARTMENT OF INSURANCE AND FINANCE TO PROMULGATE RULES TO ESTABLISH HAZARDOUS PAINTING CERTIFICATE PROGRAMS FOR PAINTING ACTIVITIES OTHER THAN PAINTING OF SINGLE-FAMILY OR MULTIPLE-FAMILY RESIDENCES.  
Witness: Sen. Glenn Otto

The Senate Staff Measure Summary, Legislative Fiscal Analysis and Revenue Impact Analysis are hereby made a part of these minutes (EXHIBIT A).

018 SEN. GLENN OTTO: I introduced SB 874 A-Eng. at the request of the painting industry. I have worked on commercial and industrial jobs and know what can happen with the paint fumes. People don't consider painting a hazardous occupation, but it is. The people who work on those painting jobs need proper supervision, training in the application of what they are doing. This bill addresses that problem.

029 CHAIR SCHOON closes the public hearing on SB 874 A-Eng. and opens the work session on SB 948.

(Tape 88, Side A) SB 948 - EXTENDS TIME FOR SECURED PARTY TO PERFECT PURCHASE MONEY SECURITY INTEREST TO PROTECT RIGHTS AGAINST TRANSFEREE IN BULK, LIEN CREDITOR OR CONFLICTING SECURITY INTEREST. Witnesses: Frank Brawner, Oregon Bankers Association Keith Burns

037 TERRY CONNOLLY, Administrator, reviews provisions of the bill.

045 REP. BARNES: Quite a few states have gone to 20 days. In terms of consistency, we should consider that.

052 REP. STEIN: i have a letter from the Oregon State Bar that there may be a problem with extending this because if you have the 20 days and fail to file between 10 and 20 days, you may be precluded from using your remedies in bankruptcy court.

068 FRANK BRAWNER, Oregon Bankers Association: I think the compelling reason to change is that 30 some state have changed to 20 days. With regard to the window between 10 and 20 days in bankruptcy court, it only applies if you file bankruptcy within the first 90 days of the obligation. A court in Atlanta has ruled that state law prevails and we are hoping that federal legislation will be changed. The threat of the loss of security only happens if there is a bankruptcy within the first 90 days of the obligation.

082 KEITH BURNS: The Legislature addressed this twice before making exceptions because they found there isn't sufficient time in 10 days to gather all the necessary paper together to protect the security interest. On farm equipment, for instance, the Legislature extended it to 20 days. For automobiles there is a procedure where, in effect, they have 30 days because a lot of times the title is one place, the property and lender is in another place and the owner is in another place. Ten days doesn't allow enough time to get it done. Thirty one other states have 20 days. Oregon is one of 12 states with 10 days and others have a longer period. The UCC is a uniform state law and this would make it more uniform.

104 MOTION: REP. BARNES moves that SB 948 be sent to the floor with a DO PASS recommendation.

112 VOTE: In a roll call vote, REPS. BARNES, NAITO, OAKLEY, WALDEN and CHAIR SCHOON vote AYE. REP. STEIN votes NO. REP. RIJKEN is EXCUSED. REP. RIJKEN votes AYE under suspension of rules (see Tape 88, Side A at 131 ).

115 CHAIR SCHOON declares the motion PASSED. Chair Schoon will lead discussion on the Floor.

128 MOTION: REP. RIJKEN moves that the rules be suspended to allow her to vote on passage of SB 948.

VOTE: CHAIR SCHOON, hearing no objection to the motion, declares the motion PASSED. All members are present.

131 REP. RIJKEN votes AYE on passage of SB 948.

135 CHAIR SCHOON opens the work session on SB 1187.

(Tape 88, Side A) SB 1187 - ENACTS ARTICLE 4A OF UNIFORM COMMERCIAL CODE RELATING TO FUNDS TRANSFERS.

135 MR. CONNOLLY reviews the provision of the bill.

154 MOTION: REP. STEIN moves that SB 1187 be sent to the Floor with a DO PASS recommendation.

157 VOTE: In a roll call vote, all members are present and vote AYE.

160 CHAIR SCHOON declares the motion PASSED. Rep. Stein will lead discussion on the Floor.

174 CHAIR SCHOON opens the public hearing on SB 666 A-Eng.

(Tape 88, Side A) SB 666 A-ENG. - ALLOWS USE OF IRREVOCABLE LETTERS OF CREDIT IN PLACE OF SURETY BOND IN CERTAIN SITUATIONS.

Witnesses: Frank Brawner, Oregon Bankers Association David Jack, Oregon State Bar, Debtor-Creditor Section Steve Roddeman, Credit Union League

The Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis are hereby made a part of these minutes (EXHIBIT B).

185 FRANK BRAUNER, Oregon Bankers Association, submits and reads a prepared statement in support of SB 666 A-Eng. (EXHIBIT C). He also submits and reviews a list of objections raised to the bill at the initial hearing (EXHIBIT D).

SB 666 A-Eng. is totally permissive. As we met with state agencies we discovered there were some agencies that felt uncomfortable and we have removed them from the list in the Senate amendments. The Court Administrator raised a couple of issues and we responded. As we met with the agencies we also found there were a couple of places that were overlook and they have been added.

The bill goes no further in the statute than the current language for a surety bond. Each agency would write administrative rules governing their acceptance of letters of credit. In order to get an irrevocable letter of credit, you must be credit worthy. It will not work in every case and it will not be less expensive in every case. It is an option that we are proposing.

288 REP. NAITO: Is there a reason that credit unions are not included in the definition of commercial bank?

290 MR. BRAUNER: I do not believe credit unions issue letters of credit.

299 REP. NAITO: I thought letters of credit usually have a time limit on them. How does that come into play when there are longer periods of time or an on-going relationship?

303 MR. BRAUNER: We are issuing today a 15-year letter of credit. There is no magic about the maturity. Most companies that deal with the federal government bidding for timber must post a letter of credit. That is for an extended period of time. The terms and conditions will be prescribed by administrative rule by the respective agency, just as they are for surety bonds. If those terms and conditions are not acceptable to the bank, they will not be issuing a standby loan.

320 REP. NAITO: Could the parties agree that the bank would be liable in case of a bankruptcy. It is my understanding in the case of bankruptcy, the surety bond might cover it.

321 MR. BRAUNER: Bankruptcy does not affect a standby letter of credit. It is a promise to loan if certain circumstances occur.

325 CHAIR SCHOON: Would you explain how the agency can draw on a letter of credit to get away from the idea that the individual might have gone to the bank to borrow the money to take to the agency.

331 MR. BRAUNER: A standby letter of credit is a promise to loan in the event something happens. The negotiation has all occurred. If an agency has a claim on the standby letter of credit, the terms of that standby letter of credit will dictate how they make claim. It can be

made by presentation, through the mail or in a number of different ways. There is no option on the part of the bank or the borrower. It is irrevocable.

350 DAVID JACK, Attorney at Law and representing the Oregon State Bar's Debtor-Creditor Section, submits a letter in opposition to SB 666 A-Eng. (EXHIBIT E). Although we agree with the principle behind the bill, it is our position that it is wrong to provide for a letter of credit in virtually every situation where a surety bond is presently allowed without a comprehensive review of each statute to determine whether a letter of credit is appropriate for the bank and the beneficiaries for whom it is written.

We met with representatives of the Oregon Bankers Association and our committee determined we would attempt to review each of the approximately 119 sections that are addressed by the bill. Eight lawyers from our Legislative Committee reviewed in as much detail as we could, those sections. Although we have not completed that review, we have reviewed three quarters of them and determined that out of the 96 bond or deposit requirements addressed by this bill, the committee agreed that approximately 48 of them would not work with the letter of credit without statutory amendments. I believe five others are not appropriate.

I don't believe most banks would have their counsel review each situation in the statute before issuing a letter of credit at the customer's request. Even if it did, I am not sure the bank has the authority to provide a letter of credit that claims must be prorated. Currently, if a claim is made (against a letter of credit) the bank has essentially no discretion to pay the claim if the claim complies with the letter of credit. It must pay within three days the full amount of the claim up to the limit of the letter of credit. A bond is entirely different as a cash deposit held by the state agency.

If the letter of credit must first be reviewed by the agency or the court and approved, there is still no requirement that the prorating language be included or would be appropriate in view of Article 5. We feel there are too many questions in this bill that must be addressed because the beneficiaries on these bonds and cash deposits will ultimately be harmed.

It is our opinion that administrative rules will not work either in some cases. They are different for each statute. There is no direction in this bill to the particular state agencies that they must issue administrative rules to comply with the current law. Not every statute in this bill has a state agency involved. Some are court bonds, for example.

TAPE 89, SIDE A

020 A second major area of concern for us, deals with claims. Many existing statutes require claims investigations and determination. Banks are not set up for that. Many bonding companies have claims departments set up. If a customer has a defense to the claim, the bank must pay anyway.

040 There are three primary areas of concern to the Debtor-Credit Section has with the bill: multiple claims situations, claims investigations, and in some cases bonds accumulate from year to year. We do not have specific amendments to propose. We felt that was up to the proponent of the bill.

074 STEVE RODDEMAN, Credit Union League: Anyone can issue a letter of credit and credit unions are entitled to issue them. As a matter of course or practice, we don't. Once in a great while we will have a

subcontractor on a state job who needs to have some kind of guarantee. We will have them go to an attorney and draft up a special letter of credit for that transaction, but as a general rule we do not issue them. Nothing says we can't, we just don't.

We have reviewed the bill. It does include us. It has nothing to do with the commission; it is just when they are effective and when they aren't.

102 MOTION: REP. BARNES moves that SB 666 A-Eng. be sent to the Floor with a DO PASS recommendation.

105 VOTE: In a roll call vote, REPS. BARNES, OAKLEY, STEIN, WALDEN and CHAIR SCHOON vote AYE. REPS. NAITO and RIJKEN are EXCUSED. REP. RIJKEN votes AYE under suspension of rules (See Tape 89, Side B at 308). REP. NAITO votes NO under suspension of rules (See Tape 89, Side B at 314).

107 CHAIR SCHOON declares the motion PASSED. Rep. Barnes will lead discussion on the Floor.

119 CHAIR SCHOON opens the public hearing on SB 382 A-Eng.

(Tape 89, Side A) SB 382 A-ENG. - SPECIFIES USE OF LINE OF CREDIT INSTRUMENTS FOR RESIDENTIAL

OR COMMERCIAL PURPOSES. Witness: Steven Stadum, attorney and Real Estate and Land Use Section of the Oregon State Bar

The Senate Staff Measure Summary, Legislative Impact Assessment and Revenue Impact Analysis are hereby made a part of these minutes (EXHIBIT F).

138 STEVEN D. STADUM, attorney and member of the Legislative Committee of the Real Estate and Land Use Section of the Oregon State Bar, submits and reviews a legislative summary in support of SB 382 A-Eng. (EXHIBIT G).

190 Issues discussed: >Priority of subsequent borrowing. >Relation of increased amount of line of credit to filing of original lien. >Priority of liens. >Whether bill contains language to show the court that the lender made advances to protect their interest.

251 REP. NAITO: I think this is a very good bill and will help clear up some of the problems.

270 REP. BARNES: I think this is a good bill but I think we will have to make adjustments next session.

274 MOTION: REP. NAITO moves that SB 382 A-Eng. be sent to the Floor with a DO PASS recommendation.

VOTE: In a roll call vote, all members present vote AYE. REP. WALDEN is EXCUSED. REP. WALDEN votes AYE under suspension of rules (See Tape 89, Side B at 328).

280 CHAIR SCHOON declares the motion PASSED. Rep. Naito will lead discussion on the Floor.

270 CHAIR SCHOON opens the work session on SB 429 A-Eng.

(Tape 89, Side A) SB 429 A-ENG. - SPECIFIES LIABILITY OF PERSONS PROVIDING ADVICE OR SERVICES

IN CONNECTION WITH OFFER, SALE OR PURCHASE OF SECURITIES. Witness: Frank Brawner, Oregon Bankers Association

289 MR. CONNOLLY reviews provisions of the bill.

309 FRANK BRAWNER, Oregon Bankers Association: The bill deserves to be passed; our problems have been resolved.

303 REP. WALDEN: I have been getting some information and am not ready to vote on the bill.

332 CHAIR SCHOON closes the work session on SB 429 A-Eng.

343 CHAIR SCHOON opens the public hearing and work session on SB 634 A-Eng.

(Tape 89, Side A) SB 634 A-ENG. - MODIFIES REGULATION OF PROPERTY AND CASUALTY INSURANCE UNDER INSURANCE CODE. Witnesses:Lana Butterfield, Oregon Professional Insurance Agents Sen. Bill Kennemer

The Senate Staff Measure Summary, Revenue Impact Analysis and Legislative Fiscal Impact Assessment are hereby made a part of these minutes (EXHIBIT H).

360 CHAIR SCHOON: I have a letter from Sen. Yih in support of SB 634 A-Eng. (EXHIBIT I).

366 REP. BARNES: SB 634 A-Eng. is similar to HB 2211 which passed the House some time ago. Are there any differences?

382 LANA BUTTERFIELD, Oregon Professional Insurance Agents, submits and reviews a memo on the history of SB 634 A-Eng. (EXHIBIT J). The only difference is in Section 11.

422 SEN. BILL KENNEMER: During the interim, named driver exclusion was an issue of considerable concern. I encourage passage of the bill.

435 MOTION: REP. STEIN moves SB 634 A-Eng. to floor with a DO PASS recommendation

443 VOTE: In a roll call vote, all members present vote AYE. REP. WALDEN is EXCUSED. REP. WALDEN votes AYE under suspension of rules (See Tape 89, Side B at 324).

445 CHAIR SCHOON declares the motion PASSED. Rep. Barnes will lead discussion on the Floor.

TAPE 88, SIDE B

021 CHAIR SCHOON opens the public hearing on SB 863 A-Eng.

SB 863 A-ENG. - INCREASES MAXIMUM RATE OF ASSESSMENT CHARGED AGAINST GROSS PREMIUMS OF INSURERS FOR FUNDING INSURANCE REGULATORY PROGRAM OF DEPARTMENT OF INSURANCE AND FINANCE. Witnesses:Charles Nicoloff, Insurance Division Al Thompson, Standard Insurance

The Senate Staff Measure Summary, Revenue Analysis and Legislative Fiscal Impact Assessment are hereby made a part of these minutes (EXHIBIT K).

028 CHARLES NICOLOFF, Acting Administrator, Insurance Division, Department of Insurance and Finance, submits and speaks from an outline of his testimony in support of SB 863 A-Eng. (EXHIBIT L).

075 REP. BARNES: Are you required to share your cost calculations with the industry so they know how your costs are determined?

076 MR. NICOLOFF: Absolutely. We have always shared that information. We are currently conducting a survey to determine what the level should be.

085 AL THOMPSON, Standard Insurance Company: I merely want to add that on the Senate side the industry, working with the department came to a compromise on the amount of assessments in this bill. We fully support the bill the way it is before you now.

097 MOTION: REP. BARNES moves that SB 863 A-Eng. be sent to the Floor with a DO PASS recommendation.

100 VOTE: In a roll call vote, all members present vote AYE. REPS. OAKLEY and WALDEN are EXCUSED. REP. WALDEN votes AYE under suspension of rules (See Tape 89, Side B at 329).

104 CHAIR SCHOON declares the motion PASSED. Rep. Naito will lead discussion on the Floor.

111 CHAIR SCHOON opens the public hearing and work session on SB 373 A-Eng.

(Tape 88, Side B) SB 373 A-ENG. - REQUIRES FIRE INSURANCE POLICIES TO CONTAIN PROVISION STATING THAT COMPANY WILL NOTIFY INSURED OF TIME LIMITATION FOR FILING ACTION. Witnesses: Jack Munro, American Insurance Association Bob Oleson, Oregon State Bar Professional Liability Fund

The Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis are hereby made a part of these minutes (EXHIBIT M).

111 JACK MUNRO, American Insurance Association, submits the SB 373-A5 amendments (EXHIBIT N). The amendments change the thrust of the bill, but without controversy. It deals with the same problem, but in a different manner. At various times the Oregon State Bar, members of the insurance industry, the Bar's Professional Liability Fund and the Oregon Trial Lawyers have been involved in discussion and it is my understanding that all those groups are in agreement and concur with the amendments.

Fire insurance policy provisions are in the statute. This provision deals with a statute of limitations after you cannot resolve disagreement about payment under the policy using a judicial remedy. That time limit is now 12 months. There was a suggestion by the proponents that members of the public found themselves going beyond the 12-month period for one reason or another and without the remedy to go to a court to resolve the issue.

As the bill came from the Senate it would put together a notice provision. There was a lot of discussion about what the nature of that notice should be, how big the window ought to be and what the responsibilities should be. The group agreed the problem would be much easier solved simply by going from 12 months to 24 months and providing the appropriate transitional language. That is what is in the amendments.

194 BOB OLESON, Oregon State Bar, Professional Liability Fund: From the consumer's point of view, who may or may not be represented by lawyers, this gives them a better window to assert their claims. We strongly favor the bill.

200 CHAIR SCHOON closes the public hearing on SB 373 A-Eng. and opens the work session.

200 MOTION: REP. NAITO moves that the SB 373A-5 amendments BE ADOPTED.

204 VOTE: CHAIR SCHOON, hearing no objection to the motion, declares the motion PASSED.

205 MOTION: REP. NAITO moves that SB 373 A-Eng., as amended, be sent to the Floor with a DO PASS recommendation.

210 VOTE: In a roll call vote, all members are present and vote AYE.

212 CHAIR SCHOON declares the motion PASSED. Rep. Walden will lead discussion on the Floor.

223 CHAIR SCHOON opens and closes the public hearing on HB 3582.

220 CHAIR SCHOON opens the public hearing on SB 874 A-Eng.

(Tape 88, Side B) (See also Tape 88, Side A at 010) SB 874 A-ENG. - ALLOWS DIRECTOR OF DEPARTMENT OF INSURANCE AND FINANCE TO PROMULGATE RULES TO ESTABLISH HAZARDOUS PAINTING CERTIFICATE PROGRAMS FOR PAINTING ACTIVITIES OTHER THAN PAINTING OF SINGLE-FAMILY OR MULTIPLE-FAMILY PRIVATE RESIDENCES. Witnesses: John Kirkpatrick, himself Sen. Joyce Cohen

240 JOHN KIRKPATRICK, representing himself, submits and reviews a packet of letters and news clippings in support of SB 874 A-Eng. (EXHIBIT O). SB 874 address concerns that we all share dealing with health and safety, education, training of the work force, and environmental issues such as proper disposal of toxic wastes. It provides answers that can be summed up by the simple statement, "training workers is much less expensive than treating victims."

The bill establishes a mandatory certification for painters in health and safety training. I have been in the painting profession for over 20 years and most recently I have spent the last two years educating myself in terms of how dangerous materials can be. Alaska recently passed a bill. It involves a 16-hour certification, which I believe would be a minimum standard. I am doing one right now through a grant from OROSHA at the community college on Saturdays. We take about eight hours to walk through the most basic information one time. We don't have time to address the safety aspects as much I would like to. In Alaska, they receive a three-year certificate and the expense is about \$100 for the license which goes into the General Fund. From my conversations with OROSHA they are not interested in that. They strictly want to administer it and help develop the criteria. Afterwards their inspectors who are already on the job site will ask the mechanic doing the work if he has a current certification card in his wallet. If not, a citation will be issued.

315 REP. NAITO: Does this mean that painters who paint private residences won't need certification.

318 MR. KIRKPATRICK: That is right. I was forced to make that compromise. Unfortunately, that is where we have some of our worst accidents and exposures and some of the worst abuse of DEQ requirement for proper disposal of waste materials.

346 SEN. JOYCE COHEN: This is not a bill I sponsored, but I carried it on the Floor of the Senate. I am convinced this is one of the ways we can actually get a handle on helping people to train themselves and giving them incentives to be professional in the complex area of chemicals and paints. These people can have information to protect themselves from workers' comp claims. I think it is a small step in the right direction to support this bill.

369 Issues discussed: >Whether an individual would be able to paint



his/her own building housing his/her business. >OSHA training for hazardous materials.

419 CHAIR SCHOON closes the public hearing on SB 874 A-Eng.

TAPE 89, SIDE B

009 CHAIR SCHOON opens the public hearing on HB 3582.

HB 3582 - AUTHORIZES PAYMENT OF UNPAID CLAIMS AGAINST DEFUNCT HEALTH CARE SERVICE CONTRACTOR TO HEALTH CARE SERVICE PROVIDER. Witnesses:Rep. Bob Repine Rep. Eldon Johnson Rep. Fred Parkinson John Powell, Blue Cross/Blue Shield of Oregon

015 REP. BOB REPINE: This bill deals with the provider of a medical program called Greater Oregon Health Services who was under a watch of the Department of Insurance and Finance and was then deemed insolvent. Through the course of that time when the provider was having problems, there was a lot of other small providers, pharmacies, doctors, chiropractors, who had money on the table and were left holding the bag based on the outcome of the liquidation.

This is one of those rare occasions where this company did not have written contracts with most of the providers. The law now says that written contracts are to be in place. I have talked to a lot of bill about this bill. There are some concerns and reluctancies of how they would go about dealing with this. As you hear the testimony from the Department of Insurance and Finance and others involved with it, there are some compromises that can be made so we aren't setting a precedent and make it look like the General Fund is the cash cow. We can help protect at least the cost aspects of the losses that are on the table and get through it without setting a precedent. The provider base is from Ashland to Astoria. There are over 300 pharmacies in Oregon that have some investment in the demise of this business.

051 REP. ELDON JOHNSON: I got started in this issue as a facilitator in getting the parties together and trying to figure out what the problem was and to determine if there was any reason to try to deal with the issue. I came to the conclusion there is a legitimate reason to believe that the losses would not have been as great had the State liquidated the facility at the time they took it over. The State, as an entity, has a responsibility to deal with this issue given that they made what turned out to be a bad decision by not liquidating at the time the property was taken over.

One of the things that will come up will be the issue of what is the extent of the liability. I think the agency can respond to that. I think it ranges from nothing to a couple of million dollars. The proposed method of dealing with it would be to reserve money in the E-Board against a resolution of the accounts of the organizations. Apparently the books are not in that good a shape. They are being built back together to understand exactly happened. Only the legitimate bills will be paid. As a result the payments would not be authorized until that had been done and that is estimated to be six months. There is a lot of work to be done by the State in their role in dealing with this. We are here to ask for enabling legislation to deal with the problem.

085 Issues discussed: >Operation losses under State control. >Whether citizens are entitled to reimbursement.

119 REP. FRED PARKINSON: These people are subscribers and pay a deductible and have no further obligation.

I am a pharmacy provider in real life and declare a CONFLICT OF INTEREST. We were told a month, or maybe three months, before we

probably had a contractual obligation to fill the prescriptions. It seemed like everything was going okay because the State had taken them over. We probably couldn't legally refuse, but we were assured almost on a day-by-day basis that the bills would be paid. The pharmacies continued to fill prescriptions. We didn't know there had been a change until the day it happened. You have a state agency that was not being truthful and has some responsibility.

140 Issues discussed: >Remedies for wrong doings in bankruptcy when receiver is not a public entity. >Amount of reimbursement.

210 REP. STEIN: I think there is a misdrafting on lines 24 and 25, "for legal services in civil matters to adult offenders."

213 REP. REPINE: We have always questioned that and don't know how it came in there. We have the HB 3582-1 amendments that will eliminate that section.

225 REP. NAITO: The first policy issue I can see is analogous to what Rep. Stein was saying. In the case of a receiver in a bankruptcy I would imagine the receiver would have insurance. In this case, I would say if there was inappropriate action on the State's part, then I think the State should back it up completely. I would be interested in knowing that.

The second issue would be whether the State as a receiver, just the fact that the State of Oregon in and of itself, lead people to believe they would be paid.

237 REP. REPINE: What makes this case more difficult is the fact that it was in transition between the past administrator of the department and the new administrator. I understand the Governor actually signed the insolvency papers. It is not like it has been in one person's pocket all the time. I think that has caused it to get more out of hand. There was a changing of the guard in the department and there was some possible break down of communications. I am not trying to blame anyone. I think the transition did not help the situation any.

252 REP. BARNES: Did your contract with this insurance company specify so many dollars for certain types of medicine for prescriptions.

253 REP. PARKINSON: My agreements are with a firm called Pharmaceutical Services Group (PSG). They contracted with Greater Oregon.

267 JOHN POWELL, Blue Cross/Blue Shield of Oregon: I have told Rep. Repine that we need to watch out for a precedence. From the angle of Blue Cross/Blue Shield, if it could be determined who did not have a contractual arrangement in this case, then perhaps something could be done to make whole some of those who lost. We did go through this last session where agreement was reached there should be contracts with the providers. I think for the most part they do now so the consumers are held harmless and are not injured in these cases.

The Insurance Division is in a very difficult situation. They were trying to hold it together for sale. If they told any of the parties, there would have been a run on the bank. I think the division attempted to act in good faith. When that fell through, the administrator at that time, whose last day was Friday, appealed to Blue Cross/Blue Shield to take over on May 1. As of May 1 it was taken care. They are talking about that period in the interim. We did not do it for our health and welfare but because we thought it would help the State and the people involved.

307 CHAIR SCHOON closes the public hearing on HB 3582.

308 MOTION: REP. RIJKEN moves that the rules be suspended to allow here to vote on passage of SB 666 A-Eng.

VOTE: CHAIR SCHOON, hearing no objection, declares the motion PASSED. REP. OAKLEY is EXCUSED.

312 REP. RIJKEN votes AYE on passage of SB 666 A-Eng.

313 MOTION: REP. NAITO moves that the rules be suspended to allow her to vote on passage of SB 666 A-Eng.

VOTE: CHAIR SCHOON, hearing no objection to the motion, declares the motion PASSED. REP. OAKLEY is EXCUSED.

314 REP. NAITO votes NO on passage of SB 666 A-Eng.

320 MOTION: REP. WALDEN moves that the rules be suspended to allow him to vote on passage of SB 634. REP. OAKLEY is EXCUSED.

VOTE: CHAIR SCHOON, hearing no objection to the motion, declares the motion PASSED.

324 REP. WALDEN votes AYE on passage of SB 634.

325 MOTION: REP. WALDEN moves that the rules be suspended to allow him to vote on passage of SB 382 and SB 863.

VOTE: CHAIR SCHOON, hearing no objection to the motion, declares the motion PASSED. REP. OAKLEY is EXCUSED.

328 REP. WALDEN votes AYE on passage of SB 382.

329 REP. WALDEN votes AYE on passage of SB 863.

331 CHAIR SCHOON declares the meeting adjourned at 9:55 a.m.

Respectfully submitted, Reviewed by,

Annetta MullinsTerry Connolly AssistantAdministrator

#### EXHIBIT SUMMARY

A -SB 874, Senate Staff Measure Summary, Legislative Fiscal Analysis and Revenue Impact Analysis, staff B -SB 666, Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis, staff C -SB 666, prepared statement, Frank Brawner D -SB 666, objections and responses, Frank Brawner E -SB 666, prepared statement, David Jack F -SB 382, Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis, staff G -SB 382, legislative summary, Steven Stadum H -SB 634, Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis, staff I -SB 634, letters in support, Sen. Mae Yih J -SB 634, prepared statement, Lana Butterfield K -SB 863, Senate Staff Measure Summary, Revenue Analysis and Fiscal Impact Assessment, staff L -SB 963, outline of testimony, Charlie Nicoloff M -SB 373, Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis, staff N -SB 373, SB 373-A5 amendments, Jack Munro O -SB 874, letters and news clippings, John Kirkpatrick