

(Including Amendments to Resolve Conflicts)

B-Engrossed House Bill 2783

Ordered by the Senate June 4
Including House Amendments dated May 4 and Senate Amendments dated
June 4

Sponsored by Representative SHIELDS; Representatives BONAMICI, BRUUN, BUCKLEY, CAMERON, CLEM, C
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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Requires insurer providing workers' compensation coverage to provide notice of termination of coverage 45 days prior to effective date of termination. Provides exceptions.

A BILL FOR AN ACT

1
2 Relating to termination of workers' compensation coverage; creating new provisions; and amending
3 ORS 656.427.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 656.427 is amended to read:

6 656.427. (1) An insurer that issues a guaranty contract or a surety bond to an employer under
7 this chapter may terminate liability on its contract or bond, as the case may be, by giving the em-
8 ployer and the Director of the Department of Consumer and Business Services notice of termination
9 in accordance with rules adopted by the director. A notice of termination shall state the effective
10 date of termination.

11 (2) An insurer may terminate liability under this section as follows:

12 (a) If the termination of a guaranty contract is for reasons other than those set forth in [*para-*
13 *graph (b)*] **paragraphs (b) and (c)** of this subsection, it is effective at 12 midnight not less than
14 [30] **45** days after the date the notice is mailed to the employer.

15 (b) If the termination of a guaranty contract is based on the insurer's decision not to offer in-
16 surance to employers within a specific premium category, it is effective not sooner than 90 days
17 after the date the notice is mailed to the employer.

18 **(c) If the termination of a guaranty contract is based on nonpayment of premium, the**
19 **termination is effective not sooner than 10 days after the date the notice is mailed to the**
20 **employer.**

21 [(c)] **(d)** The termination of a surety bond is effective at 12 midnight not less than 30 days after
22 the date the notice is received by the director.

23 (3) Notice to the employer under this section shall be given by mail, addressed to the employer
24 at the last-known address of the employer. If the employer is a partnership, notice may be given to
25 any of the partners. If the employer is a limited liability company, notice may be given to any

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 manager, or in a member managed limited liability company, to any of the members. If the employer
2 is a corporation, notice may be given to any agent or officer of the corporation under whom legal
3 process may be served.

4 (4) Termination shall in no way limit liability that was incurred under the guaranty contract
5 or surety bond prior to the effective date of the termination.

6 (5) If, before the effective date of a termination under this section, the employer gives notice to
7 the insurer that it has not obtained coverage from another insurer and intends to become insured
8 under the assigned risk plan established under ORS 656.730, the insurer shall insure that continuing
9 coverage is provided to the employer under the plan without further application by the employer,
10 transferring the risk to the plan as of the effective date of termination. If the insurer is a servicing
11 carrier under the plan, it shall continue to provide coverage for the employer as a servicing carrier,
12 at least until another servicing carrier is provided for the employer in the normal course of admin-
13 istering the plan. If the insurer is not a servicing carrier, it shall apply to the plan for coverage on
14 the employer's behalf. Nothing in this section is intended to limit the authority of administrators
15 of the plan to require the employer to provide deposits or to make payments consistent with plan
16 requirements. However, the rules of the plan shall allow any deposit requirements imposed by the
17 plan to be deferred for as long as one year.

18 **SECTION 2.** If Senate Bill 559 becomes law, ORS 656.427, as amended by section 1 of this 2007
19 Act, is amended to read:

20 656.427. (1) An insurer that issues [*a guaranty contract or a surety bond*] **a workers' compen-**
21 **sation insurance policy or surety bond** to an employer under this chapter may [*terminate liability*
22 *on its contract or bond, as the case may be,*] **cancel the policy or surety bond prior to the expi-**
23 **ration date of the policy or surety bond** by giving the employer and the Director of the Depart-
24 ment of Consumer and Business Services notice of [*termination*] **cancellation** in accordance with
25 rules adopted by the director. [*A notice of termination shall state the effective date of termination.*]
26 **Notice required under this section must be provided to the director within 10 calendar days**
27 **after the effective date of the cancellation provided in the notice given to the employer.**

28 (2) An insurer may [*terminate liability*] **cancel a workers' compensation insurance policy or**
29 **surety bond** under this section as follows:

30 (a) If the [*termination of a guaranty contract*] **cancellation of a workers' compensation in-**
31 **surance policy** is for reasons other than those set forth in paragraphs (b) and (c) of this subsection,
32 it is effective at 12 midnight not less than 45 days after the date the notice is mailed to the em-
33 ployer.

34 (b) If the [*termination of a guaranty contract*] **cancellation of a workers' compensation in-**
35 **surance policy** is based on the insurer's decision not to offer insurance to employers within a spe-
36 cific premium category, it is effective not sooner than 90 days after the date the notice is mailed to
37 the employer.

38 (c) If the [*termination of a guaranty contract*] **cancellation of a workers' compensation in-**
39 **surance policy** is based on nonpayment of premium, the [*termination*] **cancellation** is effective not
40 sooner than 10 days after the date the notice is mailed to the employer.

41 (d) The [*termination*] **cancellation** of a surety bond is effective at 12 midnight not less than 30
42 days after the date the notice is received by the director.

43 **(3) An insurer may nonrenew a workers' compensation insurance policy by providing**
44 **notice in the manner provided for in subsection (2) of this section.**

45 [(3)] (4) Notice to the employer under this section shall be given by mail, addressed to the em-

1 ployer at the last-known address of the employer. If the employer is a partnership, notice may be
2 given to any of the partners. If the employer is a limited liability company, notice may be given to
3 any manager, or in a member managed limited liability company, to any of the members. If the
4 employer is a corporation, notice may be given to any agent or officer of the corporation under
5 whom legal process may be served.

6 [(4)] (5) **[Termination] Cancellation of a workers' compensation insurance policy or surety**
7 **bond** shall in no way limit liability that was incurred under the [*guaranty contract or surety bond*]
8 **policy or surety bond** prior to the effective date of the [*termination*] **cancellation**.

9 [(5)] (6) If, before the effective date of a [*termination*] **cancellation** under this section, the em-
10 ployer gives notice to the insurer that it has not obtained coverage from another insurer and intends
11 to become insured under the assigned risk plan established under ORS 656.730, the insurer shall
12 [*insure*] **ensure** that continuing coverage is provided to the employer under the plan without further
13 application by the employer, transferring the risk to the plan as of the effective date of
14 [*termination*] **cancellation**. If the insurer is a servicing carrier under the plan, it shall continue to
15 provide coverage for the employer as a servicing carrier, at least until another servicing carrier is
16 provided for the employer in the normal course of administering the plan. If the insurer is not a
17 servicing carrier, it shall apply to the plan for coverage on the employer's behalf. Nothing in this
18 section is intended to limit the authority of administrators of the plan to require the employer to
19 provide deposits or to make payments consistent with plan requirements. However, the rules of the
20 plan shall allow any deposit requirements imposed by the plan to be deferred for as long as one year.

21 (7) **The cancellation of a workers' compensation insurance policy under this section is**
22 **effective on the earliest of:**

23 (a) **The expiration of the term of the policy;**

24 (b) **The effective date of a cancellation under subsection (2) of this section; or**

25 (c) **The effective date of a policy for which another insurer makes a proof of coverage**
26 **filing on behalf of the employer.**

27 **SECTION 3.** If Senate Bill 559 becomes law, ORS 656.427, as amended by section 3, chapter
28 _____, Oregon Laws 2007 (Enrolled Senate Bill 559), is amended to read:

29 656.427. (1) An insurer that issues a workers' compensation insurance policy or surety bond to
30 an employer under this chapter may cancel the policy or surety bond prior to the expiration date
31 of the policy or surety bond by giving the employer and the Director of the Department of Consumer
32 and Business Services notice of cancellation in accordance with rules adopted by the director. No-
33 tice required under this section must be provided to the director within 10 calendar days after the
34 effective date of the cancellation provided in the notice given to the employer.

35 (2) An insurer may cancel a workers' compensation insurance policy or surety bond under this
36 section as follows:

37 (a) If the cancellation **of a workers' compensation insurance policy** is for reasons other than
38 those set forth in [*paragraph (b)*] **paragraphs (b) and (c)** of this subsection, it is effective at 12
39 midnight not less than [30] **45** days after the date the notice is mailed to the employer.

40 (b) If the cancellation **of a workers' compensation insurance policy** is based on the insurer's
41 decision not to offer insurance to employers within a specific premium category, it is effective not
42 sooner than 90 days after the date the notice is mailed to the employer.

43 (c) **If the cancellation of a workers' compensation insurance policy is based on nonpay-**
44 **ment of premium, the cancellation is effective not sooner than 10 days after the date the**
45 **notice is mailed to the employer.**

1 [(c)] (d) The [termination] **cancellation** of a surety bond is effective at 12 midnight not less than
2 30 days after the date the notice is received by the director.

3 (3) An insurer may nonrenew a workers' compensation insurance policy by providing notice in
4 the manner provided for in subsection (2) of this section.

5 (4) Notice to the employer under this section shall be given by mail, addressed to the employer
6 at the last-known address of the employer. If the employer is a partnership, notice may be given to
7 any of the partners. If the employer is a limited liability company, notice may be given to any
8 manager, or in a member managed limited liability company, to any of the members. If the employer
9 is a corporation, notice may be given to any agent or officer of the corporation under whom legal
10 process may be served.

11 (5) Cancellation of a workers' compensation insurance policy or surety bond shall in no way
12 limit liability that was incurred under the policy or surety bond prior to the effective date of the
13 cancellation.

14 (6) If, before the effective date of a cancellation under this section, the employer gives notice
15 to the insurer that it has not obtained coverage from another insurer and intends to become insured
16 under the assigned risk plan established under ORS 656.730, the insurer shall ensure that continuing
17 coverage is provided to the employer under the plan without further application by the employer,
18 transferring the risk to the plan as of the effective date of cancellation. If the insurer is a servicing
19 carrier under the plan, it shall continue to provide coverage for the employer as a servicing carrier,
20 at least until another servicing carrier is provided for the employer in the normal course of admin-
21 istering the plan. If the insurer is not a servicing carrier, it shall apply to the plan for coverage on
22 the employer's behalf. Nothing in this section is intended to limit the authority of administrators
23 of the plan to require the employer to provide deposits or to make payments consistent with plan
24 requirements. However, the rules of the plan shall allow any deposit requirements imposed by the
25 plan to be deferred for as long as one year.

26 (7) The cancellation of a workers' compensation insurance policy under this section is effective
27 on the earliest of:

28 (a) The expiration of the term of the policy;

29 (b) The effective date of a cancellation under subsection (2) of this section; or

30 (c) The effective date of a policy for which another insurer makes a proof of coverage filing on
31 behalf of the employer.

32 **SECTION 4. If Senate Bill 559 becomes law, the amendments to ORS 656.427 by sections**
33 **2 and 3 of this 2007 Act become operative on July 1, 2009.**

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