

House Committee on Business and Consumer Affairs
Subcommittee No. 1
May 21, 1991 - Page

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
SUBCOMMITTEE NO. 1

May 21, 1991
1:00 P.M.

Hearing Room F
Tapes 19 - 20

MEMBERS PRESENT: Rep. Jerry Barnes, Chair
Rep. Lisa Naito

Rep. John Schoon
Rep. Greg Walden

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

MEASURES

CONSIDERED:

SB 10 PH & WS

SB 271 PH

SB 832 PH & WS

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TAPE 19, SIDE A

004 CHAIR BARNES calls the meeting to order at 1:20 p.m. as a subcommittee of the subcommittee. Present are REPS. SCHOON and BARNES.

SB 271 - REQUIRES REDUCTION IN COMMERCIAL VEHICLE INSURANCE PREMIUMS FOR VEHICLES THAT HAVE APPROVED SPLASH AND SPRAY SUPPRESSANT DEVICES.

Witnesses: Ken Evert, State Highway Division
Brian Boe, National Association of Independent Insurers
Ginger Leach, Oregon Trucking Association
Dell Isham, Automobile Club of Oregon
Vern Schulte, Crump E&S Northwest
James E. Wallingford, himself
Mary Alice Bjork, Insurance Division
Jack Darley, Oregon Independent Insurance Agents
Richard Linderman, Madison and Davis Insurance Agency
Ray Hopp, Hopp Insurance Agency

Gary Hampton, Huntley Insurance Agencies
Lana Butterfield, Safeco Insurance
John Powell, State Farm Insurance Companies and North Pacific Insurance
Company
Jack Munro, American Insurance Association

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

011 KEN EVERT, State Highway Division, Permits and Weighmaster Section,
submits and reads
a prepared statement in support of SB 271 (EXHIBIT B).

041 CHAIR BARNES, upon arrival of REP. NAITO, notes the presence of a quorum
of the
subcommittee.

046 CHAIR BARNES: Is there a legal requirement that these trucks have
splash devices.

048 MR. EVERT: All vehicles over 80,000 gross weight, including triple
trailer combinations are
required when they run under a permit. To get to that weight or length,
they must have a permit.

057 REP. NAITO: Could we require these for trucks under 80,000 pounds?

059 MR. EVERT: I believe we could, but some of the problems in the past
have been mandating
which devices to use. The federal government has been studying that in
conjunction with the
states for over two decades and they cannot say specifically which devices
work the best.

065 BRIAN BOE, National Association of Independent Insurers, submits and
reads a prepared
statement in opposition to SB 271 (EXHIBIT C).

138 CHAIR BARNES: Do insurance companies inspect each tractor and trailer
when they insure
them?

MR. BOE: I believe there are certain site inspections that take place at
the time the policy is
written.

144 REP. NAITO: Are there other areas where we require discounts for
certain devices?

149 MR. BOE: The only one in statute that I am aware of is the 55 Alive
safety program for senior
citizens.

165 GINGER LEACH, Oregon Trucking Association, submits and reads a prepared
statement in
support of SB 271 (EXHIBIT D).

Issues discussed:

>Burden on insurance companies.
>Liability by trucking owners.

246 DELL ISHAM, Automobile Club of Oregon, submits a prepared statement in support of SB 271 (EXHIBIT E). This is an issue on which we get a tremendous number of contacts from members. It seems to be more of a problem in Oregon than in other states. Although they may feel at the national level there is no proof, our Oregon Department of Transportation feels it does help because there is a relationship between visibility and the ability to drive. Vehicles with a gross weight of 80,000 pounds are required by federal regulations to have splash and spray suppressant devices. Until the federal government mandate takes place, this may be one part of a solution to a very complicated problem. AAA supports SB 271 because it will give some additional incentive to reduce hazardous splash and spray from trucks.

376 VERN SCHULTE, Crump E&S Northwest, submits and reads a prepared statement in opposition to SB 271 (EXHIBIT F).

TAPE 20, SIDE A

010 JAMES E. WALLINGFORD, representing himself, submits and reads a prepared statement in opposition to SB 271 (EXHIBIT G).

067 MARY ALICE BJORK, Insurance Division: Our position is neutral. There is no fiscal impact. There are few companies who write this particular line of insurance; it is a specialty market. There is only one statute that mandates any kind of discount. It is the 55 Alive legislation which was passed in 1989. After that bill passed, companies filed for discounts. We saw discounts from two to seven percent. Companies have no actuarial figures to justify what they requested. To my knowledge companies have not been filing changes to the discounts. It may take from three to five years experience to see what the losses are. In my experience, insurance companies didn't write insurance without inspecting fleets regularly.

The division feels this probably would have a minimum effect on the insurance industry because many of the companies already use what they call "individual schedule rating." That is when they look at a risk after they have applied their base rates and take into consideration both subjectively and objectively aspects of that risk. One of those would be management's attitude toward safety. There may be companies that offer discounts for these safety devices. This bill would mandate that be one of the objectives in those schedule ratings.

128 JACK DARLEY, Oregon Independent Insurance Agents, introduces Mr. Richard Linderman and Ray Hopp, submits a prepared statement in opposition to SB 271 (EXHIBIT H) and asks that the committee vote no on the bill because they do not feel it is

justified.

145 RICHARD LINDERMAN, Madison and Davis Insurance Agency, Stayton: My agency and I are opposed to SB 271.

150 RAY HOPP, Hopp Insurance Agency, Newberg: I support the OPIA testimony.

155 GARY HAMPTON, Huntley Insurance Agencies, Sheridan: I want to go on record as opposed to this bill. I own an insurance agency in Sheridan, OR and as far as our agency is concerned we have never had a claim in this area. We write insurance on a lot of chip and log trucks.

161 LANA BUTTERFIELD, Safeco Insurance: Jim Perucca was not able to attend and I will put on record Safeco's opposition to the bill and submit their testimony (EXHIBIT I).

174 JOHN POWELL, State Farm Insurance Companies and North Pacific Insurance Company:

We oppose passage of SB 271. I will limit my testimony to reading from the testimony presented

by the Oregon Trucking Association on November 28, 1990 to the task force.

"In the first place

Oregon state carriers form a small minority of actual population running

the state." "Secondly,

of an Oregon interstate truck combinations presently operating on our

interstates, roughly sixty

percent are non van trailers, the type that either show little improvement

with suppressant devices

or of such design that splash and spray devices are literally impossible to

affix." "Third, the

trucking industry interchanges equipment, especially trailers, on a regular

basis. Many carriers,

for example, are called upon to pick up a loaded trailer from a shipper and

deliver it to a

particular customer. The carrier would have no control over whether splash

and spray devices

are affixed to the trailer." With that situation, in practical operation

of the trucking industry,

assigning a mandatory legislated rate reduction does not seem to make good

sense.

196 JACK MUNRO, American Insurance Association: I think you have heard quite adequately

from people who have preceded us that there is not much documentation to

suggest the nature

of the problem. There is certainly no documentation that spray and splash

devices will deal with

the alleged problem. I find it interesting that the Oregon Trucking

Association would indicate

that they believe these devices do something to reduce the problem, yet

they recognize they are

not effective on all vehicles and in some cases don't believe they are cost

effective and therefore

would not incur the cost of installing them. Yet they want somebody else

to provide a discount

for the devices on vehicles.

There was nobody from the insurance industry involved in the committee and can provide a list of those who participated.

237 CHAIR NAITO closes the public hearing on SB 271 and opens the public hearing on SB 10.

(Tape 20, Side A)

SB 10 A-ENG. - ALLOWS STATE AGENCIES TO REQUIRE THAT PAYMENTS TO AGENCIES ABOVE DESIGNATED AMOUNTS BE MADE BY ELECTRONIC FUNDS TRANSFER.

Witnesses: Gary Brubaker, Office of State Treasurer
Mike Ryan, Office of State Treasurer
Frank Brawner, Oregon Bankers Association and Oregon Automated Clearing House

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

GARY BRUBAKER, Office of State Treasurer, submits a prepared statement and data in support of SB 10 and proposing amendments (EXHIBIT K).

Issues discussed:

>Bill would apply to insurance companies that pay their premium taxes quarterly to the State of Oregon. It would apply to employers paying withholding taxes to the Department of Revenue.
>Process of paying by electronic funds transfer.
>Cost of using program will be less than issuing a check.
>The threshold or amount of transaction would be established through administrative rules.
>The Department of Revenue would probably be the last agency to implement the program. We have put together with the Department of Revenue an outline that for the year 1992, the threshold would be \$200,000. The threshold for 1993 would be \$50,000 and for 1994 and until such time as it made sense to lower it, it would be \$25,000 per payment.
>Security systems in electronics are superior to a paper-based system.
>Fee structures for use of system are established by financial institutions.

TAPE 19, SIDE B

008 REP. WALDEN: I would feel more comfortable if more of this were in the statute. I am not questioning the State Treasurer, but other people come and go and programs go on forever and promises get lost along the way unless they are anchored in statute.

017 CHAIR NAITO: If we were to pick a number as the designated lowest threshold, what would you suggest? I believe the banks that deal with these large amounts of depositors are going to keep the rates competitive for those valued customers. I would be more concerned about the charges on the smaller transactions.

023 MR. BRUBAKER: The reason we wanted to keep the threshold out of the statutes is to give us the most flexibility we can have because the world of cash management is

changing and evolving so quickly that we wanted maximum flexibility. We discussed the payment threshold yesterday and we would be very comfortable with a \$10,000 threshold if that would be acceptable.

028 MIKE RYAN, Executive Assistant, Oregon State Treasurer: Setting a threshold might preclude in the next two year period at least, the agencies with the assistance of the State Treasurer, to make a determination as to specific circumstances that might be below that \$10,000 threshold. Gary is much more knowledgeable in this area. In specific instances in tax delinquency payments, it might not be in the best interest of the state to move in specific instances for the collection of those in the electronic fashion. We don't know that at this point.

Part of this entire process would be the State Treasurer reporting back to the next Legislative Assembly what has transpired relative to this program. In addition, the administrative rule process is a very public process where criticisms, if you will, and all sorts of information come to bear on the financial detriment or benefit to the state of imposing some type of limit in the implementation of this measure. As it is now, it would allow the greatest flexibility. This is an expression, from the Treasurer's standpoint, of attempting to move us into the next century and to maximize those dollar available to the state.

I think it should be pointed out the real bottom line interest in this whole deal is to maximize the amount of money available to the state in a timely fashion that is owned to the state for investment purposes. We do have instances where organizations that do owe money to the state might open a bank account in South Carolina, or wherever, and meet the statutory requirements for the payment.

The intent behind the bill is not to cause disruption for individual tax payers or to dip so low that it would make no sense for the state to cause that kind of interference with individuals. It would end up costing the state more than we could possibly ever bring to you as the board of directors and prove that it would be a benefit to the State of Oregon and move forward.

069 FRANK BRAWNER, Oregon Bankers Association and Oregon Automated Clearing House:

The President of OACH is Morry Larsen, Senior Vice-President, First Interstate Bank. It is with Mr. Brubaker and Mr. Larsen's discussions over the last few days that the amendment is offered.

This is a national clearing house operation. The amendment is in Mr. Brubaker's testimony and

would fall into Section 2, the underlined section. It is really a sophisticated operation. The rules are very specific and require, for the most part, an authorization before there can be a debit. The language we ask you to insert in the statute requires the participant to give permission. It is very competitive and controlled by the same rule. It may be waived or paid by an institution depending on other business. In our discussion with the State Treasury it makes sense to leave the threshold flexible because if you are dealing with TT&L (treasury, tax and loan dollars), most of which are made through the banks, the employer's bank is paying the taxes at the instruction of the employer today. This would simply speed up the process and make it more efficient. We support the bill with these amendments and look forward to modernizing an operation of state government. State government will benefit and so will those who participate in it.

112 We are going to be at the administrative rule hearings when they set the threshold because I still have a few country banks that, even though they are members of the Oregon Automated Clearing House, do not have hardware sufficient to communicate. If we drop the threshold too low and catch my little bank in Dallas which is the smallest bank in the state with \$15 million, and a couple of his employers have to change banks in order to play, I will not be very happy and neither is the bank in Dallas. If you are talking in terms that Mr. Brubaker was talking in, we are not going to have any problem complying.

120 All banks, credit unions and savings and loans in Oregon are supposed to be able to communicate totally in the next year. We are on the front edge of seeing this happen. It happens today in the private section to reduce the paper and if it is a given that you are going to use EFT in the transfer of funds today in the private world; it ought to be for government as well.

I appreciate the concerns that have been expressed. We don't find those concerns, particularly with this amendment.

131 CHAIR NAITO closes the public hearing and opens the work session on SB 10.

140 MOTION: REP. SCHOON moves that SB 10 be amended to include the amendments in Mr. Brubaker's testimony and that the bill be sent to the full committee with a DO PASS recommendation.

147 VOTE: In a roll call vote, REPS. SCHOON, WALDEN and CHAIR NAITO vote AYE. REP. BARNES is EXCUSED.

149 CHAIR NAITO declares the motion PASSED.

145 CHAIR NAITO opens the public hearing on SB 832.

(Tape 19, Side B)
SB 832 - LIMITS TRUST COMPANIES AND NATIONAL BANKS FROM INVESTING RUST FUNDS IN STOCK OR OBLIGATIONS OF, OR PROPERTY ACQUIRED FROM, CERTAIN INDIVIDUALS AND ORGANIZATIONS.
Witness: Frank Brawner, Oregon Bankers Association

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

153 FRANK BRAWNER, Oregon Bankers Association, submits and reads a prepared statement in support of SB 832 (EXHIBIT M).

231 CHAIR NAITO closes the public hearing and opens the work session on SB 832 .

MOTION: REP. WALDEN moves that SB 832 be sent to the Full Committee with a DO PASS recommendation.

234 VOTE: In a roll call vote, all members present vote AYE. REP. BARNES is EXCUSED.

236 CHAIR NAITO declares the motion PASSED.

239 CHAIR NAITO declares the meeting adjourned at 2:32 p.m.

Respectfully submitted, Reviewed by,

Annetta MullinsTerry Connolly
AssistantAdministrator

EXHIBIT SUMMARY

A -SB 271, Senate Staff Measure Summary, Revenue Impact Analysis and Fiscal Impact Assessment, staff
B -SB 271, prepared statement, Ken Evert
C -SB 271, prepared statement, Brian Boe
D -SB 271, prepared statement, Ginger Leach
E -SB 271, prepared statement, Dell Isham
F -SB 271, prepared statement, Vern Schulte
G -SB 271, prepared statement, James E. Wallingford
H -SB 271, prepared statement, Jack Darley
I -SB 271, prepared statement, Lana Butterfield
J -SB 10, Senate Staff Measure Summary, Legislative Fiscal Analysis and Revenue Analysis, staff
K -SB 10, prepared statement and data, Gary Brubaker
L -SB 832, Senate Staff Measure Summary, Legislative Fiscal Impact Assessment and Revenue Impact Analysis, staff
M -SB 832, prepared statement, Frank Brawner